FILING STATEMENT OF

CUB ENERGY INC.

CONCERNING THE BUSINESS COMBINATION OF

CUB ENERGY INC.

AND

GASTEK LLC

MARCH 20, 2012

NEITHER THE TSX VENTURE EXCHANGE NOR ANY SECURITIES REGULATORY AUTHORITY HAS IN ANY WAY PASSED UPON THE MERITS OF THE TRANSACTION DESCRIBED IN THIS FILING STATEMENT.

TABLE OF CONTENTS

GLOSSARY

"**Acquisition Proposal**" means a proposal or offer by a third party to: (a) acquire in any manner, directly or indirectly, beneficial ownership of all or a material portion of the assets of CUB; (b) to acquire in any manner, directly or indirectly, beneficial ownership of or control or direction over more than 20% of the outstanding voting shares of CUB; or (c) to combine with CUB, whether by:

(a) an arrangement, amalgamation, merger, consolidation, joint venture, partnership or other business combination;

(b) by means of a recapitalization or sale of shares in the capital of CUB (which for greater certainty shall include the issuance of securities from treasury); or

(c) a tender offer or exchange offer or similar transaction involving CUB;

including any single or multi-step transaction or series of related transactions which is structured to permit such third party to acquire in any manner, directly or indirectly beneficial ownership of all or a material portion of the assets of CUB, beneficial ownership of or control or direction over more than 20% of the outstanding voting shares of CUB, or to amalgamate, merge or otherwise combine with CUB, or any public announcement of an intention to do any of the foregoing;

"**Affiliate**" means a Company that is affiliated with another Company as described below. A Company is an "Affiliate" of another Company if:

(a) one of them is the subsidiary of the other; or

(b) each of them is controlled by the same Person. A Company is "controlled" by a Person if:

   (i) voting securities of the Company are held, other than by way of security only, by or for the benefit of that Person; and

   (ii) the voting securities, if voted, entitle the Person to elect a majority of the directors of the Company. A Person beneficially owns securities that are beneficially owned by:

      (1) a Company controlled by that Person; or

      (2) an Affiliate of that Person or an Affiliate of any Company controlled by that Person.

"**Arm's-Length Transaction**" means a transaction which is not a Related Party Transaction.

"**Articles of Continuance**" means the articles of continuance of CUB filed pursuant to the CBCA providing for the Continuance.

"**Associate**" when used to indicate a relationship with a Person, means**:**

(a) an issuer of which the Person beneficially owns or controls, directly or indirectly, voting securities entitling him or it to more than 10% of the voting rights attached to outstanding securities of the issuer,

(b) any partner of the Person,

(c) any trust or estate in which the Person has a substantial beneficial interest or in respect of which a Person serves as trustee or in a similar capacity,

(d) in the case of a Person that is an individual, a relative of that Person, including

   (i) that Person's spouse or child, or

(ii) any relative of the Person or of his or her spouse who has the same residence as that Person;

but

(e) where the Exchange determines that two Persons shall, or shall not, be deemed to be associates with respect to a Member firm, Member corporation or holding company of a Member corporation (as such terms are defined in the Exchange's Rule Book and Policies), then such determination shall be determinative of their relationships in the application of Rule D.1.00 of the Exchange's Rule Book and Policies with respect to that Member firm, Member corporation or holding company.

"**CBCA**" means the *Canada Business Corporations Act*, as amended from time to time.

"**Closing Date**" means the date of closing of the Transaction.

"**COGE Handbook**" means the Canadian Oil and Gas Evaluation Handbook prepared jointly by the Society of Petroleum Evaluation Engineers (Calgary chapter) and the Canadian Institute of Mining, Metallurgy & Petroleum.

"**Company**" unless specifically indicated otherwise, means a corporation, incorporated association or organization, body corporate, partnership, trust, association or other entity other than an individual.

"**Continuance**" means the continuance of CUB, pursuant to the Articles of Continuance from a corporation governed by the OBCA to a corporation governed by the CBCA.

"**Control Person**" means any Person that holds or is one of a combination of Persons that holds a sufficient number of any of the securities of an issuer so as to affect materially the control of that issuer, or that holds more than 20% of the outstanding voting securities of an issuer except where there is evidence showing that the holder of those securities does not materially affect the control of the issuer.

"**Cormark**" means Cormark Securities Inc.

"**CPC**" means a corporation:

(a) that has been incorporated or organized in a jurisdiction in Canada;

(b) that has filed and obtained a receipt for a preliminary CPC prospectus from one or more of the securities regulatory authorities in compliance with the CPC Policy; and

(c) in regard to which the completion of the Qualifying Transaction has not yet occurred.

"**CPC Policy**" means Policy 2.4 – *Capital Pool Companies* of the Exchange.

"**CUB**" or the "**Corporation**" means CUB Energy Inc. (formerly 3P International Energy Corp.), a corporation governed by the CBCA.

"**CUB Board**" means the board of directors of CUB, as constituted from time to time.

"**CUB Circular**" means the management information circular of CUB prepared in connection with the CUB Meeting.

"**CUB Meeting**" means the annual and special meeting of shareholders of CUB held on December 2, 2011.

"**CUB Options**" means the stock options of CUB.

"**CUB Option Plan**" means the stock option plan of CUB.

"**CUB Shareholders**" means all of the shareholders of CUB.

"**CUB Shares**" means the common shares in the capital of CUB as constituted on the date hereof.

"**CUB Subscription Receipts**" means the subscription receipts of CUB issued pursuant to the private placement which closed on November 25, 2011, each of which will be converted into one CUB Share immediately upon the satisfaction of certain conditions, for no additional payment and without any further action on the part of the holder.

"**CUB Warrants**" means common share purchase warrants of CUB.

"**EBRD Credit Facility**" means the European Bank of Reconstruction and Development secured credit facility of KUB-Gas providing for up to US$40 million in borrowed capital and maturing on May 20, 2018.

"**Escrow Agreement**" means the TSXV Form 5D – Value Escrow Agreement, pursuant to which approximately 124,778,089 CUB Shares issued in connection with the Transaction are to be deposited and held in escrow pursuant to the policies of the Exchange.

"**Exchange**" or "**TSXV**" means the TSX Venture Exchange Inc.

"**Fairness Opinion**" means the opinion of Cormark provided to the CUB Board dated February 15, 2012, a copy of which is attached as Exhibit H to this Filing Statement.

"**Filing Statement**" means this filing statement of CUB dated February 15, 2012.

"**Final Exchange Bulletin**" means the bulletin of the Exchange issued following closing of the Transaction and the submission of all required documentation and that evidences the final acceptance of the Transaction by the Exchange.

"**Gastek**" means Gastek LLC, a limited liability company governed by the laws of the State of California.

"**Gastek Units**" means the units in the capital of Gastek as constituted on the date hereof.

"**IAS**" means International Accounting Standards.

"**IFRS**" means International Financial Reporting Standards.

"**Insider**" if used in relation to an issuer, means:

(a) a director or senior officer of an issuer;

(b) a director or senior officer of the Company that is an Insider or subsidiary of an issuer;

(c) a Person that beneficially owns or controls, directly or indirectly, voting shares carrying more than 10% of the voting rights attached to all outstanding voting shares of an issuer; or

(d) an issuer itself if it holds any of its own securities.

"**Jasel**" means Jasel International Corp., a corporation governed by the laws of the Republic of the Marshall Islands;

"**KOL Cyprus**" means Kulczyk Oil Ventures Limited, a company governed by the laws of Cyprus, being a wholly-owned subsidiary of Kulczyk.

"**KUB-Gas**" means KUB-Gas LLC, a company governed by the laws of Ukraine.

"**Kulczyk**" means Kulczyk Oil Ventures Inc., the parent company of KOL Cyprus.

"**Kubgas Holdings**" means Kubgas Holdings Limited, a company governed by the laws of Cyprus, which is a 30% owned subsidiary of Gastek and a 70% owned subsidiary of KOL Cyprus.

"**Material Adverse Change**" or "**Material Adverse Effect**" means, in respect of each of CUB and Gastek, any change, effect, event, development, occurrence, circumstance or state of facts that, individually or in the aggregate, is, or could reasonably be expected to be, material and adverse to the business, operations or financial condition, property, assets, liabilities (contingent or otherwise) or prospects of CUB and its subsidiaries, taken as a whole, or of Gastek and its subsidiaries, taken as a whole (which, for the purposes of this definition, KUB-Gas being deemed to be a subsidiary of Gastek), respectively, or that would prevent or significantly impede the Transaction or the completion of the other transactions contemplated by the Securities Exchange Agreement and the Transaction documents, other than: (i) any change, effect, event, development, occurrence, circumstance or state of facts relating to: (a) any change in general economic conditions in Canada, the United States or the Ukraine or any change in Canadian, United States or Ukraine financial, banking or currency exchange markets; (b) any change or development resulting from any act of terrorism or any outbreak of hostilities or war (or any escalation or worsening thereof) or any natural disaster; (c) any change or development affecting the oil and gas industry generally or the specific industries in which CUB and its subsidiaries or Gastek and its subsidiaries operate; (d) any changes in the market price for crude oil, natural gas or related hydrocarbons; or (e) any changes or proposed changes in laws not specifically directed at CUB or Gastek, as the case may be, or their respective subsidiaries or the interpretation, application or non-application of such laws by any governmental authority; provided, however, that any such change referred to in clauses (a) to (e) above does not primarily relate only to (or have the effect of primarily relating only to) CUB and its subsidiaries, taken as a whole, or Gastek and its subsidiaries, taken as a whole, or disproportionately adversely affect CUB and its subsidiaries, taken as a whole, or Gastek and its subsidiaries, taken as a whole, compared to other entities of similar size operating in the industries in which CUB and its subsidiaries or Gastek and its subsidiaries, respectively, operate; or (ii) a change in the trading price of the CUB Shares following or reasonably attributable to any of the items in clauses (i)(a) to (e) above, individually or in the aggregate, or the disclosure of the Transaction and the other transactions contemplated in the Securities Exchange Agreement.

"**National Instrument 51-101**" or "**NI 51-101**" means National Instrument 51-101 – *Standards of Disclosure for Oil and Gas Activities*, as adopted by the Canadian Securities Administrators.

"**National Instrument 51-102**" or "**NI 51-102**" means National Instrument 51-102 – *Continuous Disclosure Obligations*, as adopted by the Canadian Securities Administrators.

"**National Instrument 54-101**" or "**NI 54-101**" means National Instrument 54-101 – *Communication with Beneficial Owners of Securities of a Reporting Issuer*, as adopted by the Canadian Securities Administrators.

"**Non-Arm's Length Party**" means: (a) in relation to a Company, a promoter, officer, director, other Insider or Control Person of that Company (including an issuer) and any Associates or Affiliates of any of such Persons; and (b) in relation to an individual, means any Associate of the individual or any Company of which the individual is a promoter, officer, director, Insider or Control Person.

"**OBCA**" means the *Business Corporations Act* (Ontario), as amended from time to time.

"**Parma**" means Parma Limited, a corporation governed by the laws of Liberia.

"**Pelicourt**" means Pelicourt Limited, a corporation governed by the laws of Cyprus.

"**Person**" has the meaning given thereto under the OBCA.

"**Qualifying Transaction**" has the meaning specified in Policy 2.4 – *Capital Pool Companies*.

"**Related Party Transaction**" has the meaning ascribed to that term under Multilateral Instrument 61-101 – *Protection of Minority Shareholders in Special Transactions*.

"**Resulting Issuer**" means CUB following the completion of the Transaction and the issuance of the Final Exchange Bulletin.

"**Resulting Issuer Option Plan**" means the incentive stock option plan of the Resulting Issuer to be effective upon completion of the Transaction.

"**Reverse Takeover**" or "**RTO**" has the meaning specified in Policy 5.2 – *Changes of Business and Reverse Take-Overs*.

"**RPS Report**" means the report of RPS Energy entitled "*Evaluation of Natural Gas Reserves and Resources in Ukraine as of 31st July, 2011*" and dated December 14, 2011 on the properties held by KUB-Gas, prepared in accordance with NI 51-101.

"**Securities Exchange Agreement**" means the securities exchange agreement dated January 26, 2012 among CUB, Pelicourt, Gastek and the Vendor Shareholders, as the same may be amended, restated, supplemented or otherwise modified from time to time, providing for, among other things, the Transaction.

"**SEDAR**" means the System for Electronic Document Analysis and Retrieval.

"**SEDI**" means System for Electronic Disclosure by Insiders.

"**Sponsor**" has the meaning specified in Policy 2.2 – *Sponsorship and Sponsorship Requirements of the Exchange*.

"**Tax Act**" means the *Income Tax Act* (Canada) and the regulations promulgated thereunder.

"**Time of Closing**" means 8:00 a.m. (Toronto Time) on the Closing Date.

"**Transaction**" means the Reverse Takeover business combination of Gastek and CUB whereby CUB will issue 123,278,089 CUB Shares to Pelicourt in order to acquire all of the outstanding Gastek Units.

"**TSXV Corporate Finance Manual**" means the Corporate Finance Manual of the Exchange.

"**Tysagaz**" means JSC Tysagaz, a wholly-owned subsidiary of CUB governed by the laws of Ukraine.

"**Tysagaz Agreement**" means the agreement dated as of May 24, 2011, as amended, between Geloni Foundation and CUB whereby CUB purchased JSC Tysagaz.

"**Vendor Shareholders**" means, collectively, Mikhael Afendikov, Andreas Tserni, Valentin Bortnik and Robert Bensh.

CURRENCY PRESENTATION AND EXCHANGE RATE INFORMATION

All currency amounts in this Filing Statement are expressed in Canadian or US dollars as denoted by "C$" or "US$" respectively. The high, low and closing spot rates for one United States dollar (US$1.00) in terms of Canadian dollars for each of the financial periods of CUB ended December 31, 2011, June 30, 2011, June 30, 2010, and June 30, 2009, as quoted by the Bank of Canada, were as follows:

	December 31, 2011	June 30, 2011	June 30, 2010	June 30, 2009
High..................................	$1.0604	$1.0665	$0.9988	$1.2991
Low...................................	$0.9449	$0.9464	$1.1676	$1.0014
Close..................................	$1.0170	$0.9625	$1.0495	$1.1511

On March 15, 2012, the noon spot rate for a United States dollar in terms of Canadian dollars, as quoted by the Bank of Canada, was US$1.00 = C$.9929.

FORWARD LOOKING INFORMATION

This Filing Statement contains certain forward-looking information or forward-looking statements within the meaning of applicable securities laws. All statements, other than those of historical fact, which address activities, events, outcomes, results, developments, performance or achievements that CUB, Gastek and the Resulting Issuer anticipates or expects may or will occur in the future (in whole or in part) should be considered forward-looking information. Such information may involve, but is not limited to, comments with respect to strategies, expectations, planned operations and future actions of the Resulting Issuer. Forward-looking information is frequently characterized by words such as "plan", "expect", "project", "intend", "believe", "anticipate", "estimate" and other similar words, or statements that certain events or conditions "may" or "will" occur. In particular, forward-looking information and forward-looking statements in this Filing Statement include, but are not limited to, statements or information with respect to, anticipated benefits resulting from the Transaction, the timing and success of applications to obtain approvals required with respect to the Transaction, the description of the Resulting Issuer that assumes completion of the Transaction and the nature of the business and operations of the Resulting Issuer following the completion of the Transaction. Statements relating to "reserves" are deemed to be forward-looking statements, as they involve the implied assessment, based on certain estimates and assumptions that the reserves described can be profitably produced in the future.

Forward-looking information and forward-looking statements are based on currently available competitive, financial and economic data and operating plans, strategies or beliefs as of the date of this Filing Statement, but involve known and unknown risks, uncertainties, assumptions and other factors that may cause the actual results, performance or achievements of CUB, Gastek or the Resulting Issuer, or industry results, as applicable, to be materially different from any future results, performance or achievements expressed or implied by the forward-looking information. Such factors include, among others, the risks and uncertainties involved in satisfying the conditions to close the Transaction, the difficulties associated with the nature of the Resulting Issuer's business operations following the Transaction as well as the factors discussed in the section entitled "Risk Factors" in this Filing Statement. Some of the risks and other factors that could cause the results to differ materially from those expressed in the forward-looking information include, but are not limited to: exploration, development and production risks; risks of foreign operations; the volatility of oil and gas prices and markets; enforcement of contractual relationships; industry conditions; uncertainty regarding interpretation and application of foreign laws and regulations; risks relating to the Resulting Issuer's ability to raise additional financing; liquidity risk; risks of annulling concessions held by the Resulting Issuer; risks relating to licences and permits of the

Resulting Issuer; risks related to the early stage of development of the business to be conducted by the Resulting Issuer; risks related to the uncertainty of resource estimates; reliance by the Resulting Issuer on industry partners; risks related to reliance on third-party operators; foreign exchange risks and hedging; risk that the Transaction is not completed; risks relating to the failure of the Resulting Issuer to realize the anticipated benefits of acquisitions and dispositions; the availability of drilling equipment and the ability of the Resulting issuer to access such equipment; risk relating to the ability of the Resulting Issuer to complete current projects; risk of delays in business operations; risk relating to title to properties and assets of the Resulting Issuer; risks relating to key personnel; price volatility of publicly traded securities; risks relating to the management of growth by the Resulting Issuer; conflicts of interests; environmental regulation and risks; risks related to legal proceedings; and risk relating to the global economy and the global economic crisis. Although CUB and Gastek have attempted to identify important factors that could cause actual actions, events or results to differ materially from those described in forward-looking statements and forward-looking information, there may be other factors that cause actions, events or results to differ from those anticipated, estimated or intended. Readers are cautioned that this list of risk factors should not be construed as exhaustive.

The forward-looking statements or information contained in this Filing Statement are made as of the date hereof and CUB, Gastek and the Resulting Issuer undertake no obligation to update or revise any forward-looking statements or information, whether as a result of new information, future events or otherwise unless required by applicable securities legislation. There can be no assurance that forward-looking statements and forward-looking information will prove to be accurate, as actual results and future events could differ materially from those anticipated in such statements and information. Accordingly, readers should not place undue reliance on forward-looking statements and forward-looking information due to the inherent uncertainty in them. All forward-looking statements and forward looking-information contained in this Filing Statement are expressly qualified by this cautionary statement.

MARKET AND INDUSTRY DATA

The market and industry data contained in this Filing Statement is based upon information from independent industry and other publications and the knowledge of management of CUB or Gastek, and their experience in the industry in which each of them operates. None of the sources of market and industry data have provided any form of consultation, advice or counsel regarding any aspect of, or is in any way whatsoever associated with, the Transaction. Market and industry data is subject to variations and cannot be verified with complete certainty due to limits on the availability and reliability of raw data at any particular point in time, the voluntary nature of the data gathering process or other limitations and uncertainties inherent in any statistical survey. Accordingly, the accuracy and completeness of this data are not guaranteed. Neither CUB nor Gastek have independently verified any of the data from third party sources referred to in this Filing Statement or ascertained the underlying assumptions relied upon by such sources. The information in each report or article is expressly not incorporated by reference into this Filing Statement.

INFORMATION CONCERNING GASTEK AND CUB

The information contained or referred to in this Filing Statement relating to Gastek has been furnished by Gastek. In preparing this Filing Statement, CUB has relied upon Gastek to ensure that the Filing Statement contains full, true and plain disclosure of all material facts relating to Gastek. Although CUB has no knowledge that would indicate that any statement contained herein concerning Gastek is untrue or incomplete, neither CUB nor any of its respective directors or officers assumes any responsibility for the accuracy or completeness of such information or for any failure by Gastek to ensure disclosure of events or facts which may affect the significance or accuracy of any such information.

The information contained or referred to in this Filing Statement relating to CUB has been furnished by CUB. In preparing this Filing Statement, Gastek has relied upon CUB to ensure that the Filing Statement contains full, true and plain disclosure of all material facts relating to CUB. Although Gastek has no knowledge that would indicate that any statement contained herein concerning CUB is untrue or incomplete, neither Gastek nor any of its respective directors or officers assumes any responsibility for the accuracy or completeness of such information or for any failure by CUB to ensure disclosure of events or facts which may affect the significance or accuracy of any such information.

ABBREVIATIONS

Crude Oil and Natural Gas Liquids		**Natural Gas**	
Bbls	barrels	Bcf	billion cubic feet
Bbls/d	barrels per day	BcfGE	billion cubic feet gas equivalent
Mbbls	thousand barrels	Mcf	thousand cubic feet
Boe	barrels of oil equivalent of natural (on the basis of 6 Mcf of natural gas to 1 bbl of oil)	McfGE	million cubic feet gas equivalent
Boe/d	barrels of oil equivalent per day	MMcf	million cubic feet
Mboe	thousand Boe	Mcf/d	thousand cubic feet per day
MMboe	million Boe	MMcf/d	million cubic feet per day
		NGLs	natural gas liquids

CONVERSIONS

To Convert From	**To**	**Multiply By**
Mcf	Cubic metres	28.174
Thousand cubic metres	Mcf	35.494
Bbls	Cubic metres (“**m^3**”)	0.159
Cubic metres	Bbls	6.290
Feet	Metres	3.281
Miles	Kilometres	1.609
Kilometres	Miles	0.621
Acres	Hectares	0.405
Hectares	Acres	2.471

DESCRIPTION OF OIL AND GAS ASSETS

The Resulting Issuer will hold an interest in a total of nine oil and gas assets in the Ukraine, which are listed below:

Assets Held by KUB-Gas (30% Resulting Issuer working interest):

- Olgovskoye Field (the "**O Field**")
- Makeevskoye Field (the "**M Field**")
- North Makeevskoye Field (the "**NM Field**")
- Krutogorovskoye Field (the "**K Field**")
- Vergunskoye Field (the "**V Field**")

Assets Held by Tysagaz (100% Resulting Issuer working interest):

- Rusko-Komrivske (the "**RK Field**")
- Stanovo Field
- Korolevskoye Field
- Uzhogorod Field

Wells existing on each of the fields above are referred to throughout this Filing Statement with a number following the abbreviated name of the well. For example, wells existing on the Olgovskoye Field are referred to herein as O-8, O-11 etc., wells drilled on the Makeevskoye Field are referred to as M-19, M-21 etc., and the same for each of the oil and gas assets of the Resulting Issuer.

NOTE TO DISCLOSURE RELATING TO GEOLOGICAL INFORMATION

Possible reserves are those additional reserves that are less certain to be recovered than probable reserves. There is a 10% probability that the quantities actually recovered will equal or exceed the sum of proved plus probable plus possible reserves.

Production volumes and reserve information are commonly expressed on a barrel of oil equivalent ("**Boe**") basis. Boe's may be misleading, particularly if used in isolation. A Boe conversion ratio of 6 Mcf:1 bbl is based on an energy equivalency conversion method primarily applicable at the burner tip and does not represent a value equivalency at the wellhead.

Production volumes and reserve information can also be expressed on a thousands of cubic feet of gas equivalent ("**McfGE**") basis. McfGE's may be misleading, particularly if used in isolation. A McfGE conversion ratio of 6 Mcf:1 bbl is based on an energy equivalency conversion method primarily applicable at the burner tip and does not represent a value equivalency at the wellhead.

Estimated net present values do not represent fair market value.

SUMMARY OF FILING STATEMENT

The following is a summary of information relating to CUB, Gastek and, assuming completion of the Transaction, the Resulting Issuer, and should be read together with the more detailed information and financial data and statements contained elsewhere in this Filing Statement.

CUB

CUB is a corporation governed by the CBCA. It is involved in the exploration, development and production of oil and gas projects in the Ukraine. CUB seeks international energy opportunities which meet its business model criteria of discovered but undeveloped known shallow reserves in politically stable and business–friendly climates, which can be exploited using conventional and unconventional drilling, completion and reservoir technologies.

CUB Shares are listed on the TSXV under the symbol “KUB”. On March 15, 2012, the closing price was C$0.39. CUB is currently a reporting issuer in the provinces of British Columbia, Alberta and Ontario.

Gastek

Gastek is a private limited liability company organized in the state of California pursuant to the *Beverly-Killea Limited Liability Company Act*. It has been engaged in oil and gas exploration, development and production activity since 2005. Gastek owns, through Kubgas Holdings, a 30% interest in KUB-Gas. Gastek is not a reporting issuer and its units are not listed on any stock exchange.

CUB Meeting

At the CUB Meeting, CUB shareholders elected Messrs. Robert Bensh, Mikhail Afendikov, Gregory Cameron, Steven VanSickle and Robert Hodgins as directors of CUB. Messrs. Bensh and Afendikov were nominated at the request of Gastek to facilitate the orderly integration of the operations of CUB and Gastek upon completion of the Transaction. Mr. Bensh has subsequently resigned from the CUB Board. Also at the CUB Meeting, CUB’s shareholders approved the Continuance and the CUB Option Plan.

Summary of the Transaction

On November 3, 2011, CUB and Gastek announced that they had entered into a letter of intent dated October 31, 2011 with respect to the Transaction. Pursuant to the Transaction, CUB will issue 123,278,089 CUB Shares to Pelicourt, the sole member of Gastek, at a deemed price of C$0.40 per CUB Share, to acquire all of the outstanding Gastek Units. The CUB Shares to be issued to Pelicourt are expected to be subject to TSXV escrow requirements. The Transaction is a Reverse Takeover.

Arm’s Length Transaction

The proposed Transaction is not a Non-Arm’s Length Transaction.

Sponsorship

Cormark, subject to completion of satisfactory due diligence, has agreed to act as Sponsor in connection with the Transaction. An agreement to sponsor should not be construed as any assurance with respect to the merits of the Transaction or the likelihood of completion.

Interests of Insider, Promoter or Control Person of CUB, Gastek and the Resulting Issuer

The following is a summary of the interests of any Insider, Promoter or Control Person of CUB, Gastek and the Resulting Issuer and their respective Associates and Affiliates (before and after giving effect to the Transaction), including any consideration that such individual may receive if the Transaction proceeds.

Insiders, Promoter, Control Person	**Proposed Position with the Resulting Issuer**	**Number of CUB Shares or Gastek Units held prior to giving effect to the Transaction(1)(2)**	**Number of CUB Shares held upon completion of the Transaction (2)(3)**
Robert Bensh	N/A	7% of the Gastek Units(4)(5)	9,129,466(4.4%)(4)(5)(6)
Mikhail Afendikov	Executive Chairman, Chief Executive Officer, Director, Insider of a Control Person	31% of the Gastek Units (5)(7)	38,216,207 (18.3)(5)(7)
Wally Rudensky	Chief Financial Officer	30,000 CUB Shares (‹1%)(8)	30,000 (‹1%)((8)
Cliff West	Executive Vice-President and Chief Operating Officer	Nil	Nil
Gregory Cameron	Director	496,500 CUB Shares (‹1%)(9)	1,246,500 (‹1%)((9)(10)
Steven VanSickle	Director	200,000 CUB Shares (‹1%)(11)	200,000 (‹1%)((11)
Robert Hodgins	Director	Nil (12)	Nil(12)
Andreas Tserni	Insider of a Control Person	31% of Gastek Units(1)	38,216,207 (18.3%)(5)
Valentin Bortnik	Insider of a Control Person	31% of Gastek Units (1)	38,216,207 (18.3%)(5)
BTR Accelerator Fund Limited	N/A	14,000,000 CUB Shares (17.6%)	14,000,000 (6.7%)
Libra Fund II	N/A	8,145,500 CUB Shares (10.2%)	8,145,500 (3.9%)

Notes:

(1) Assuming no exercise of outstanding CUB Options or CUB Warrants following the date hereof prior to the completion of the Transaction, there will be 79,656,500 CUB Shares outstanding prior to completion of the Transaction. There will be 100 Gastek Units outstanding prior to the completion of the Transaction.

(2) The information as to number of securities, not being within the direct knowledge of CUB or Gastek, has been furnished by the respective individuals and may include shares owned or controlled by spouses and/or children of such persons and/or companies controlled by such persons or their spouses and/or children.

(3) Assuming no exercise of outstanding CUB Options or CUB Warrants following the date hereof prior to the completion of the Transaction, there will be approximately 209,050,433 CUB Shares outstanding upon completion of the Transaction.

(4) Mr. Bensh also holds 450,000 CUB Options.

(5) Messrs. Afendikov, Tserni, Bortnik and Bensh indirectly own all of the Gastek Units through their holdings of Jasel and will, upon closing of the Transaction, indirectly hold an aggregate of 123,278,089 CUB Shares through their holdings of Jasel. Jasel, is owned by Messrs. Afendikov, Tserni, Bortnik and Bensh in the following proportions:

Mikhail Afendikov	31%
Andreas Tserni	31%
Valentin Bortnik	31%
Robert Bensh	7%

(6) Upon completion of the Transaction, Mr. Bensh will receive bonus consideration of, among other things, 500,000 CUB Shares valued at $0.40 per CUB Share. For more information on this bonus payment please see *Part III – Information Concerning the Resulting Issuer – Executive Compensation – Transaction Completion Payments*.

(7) Mr. Afendikov also holds 450,000 CUB Options.

(8) Mr. Rudensky also holds 440,000 CUB Options.

(9) Mr. Cameron also holds or controls 600,350 CUB Warrants (200,350 of which are each exercisable for one CUB Share and one additional CUB Warrant) and 1,209,000 CUB Options.

(10) Upon completion of the Transaction, Mr. Cameron will receive, subject to the written consent of disinterested CUB Shareholders holding at least a majority of the issued and outstanding CUB Shares, bonus consideration of, among other things, 750,000 CUB Shares valued at $0.40 per CUB Share. For more information on this bonus payment please see *Part III – Information Concerning the Resulting Issuer – Executive Compensation – Transaction Completion Payments*.

(11) Mr. VanSickle also holds 1,050,000 CUB Options.

(12) Mr. Hodgins holds 750,000 CUB Options.

Available Funds and Principal Purposes

Funds Available

The total funds available to the Resulting Issuer after giving effect to the Transaction is estimated to be approximately C$6,150,000 as at February 29, 2012, consisting of:

(a) C$4,354,000 in available working capital; and

(b) C$1,796,000 in net proceeds from the exercise of the CUB Subscription Receipts.

In addition, the Resulting Issuer may realize positive cash flow from KUB-Gas and Tysagaz and may further draw on the EBRD Credit Facility.

Principal Purposes of Funds

The funds available to the Resulting Issuer are expected to be used, principally, as follows:

Principal Use of Funds	Amount
Transaction fees	C$1,600,000
General and administration	C$3,600,000
Exploration and Development Program	C$750,000
Unallocated/Contingent Funds	C$200,000
TOTAL	**C$6,150,000**

The Resulting Issuer intends to spend the funds available to it as stated above. There may be circumstances, however, where for sound business reasons, a reallocation of funds may be necessary. In addition, the Resulting Issuer may make additional expenditures contingent on cash flow realized from KUB-Gas and Tysagaz (if any) and additional funds drawn from the EBRD Credit Facility (if any).

For further details, please see the discussion under the heading "*Part III – Information Concerning the Resulting Issuer – Narrative Description of the Business" and "Part III – Information Concerning the Resulting Issuer - Available Funds and Principal Purposes*".

Selected *Pro Forma* Consolidated Financial Information

The following table summarizes selected *pro forma* financial information and should be read in conjunction with the *pro forma* financial statements of the Resulting Issuer attached hereto as Exhibit "F". The following table contains financial information derived from financial statements that have been prepared in accordance with International Financial Reporting Standards. The *pro forma* financial information is provided for informational purposes only and does not purport to be indicative of results of operations of the Resulting Issuer following the completion of the Transaction as of any future date or for any future period.

Pro Forma Balance Sheet (US$)	CUB December 31, 2011	Gastek September 30, 2011	Pro Forma Adjustments	Resulting Issuer Pro Forma
Current Assets	5,023,564	6,250,000	202,338	11,857,981
Non-Current Assets	21,206,0778	22,698,000	13,230,885	57,134,962
Total Assets	26,611,721	28,948,000	13,433,222	68,992,943
Current Liabilities	562,297	6,253,000	-	6,815,297
Total Liabilities	5,303,675	6,253,000	-	11,556,675
Total Shareholders' Equity	21,308,046	22,695,000	13,433,222	57,436,268
Total Liabilities and Shareholders' Equity	26,611,721	28,948,000	13,433,222	68,992,943

Conflicts of Interest

The proposed directors and officers of the Resulting Issuer are aware of the existence of laws governing accountability of directors and officers for corporate opportunity and the laws requiring disclosure by directors and officers of conflicts of interest. The Resulting Issuer will rely upon such laws in respect of any such conflict of interest or in respect of any breach of duty by any of the Resulting Issuer's directors or officers. Any such conflicts are required to be disclosed by such directors or officers in accordance with the CBCA and the directors of the Resulting Issuer are required to govern themselves in respect thereof to the best of their ability in accordance with the obligations imposed upon them by law.

Certain proposed directors of the Resulting Issuer are, or may in the future be, directors, officers or shareholders of other companies that are, or may in the future be, engaged in the business of, or enter into transactions with, the Resulting Issuer. Such associations and transactions may give rise to conflicts of interest from time to time.

Interest of Experts

No Person, whose profession or business gives authority to a statement made by the Person and who is named as having prepared or certified a part of this Filing Statement or as having prepared or certified a report or valuation described or included in this Filing Statement, holds (or will hold, upon completion of the Transaction) any beneficial interest, directly or indirectly, in any property of CUB, Gastek or the Resulting Issuer or of an Associate or Affiliate of CUB, Gastek or the Resulting Issuer, other than as described below.

Collins Barrow Toronto LLP, Chartered Accountants, the auditors of CUB, audited the financial statements of CUB for the financial years ended June 30, 2009, June 30, 2010 and June 30, 2011 and delivered the auditors' report thereon, copies of which are attached as Exhibit "A" to this Filing Statement. Neither Collins Barrow Toronto LLP nor any Associate or Affiliate thereof has any interest, or will have any interest, upon completion of the Transaction, direct or indirect, in CUB, Gastek or the Resulting Issuer.

KPMG LLP, the auditors of Gastek, audited the financial statements of Gastek for the years ended December 31, 2008, December 31, 2009 and December 31, 2010 and delivered the auditors' report thereon, copies of which are attached as Exhibit "F" to this Filing Statement. KPMG LLP is independent of Gastek in accordance with the auditor's rules of professional conduct of the Institute of Chartered Accountants of Alberta.

RPS Energy authored the RPS Report. Neither RPS Energy nor any of its Associates or Affiliates has any interest in CUB, Gastek or the Resulting Issuer.

Cormark, subject to completion of satisfactory due diligence, has agreed to act as Sponsor in connection with the Transaction, and also authored the Fairness Opinion. Assuming completion of the Transaction, Cormark, its Associates and Affiliates will, collectively, own less than 1% of the CUB Shares.

Wildeboer Dellelce LLP is counsel to CUB in connection with certain legal matters relating to the Transaction. Assuming the completion of the Transaction, partners and employees of Wildeboer Dellelce LLP will, collectively, own less than 1% of the CUB Shares.

Bennett Jones LLP is counsel to Gastek in connection with certain legal matters relating to the Transaction. Assuming the completion of the Transaction, partners and employees of Bennett Jones LLP will, collectively, own less than 1% of the CUB Shares.

Risk Factors

An investment in the securities of the Resulting Issuer is highly speculative and involves a high degree of risk. Material risk factors affecting the Resulting Issuer include: exploration, development and production risks; risks of foreign operations; the volatility of oil and gas prices and markets; enforcement of contractual relationships; industry conditions; uncertainty regarding interpretation and application of foreign laws and regulations; risks relating to the Resulting Issuer's ability to raise additional financing; liquidity risk; risks of annulling concessions held by the Resulting Issuer; risks relating to licences and permits of the Resulting Issuer; risks related to the early stage of development of the business to be conducted by the Resulting Issuer; risks related to the uncertainty of resource estimates; reliance by the Resulting Issuer on industry partners; risks related to reliance on third-party operators; foreign exchange risks and hedging; risk that the Transaction is not completed; risks relating to the failure of the Resulting Issuer to realize the anticipated benefits of acquisitions and dispositions; the availability of drilling equipment and the ability of the Resulting issuer to access such equipment; risk relating to the ability of the Resulting Issuer to complete current projects; risk of delays in business operations; risk relating to title to properties and assets of the Resulting Issuer; risks relating to key personnel; price volatility of publically traded securities; risks relating to the management of growth by the Resulting Issuer; conflicts of interests; environmental regulation and risks; risks related to legal proceedings; and risk relating to the global economy and the global economic crisis.

For further details, please see the discussion under the heading "Risk Factors".

Conditional Listing Approval

The TSXV has conditionally approved the listing of the CUB Shares, subject to fulfilling all of the requirements of the TSXV.

THE SECURITIES EXCHANGE AGREEMENT

The following is a summary of the material terms of the Securities Exchange Agreement. This summary does not purport to be a complete summary of the Securities Exchange Agreement and is qualified in its entirety by reference to the full text of the Securities Exchange Agreement, a copy of which is available for review under CUB's SEDAR profile at www.sedar.com.

Effective Date

Unless the Securities Exchange Agreement is terminated pursuant to its terms, the closing of the Transaction (the "**Closing**") on such date as may be agreed to in writing by Gastek, the Vendor and CUB (the "**Closing Date**").

Representations and Warranties

Pursuant to the Securities Exchange Agreement, CUB made customary representations and warranties to Gastek, Pelicourt and the Vendor Shareholders. The Securities Exchange Agreement also contains customary representations and warranties made by Gastek, Pelicourt and the Vendor Shareholders to CUB. These representations and warranties include, among other things, representations and warranties made by each of CUB on the one hand and Gastek, Pelicourt and the Vendor Shareholders (other than Mr. Bensh) on the other hand as to: (i) corporate organization and valid existence, power to conduct business, qualification and good standing of the respective entities and their subsidiaries; (ii) ownership of subsidiaries and other investments, (iii) the requisite corporate power and capacity of the respective entities to enter into and perform their obligations under the Securities Exchange Agreement, and the valid authorization, execution and delivery thereof; (iv) compliance with applicable laws and regulations and with the charter documents of each of the respective entities; (v) matters affecting the voting, control or sale of the securities or the assets of the respective entities and their subsidiaries; (vi) tax matters; (vii) information provided by each of the respective entities; (viii) employment matters; (ix) litigation and government proceedings; (x) business operations; (xi) indebtedness; (xii) material contracts; (xiii) brokers fees; (xiv) capitalization; (xv) non-arm's length parties and transactions; (xvi) bankruptcy and insolvency matters; (xvii) interests in oil & gas assets and the right to engage in the production and sale of oil and natural gas; (xviii) intellectual property matters; and (xix) privacy matters.

Furthermore, Gastek, Pelicourt and the Vendor Shareholders (other than Mr. Bensh) made additional representations and warranties to CUB with respect to KUB-Gas and Kubgas Holdings.

Mutual Conditions to Closing

The respective obligations of CUB, Gastek, Pelicourt and the Vendor Shareholders to complete the Transaction are subject to the fulfillment prior to or at Closing of each of the following conditions: (i) the receipt of all shareholder and corporate approvals and compliance with all applicable laws, regulatory requirements and conditions in connection with the Transaction having been satisfied or waived; (ii) each party obtaining all third party consents and waivers of rights of first refusals as may be required and obtaining all required governmental and regulatory approvals (including the conditional acceptance of the Transaction by the TSXV and conditional listing on the TSXV of the CUB Shares) and/or expiration of regulatory waiting periods (including approval of the Ukraine Anti-Monopoly Committee), on terms and conditions acceptable to Gastek and CUB, each acting reasonably; and (iii) no court or other governmental entity shall have enacted, issued, promulgated or enforced any statute, rule, regulation, injunction, or other order which shall have the effect of restraining or prohibiting the completion of the transactions contemplated in the Securities Exchange Agreement, and no suit, action, proceeding, or investigation by any such agency or authority or any other person shall be pending or threatened which seeks to restrain the consummation of, or challenges the validity or legality of such transactions.

Conditions Precedent to CUB's Obligations

The sale by Pelicourt and the purchase by CUB of the Gastek Units is subject to the following conditions, which are for the exclusive benefit of CUB and which are to be performed or complied with at or prior to the Time of Closing (or such earlier time as indicated below), and may be waived, in whole or in part, by CUB in its sole discretion: (i) the representations and warranties of Pelicourt and Gastek and the Vendor Shareholders set forth in the Securities Exchange Agreement will be true and correct in all material respects, and for this purpose all materiality qualifications in such representations and warranties will be disregarded at the Time of Closing with the same force and effect as if made at and as of such time; (ii) receipt of a favourable fairness opinion rendered by CUB's financial advisors acceptable to CUB's Board, acting reasonably; (iii) Pelicourt, Gastek and the Vendor Shareholders will have performed or complied with, in all material respects, all of the obligations and covenants and conditions of the Securities Exchange Agreement to be performed or complied with by Pelicourt, Gastek and the Vendor Shareholders, respectively, at or prior to the Time of Closing; (iv) CUB will be furnished with such certificates or other instruments of Gastek, Pelicourt or the Vendor Shareholders, or of officers of Gastek and of Pelicourt as CUB or CUB's counsel may reasonably think necessary in order to establish that the terms, covenants and conditions contained in the Securities Exchange Agreement to have been performed or complied with in all material respects by Gastek or Pelicourt or the Vendor Shareholders at or prior to the Time of Closing have been performed or complied with and that the representations and warranties of Gastek, Pelicourt or the Vendor Shareholders given in the Securities Exchange Agreement are true and correct at the Time of Closing in all material respects; (v) there will have been obtained from all appropriate governmental authorities such other approvals or consents as are required to permit the change of ownership of the Gastek Units contemplated hereby and to permit the business of Gastek to be carried on as now conducted; (vi) no action or proceeding will be pending or threatened by any person to enjoin, restrict or prohibit the sale and purchase of the Gastek Units as contemplated in the Securities Exchange Agreement; or the right of Gastek to conduct the business of Gastek; (vii) no Material Adverse Change has occurred, or is reasonably expected to occur, in respect of the business, operations or capital of Gastek from the date of the Securities Exchange Agreement to the Time of Closing; (viii) at the Time of Closing, each of the directors and officers of Gastek specified by CUB shall have executed resignations and releases, in a form and substance satisfactory to CUB; (ix) Pelicourt, the Vendor Shareholders and all directors and officers of Gastek will release Gastek from any and all possible claims against Gastek arising from any act, matter or thing arising at or prior to the Time of Closing; (x) all necessary steps and proceedings will have been taken to permit the Gastek Units to be duly and regularly transferred to and registered in the name of CUB; (xi) Pelicourt will have delivered to CUB a favourable opinion of Pelicourt and Gastek's counsel; (xii) no action, suit or proceeding is threatened or taken, and no law, regulation, policy, judgment, decision, order, ruling or directive is proposed, enacted, promulgated, amended or applied, which in the sole judgment of CUB, acting reasonably, is or would result in a Material Adverse Change in the business, operations or capital of Gastek or would have a Material Adverse Effect on the ability of the parties to complete the Transaction; (xiii) not more than: (a) 100 Gastek Units; and (b) nil options, warrants or rights to purchase Gastek Units are outstanding; (xiv) Gastek does not have any, nor will it enter into any change of control agreements with its directors, officers or employees; (xv) Pelicourt will have delivered to CUB satisfactory agreements of indemnity and directors' and officers' insurance being in place for former directors and officers of Gastek; (xvi) CUB shall be satisfied, in its sole discretion, acting reasonably, with the results of its due diligence investigation into the business, operations and affairs of Gastek which due diligence investigation shall be completed on or before January 27, 2012 (the "**Due Diligence Deadline**") and failure to provide written notice to Gastek by the Due Diligence Deadline shall mean CUB is satisfied with its due diligence investigation such that this condition does not survive past the Due Diligence Deadline; and (xvii) the form and legality of all matters incidental to the sale by Pelicourt and the purchase by CUB of the Gastek Units will be subject to the approval of CUB's counsel, acting reasonably.

Conditions Precedent to Pelicourt's/Gastek's Obligations

The sale by Pelicourt and the purchase by CUB of the Gastek Units is subject to the following conditions, which are for the exclusive benefit of Pelicourt and which are to be performed or complied with at or prior to the Time of Closing: (i) the representations and warranties of CUB set forth in the Securities Exchange Agreement will be true and correct in all material respects and for this purpose all materiality qualifications in such representations and warranties will be disregarded at the Time of Closing with the same force and effect as if made at and as of such time; (ii) CUB will have performed or complied with, in all material respects, all of the obligations and covenants and conditions of this Agreement to be performed or complied with by CUB at or prior to the Time of Closing; (iii) Pelicourt will be furnished with such certificates or other instruments of CUB or of officers of CUB as Pelicourt or Pelicourt's counsel may reasonably think necessary in order to establish that the obligations and covenants contained in the Securities Exchange Agreement to have been performed or complied with by CUB at or prior to the Time of Closing have been performed or complied with in all material respects and that the representations and warranties of CUB given in the Securities Exchange Agreement are true and correct at the Time of Closing in all material respects; (iv) the board of directors of CUB continues to unanimously endorse the Transaction, publicly state that the Transaction is in the best interests of CUB and is fair, from a financial point of view, to CUB Shareholders and recommend that CUB Shareholders vote in favour or sign written approvals of the Transaction; (v) no Material Adverse Change has occurred, or is reasonably expected to occur, in respect of the business, operations or capital of CUB since the CUB Interim Financial Statements to the Time of Closing; (vi) no action, suit or proceeding is threatened or taken, and no law, regulation, policy, judgment, decision, order, ruling or directive is proposed, enacted, promulgated, amended or applied, which in the sole judgment of Gastek and Pelicourt, acting reasonably, is or would result in a Material Adverse Change in the business, operations or capital of CUB or would have a Material Adverse Effect on the ability of the parties to complete the Transaction; (vii) there are outstanding not more than: (a) 82,506,911 CUB Shares; (b) warrants to purchase not more than 12,373,299 CUB Shares at the exercise prices disclosed in CUB's public disclosure filings; and (c) options to purchase not more than 5,474,451 CUB Shares under the CUB stock option plan at the exercise prices disclosed in CUB's public disclosure filings; (viii) CUB does not have any, nor will it enter into change of control agreements with its directors, officers or employees; (ix) CUB shall not have any outstanding bank indebtedness; (x) Gastek shall have received lock-up agreements duly executed by each of the directors and officers of CUB (and their respective associates) who own or exercise control or direction over CUB Shares to irrevocably vote their shares in favour or sign written approvals of the Transaction on or before February 1, 2012; (xi) Pelicourt and Gastek shall be satisfied, in its sole discretion, acting reasonably, with the results of its due diligence investigation into the business, operations and affairs of CUB which due diligence investigation shall be completed on or before the Due Diligence Deadline and failure to provide written notice to CUB by the Due Diligence Deadline shall mean Gastek and the Vendor are satisfied with their due diligence investigation such that this condition does not survive past the Due Diligence Deadline; (xii) CUB will have delivered to Pelicourt a favourable opinion of CUB's counsel; and (xiii) the form and legality of all matters incidental to the sale by Pelicourt and the purchase by CUB of the Gastek Units will be subject to the approval of Pelicourt's counsel, acting reasonably.

Termination Events

The Securities Exchange Agreement may be terminated, by notice given prior to or at the completion of the sale and purchase of the Gastek Units herein contemplated: (i) by Pelicourt or CUB if a material breach of any representation, warranty, covenant, obligation or other provision of the Securities Exchange Agreement has been committed by the other party and such breach has not been waived or cured within 30 days following the date on which the non-breaching party notifies the other party of such breach; (ii) by CUB if any of the conditions to closing for the benefit of CUB has not been satisfied as of the Closing Date or if satisfaction of such a condition is or becomes impossible (other than through the failure of CUB to comply with its obligations under the Securities Exchange Agreement) and CUB has not waived such condition on or before the Closing Date; (iii) by Gastek, Pelicourt or the Vendor Shareholders if any of the conditions to closing for the benefit of Gastek, Pelicourt and the Vendor Shareholders has not been satisfied as of the Closing Date or if satisfaction of such a condition is or becomes impossible (other than through the failure of Pelicourt to comply with its obligations under the Securities Exchange Agreement) and Gastek, Pelicourt or the Vendor Shareholders, as applicable, has not waived such condition on or before the Closing Date; (v) by written agreement of CUB and Pelicourt; or (vi) by Pelicourt or CUB if the completion of the sale and purchase of the Gastek Units herein contemplated has not occurred (other than through the failure of the party seeking to terminate the Securities Exchange Agreement to comply fully with its obligations under the Securities Exchange Agreement) on or before June 30, 2012 or such later date as the parties may agree upon.

Termination Fees

If at any time after the date of this Agreement but prior to its termination in accordance with its terms: (a) the CUB Board: (i) fails to make any of its required recommendations, approvals, resolutions or determinations referred to in the Securities Exchange Agreement; (ii) withdraws, modifies or changes any of such recommendations, approvals, resolutions or determinations in a manner adverse to Gastek or shall have resolved to do so; (iii) fails to promptly reaffirm any of such recommendations, approvals, resolutions or determinations within 24 hours following an Acquisition Proposal being publicly announced or, in the case of a superior proposal, by the end of the period specified in the Securities Exchange Agreement; of (iv) recommends that holders of any CUB Shares deposit any CUB Shares under, vote in favour of, or otherwise accept, an Acquisition Proposal; (b) CUB approves or enters into an agreement with any person to implement a superior proposal; (c) an Acquisition Proposal is made to the CUB Shareholders and the CUB Shareholders do not approve the Transaction as contemplated in the Securities Exchange Agreement and the Acquisition Proposal or any other Acquisition Proposal is consummated within six (6) months of the date of the Acquisition Proposal is made; or (d) CUB is in material breach of its non-solicitation covenant referred to in the Securities Exchange Agreement; (each such event being a "**CUB Damages Event**"), then in the event of the termination of this Agreement pursuant to its terms, CUB shall pay to Gastek $1,000,000 as liquidated damages in respect of a CUB Damages Event.

If at any time after the date of this Agreement but prior to its termination in accordance with its terms (each of the following being a "**Gastek Termination Fee Event**"): (i) either Gastek or Pelicourt is in material breach of its non-solicitation covenant under the Securities Exchange Agreement; or (ii) all of: (a) the mutual conditions to closing the Transaction; and (b) the conditions for the benefit of Pelicourt to closing the Transaction have been fulfilled, but Pelicourt does not complete the Transaction after written request by CUB to do so then Gastek will pay to CUB $1,000,000 as liquidated damages in respect of the Gastek Termination Fee Event.

RISK FACTORS

An investment in securities of the Resulting Issuer is highly speculative and involves a high degree of risk and should only be made by investors who can afford to lose their entire investment.

An investment in CUB's securities involves a high degree of risk. Potential investors should carefully consider the following information about these risks, together with the information contained in CUB's continuous disclosure record available through the internet on SEDAR at www.sedar.com before any purchase or sale of such securities. If any of the events or results contemplated in this section actually occurs, the business, financial condition and prospects of CUB and the Resulting Issuer could be materially adversely affected. In that case, the value of any securities of CUB could also decline and investors could lose all or part of their investment.

The risks and uncertainties described below are those that CUB's and Gastek's management believes are material, but these risks and uncertainties may not be the only ones that the Resulting Issuer may face. Additional risks and uncertainties, including those that CUB's and Gastek's management currently are not aware of or deem immaterial, may also result in decreased operating revenues, increased operating expenses or other events that could result in a decline in the value of any securities of the Resulting Issuer. The following information is a summary only of certain risk factors and is qualified in its entirety by reference to, and must be read in conjunction with, the detailed information appearing elsewhere in this Filing Statement.

An investment in the securities of the Resulting Issuer is highly speculative due to the nature of its involvement in the exploration for, and the acquisition, development and production of, oil and natural gas reserves. There is no assurance that commercial quantities of oil and natural gas will be discovered by the Resulting Issuer.

References below to “CUB” or “Gastek” shall, as the context permits or requires, be read to include the Resulting Issuer upon completion of the Transaction.

Overview

The business to be carried on by the Resulting Issuer is subject to a number of risk factors. An investment in the securities of the Resulting Issuer is suitable only to those investors who are willing to risk the loss of their entire investment. Investors must rely upon the ability, expertise, judgment, discretion, integrity and good faith of the management of the Resulting Issuer. An investment in the securities of the Resulting Issuer is speculative and involves a high degree of risk due to the nature of the Resulting Issuer’s involvement in the business of exploration for oil and natural gas.

Exploration, Development and Production Risks

Oil and natural gas operations involve many risks that even a combination of experience, knowledge and careful evaluation may not be able to overcome. The long-term commercial success of the Resulting Issuer depends on its ability to find, acquire, develop and commercially produce oil and natural gas reserves. Without the continual addition of new reserves, any existing reserves the Resulting Issuer may have at a particular time, and the production therefrom will decline over time as such existing reserves are exploited. A future increase in the Resulting Issuer’s reserves will depend not only on its ability to explore and develop any properties it may have from time to time, but also on the ability to select and acquire suitable producing properties for acquisition or participation. Moreover, if such acquisitions or participations are identified, management of the Resulting Issuer may determine that current markets, terms of acquisition and participation or pricing conditions make such acquisitions or participations uneconomic. There is no assurance that further commercial qualities of oil and natural gas will be discovered or acquired by the Resulting Issuer.

Future oil and natural gas exploration may involve unprofitable efforts, not only from dry wells, but also from wells that are productive but do not produce sufficient petroleum substances to return a profit after drilling, operating and other costs. Completion of a well does not assure a profit on the investment or recovery of drilling, completion and operating costs. In addition, drilling hazards or environmental damage could greatly increase the cost of operations, and various field operating conditions may adversely affect the production from successful wells. These conditions include delays in obtaining governmental approvals or consents, shut-ins of connected wells resulting from extreme weather conditions, insufficient storage or transportation capacity or other geological and mechanical conditions. While diligent well supervision and effective maintenance operations can contribute to maximizing production rates over time, production delays and declines from normal field operating conditions cannot be eliminated and can be expected to adversely affect revenue and cash flow levels to varying degrees.

Oil and natural gas exploration, development and production operations are subject to all the risks typically associated with such operations, including hazards such as fire, explosion, blowouts, cratering, sour gas releases and spills, each of which could result in substantial damage to oil and natural gas wells, production facilities, other property and the environment or personal injury. In particular, the Resulting Issuer may explore for and produce sour natural gas in certain areas. An unintentional leak of sour natural gas could result in personal injury, loss of life or damage to property and may necessitate an evacuation of populated areas, all of which could result in liability to the Resulting Issuer. In accordance with industry practice, the Resulting Issuer will not be fully insured against all of these risks, nor are all such risks insurable. Although the Resulting Issuer will maintain liability insurance in an amount that it considers consistent with industry practice, the nature of these risks is such that liability could exceed policy limits, in which event the Resulting Issuer could incur significant costs. Oil and natural gas production operations are also subject to all the risks typically associated with such operations, including encountering unexpected formations or pressures, premature decline of reservoirs and the invasion of water into producing formations. Losses resulting from the occurrence of any of these risks may have a material adverse effect on the Resulting Issuer's business, financial condition, results of operations and prospects.

The regulation of hydrocarbons in Ukraine is administered by a number of governmental bodies including the Ministry of Fuel and Energy of Ukraine, which is responsible for matters including energy strategy and regulation, and the Ministry of Environmental Protection and the State Geology Service, which are responsible for the award of exploration and development special permits and production special permits. The work carried out by the Resulting Issuer under the production sharing agreements will be divided into two stages, one devoted to exploration and the other to production. If it is determined that its oil and gas assets are capable of generating sustained positive cash flow from the production and sale of oil and gas (i.e. once the oil and gas assets are determined to be "commercial"), and following the approval of the development plan by the government or national oil company, the Resulting Issuer will be able to commence production without the need to satisfy other conditions.

Exploration, appraisal, and development of oil and natural gas reserves is speculative and involves a significant degree of risk. There is no guarantee that exploration or appraisal of the potential reserves in Ukraine will lead to a discovery of commercial reserves or, if such reserves are discovered, that the Resulting Issuer will be able to realize such reserves as intended. There is no guarantee that the Resulting Issuer will be able to reach an agreement with the government authorities or the national oil company concerning a development plan, which is a prerequisite for the commencement of production.

Risks of Foreign Operations

All of the Resulting Issuer's near term oil and natural gas prospects will be located in the Ukraine. As such, the Resulting Issuer will be subject to political, economic and other uncertainties, including, without limitation, expropriation of property without fair compensation, changes in energy policies or the personnel administering them, nationalization, currency fluctuations and devaluations, exchange controls and royalty and tax increases and other risks arising out of foreign governmental sovereignty over the areas in which the Resulting Issuer's operations will be conducted, as well as risks of loss due to civil strife, acts of war, and insurrections.

The Resulting Issuer's operations may also be adversely affected by the laws and policies of the Ukraine affecting foreign trade, taxation and investment. In the event of a dispute arising in connection with the Resulting Issuer's operations in the Ukraine, the Resulting Issuer may be subject to the exclusive jurisdiction of Ukranian courts and may not be successful in subjecting foreign persons to the jurisdiction of the courts of Canada or enforcing Canadian judgments in other jurisdictions. The Resulting Issuer may also be hindered or prevented from enforcing its rights with respect to a governmental instrumentality because of the doctrine of sovereign immunity. Accordingly, the Resulting Issuer's exploration, development and production activities in the Ukraine could be substantially affected by factors beyond the Resulting Issuer's control, any of which could have a material adverse effect on the Resulting Issuer.

Contractual Relationships

In addition, the Resulting Issuer and its subsidiaries will be formed pursuant to, and their operations will be governed by, a number of complex legal and contractual relationships. The effectiveness of and enforcement of such contracts and relationships with parties in these jurisdictions cannot be assured. Consequently, the Resulting

Issuer's Ukrainian exploration, development and production activities could be substantially affected by factors beyond the Resulting Issuer's control, any of which could have a material adverse effect on the Resulting Issuer.

Industry Conditions

The international oil and natural gas industry is intensely competitive and the Resulting Issuer will compete with other companies which possess greater technical and financial resources. Many of these competitors not only explore for and produce oil and natural gas but also carry on refining operations and market petroleum and other products on an international basis. Oil and natural gas production operations are also subject to all the risks typically associated with such operations, including premature decline of reservoirs and invasion of water into producing formations.

The marketability and price of oil and natural gas which may be acquired or discovered by the Resulting Issuer will be affected by numerous factors beyond the control of the Resulting Issuer. The ability of the Resulting Issuer to market any natural gas discovered may depend upon its ability to acquire space on pipelines which deliver natural gas to commercial markets. The Resulting Issuer will also be subject to market fluctuations in the prices of oil and natural gas, uncertainties related to the delivery and proximity of its reserves to pipelines and processing facilities and extensive government regulation relating to prices, taxes, royalties, land tenure and allowable production, the export of oil and natural gas and many other aspects of the oil and natural gas business. The Resulting Issuer will also be subject to a variety of waste disposal, pollution control and similar environmental laws.

The oil and natural gas industry is subject to varying environmental regulations in each of the jurisdictions in which the Resulting Issuer may operate in the future. Environmental regulations place restrictions and prohibitions on emissions of various substances produced concurrently with oil and natural gas and can impact the selection of drilling sites and facility locations, potentially resulting in increased capital expenditures. The Resulting Issuer may be responsible for abandonment and site restoration costs.

Uncertainty Regarding Interpretation and Application of Ukrainian Laws and Regulations

Since independence, the Ukrainian legal system has been developing to support a market-based economy. The legal system is, however, in transition and is therefore subject to greater risks and uncertainties than a more mature legal system. In particular, risks include, but are not limited to, provisions in the laws and regulations that are ambiguously worded or lack specificity and thereby raise difficulties when implemented or interpreted; inconsistencies between and among Ukraine's Constitution, laws, presidential decrees and Ukrainian governmental, ministerial and local orders, decisions, resolutions and other acts. Also, there is a lack of judicial and administrative guidance on the interpretation of Ukrainian legislation, including the complicated mechanism of exercising constitutional jurisdiction by the Constitutional Court of Ukraine. This is further complicated by the relative inexperience of judges and courts in interpreting Ukrainian legislation in the same or similar cases, corruption within the judiciary and a high degree of discretion on the part of governmental authorities, which could result in arbitrary actions.

Furthermore, several fundamental Ukrainian laws either have only relatively recently become effective or are still pending hearing or adoption by the Ukrainian Parliament. For example, in 2004 and 2005, Ukraine adopted a new civil code, a new commercial code, new civil and administrative procedural codes, a new law on state registration of proprietary rights to immovable property, a new law on international private law, new secured finance laws and a new law on personal income tax. The relatively recent origin of much of Ukrainian legislation, the lack of consensus about the scope, content and pace of economic and political reform, and the rapid evolution of the Ukrainian legal system in ways that may not always coincide with market developments, place the enforceability and underlying constitutionality of laws in doubt and may result in ambiguities, inconsistencies and anomalies. In addition, Ukrainian legislation in many cases contemplates implementing regulations, which have not yet been implemented.

Additional Financing

There is a high degree of uncertainty as to the success of the Resulting Issuer's ongoing activities. There can be no assurance that the Resulting Issuer will sustain profitability or positive cash flow from its operating activities. The Resulting Issuer's future capital commitments on its existing assets will likely exceed its cash resources, which would require the Resulting Issuer to raise additional financing. The ability of the Resulting Issuer to arrange such financing in the future will depend in part upon the prevailing capital market conditions as well as the business performance of the Resulting Issuer. There is a risk that the interest rates will increase given the current historical low level of interest rates. An increase in interest rates could result in a significant increase in the amount that the Resulting Issuer pays to service debt and affect the Resulting Issuer's ability to fund ongoing operations.

This in turn could limit growth prospects in the short run or may even require the Resulting Issuer to dedicate cash flow, dispose of properties or raise new equity to continue operations under circumstances of declining energy prices, disappointing drilling results or economic or political dislocation in foreign countries. There can be no assurance that the Resulting Issuer will be successful in its efforts to arrange additional financing on terms satisfactory to the Resulting Issuer. This may be further complicated by the limited market liquidity for shares of smaller companies, restricting access to some institutional investors. If additional financing is raised by the issuance of shares from the treasury of the Resulting Issuer, control of the Resulting Issuer may change and shareholders may suffer additional dilution.

From time to time, the Resulting Issuer may enter into transactions to acquire assets or the shares of other corporations. These transactions may be financed partially or wholly with debt, which may temporarily increase the Resulting Issuer's debt levels above industry standards.

Liquidity Risk

The Resulting Issuer has incurred debt under the EBRD Credit Facility and may incur other debt in order to fund its exploration and operational programs, which would reduce its financial flexibility and could result in a Material Adverse Effect on the Resulting Issuer. The Resulting Issuer's ability to meet any debt obligations and reduce its level of indebtedness will depend on future performance. General economic conditions, financial business and other factors will affect the Resulting Issuer's operations and future performance. Many of these factors will be beyond the control of the Resulting Issuer. The Resulting Issuer accordingly will not be able to assure investors that it will be able to generate sufficient cash flow to pay the interest on any debt or that future working capital, borrowings or equity financing will be available to pay or refinance such debt. Factors that will affect its ability to raise cash through an offering of securities or a refinancing of any debt include financial market conditions, the value of its assets and performance at the time the Resulting Issuer shall require capital. The Resulting Issuer will not be able to assure investors that it will have sufficient funds to make such payments. If the Resulting Issuer does not have sufficient funds and is otherwise unable to negotiate renewals of its borrowings or arrange a new financing, it might have to sell significant assets. Any such sale could have a material adverse effect on the Resulting Issuer.

Risk of annulling concessions held by the Resulting Issuer

Pursuant to Ukrainian law, geological exploration of mineral resources and the production of mineral resources owned by the State Fund of Mineral Deposits is conducted on the basis of licences issued separately for each kind of these activities. Additionally, Ukrainian law mandates that the utilization of any kind of subsoil natural resources requires a licence. Each licence granted is accompanied by a licence agreement specifying the terms of utilization of the subsoil natural resources. The licence agreement sets out the key terms for the geological survey, exploration, drilling and production of mineral resources from the relevant subsoil resources area. The licence agreement may additionally impose certain social or environmental commitments on the user of the resources.

Tysagaz and KUB-Gas hold licences for conducting geological survey and further pilot production of natural gas, condensate and oil in the licenced areas. According to these licences, they must satisfy certain detailed requirements which include, among other things, an obligation to satisfy requirements of the state environmental inspection authorities. One of the requirements is obtaining title certificates to the land plots required for geological survey and pilot production in the licenced areas. A default under any of these requirements may result in voiding a licence granted to Tysagaz or KUB-Gas. Such an occurrence could have a material adverse effect on activities of Tysagaz or KUB-Gas and on the business and financial condition of the Resulting Issuer.

Licences and Permits

The operations of the Resulting Issuer may require licences and permits from various governmental authorities. There can be no assurance that the Resulting Issuer will be able to obtain the necessary licences and permits that may be required to carry out exploration, development and operations in its projects. Natural resources operations (including lease acquisitions) are subject to extensive government regulation. Operations may be affected from time to time in varying degrees by political and ecological developments, such as restrictions on production, price controls, tax increases and pollution controls. For further details, please see the discussion under the heading *"Part II – Information Concerning Gastek – Principal Oil and Gas Assets – Special Permitting and Regulatory Regime in Ukraine"*

Stage of Development

An investment in the Resulting Issuer is subject to certain risks related to the nature of the business the Resulting Issuer will conduct and its early stage of development. There are numerous factors which may affect the success of the Resulting Issuer's business which are beyond the Resulting Issuer's control including local, national and international economic and political conditions. The Resulting Issuer's business will involve a high degree of risk which a combination of experience, knowledge and careful evaluation may not overcome. The Resulting Issuer's operations in international jurisdictions will expose the Resulting Issuer to risks which may not exist for domestic operations such as political and currency risks. The Resulting Issuer will have had a limited history of operations and earnings and there can be no assurance that the Resulting Issuer's business will be successful or profitable or that commercial quantities of oil and/or natural gas will be discovered by the Resulting Issuer. The Resulting Issuer is unlikely to pay dividends in the immediate or foreseeable future.

Reserve and Resource Estimates

The reserve and resource estimates in respect of the assets which will make up the Resulting Issuer's assets and the areas in which such assets are located as disclosed in this Filing Statement are estimates and no assurance can be given that the indicated levels of recovery will be realized. Ultimate recoverable reserves and resources may be significantly less than the estimates. Estimates of reserves and resources depend in large part upon the reliability of available geological and engineering data and the amount of such data available. Properties in the early stage of exploration and appraisal typically have a limited amount of geological and engineering data. Geological and engineering data are used to determine the probability that a reservoir of oil and/or natural gas exists at a particular location, and whether, and to what extent, such hydrocarbons are recoverable from the reservoir.

Reserve and resource estimates may also require revision based on actual production experience that may result from successful development of existing properties, further drilling and several other factors. Such figures have been determined based upon the terms of the various concession agreements and estimates of yield and recovery factors. All such estimates are to some degree uncertain, and classifications of reserve and resource estimates are only attempts to define the degree of uncertainty involved. For these reasons, estimates of the economically recoverable reserves or resources, prepared by different engineers or by the same engineers at different times, may vary.

Although neither CUB nor Gastek is able to predict whether the Resulting Issuer's exploration and assessment activities will result in newly discovered reserves, if such activities are successful, the Resulting Issuer will be able to begin producing gas and oil from newly discovered reserves. If the eventual commencement of production activities does occur, the Resulting Issuer's actual production of quantities of oil and gas, revenues and development and operating expenditures with respect to its reserve and resource estimates may vary from such estimates. As well, any estimates of future net revenues contained within reserve or resource reports are dependent on estimates of future oil prices, capital and operating costs. Variances to actual costs may be significant. As such, these estimates are subject to variations due to changes in the economic environment at the time and variances in future budgets and operating plans.

Reliance on Industry Partners

The Resulting Issuer will rely on industry partners including suppliers, contractors and joint venture parties in executing its business strategy and operations. As a result, the Resulting Issuer may be exposed to third party credit risk through its contractual arrangements with its current or future suppliers, contractors and joint venture parties. In the event that such entities fail to meet their contractual obligations to the Resulting Issuer, such failures could have a material adverse effect on the Resulting Issuer and its ability to implement its business strategy and operations. In addition, the Resulting Issuer may be unable to exert influence over the strategic decisions made in respect of properties that are subject to such contractual arrangements.

Reliance on Operators

To the extent that the Resulting Issuer will not be the operator of some of its oil and gas properties, the Resulting Issuer will be dependent on such operators for the timing of activities related to such properties and will largely be unable to direct or control the activities of operators.

Fluctuations in Foreign Currency Exchange Rates

All of the Resulting Issuer's current prospects are located in the Ukraine. Fluctuations in the U.S. dollar, the Euro and/or other currency exchange rates may cause a negative impact on revenue and costs and could have a material adverse effect on the Resulting Issuer's operations. World oil prices are quoted in U.S. dollars and the price received by Canadian producers is therefore affected by the Canadian/U.S. dollar exchange rate that may fluctuate over time. A material increase in the value of the Canadian dollar negatively impacts production revenues.

Foreign Exchange Hedging Risks

The nature of the Resulting Issuer's activities will result in exposure to fluctuations in foreign currency exchange rates. While the Resulting Issuer does not maintain a defined foreign exchange hedging program, and as of the date hereof, the Resulting Issuer is not a party to any foreign exchange hedging agreements and has not been a party to any such agreements in the past three years, it may determine it appropriate from time to time to enter into derivative financial instruments to reduce its exposure. The terms of these derivative instruments may limit the benefit of changes in currency value which are otherwise favourable to the Resulting Issuer and may result in financial or opportunity loss due to counterparty risks associated with these contracts. Utilization of derivate financial instruments may introduce increased volatility into the Resulting Issuer's reported net earnings (losses) and does not eliminate the risk that the Resulting Issuer may sustain losses as a result of foreign currency fluctuations.

Completion of the Transaction and Exchange Approval

The completion of the Transaction is subject to several conditions precedent. There can be no assurances that the Transaction will be completed on the terms set out in the Securities Exchange Agreement, as negotiated, or at all. In the event that any of the conditions precedent are not satisfied or waived, the Transaction may not be completed. In addition, there is no guarantee that CUB and/or the Resulting Issuer will be able to satisfy the requirements of the Exchange such that it will issue the Final Exchange Bulletin**.**

Failure to Realize Anticipated Benefits of Acquisitions and Dispositions

The Resulting Issuer will make acquisitions and dispositions of businesses and assets in the ordinary course of business. Achieving the benefits of acquisitions depends in part on successfully consolidating functions and integrating operations and procedures in a timely and efficient manner as well as the Resulting Issuer's ability to realize anticipated growth opportunities and synergies from combining the acquired businesses and operations with those of the Resulting Issuer. The integration of acquired businesses may require substantial management effort, time and resources and may divert management's focus from other strategic opportunities and operational matters. Management will continually assess the value and contribution of services provided and assets required to provide such services. In this regard, non-core assets will be periodically disposed of, so that the Resulting Issuer can focus its efforts and resources more efficiently. Depending on the state of the market for such non-core assets, certain non-core assets of the Resulting Issuer, if disposed of, could be expected to realize less than their carrying value on the financial statements of the Resulting Issuer.

Availability of Drilling Equipment and Access

Oil and natural gas exploration and development activities are dependent on the availability of drilling and related equipment (typically leased from third parties) in the particular areas where such activities will be conducted. Demand for such limited equipment or access restrictions may affect the availability of such equipment to the Resulting Issuer and may delay exploration and development activities.

Project Completion

The Resulting Issuer's operations will be subject to approvals of governmental authorities and, as a result, the Resulting Issuer will have limited control over the nature and timing of the grant of such approvals for the exploration, development and operation of oil and natural gas concessions. The Resulting Issuer's interests in oil and natural gas concessions and other contracts with governments and government bodies to explore and develop the properties will be subject to specific requirements and obligations. If the Resulting Issuer fails to satisfy such requirements and obligations and there is a material breach of such contracts, such contracts could, under certain circumstances, be terminated. The termination of any of the Resulting Issuer's contracts granting rights in respect of the properties would have a material adverse effect on the Resulting Issuer, including the Resulting Issuer's financial condition.

Delays in Business Operations

In addition to the usual delays in payments by purchasers of oil and natural gas to the Resulting Issuer or to the operator, and the delays by operators in remitting payment to the Resulting Issuer, payments between these parties may be delayed due to restrictions imposed by lenders, accounting delays, delays in the sale or delivery of products, delays in the connections of wells to a gathering system, adjustment for prior periods, or recovery by the operator of expenses incurred in the operation of the properties. Any of these delays could reduce the amount of cash flow available for the business of the Resulting Issuer in a given period and expose the Resulting Issuer to additional third party credit risks.

Title to Properties and Assets

Although title reviews will be done according to industry standards prior to the purchase of most oil and natural gas producing properties or the commencement of drilling wells, such reviews do not guarantee or certify that an unforeseen defect in the chain of title will not arise to defeat the claim of the Resulting Issuer which could result in a reduction of the revenue received by the Resulting Issuer.

Key Personnel

The competition for qualified personnel in the oil and natural gas industry is intense and there can be no assurance that the Resulting Issuer will be able to continue to attract and retain all personnel necessary for the development and operation of its business. Investors must rely on the ability, expertise, judgment, discretion, integrity and good faith of management of the Resulting Issuer.

Price Volatility of Publicly Traded Securities

In recent years, the securities markets in Canada and the United States have experienced a high level of price and volume volatility, and the market price of securities of many companies, particularly those considered to be exploration and early development stage companies, have experienced wide fluctuations in price which have not necessarily been related to the operating performance, underlying asset values or prospects of such companies. The results of the Resulting Issuer's planned exploration activities cannot be predicted. The results of these tests will inevitably affect the Resulting Issuer's decisions related to further exploration and/or production on any properties that the Resulting Issuer may explore in the future and could trigger major changes in the trading price of the shares of the Resulting Issuer. There can be no assurance that continual fluctuations in price will not occur. It is likely that the market price for the shares of the Resulting Issuer will be subject to market trends generally, notwithstanding the financial and operational performance of the Resulting Issuer.

Management of Growth

The Resulting Issuer may be subject to growth-related risks including capacity constraints and pressure on its internal systems and controls. The ability of the Resulting Issuer to manage growth effectively will require it to continue to implement and improve its operational and financial systems and to expand, train and manage its employee base. The inability of the Resulting Issuer to deal with this growth may have a material adverse effect on the Resulting Issuer's business, financial condition, results of operations and prospects.

Conflicts of Interest

Certain directors of the Resulting Issuer will also be directors of other oil and natural gas companies and, as such, may in certain circumstances have a conflict of interest requiring them to abstain from certain decisions. Conflicts, if any, will be subject to the procedures and remedies of the CBCA.

Environmental Regulation and Risks

Extensive national, state and local environmental laws and regulations in foreign jurisdictions are anticipated to affect nearly all of the operations of the Resulting Issuer. These laws and regulations set various standards regulating certain aspects of health and environmental quality, provide for penalties and other liabilities for the violation of such standards and establish in certain circumstances obligations to remediate current and former facilities and locations where operations are or were conducted. In addition, special provisions may be appropriate or required in environmentally sensitive areas of operation. There can be no assurance that the Resulting Issuer will not incur substantial financial obligations in connection with environmental compliance.

Significant liability could be imposed on the Resulting Issuer for damages, clean-up costs or penalties in the event of certain discharges into the environment, environmental damage caused by previous owners purchased by the Resulting Issuer or non-compliance with environmental laws or regulations. Such liability could have a material adverse effect on the Resulting Issuer. Moreover, the Resulting Issuer cannot predict what environmental legislation or regulations will be enacted in the future or how existing or future laws or regulations will be administered or enforced. Compliance with more stringent laws or regulations, or more vigorous environment policies of any regulatory authority, could in the future require material expenditures by the Resulting Issuer for the installation and operation of systems and equipment for remedial measures, any or all of which may have a material adverse effect on the Resulting Issuer.

The Resulting Issuer will conduct operations in Ukraine. Oil and gas exploration and production companies in Ukraine are subject to a number of environmental and sanitary compliance requirements which are provided under a number of Ukrainian statutes. Primarily, these requirements relate to air pollution, water use and waste and sewage disposal. The Resulting Issuer is not aware of any breaches by KUB-Gas of environmental laws or regulations to which KUB-Gas is subject.

Risks Related to Legal Proceedings

The entities that will comprise the Resulting Issuer may be involved in various legal disputes and there is no guarantee that these disputes will be resolved in favour of the Resulting Issuer. As such, certain fines, penalties or damages may have to be paid by the Resulting Issuer, which may have a significant impact on profitability.

Volatility of Oil and Gas Prices and Markets

The Resulting Issuer's financial performance and condition will be substantially dependent on the prevailing prices of oil and natural gas which are unstable and subject to fluctuation. Fluctuations in oil or natural gas prices could have an adverse effect on the Resulting Issuer's operations and financial condition. Prices for crude oil fluctuate in response to global supply of and demand for oil, market performance and uncertainty and a variety of other factors which are outside the control of the Resulting Issuer, including, but not limited to, the world economy and OPEC's (Organization of the Petroleum Exporting Countries) ability to adjust supply to world demand, government regulation, political stability and the availability of alternative fuel sources. Natural gas prices are influenced by factors within North America, including North American supply and demand, economic performance, weather conditions and availability and pricing of alternative fuel sources.

In Ukraine, prices for domestic industrial gas customers are set by the Cabinet of Ministers of Ukraine on an "import parity" basis. As Ukraine relies to a significant extent on supplies of energy resources from Russia, the domestic industrial gas price in Ukraine exhibits a strong correlation with the Russian gas import price. This import price, and consequently the prices which may be charged by producers in Ukraine to their industrial customers, is determined based on annual negotiations between the governments of Ukraine and Russia.

Any substantial declines in the prices of crude oil or natural gas could also result in delay or cancellation of existing or future exploration programs. All of these factors could result in a material decrease in the Resulting Issuer's net production revenue, cash flows and profitability causing a reduction in its oil and natural gas interest acquisition and development activities.

From time to time the Resulting Issuer may enter into agreements to receive fixed prices on its oil and natural gas production to offset the risk of revenue loss if commodity prices decline; however, if commodity prices increase beyond the levels in such agreements, the Resulting Issuer will not benefit from such increases.

Global Economic Crisis

On a worldwide scale, capital markets have experienced substantial volatility since early 2008. Volatility within global capital markets and continued weakening or delays in the recovery of capital markets may have an adverse effect on the ability of the Resulting Issuer to raise additional capital on a timely basis and on terms that it finds acceptable. In the event that global economic instability persists for an extended period of time, the operations of the Resulting Issuer and the quality of the shareholder’s investment may be adversely affected and such factors may have a negative impact on the value, the holding period and the resale of the securities of the Resulting Issuer.

PART I - INFORMATION CONCERNING CUB

Corporate Structure

Name and Incorporation

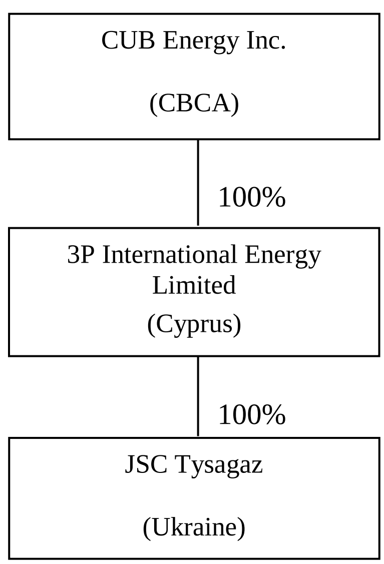
CUB is a corporation governed by the CBCA. CUB was formed under the OBCA as a CPC on April 3, 2008. The Corporation filed articles of amendment on June 11, 2008 to remove the private company provisions from its articles, on July 14, 2010 to change its name from "Colonnade Capital Corp." to "3P International Energy Corp." and on January 26, 2012 to change its name from "3P International Energy Corp." to "CUB Energy Inc.". Pursuant to articles of continuation filed on February 28, 2012, CUB was continued from a corporation governed by the OBCA to a company governed by the CBCA.

The head and registered office of CUB is located at 50 Richmond Street East, Suite 101, Toronto, Ontario M5C 1N7.

CUB Shares are listed on the TSXV under the symbol "KUB". CUB is currently a reporting issuer in the provinces of British Columbia, Alberta and Ontario.

Intercorporate Relationships

The following chart illustrates the intercorporate relationships among CUB and its direct and indirect subsidiaries as of the date hereof and, for each subsidiary, its corporate jurisdiction and the percentage of votes attaching to all voting securities of the subsidiary beneficially owned, or controlled or directed, directly or indirectly, by the Corporation. None of the subsidiaries have any restricted securities issued and outstanding.



General Development of the Business

History

Capitalization Transaction

On April 3, 2008, CUB issued 2,000,000 CUB Shares at a price of C$0.05 per share to its founders for gross proceeds of C$100,000. During the financial year ended June 30, 2008, the Corporation did not acquire any assets and as such held no assets, except for cash. CUB's only income was interest income.

Initial Public Offering

On August 19, 2008, CUB received a final receipt from the Ontario Securities Commission for a final prospectus dated August 15, 2008 filed in connection with its initial public offering (the "**IPO**"). The IPO was made on behalf of CUB by its agent on a best commercial efforts basis, to place 2,500,000 CUB Shares for total gross proceeds to the corporation of C$250,000. CUB completed the IPO on September 3, 2008. In connection with the IPO, an agent received a cash commission equal to 10% of the gross proceeds of the IPO and CUB granted the agent options to purchase 250,000 CUB Shares at a price of C$0.10 per share, exercisable for a period of 24 months from the date the CUB Shares were listed on the TSXV.

The purpose of the IPO was to provide CUB with a minimum of funds with which to identify and evaluate businesses or assets with a view to completing a Qualifying Transaction. During the financial year ended June 30, 2009, the Corporation did not carry on any business other than the identification and evaluation of assets and businesses with a view to completing a Qualifying Transaction in accordance with the CPC Policy.

During the financial year ended June 30, 2009, CUB did not acquire any assets and as such held no assets, except for cash. CUB's only income was interest income.

Qualifying Transaction

On April 9, 2010, CUB entered into an option agreement (the "**Option Agreement**") with Canadian Industries Corporation, an issuer listed on the TSXV, in respect of a proposed Qualifying Transaction. Pursuant to the terms of the Option Agreement, CUB received an option to acquire a 51% interest in the Eyehill Creek Potash Property consisting of 21 metallic and industrial mineral permits encompassing approximately 1,833 km^2 (183,346 hectares) in east-central Alberta. CUB entered into the Option Agreement, which constituted its Qualifying Transaction, on May 12, 2010.

Acquisition of Galizien

On July 21, 2010, CUB entered into a share purchase agreement to acquire Galizien Energy Corp. ("**Galizien**"), pursuant to which CUB issued 4,400,000 CUB Shares and assumed liabilities to pay approximately $285,000 as consideration for all of the issued and outstanding shares of Galizien. Galizien's sole asset was its agreement with Eurogas GMBH to earn an interest in Eurogas Ukraine (the "**Eurogas Agreement**").

On October 14, 2011, CUB announced that Galizien had terminated the Eurogas Agreement. CUB was required to record a non-cash asset asset impairment charge of $1,729,698, being the then-current carrying value ascribed to the purchase of Galizien. Off-setting this charge was the repurchase, pursuant to prior transactions, for nominal consideration of 3,050,000 of the 4,400,000 CUB Shares issued in connection with the acquisition of Galizien and repayment to CUB of C$125,000 in consultancy fees paid by Galizien, therefore reducing the value of the non-cash write down.

Acquisition of Tysagaz

On May 24, 2011, CUB entered into the Tysagaz Agreement with JSC Nadra Concern to acquire all of the issued and outstanding shares of its wholly-owned subsidiary, Tysagaz (the "**Tysagaz Acquisition**"). In consideration for the Tysagaz Acquisition, CUB paid JSC Nadra Concern's parent company, Geloni Foundation, US$17,000,000. Pursuant to the Tysagaz Agreement, a finder's fee of US$305,000 was paid to an arm's length third party, $255,000 of which was paid in CUB Shares and the balance of which was paid in cash.

Tysagaz is an operating company, with all permits, technical and human resources for oil and gas exploration, production and marketing. Its head office is located in Uzhgorod-city, the regional centre of the Transcarpathian region. Tysagaz was set up to produce natural gas with the initial focus being the Transcarpathian region of Western Ukraine. The Transcarpathian Basin is a 7,500 km² region bordering Hungary, Slovakia, Romania and a subset of the prolific Panonian and Carpathian basins. Tysagaz's core assets are the four natural gas licences, including production, operations and infrastructure adjacent to one of Ukraine's main natural gas pipelines into Europe. Tysagaz is the title holder to four gas licences in Ukraine: the Rusko-Komarivske, Stanivske and Korolivske gas fields, and the Uzhgorod exploration block in Western Ukrain's Transcarpathian region.

The completion of the Tyzagas Acquisition constituted a "significant acquisition" for CUB, as the term is defined in NI 51-102.

CUB Meeting

At the CUB Meeting, CUB Shareholders elected Messrs. Robert Bensh, Mikhail Afendikov, Gregory Cameron, Steven VanSickle and Robert Hodgins as directors of CUB. Messrs. Bensh and Afendikov were nominated at the request of Gastek to facilitate the orderly integration of the operations CUB and Gastek upon completion of the Transaction. Mr. Bensh has subsequently resigned from the CUB Board. Also at the CUB Meeting, CUB Shareholders approved the Continuance and the CUB Option Plan.

Continuance

On February 28, 2012, CUB filed Articles of Continuance, pursuant to which it was continued from a corporation governed by the OBCA to a corporation governed by the CBCA.

Financings

On May 12, 2010, in connection with its Qualifying Transaction, CUB completed a non-brokered private placement, pursuant to which it issued 4,186,664 units at a price of C$0.15 per unit for gross proceeds of $628,000. Each unit consisted of one CUB Share and one CUB Warrant, each CUB Warrant being exercisable to purchase one CUB Share at a price of C$0.30 for a period of two years following closing. In connection with this financing, CUB paid finder's fees in the aggregate amount of C$50,240 and 334,933 CUB Warrants exercisable at a price of C$0.15 for a period of two years following closing.

On September 22, 2010, CUB completed a non-brokered private placement, pursuant to which it issued 20,035,000 units at a price of C$0.25 per unit for gross proceeds of C$5,008,750. Each unit consisted of one CUB Share and one CUB Warrant, each warrant being exercisable to purchase one CUB Share at a price of C$0.70 per share until September 22, 2012. CUB paid a finder's fee of 6% of the proceeds of the private placement and issued finder's warrants to purchase 6% of the units sold in the private placement. Each finder's warrant is exercisable into one unit at a price of C$0.25 per unit until September 22, 2010.

On October 26, 2010, CUB completed a non-brokered private placement pursuant to which it issued 20,000,000 CUB Shares at a price of C$0.40 per share for gross proceeds of C$8,000,000. CUB paid an aggregate of

C$480,000 to finders and issued a total of 1,200,000 finder's warrants. Each finder's warrant is exercisable into one CUB Share at a price of C$0.40 per share until October 26, 2012.

On November 25, 2011, CUB completed a non-brokered private placement (the "**November 2011 Financing**") pursuant to which it issued 13,659,156 CUB Shares at a price of C$0.40 per CUB Share and also issued 4,490,844 CUB Subscription Receipts at a price of C$0.40 per CUB Subscription Receipt, for aggregate gross proceeds of C$7,260,000. In connection with the November 2011 Financing, CUB paid a finder's fee of approximately C$6,000 and incurred other transaction costs of approximately C$506,000.

Selected Financial Information

The following table presents a summary of selected financial information of CUB for the years ended June 30, 2009, 2010 and 2011 as well as for the three month period ended December 31, 2011. The following summary is derived from, should be read in conjunction with, and is qualified by reference to CUB's financial statements including the notes thereto. A copy of the audited financial statements of CUB for the years ended June 30, 2009, 2010 and 2011, and the unaudited financial statements of CUB for the period ending December 31, 2011 are attached as Exhibits "A" and "C" hereto, respectively. A copy of the unaudited financial statements of CUB for the period ending September 30, 2011, which set out the opening statement of financial position at the date of CUB's transition to IFRS and IFRS 1 reconciliations for CUB's date of transition, are attached as Exhibits "E" hereto.

	Year Ended June 30, 2011 (audited)	**Year Ended June 30, 2010 (audited)**	**Year Ended June 30, 2009 (audited)**	**Three Months Ended December 31, 2011 (unaudited)**
Total Expenses	C$6,446,724	C$145,270	C$129,254	C$1,503,605
Amounts deferred in connection with the Transaction	Nil	Nil	Nil	Nil

Management's Discussion and Analysis

CUB's management's discussion and analyses ("**MD&As**") should be read in conjunction with the audited financial statements and the related notes thereto for the fiscal years ended June 30, 2011, June 30, 2010 and June 30, 2009 and the unaudited financial statements for the three month and six month periods ended December 31, 2011.

The September 30, 2011 and December 31, 2011 financial statements have been prepared in accordance with International Financial Reporting Standards and the June 30, 2011, June 30, 2010 and June 30, 2009 financial statements have been prepared in accordance with Canadian generally accepted accounting principles.

CUB's MD&As together with the applicable financial statements, are attached at Exhibits "A" to "D".

Description of the Securities

CUB is authorized to issue an unlimited number of CUB Shares without nominal or par value. As of the date hereof, 79,656,500 CUB Shares are issued and outstanding. There are also 4,490,844 CUB Subscription Receipts outstanding which are anticipated to automatically be exercised into an equal number of CUB Shares upon completion of the Transaction. As of the date hereof, CUB also has 11,820,016 CUB Warrants and 7,224,451 CUB Options issued and outstanding.

Holders of CUB Shares are entitled to one vote per CUB Share at meetings of shareholders, are entitled to dividends if, as and when declared by the CUB Board and upon liquidation, dissolution or winding-up to receive the corporation's remaining property. Holders of CUB Shares have no pre-emptive rights, no conversion rights or rights of redemption provisions applicable to the CUB Shares.

Stock Option Plan

The CUB Option Plan is a rolling stock option plan which provides that the CUB Board may from time to time, in its discretion, and in accordance with the Exchange requirements, grant to directors, officers, employees of and technical consultants to CUB, non-transferable options to purchase CUB Shares, provided that the number of CUB Shares reserved for issuance will not exceed 10% of the issued and outstanding CUB Shares. As of the date of this Filing Statement, there are an aggregate of 7,224,451 CUB options issued and outstanding under the CUB Option Plan. The CUB Option Plan was approved and adopted by CUB shareholders most recently on December 2, 2011.

The exercise price for the CUB Options is determined by the CUB Board, which will in no event be less than the current market price of the CUB Shares at the time of grant. The maximum term of option grant is ten years from the date of grant. Subject to the rules of the Exchange, the CUB Board will have discretion to set the terms of a vesting schedule, if any, of each CUB Option granted. In connection with the foregoing, the number of CUB Shares reserved for issuance to any individual director or officer will not exceed 5% of the issued and outstanding CUB Shares and the number of CUB Shares reserved for issuance to all technical consultants or persons providing investor relations activities will not exceed 2% of the issued and outstanding CUB Shares.

Subject to board approval, options may be exercised no later than three months following cessation of the optionee's position with CUB, provided that if the cessation of office, directorship or consulting arrangement was by reason of death, such option may be exercised within a maximum period of three months after such death. In the event of retirement or disability, vested CUB Options held by an optionee may be exercised within three months after the effective date of retirement or disability.

The maximum number of CUB Shares issuable under the CUB Option Plan will be adjusted where necessary to take into account a stock split, consolidation or reclassification or other relevant change in the CUB Shares, or in the event of a merger, amalgamation or reorganization, or if additional shares are issued pursuant to a stock dividend.

In connection with the Transaction and subject to the approval of the Exchange, the Resulting Issuer will maintain the CUB Option Plan as more specifically set out in *"Part III – Information Concerning the Resulting Issuer – Stock Option Plan".*

Prior Sales

The following tables set forth the number and price at which securities of CUB have been issued within the 12 month period prior to the date of this Filing Statement:

Date	Number of Type of Securities	Issue Price per Security	Aggregate Issue Price ($C)	Consideration Received
April 18, 2011	650,000 CUB Options(8)	N/A	N/A	N/A
April 21, 2011	131,250 CUB Shares(2)	$0.21	$27,562.50	Cash
May 16, 2011	250,000 CUB Options(9)	N/A	N/A	N/A
June 14, 2011	200,000 CUB Shares(1)	$0.30	$60,000	Cash
June 22, 2011	150,000 CUB Options(10)	N/A	N/A	N/A
July 12, 2011	600,000 CUB Options(11)	N/A	N/A	N/A

Date	Number of Type of Securities	Issue Price per Security	Aggregate Issue Price ($C)	Consideration Received
September 8, 2011	1,000,000 CUB Options(6)	N/A	N/A	N/A
September 12, 2011	110,000 CUB Shares(1)	$0.25	$27,500	Cash
September 13, 2011	100,000 CUB Shares(1)	$0.30	$30,000	Cash
September 29, 2011	33,333 CUB Shares(1)	$0.30	$9,999.90	Cash
October 6, 2011	40,000 CUB Shares(1)	$0.30	$12,000	Cash
October 11, 2011	100,000 CUB Shares(1)	$0.30	$30,000	Cash
October 19, 2011	320,000 CUB Shares(1)	$0.30	$96,000	Cash
October 24, 2011	50,000 CUB Shares(1)	$0.30	$15,000	Cash
October 27, 2011	60,000 CUB Shares(1)	$0.30	$18,000	Cash
October 28, 2011	637,500 CUB Shares	$0.40	$255,000	Services(4)
November 2, 2011	100,000 CUB Shares(1)	$0.30	$30,000	Cash
November 8, 2011	122,933 CUB Shares(1)	$0.15	$18,439.95	Cash
November 25, 2011	13,659,156 CUB Shares(3)	$0.40	$5,463,662.40	Cash
November 25, 2011	4,490,844 CUB Subscription Receipts(5)	$0.40	$1,796,337.60	Cash
December 2, 2011	2,250,000 CUB Options(7)	N/A	N/A	N/A
January 16, 2012	11,500 CUB Shares(1)	$0.30	$3,450	N/A
February 10, 2012	8,500 CUB Shares(1)	$0.30	$2,550	N/A

Notes:

(1) Consists of CUB Shares issued on the exercise of CUB Warrants.
(2) Consists of CUB Shares issued on the exercise of CUB Options.
(3) Consists of CUB Shares issued in connection with the November 2011 Financing.
(4) Consists of CUB Shares issued pursuant to the Tysagaz Agreement in connection with a finder's fee of approximately US$300,000 paid to an arm's length third party, 80% of which was paid in CUB Shares and the balance of which was paid in cash.
(5) Consists of CUB Subscription Receipts issued in connection with the November 2011 Financing.
(6) Issued to directors, officers and consultants of CUB; exercisable at a price of $0.50 per CUB Share and expiring September 8, 2016.
(7) Issued to directors and officers of CUB; exercisable at a price of $0.45 per CUB Share and expiring December 2, 2016.
(8) Issued to officers and consultants; exercisable at a price of $0.64 - $0.75 per CUB Share and expiring April 18, 2016.
(9) Issued to consultants of CUB; exercisable at a price of $0.65 per CUB Share and expiring May 16, 2016.
(10) Issued to consultants of CUB; exercisable at a price of $0.43 per CUB Share and expiring May 16, 2016.
(11) Issued to directors of CUB; exercisable at a price of $0.40 per CUB Share and expiring July 12, 2016.

Stock Exchange Price

The CUB Shares are listed for trading on the TSXV under the symbol "KUB". On March 15, 2012, the closing price was C$0.39.

The following table sets forth the high and low daily closing prices and the volumes of trading of the CUB Shares for the periods indicated.

	Price Range		
Period	**High (C$)**	**Low (C$)**	**Volume**
March 1 to March 15, 2012	0.42	0.35	5,074,235
Month ended February 29, 2012	0.40	0.35	740,611
Month ended January 31, 2012	0.41	0.35	1,363,530
Month ended December 31, 2011	0.43	0.31	1,952,627
Month ended November 30, 2011	0.45	0.35	3,469,100(1)
Month ended October 31, 2011	0.46	0.20	11,356,777
Quarter ended September 30, 2011	0.53	0.26	16,932,957
Quarter ended June 30, 2011	0.76	0.38	13,849,982
Quarter ended March 31, 2011	1.00	0.60	20,501,962
Quarter ended December 31, 2010	0.97	0.36	10,191,960
Quarter ended September 30, 2010	0.42	0.21	1,922,951
Quarter ended June 30, 2010	0.29	0.19	359,391(2)
Quarter ended March 31, 2010	0.15	0.15	0(2)

Notes:

(1) Trading of the CUB Shares was halted on October 31, 2011 in connection with the Transaction. Trading resumed on November 22, 2011 upon the issuance of a comprehensive news release dated November 21, 2011.
(2) Trading of the CUB Shares was halted on January 4, 2010 in connection with the announcement of CUB's Qualifying Transaction. Trading resumed on May 14, 2010 upon completion of the Qualifying Transaction.

Executive Compensation

Compensation Discussion and Analysis

CUB has established a compensation and nominating committee (the "**Compensation and Nominating Committee**") currently comprised of two directors, Steven VanSickle and Gregory Cameron. CUB considers Mr. VanSickle to be an independent director.

The Compensation and Nominating Committee reviews the compensation of the directors and Named Executive Officers ("**NEOs**"). The Compensation and Nominating Committee also administers the CUB Option Plan.

The Compensation and Nominating Committee receives recommendations from the management of CUB and reviews and makes recommendations to the CUB Board regarding the granting of stock options to directors and NEOs of CUB as well as compensation for NEOs of CUB. NEOs may be compensated in cash and/or equity for their expert advice and contributions towards the success of CUB.

Objectives of the Compensation Program

The objectives of CUB's compensation program are to attract, hold and inspire performance of its NEOs of a quality and nature that will enhance CUB's sustainable profitability and growth.

Overview of the Compensation Philosophy

The following principles guide CUB's overall compensation philosophy with respect to its NEOs:

a) Compensation is determined on an individual basis by the need to attract and retain talented high-achievers;
b) Calculating total compensation is set with reference to the market for similar jobs in similar locations;
c) An appropriate portion of total compensation is variable and linked to achievements, both individual and corporate;
d) Internal equity is maintained such that individuals in similar jobs and locations are treated fairly; and
e) CUB supports reasonable expenses in order that employees continuously maintain and enhance their skills.

The CUB Board is given discretion to determine and adjust, year to year, the relative weighting of each form of compensation discussed above in a manner which best measures the success of CUB and its NEOs.

Compensation of all NEOs is based primarily on corporate performance, which includes achievement of CUB's strategic objective of growth and the enhancement of shareholder value through increases in the stock price resulting from increases in reserves and production, continued low cost production and enhanced annual cash flow.

The Compensation Review Process

The form and amount of compensation payable to NEOs is evaluated by the Compensation and Nominating Committee and is guided by the following goals:

a) compensation should be commensurate with the time spent by the NEOs in meeting their obligations and reflective of the compensation paid by companies similar in size and business to the corporation;
b) CUB's compensation program should fairly compensate and motivate the NEOs; and
c) the structure of the compensation should be simple, transparent and easy for CUB Shareholders to understand.

To determine compensation payable, the Compensation and Nominating Committee reviews compensation paid to directors and officers of companies of similar business, size and stage of development and determines an appropriate compensation reflecting the need to provide incentive and compensation for the time and effort expended by the NEOs while taking into account the financial and other resources of CUB. At this point, due to CUB's size and development stage, the Compensation and Nominating Committee has not considered it necessary to consult with any third party advisors in determining compensation for CUB's NEOs and directors. Outside advisors may be engaged in the future for that purpose.

The Compensation and Nominating Committee reviews on an annual basis the cash compensation, performance and overall compensation package for each NEO. It makes recommendations to the CUB Board with respect to the basic salary, bonus and participation in share compensation arrangements for each NEO.

Elements of Executive Compensation

CUB's executive compensation package consists of two major elements: (i) base salary and bonuses; and (ii) grants under the CUB Option Plan.

Base Salary and Bonuses

Salaries form the primary component of CUB's compensation program for its NEOs. Salary levels for the NEOs are determined with reference to market comparables for similar positions. The corporation may also pay performance bonuses to its NEOs, any such bonus paid is entirely within the discretion of the CUB Board, following consideration by the Compensation and Nominating Committee. In making bonus determinations, the CUB Board reviews corporate and individual performance.

CUB Option Plan

Stock options are typically part of the overall compensation package for executive officers and employees and are generally granted on hire and thereafter on a periodic basis as may be determined by the CUB Board, following consideration by the Compensation and Nominating Committee. The granting of stock options aligns the interests of the NEOs with the interests of CUB Shareholders. Previous grants of option-based awards are taken into account when considering new grants. For NEOs the number of stock options granted is at the discretion of the Compensation and Nominating Committee, subject to the approval of the CUB Board, taking into account attainment of specific strategic business goals during the preceding year.

Other Compensation Matters

Other than as specifically set forth above, CUB does not propose to pay any other long-term incentive awards to the NEOs of the corporation. CUB does not propose to establish any supplemental executive retirement plans, pension plans or disability benefits for the directors or the NEOs.

Summary Compensation Table

The following table sets forth all compensation for services in all capacities to CUB for the financial year ended June 30, 2011 and the six months ended December 31, 2011 in respect of all NEOs. As CUB was a CPC until it completed its qualifying transaction on May 12, 2010, it was not permitted to pay any salaries, consulting fees, management contract fees or directors' fees. Other than the option-based award granted to Richard Kehmeier in the fiscal year ended June 30, 2009 as disclosed on the table below, CUB did not issue any option-based awards to NEOs in fiscal years ended prior to June 30, 2010.

Unless otherwise noted, salaries for the NEOs are paid in Canadian dollars.

Name and principal position	Year / Period Ended	Salary (C$)	Share-based awards ($)	Option-based awards(C$)[8]	Non – equity incentive plan compensation ($)		All other compensation (C$)	Total compensation (C$)
					Annual incentive plans	Long-term incentive plans		
Robert Bensh [1] Former Chief Executive Officer, President and Director	Dec. 31, 2011	Nil	Nil	131,366	Nil	Nil	Nil	131,366
Ron MacMicken [2][3] Former Chief Executive Officer, President and Director	June 30, 2011	30,000	Nil	144,607	Nil	Nil	1,000	175,607
	Dec. 31, 2011	60,000	Nil	74,794	Nil	Nil	3,000	137,794
Wally Rudensky [4] Chief Financial Officer	June 30, 2011	100,000	Nil	130,660	Nil	Nil	Nil	230,660
	Dec. 31, 2011	60,000	Nil	44,876	Nil	Nil	Nil	104,876
Dr. David Kahn [5] Former Chairman and Chief Executive Officer	2011	80,000	Nil	124,120 [9]	Nil	Nil	Nil	204,120
Gregory Cameron Chairman and Director	June 30, 2011	60,000	Nil	137,551	Nil	Nil	3,000	200,551
	Dec. 31, 2011	60,000	Nil	221,119	Nil	Nil	3,000	284,119
Quinton Rafuse [6] Former President and Chief Operating Officer	June 30,2011	Nil	Nil	46,505	Nil	Nil	Nil	46,505
Richard Kehmeier [7] Former Chief Executive Officer and Former Director	June 30, 2011	Nil	Nil	Nil	Nil	Nil	Nil	Nil
	June 30, 2010	Nil	Nil	Nil	Nil	Nil	Nil	Nil
	June 30, 2009	Nil	Nil	8,365	Nil	Nil	Nil	8,365

Notes:

(1) Appointed Chief Executive Officer and President and elected to the board of directors on December 2, 2011 and ceased to be Chief Executive Officer, President and Director on March 20, 2011.

(2) Appointed as Chief Executive Officer and President on April 12, 2011 and ceased to be Chief Executive Officer and President on December 2, 2011.

(3) Upon completion of the Transaction, Mr. MacMicken will receive a severance payment of CUB Shares valued at C$0.40 per CUB Share. For more information on this bonus payment please see *Part III – Information Concerning the Resulting Issuer – Executive Compensation – Transaction Bonuses and Severance.*

(4) Appointed as Chief Financial Officer on August 23, 2010.

(5) Appointed as Chairman and Chief Executive Officer on August 23, 2010 and ceased to be Chairman and Chief Executive Officer on April 12, 2011.

(6) Appointed as President and Chief Operating Officer on August 23, 2010 and ceased to be President and Chief Operating Officer on December 16, 2010.

(7) Ceased to be Chief Executive Officer and director on August 23, 2010.

(8) The fair values of CUB's stock options issued during the years ended June 30, 2011 and 2010 were estimated using the Black-Scholes option pricing model, as management believed the Black-Scholes model provided a reasonable value for the stock options issued. The fair values were estimated using the following assumptions: volatility – 100% (2010 – 75% to 100%); risk-free interest rate – 1.97% to 2.78% (2010 – 2.51% to 2.55%); expected life (years) – 5 years (2010 – 5 years); and dividend yield – nil (2010 – nil).

(9) 459,000 stock options owned by Dr. Kahn have been cancelled.

Summary Compensation – Narrative Discussion

CUB entered into a three month renewable agreement dated as of April 12, 2011 with Playfair Capital Inc. ("**Playfair**"), whereby Playfair provided, on an independent contractor basis, executive, management and administrative services to the corporation, including the part-time services of Ronald MacMicken to serve as President and Chief Executive Officer (the "**CEO Agreement**"). Under the CEO Agreement, Playfair received a monthly fee of C$10,000 and reimbursement for any expenditures incurred in the performance of its duties. In connection with the resignation of Mr. MacMicken as President and Chief Executive Officer of CUB, the CEO Agreement was terminated on December 2, 2011.

CUB entered into a non-exclusive, two-year consulting agreement dated as of August 6, 2010 with D.K. True Energy Developments Ltd. (the "**DK**"), a company wholly-owned by Dr. David Kahn (the "**DK Agreement**"). In connection with the resignations of Dr. David Kahn as Chief Executive Officer, President and a director of CUB, the DK Agreement was terminated on April 12, 2011.

CUB entered into an agreement dated as of September 1, 2010 and amended January 1, 2012 with ALOE Financial Inc. ("**ALOE**"), whereby ALOE provides the services of Wally Rudensky as Chief Financial Officer of CUB (the "**CFO Agreement**"). The CFO Agreement provides for, among other things, the provision of internal finance administration functions, the management of all finance related transactions and the provision of financial statements and information in exchange for a monthly service fee of C$10,000.

CUB entered into a non-exclusive, one-year consulting agreement dated as of January 1, 2011 with Colby Capital Limited ("**Colby**"), a holding company of Gregory Cameron (the "**Colby Agreement**"). Under the Colby Agreement, Colby provides for a monthly service fee of C$10,000, on an independent contractor basis, assistance with investment introductions, new financing opportunities and ongoing capital markets and management advice.

Termination and Change of Control Benefits

The CFO Agreement provides that where there is: (i) the acquisition by any person or group, directly or indirectly, of 50% or more of the CUB's outstanding equity; (ii) any merger, arrangement or similar event where control is transferred; (iii) any event whereby a person or group, acting together, elects or causes to be elected 50% of more of the board of directors of the corporation; (iv) any approval by the shareholders of a sale, lease or other disposition of all or substantially all assets of CUB; or (v) any approval by the shareholders of a liquidation, dissolution or winding-up of the CUB (a "**Change of Control**"), all of ALOE's entitlements to purchase shares and options shall immediately vest and be exercisable at the sole discretion of ALOE. In the event of a Change of Control of CUB, CUB will have the option to terminate the CFO Agreement upon payment within ten days of ten months of the service fee payable thereunder.

Other than the CFO Agreement, CUB has not entered into any contract, agreement, plan or arrangement with any of its NEOs providing for termination and/or change of control benefits.

Incentive Plan Awards

The following table provides information regarding incentive plan awards for NEOs outstanding as of June 30, 2011.

Outstanding Share-Based Awards and Option-Based Awards

Name and principal position	Number of securities underlying unexercised options (#)	Option exercise price (C$)	Option expiration date	Value of unexercised in-the-money options (C$)
Robert Bensh (1)(2) Former Chief Executive Officer, President and Director	Nil	N/A	N/A	Nil
Ron MacMicken(3) Former Chief Executive Officer and President	300,000	0.64	April 18, 2016	Nil
Wally Rudensky(4) Chief Financial Officer	140,000 150,000	0.31 0.87	September 22, 2015 December 21, 2015	11,900 Nil
Dr. David Kahn (5) Former Chairman and Chief Executive Officer	Nil	Nil	N/A	Nil
Gregory Cameron(6)(7) Executive Chairman and Director	459,000	0.40	October 6, 2015	Nil
Quinton Rafuse Former President and Chief Operating Officer	200,000	0.31	September 22, 2015	17,000
Richard Kehmeier (8) Former Chief Executive Officer and Former Director	Nil	Nil	N/A	Nil

Notes:

(1) Appointed Chief Executive Officer and President and elected to the board of directors on December 2, and ceased to be Chief Executive Officer, President and Director on March 20, 2011.
(2) On December 2, 2011, Mr. Bensh received options to purchase 450,000 CUB Shares at an exercise price of $0.45 per share for a period of five years.
(3) On September 8, 2011, Mr. MackMicken received 250,000 options to purchase CUB Shares at an exercise price of $0.50 per share for a period of five years.
(4) On September 8, 2011, Mr. Rudensky received 150,000 options to purchase CUB Shares at an exercise price of $0.50 per share for a period of five years.
(5) 459,000 stock options owned by Dr. Kahn have been cancelled.
(6) On September 8, 2011, Mr. Cameron received 300,000 options to purchase CUB Shares at an exercise price of $0.50 per share for a period of five years.
(7) On December 2, 2011, Mr. Cameron received 450,000 options to purchase CUB Shares at an exercise price of $0.45 per share for a period of five years.
(8) All options held by Richard Kehmeier were exercised during the year.

The following table provides information regarding the value vested or earned of incentive plan awards for the financial year ended June 30, 2011 and the six months ended December 31, 2011.

Value Vested or Earned During the Financial Year Ended June 30, 2011 and the Quarter Ended December 31, 2011

Name and principal position	Option-based awards – Value vested during the year ended June 30, 2011	Option-based awards – Value vested during the quarter ended December 31, 2011
Robert Bensh Former Chief Executive Officer, President and Director	Nil	Nil
Ron MacMicken Former Chief Executive Officer and President	Nil	Nil
Wally Rudensky Chief Financial Officer	Nil	Nil
Dr. David Kahn (1) Former Chairman and Chief Executive Officer	Nil	Nil
Gregory Cameron Executive Chairman and Director	Nil	Nil
Quinton Rafuse Former President and Former Chief Executive Officer	Nil	Nil
Richard Kehmeier Former Chief Executive Officer and Former Director	Nil	Nil

Note:
(1) 459,000 stock options owned by Dr. Kahn have been cancelled.

Director Compensation

The following table provides information regarding compensation provided to the directors of CUB for the year ended June 30, 2011 and the six months ended December 31, 2011 (relevant disclosure for Robert Bensh, Ron MacMicken, David Kahn, Gregory Cameron and Richard Kehmeier has been provided under the summary compensation table above).

Director Compensation Table

Name	Financial Year / Period Ended	Fees earned (C$)	Share-based awards (C$)	Option-based awards (C$)	Non-equity incentive plan compensation (C$)	Pension value (C$)	All other compensation (C$)	Total (C$)
Robert Szczuczko(1)	June 30, 2011	3,000	Nil	60,070	Nil	Nil	10,000 (2)	73,070
	Dec 31, 2011	1,500	Nil	Nil	Nil	Nil	Nil	1,500
Steven VanSickle	June 30, 2011	3,000	Nil	196,214	Nil	Nil	Nil	199,214
	Dec. 31, 2011	3,000	Nil	221,406	Nil	Nil	Nil	224,406
Mykhailo Reznik(1)	June 30, 2011	1,500	Nil	171,835	Nil	Nil	Nil	173,335
	Dec. 31, 2011	3,000	Nil	Nil	Nil	Nil	Nil	3,000
Robert Hodgins (3)	June 30, 2011	Nil	Nil	Nil	Nil	Nil	Nil	Nil
	Dec. 31, 2011	3,000	Nil	221,406	Nil	Nil	Nil	224,406
Sanjay Joshi (4)(5)	June 30, 2011	Nil	Nil	66,201(5)	Nil	Nil	Nil	66,201
Paul DesLauriers(5)(6)	June 30, 2011	2,500	Nil	66,201(5)	Nil	Nil	Nil	68,701
Mikhail Afendikov(7)	Dec 31, 2011	Nil	Nil	131,366	Nil	Nil	Nil	131,366

Notes:

(1) Ceased to be a director on December 2, 2011.
(2) Consulting fee paid to Robert Szczuczko.
(3) Appointed as director on July 14, 2011.
(4) Ceased to be a director on December 22, 2010.
(5) All options have been cancelled since board resignation.
(6) Ceased to be a director on June 23, 2011.
(7) Elected to the board of directors on December 2, 2011 and appointed Chief Executive Officer on March 20, 2012.

Director Compensation Table – Narrative Discussion

For the periods stated above, CUB paid each of its directors a director's fee of C$1,500 per quarter, and granted from time to time CUB Options in accordance with the CUB Option Plan. The directors of the corporation do not receive, and it is not anticipated that they shall receive, any compensation for attending meetings of the CUB Board or a committee of the CUB Board.

Director Incentive Plan Awards

The following table sets forth the options to purchase securities of CUB as at the end of the fiscal year ended June 30, 2011 (relevant disclosure for Robert Bensh, Ron MacMicken, David Kahn, Gregory Cameron and Richard Kehmeier has been provided under the Outstanding Share-Based Awards and Option-Based Awards table).

Director Outstanding Share-Based Awards and Option-Based Awards

Name	Number of securities underlying unexercised options (#)	Option exercise price (C$)	Option expiration date	Value of unexercised in-the-money options (C$)
Robert Szczuczko	200,451	0.40	October 6, 2015	Nil
Steven VanSickle	300,000(1)(2)	0.87	December 21, 2015	Nil
Mykhailo Reznik	300,000	0.76	March 10, 2016	Nil
Robert Hodgins (3)(4)(5)	Nil	Nil	Nil	Nil
Sanjay Joshi	Nil	N/A	N/A (6)	Nil
Paul DesLaurier	Nil	N/A	N/A (6)	Nil
Mikhail Afendikov(7)(8)	Nil	N/A	N/A	Nil

Notes:

(1) On July 12, 2011, Mr. VanSickle received options to purchase 300,000 CUB Shares at an exercise price of $0.40 per share for a period of five years.
(2) On December 2, 2011, Mr. VanSickle received options to purchase 450,000 CUB Shares at an exercise price of $0.45 per share for a period of five years.
(3) Appointed as a director subsequent to June 30, 2011.
(4) On July 12, 2011, Mr. Hodgins received options to purchase 300,000 CUB Shares at an exercise price of $0.40 per share for a period of five years.
(5) On December 2, 2011, Mr. Hodgins received options to purchase 450,000 CUB Shares at an exercise price of $0.45 per share for a period of five years.
(6) All options have been cancelled in connection with board resignation.
(7) Elected to the board of directors on December 2, 2011 and appointed Chief Executive Officer on March 20, 2012.
(8) On December 2, 2011, Mr. Afendikov received options to purchase 450,000 CUB Shares at an exercise price of $0.45 per share for a period of five years.

The following provides information regarding the value vested or earned of incentive plan awards for directors of CUB for the financial year ended June 30, 2011 and the six months ended December 31, 2011 (relevant disclosure for Robert Bensh, Ron MacMicken, David Kahn, Gregory Cameron and Richard Kehmeier has been provided under the value vested or earned during the financial year ended June 30, 2011 table).

Director Value Vested or Earned During the Financial Year Ended June 30, 2011 and Financial Quarter Ended December 31, 2011

Name	Option-based awards – Value vested during the year ended June 30, 2011	Option-based awards – Value vested during the period ended December 31, 2011
Robert Szczuczko	Nil	Nil
Steven VanSickle	Nil	Nil
Mykhailo Reznik	Nil	Nil
Robert Hodgins	Nil	Nil
Sanjay Joshi	Nil [(1)]	Nil
Paul DesLauriers	Nil [(1)]	Nil
Mikhail Afendikov	Nil	Nil

Note:
(1) All options have been cancelled since board resignation.

Arm's-Length Transaction

The proposed Transaction is an Arm's-Length Transaction.

Legal Proceedings

There are no material pending legal proceedings to which CUB is a party or of which any of its property is the subject matter nor are any such proceedings known to CUB to be contemplated.

Auditor, Transfer Agent and Registrar

The auditors of CUB are Collins Barrow Toronto LLP, Collins Barrow Place, 11 King Street West, Suite 700, Toronto, Ontario, M5H 4C7.

Equity Financial Trust Company, at its offices in Toronto, Ontario, is the registrar and transfer agent for the CUB Shares.

Material Contracts

CUB has not entered into any material contracts since incorporation, other than the following:

(a) the Tysagaz Agreement; and

(b) the Securities Exchange Agreement.

Copies of these agreements may be inspected without charge at CUB's registered office, 50 Richmond Street East, Suite 101, Toronto, Ontario M5C 1N7 during normal business hours until the completion of the Transaction and for a period of 30 days thereafter.

PART II - INFORMATION CONCERNING GASTEK

Capitalized terms used herein but not otherwise defined shall have the meaning ascribed thereto in the "*Glossary*" in this Filing Statement.

Corporate Structure

Name and Incorporation

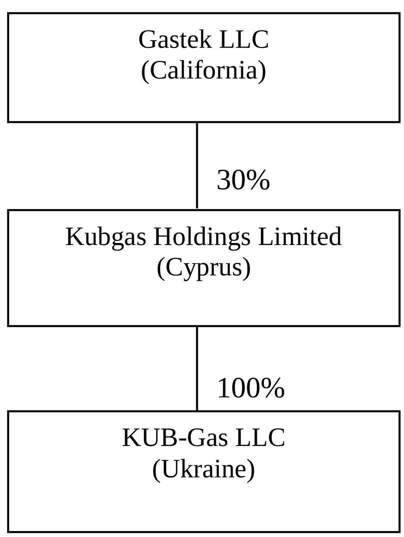
Gastek is a private limited liability company that was organized in the State of California pursuant to the *Beverly-Killea Limited Liability Company Act* on May 3, 2005. Parma, Gastek's sole member until December 1, 2011, entered into an operating agreement on January 1, 2011. Pelicourt, Gastek's sole member as at the date hereof entered into an operating agreement on December 1, 2011.

No securities of Gastek are currently publicly traded on any stock exchange and Gastek is not a reporting issuer in any jurisdiction.

Gastek's head and registered office is located at Suite 785, 1000 Fourth St., San Rafael, California, 94901.

Intercorporate Relationships

The following chart illustrates the intercorporate relationships among Gastek and its direct and indirect subsidiaries as of the date hereof and, for each subsidiary, its jurisdiction of incorporation or formation and the percentage of votes attaching to all voting securities of the subsidiary beneficially owned, or controlled or directed, directly or indirectly, by Gastek. None of the subsidiaries have any restricted securities issued and outstanding.



General Development of the Business

History

Gastek was incorporated pursuant to the *Beverly-Killea Limited Liability Company Act* in the State of California on May 3, 2005. Gastek was established by Parma and Delian Trading Inc. ("**Delian**"), which was incorporated in Liberia under the *Liberian Business Corporation Act*.

On May 3, 2005, Gastek and Delian entered into an agreement to release Delian's membership interest in Gastek.

Parma was established by Mikhail Afendikov, Valentin Bortnik and Andreas Tserni in Greece on March 22, 1993 and during the period from 1993-1994 received $2 million in proceeds from the steel and coal trade. The main activities of Parma during the period from 1993-2005 was the involvement in the shipping and chartering industries. The proceeds from the foregoing activities were used to purchase 100% of KUB-Gas shares in 2005.

On December 20, 2005, KUB-Gas shareholders held a meeting and approved the acquisition of KUB-Gas by Gastek for approximately US$5.39 million. From December 20 to December 26, 2005, Gastek entered into a series of share purchase and other agreements with the prior shareholders of KUB-Gas.

The amount of US$1.39 million was paid to former KUB-Gas shareholders by Gastek in 2005. The acquisition of KUB-Gas was financed by the funds received by Gastek from Parma in the form of a loan. The remaining balance of US$4 million was paid by Gastek to former KUB Gas shareholders in 2010 upon completion of the sale of 70% of KUB-Gas to Kulczyk (Gastek used the proceeds received from the sale of 70% of KUB-Gas to Kulczyk to pay the outstanding amount).

From 2005 until May 2010, when Gastek sold 70% of its business to Kulczyk for total consideration of US$43.2 million, Gastek spent approximately US$29.1 million to expand its business and to develop the KUB-Gas assets. The expansion and the business development programs were financed by capital contributions into KUB-Gas, income generated from its operational activities and short and long term loans. The expenditures made by Gastek on the KUB-Gas assets were to drill wells, acquire seismic and to hire staff and purchase equipment to support normal upstream operations.

2009

On August 11, 2009, KUB-Gas acquired three new exploration licences for the M Field, the O Field and the K Field from the Ministry of Environment of Ukraine for a five year period.

On November 10, 2009, Gastek entered into two purchase and sale agreements with KOL Cyprus, under which Gastek agreed to sell a 70% interest in Kubgas Holdings to KOL Cyprus for a total cost of US$45 million.

On November 10, 2009, KOL Cyprus, Gastek and Kubgas Holdings entered into a shareholders' agreement (the "**SHA**") governing KOL Cyprus and Gastek's relationship as shareholders in Kubgas Holdings. The SHA came into effect upon completion of the 70% KUB-Gas disposition to KOL Cyprus.

On November 11, 2009, each of Mikhail Afendikov, Valentin Bortnik and Andreas Tserni, the three individual shareholders of Parma, which was the sole member of Gastek (the "**Guarantors**"), KOL Cyprus and Kubgas Holdings entered into a two year Guarantee Agreement whereby the Guarantors personally, unconditionally and irrevocably, jointly and severally guarantee the obligations of Gastek under the two purchase and sale agreements, the SHA, a put option agreement and a side letter agreement.

<u>2010</u>

In May 2010, Gastek's sale of 70% of KUB-Gas to KOL Cyprus was completed for cash consideration of US$45 million. See "*Significant Acquisition and Dispositions*".

On December 29, 2010 KUB-Gas obtained a new five year exploration licence for the NM Field.

<u>2011</u>

On January 1, 2011, Parma, the sole member of Gastek at that time, entered into an operating agreement with Gastek which sets out the management, securities and rights of Gastek's members.

On May 20, 2011 KUB-Gas entered into a loan agreement with the European Bank of Reconstruction and Development providing for the EBRD Credit Facility for up to US$40 million with a maturity date of May 20, 2018. The EBRD Credit Facility was registered with the National Bank of Ukraine on June 15, 2011. The EBRD Credit Facility is secured by a completion guarantee by KOL Cyprus, which is secured by: (i) a counter-indemnity from KUB-Gas and a cross-indemnity from Gastek (the "**Cross Indemnity Agreement**"); (ii) a pledge of participation interests in KUB-Gas by Kubgas Holdings; and (iii) several pledge and assignment agreements by KUB-Gas including: (a) an assignment of insurance proceeds by KUB-Gas; (b) a pledge of the K200 drilling rig owned by KUB-Gas; (c) a pledge of movables by KUB-Gas; and (d) a revenue account pledge by KUB-Gas together with a related revenue account agreement.

On June 29, 2011 KUB-Gas obtained a new transportation licence to transport passengers and motor vehicle cargo.

On August 18, 2011, KUB-Gas obtained a new National Electricity Regulatory Commission gas supply licence.

On August 25, 2011 KUB-Gas obtained the State Architecture and Construction Committee licence for construction.

On October 31, 2011, Gastek entered into an exclusivity agreement with CUB.

On October 31, 2011, Gastek entered into a letter of intent with CUB with respect to the Transaction.

On November 30, 2011, Pelicourt was incorporated as a Cyprus entity under the *Companies Law, Cap. 113* as a limited liability company. Pelicourt was established for the purposes of acquiring Gastek from Parma. Pelicourt's only shareholder is Jasel, and it holds 1000 shares of Pelicourt. Jasel's shareholders are Mikhail Afendikov (155 shares), Valentin Bortnik (155 shares), Andreas Tserni (155 shares) and Robert Bensh (35 shares).

On December 1, 2011, Parma transferred the Gastek Units to Pelicourt. Pelicourt, as the sole member of Gastek, then entered into an operating agreement with Gastek on December 1, 2011.

On January 26, 2012, Gastek entered into the Securities Exchange Agreement with CUB, Pelicourt and the Vendor Shareholders in respect of the Transaction.

Significant Acquisitions and Dispositions

KUB-Gas

On November 10, 2009, Gastek entered into two purchase and sale agreements with KOL Cyprus, under which KOL Cyprus acquired a 70% interest in Kubgas Holdings for a total cost of US$45 million. This amount was partially paid by a deposit of US$1.35 million on November 18, 2009, representing 3% of the total purchase price, paid upon the execution of the two purchase and sale agreements. A further deposit of US$1.40 million was paid on April 28, 2010 and the balance of the purchase price, less adjustments, was paid in June 2010.

Following this disposition and as at the date hereof, Gastek holds 30% of the ordinary issued equity of Kubgas Holdings. Kubgas Holdings owns 100% of KUB-Gas, which owns gas producing assets and certain service assets. KUB-Gas owns and operates a 1,000 horsepower drilling rig built in Canada in 2007. KUB-Gas is one of the largest private gas producers in Ukraine and it sells gas domestically to both gas traders and industrial consumers. The gas producing assets of KUB-Gas consist of 100% interests in five licenses near the city of Lugansk in the northeast part of Ukraine. See "*Principal Oil and Gas Assets – Ukraine – Kub-Gas Assets*".

Description of the Business

Gastek is an oil and gas exploration company led by a management team with a strong international and operational background with extensive global contacts in the oil and gas business. Gastek's principal assets are an interest in a drilling rig and in a gas production company which owns five natural gas licenses in Ukraine. Gastek anticipates that its assets in Ukraine will provide ongoing revenues from gas production and that Gastek's expertise will contribute to increasing the production volumes as a result of both surface and sub-surface optimization and discovery of new resources. Gastek is focused on enhancing gas production and production revenues in Ukraine and expanding its portfolio through the evaluation of new opportunities for investment.

Oil and Natural Gas Exploration and Production

Gastek is focused on enhancing gas production and production revenues in Ukraine and expanding its portfolio through the evaluation of new opportunities for investment. Management of Gastek anticipates that the Ukraine assets will provide ongoing revenues from gas production and Gastek's expertise will contribute to increasing the production volumes as a result of both surface and sub-surface optimization and discovery of new resources.

Revenue of Kub-Gas

Revenue by Category	**2010**		**2009**	
	Total for Company	Total: Ukraine – to Customers outside of the Company's consolidated group	Total for Company	Total: Ukraine – to Customers outside of the Company's consolidated group
Natural Gas Sales	US$ 17,417,550	100%	US$ 17,108,370	100%
Natural Gas Liquid Sales	US$ 834,980	100%	US$ 641,100	100%
Total Revenue	US$ 18,252,530	100%	US$ 17,749,470	100%

Key Personnel

The management of Gastek is vested in its members. Effectively, Gastek has been managed by its indirect owners of Gastek, which are: Mikhail Afendikov, Valentin Bortnik and Andreas Tserni since 2005. On November 30, 2011, Robert Bensh also became an indirect owner of Gastek when he acquired shares in Jasel. The sole officer of Gastek is Mikhail Afendikov, the Chief Executive Officer who is based in San Rafael, California.

Specialized Skill and Knowledge

- Gastek's management team, collectively, has over 70 combined years of business experience in the Ukraine and over 20 years of oil and gas experience with expertise in Ukraine which is needed to successfully develop and manage its portfolio of oil and gas assets.

- Gastek's management has a proven track record of delivering value in the upstream oil and gas business including sourcing and executing, discovery and development of oil and gas production and arranging appropriate financing to fund the necessary capital commitments.

- Gastek's management has strong deal making capabilities which has led to seamless transaction execution from initial scoping of deal through to due diligence and finalization of contracts.

Competitive Conditions

Companies operating in the petroleum industry must manage risks which are beyond the direct control of company personnel. Among these risks are those associated with exploration, transportation infrastructure (including access), environmental damage, fluctuating commodity prices, foreign exchange rates and interest rates, changes in law and its application and adjudication, and changes in political regimes.

Gastek will, from time to time, compete for reserve acquisitions, exploration leases, licenses and concessions and skilled industry personnel with a substantial number of other oil and gas companies, many of which have significantly greater financial resources than Gastek. Gastek's competitors include major integrated oil and natural gas companies, numerous independent oil and natural gas companies and trusts, and individual producers and operators.

Cycles

Prices for crude oil and natural gas are subject to periods of volatility. Prolonged increases or decreases in the price of oil and gas could significantly impact Gastek. There is a strong relationship between energy commodity prices and access to both equipment and personnel. High commodity prices also affect the cost structure of services which may impact Gastek's ability to accomplish drilling, completion and equipping goals. In addition, weather patterns are unpredictable and can cause delays in implementing and completing field projects.

The oil and gas business is cyclical by nature, due to the volatility of oil and gas commodity pricing as described above. Additionally, seasonal interruptions in drilling and construction operations can occur but are expected and accounted for in the budgeting and forecasting process. In Ukraine, access to drill sites and the ability to conduct seismic operations can be negatively impacted by cold weather and snow during the winter months and by heavy rains and muddy conditions in March and April.

Employees

As at the date hereof, Gastek has no employees, however, KUB-Gas has 359 staff employed directly by KUB-Gas in Ukraine.

Principal Oil and Gas Assets

General

This section provides more detailed information with respect to the material oil and gas properties of Gastek which are located in the Ukraine.

In this section, Gastek also provides certain historical information concerning resources, estimates of the volume of resources, production estimates, historical production amounts and other information in respect of the areas surrounding the areas covered by the Ukrainian Licenses (defined below), which is "analogous information" as defined by applicable securities laws. This analogous information is derived from publicly available information sources which Gastek believes are predominantly independent in nature. Some of this data may not have been prepared by qualified reserves evaluators or auditors and the preparation of any estimates may not be in strict accordance with the COGE Handbook. Regardless, estimates by engineering and geo-technical practitioners may vary and the differences may be significant. Gastek believes that the provision of this analogous information is relevant to Gastek's activities, given its ownership interests and operations (either ongoing or planned) in the areas in question, however, readers are cautioned that there is no certainty that any of Gastek's activities on the areas covered by the Ukrainian Licenses will be successful to the extent in which operations on the areas in which the analogous information is derived from were successful, or at all.

Ukraine

Gastek holds an effective 30% ownership interest in KUB-Gas and in a 1,000 horse power drilling rig built in Canada in 2007. KUB-Gas, a private Ukrainian company which owns gas production assets and certain well servicing assets, is one of the largest private gas producers in Ukraine and sells gas domestically to both gas traders and industrial consumers. The assets of KUB-Gas consist of 100% interests in five licenses near to the city of Lugansk in the northeast part of Ukraine. Natural gas is currently produced from four of the licenses. Since June 2010, the O-8, O-9, O-14, O-12, O-18 gas development wells and the M-19 new gas discovery well have been drilled, the M-19 well has been commissioned and put on production. KUB-Gas' average production during the month of November 2011 was 11.83 MMcf/d of natural gas (3.55 MMcf/d net to the 30% effective interest of Gastek in KUB-Gas) and 136.8 bpd of condensate (41.06 bpd net to the 30% effective interest of Gastek). KUB-Gas' average production during the month of January 2012 was 17.17 MMcf/d of natural gas (5.15 MMcf/d net to the 30% effective interest of Gastek in KUB-Gas) and 170.87 bpd of condensate (51.26 bpd net to the 30% effective interest of Gastek).

Overview

Ukraine is situated in eastern Europe, north of the Black Sea and the Sea of Azov and bordered by Poland, Slovakia and Hungary to the west, Romania and Moldova to the south and southwest, Belarus and Russia to the north and Russia to the east. Principal natural resources are iron ore, coal, manganese, natural gas, oil, salt, sulphur, graphite, titanium, magnesium, kaolin, mercury and timber. With 54% of its area being arable land, an important component of the economy of Ukraine is agriculture. Ukraine achieved independence from Soviet rule in 1991 with the dissolution of the USSR.

According to The World Fact Book (www.cia.gov/library/publications/the-world-factbook), estimated oil production in 2010 was 82,000 Bbls/d ranking Ukraine 54th in the world in oil production. The oil consumption estimate of 296,000 Bbls/d for 2010 indicates that Ukraine must import a significant portion of its oil requirements. Natural gas production in 2009 was estimated at 20.26 billion cubic metres while consumption during the same year is estimated to have been 44.16 billion cubic metres. With a population of about 45 million, gross domestic product per capita was estimated at US$6,700 in 2010.

Oil production began in Ukraine in the 1880s but the hydrocarbon basins of Ukraine remain only partially explored due to Ukraine's historical reliance on imports and the high costs associated with drilling due to the depth at which most reserves have been found. Investment into geological exploration and prospecting since independence has been limited, largely due to political instability and an evolving legal system.

The Ukrainian oil and gas industry is dominated by state-owned companies. Private and foreign investors are increasingly seeking opportunities in the country and are being actively encouraged to do so by the Ukrainian government as a result of its energy strategy aimed at substantially increasing domestic production.

Naftogas is the largest of the Ukrainian state-owned companies and it dominates exploration and production, as well as main oil and gas pipelines, gas processing, the import and transit of gas, and gas distribution in Ukraine. Naftogas has entered into agreements with many foreign companies to enable an acceleration of hydrocarbon development in Ukraine. Among the foreign companies active in Ukraine are JKX Oil & Gas plc, Regal Petroleum plc and Cadogan Petroleum plc. A number of private Ukrainian oil and gas companies, including KUB-Gas, are active in the country.

In Ukraine, prices for domestic industrial gas customers are set by the Cabinet of Ministers of Ukraine on an "import parity" basis. As Ukraine relies to a significant extent on supplies of energy resources from Russia, the domestic industrial gas price in Ukraine exhibits a strong correlation with the Russian gas import price. This import price, and consequently the prices which may be charged by producers in Ukraine to their industrial customers, is determined based on annual negotiations between the governments of Ukraine and Russia.

Ukrainian gas pricing regulation differentiates between gas prices which may be charged to residential customers and prices which may be charged to industrial customers. Industrial customer gas prices in Ukraine are based on the price set by the Ukrainian government for its gas sales to industrial users. All of the natural gas production of KUB-Gas is sold to industrial users. The average realized price from production revenues from the assets of KUB-Gas for the period from June 11, 2010 to December 31, 2010 was US$7.36 per Mcf for natural gas and US$72.24 per barrel for condensate. Operations during that period generated a netback of US$1.43 million for the 30% interest owned by Gastek. The average realized price during the month of January 2012 was US$9.85 per Mcf for natural gas and US$63.58 per barrel for condensate. Natural gas sales for a particular month are prepaid on the 10th day of that month, which is also the date that any adjustments to actual for the previous month are settled.

The long term success of Gastek in Ukraine will be dependent on its ability to deal effectively with the legal and regulatory issues which affect the oil and gas business in Ukraine and to maximize production capability of its assets.

Special Permitting and Regulatory Regime in Ukraine

The discussion in this section is intended to provide a broad overview of the regulatory regime for all oil and gas exploration and production activities conducted within Ukraine. The specific gas producing assets owned by Gastek through KUB-Gas are described below in "*KUB-Gas Assets*".

The regulation of hydrocarbons in Ukraine is administered by a number of governmental bodies including the Ministry of Fuel and Energy of Ukraine, which is responsible for matters including energy strategy and regulation, and the Ministry of Environmental Protection and its agency, the State Geology Service, which are responsible for the award of exploration and development special permits and production special permits.

As a general rule, special permits for subsoil use are granted to eligible applicants on an auction basis. This is generally a three or more month process. After permit issuance, the licensee and the Ministry of Environmental Protection also enter into a special permit agreement – which is deemed an integral part of the special permit. Exploration and development special permit agreements contain minimum work program obligations in respect of matters such as: (i) undertaking seismic surveys; (ii) exploration drilling; (iii) well workovers; (iv) reserves estimation and other studies; and (v) environmental impact assessments. The Ministry of Environmental Protection may insert additional special conditions, such as minimum production requirements.

Special permits for exploration (including pilot production) of on-shore deposits are generally granted for a period of five years. A subsoil user also has a pre-emptive right to extend the term of an existing special permit on a non-auction basis, provided that the subsoil user adhered to its obligations with respect to that special permit and can explain why additional time is needed to complete the exploration (i.e., to confirm reserves on the field). This right may be exercised no more than two times, each for five years. Hence, the total term of an exploration license (with two extensions) may extend for up to 15 years.

Please note that pilot production for an exploration license is statutorily capped at 10% of previously estimated reserves, with limited exceptions.

Special permits for commercial production are issued for 20-year terms. The permits may be extended, although the legislation does not state how many times. The holder of a special permit for exploration at a particular field has the preemptive right to apply for a commercial production license without the need for an auction, assuming that the holder is compliant with the terms of its license.

The issuance of a special permit for exploration (including pilot production) or commercial production of oil and gas is also conditional on: (i) the local authorities consenting to allocate the surface land plot(s) necessary for the subsoil activities; and (ii) the approval of the regional departments of the Ministry of Environmental Protection of Ukraine. The commencement of oil and gas commercial production is also subject to: (i) the State Committee of Ukraine on Industrial Safety, Labour Safety and Mining Control granting a mining allotment to the subsoil user; (ii) approval of the respective subsoil plot for commercial production by the Ministry of Fuel and Energy; and (iii) putting the subsoil plot into production.

If a special permit holder fails to meet its obligations under the special permit, special permitting agreement or the respective work program, then it is considered to be in default and must either cure the default or risk losing the special permit. There is no set cure period, although the special permit holder has the option of appealing in court. Ukrainian legislation further provides for the suspension, annulment or re-registration of a special permit.

A subsoil user that wishes to commence commercial production at the subsoil plot must additionally proceed as follows in order to transfer the subsoil plot from the exploration and pilot production stage to the commercial production stage and to become eligible for a commercial production special permit. The subsoil user must: (i) complete the geological survey and the pilot production of the subsoil plot in compliance with the work programs and the agreements on subsoil use (e.g., to prepare a draft estimation of the reserves based on the exploration results, to receive approval of the State Commission on Reserves of Mineral Resources, and to register the deposit's reserves); (ii) receive approval of the Ministry of Fuel and Energy for further commercial production of the deposit; and (iii) commence commercial production at the deposit.

KUB-Gas currently holds permits for geological survey and pilot production of natural gas, condensate and oil at Makeevskoye, North Makeevskoye, Olgovskoye and Krutogorovskoye and a permit for production of natural gas and helium (depths under 1,000 metres) at Vergunskoye.

KUB-Gas Assets

The KUB-Gas Assets consist of 100% working interests in five license areas, Vergunskoye, Olgovskoye, Makeevskoye, Krutogorovskoye and the North Makeevskoye area in the Lugansk region of eastern Ukraine (collectively, the "**Ukrainian Licenses**"). The Ukrainian Licenses are situated in the northeastern part of Ukraine in the Dnieper-Donets Basin and Pripyat Graben. The area accounts for 90% of the natural gas production of Ukraine and is well served by transport infrastructure.

The map below depicts the locations of the Ukrainian Licenses:

The Makeevskoye, Olgovskoye, Krutogorovskoye and Vergunskoye license areas were producing natural gas and production during the period ended December 31, 2010, net to the 30% interest of Gastek, was 1.68 MMcf/d of natural gas and approximately 8 barrels of condensate per day, and in 2011 production during the period ended December 31, 2011, net to the 30% interest of Gastek, was 2.57 MMcf/d of natural gas and approximately 21.94 barrels of condensate per day. The Makeevskoye, Olgovskoye and Krutogorovskoye special permits are technically classed as exploration special permits under which production of up to 10% of the in-place volume is allowed for 'testing' purposes. These exploration special permits were reissued incorporating new license areas on August 11, 2009 and have five-year terms, after which they can be extended for a further five years. KUB-Gas has priority options to convert the 'exploration' special permits to full 20-year production special permits at expiry. The Vergunskoye special permit, which has been on production since the 1970s, was converted to a 20-year production special permit in 2009. The Olgovskoye special permit was converted to a 20-year production special permit on the 6th of February, 2012.

The award of the North Makeevskoye exploration license to KUB-Gas for a five-year term commencing December 29, 2010 increased its total holdings to five license areas and increased the total area under license to KUB-Gas by more than 110% to 35,185 hectares (86,907 acres) as per the data from all the work permits.

In 2010, Gastek was informed by KUB-Gas that the Ministry of Environmental Protection, as part of a general process affecting many licenses in Ukraine, initiated separate proceedings to settle the validity of each of the three exploration special permits: Makeevskoye, Olgovskoye and Krutogorovskoye.

The claims of the Ministry of Environmental Protection, relating to the Makeevskoye, Olgovskoye and Krutogorovskoye licenses, were considered by all three tiers of the Ukrainian administrative courts, including the

Higher Administrative Court of Ukraine, and each of the claims was resolved in favour of KUB-Gas. Under Ukrainian Law decisions of the Higher Administrative Court of Ukraine are not subject to further general appeal but may be subject to discretionary review by the Supreme Court of Ukraine in limited cases only. No applications for such review were submitted and no such review was conducted.

General Geology of KUB-Gas Assets

The majority of Ukrainian hydrocarbon reserves occur in the Dnieper-Donets Basin, an elongated basin of northwest to southeast orientation that is comparable in size and geology to the North Sea central rift. The KUB-Gas fields are located in the northern flank of the southeast sector of the Dnieper-Donets Basin, where source rocks are more deeply buried and have generated gas and condensate. The reservoirs are mainly in lower to middle carboniferous sandstones, but there are also pools in subordinate limestones.

The Dnieper-Donets Basin covers an area of approximately 31,000 km^2 and the more than 110 natural gas pools within it account for 90% of Ukrainian natural gas production. The basin is oil productive in the northwestern part and the southeast part, where the KUB-Gas assets are located, is dominated by natural gas production.

The overall depositional setting of these reservoirs is typical of the flank terraces of the Dnieper-Donets Basin, where sands were deposited in onshore fluvial to nearshore marine conditions. The Carboniferous section comprises a sequence of alternating sandstones, siltstones and shales, with occasional limestone members that may represent 'hard-grounds' or calcrets formed during period of emergence. Log analysis indicates that the sand reservoirs are likely shallow marine offshore sand bars, fluvial channels and fluvial point-bars.

The Dnieper-Donets-Pripyat Graben is a narrow, elongated, northwest trending trough, located between two basement highs, namely the emergent Ukrainian Shield to the southwest and the buried Voronezh Arch to the northeast. This basin, measuring 1,500 kilometres by 200 kilometres, has a prospective area of more than 100,000 km^2. The graben can be sub-divided into a northern and a southern faulted terrace and a deep axial zone. The sedimentary fill is four to five kilometers thick in the Pripyat Graben and five kilometers thick in the northwest of the Dnieper-Donets Basin, increasing to 20 to 22 kilometres thick in the southeast.

The main phase of rift basin development occurred during the Middle to Late Devonian. The oldest Devonian deposits within the graben comprise lacustrine and fluvial red-beds and poorly sorted sandstones. This sequence passes up into silts, clays and thin-bedded carbonates. The Upper Devonian is dominated by conglomerates, sandstones and clays, with some carbonates. Black argillaceous limestones and calcareous shales are believed to be the main source rocks. Units of anhydrite and thin halite punctuate this section and there is a thick salt unit in the axial part of the Dnieper-Donets Basin near the top of the Devonian section. This salt, originally 200 to 1,000 metres thick, has undergone halokinesis during the Latest Devonian and Early Carboniferous and is to a greater or lesser extent responsible for structural development in the overlying sedimentary section. It also forms the regional seal to underlying reservoirs. The sub-salt sequence is deeply buried in the Dnieper-Donets Basin (3,500 to 5,000 metres on the terrace areas and 4,500 metres or more in the axis).

The post-salt uppermost Devonian section varies considerably in thickness (100 to 1,000 metres), mainly due to halokinesis. This section and the overlying Lower Carboniferous sediments are dominated by shallow marine elastics, including organic rich shales (an oil and gas source in the Dnieper-Donets Basin) and sandstone reservoirs, with porosities up to 20%. This unit is unconformably overlain by some 2,000 metres of regressive, shallow marine to deltaic sediments, including multi-stacked with thicknesses of 1 to 55 metres, with porosities of 7% to 20%. This post-salt section contains the majority of the oil reserves in the Dnieper-Donets Basin, which occur in salt-controlled and stratigraphic traps. The overlying Upper Carboniferous to Lower Permian section is also dominated by shallow marine to continental elastics, up to 2,500 metres thick in the axial zone of the Dnieper-Donets Basin, and is overlain by anhydrite and halite. This section contains gas fields in the axial zone, with some minor gas reservoirs in shallow Upper Permian, Triassic, and Jurassic sandstones.

Natural Gas and Condensate Potential

The Carboniferous aged reservoirs in the area of the Ukraine Assets are both elastic sandstones and carbonate limestones deposited in a marine to non-marine environment. The entire reservoir section is approximately 1,000 metres thick and is comprised of stacked reservoirs with individual thicknesses of between 1 and 18 metres which are subsequently encased in sealing shales. The resulting arrangement of multi-stacked reservoir and seals pairs results in natural gas and condensate being accumulated in numerous zones. The traps in the Vergunskoye, Olgovskoye, Makeevskoye and Krutogorovskoye fields are well defined and up to 35 zones (individual reservoir units) have been identified within the field areas. Each of these zones represents a potential gas pool, stacked one on top of another, for exploitation by KUB-Gas. Modern processes not yet used in the fields such as dual completions, co-mingling and hydraulic fracturing will be employed by KUB-Gas to expedite and increase natural gas and condensate production.

Modern seismic technology and interpretation is another method being used by KUB-Gas to better define, explore and develop the KUB-Gas Assets. A 182 km^2 3D seismic survey program has been completed over the Olgovskoye and Makeevskoye licenses to better identify the Carboniferous reservoirs and structure and to define additional drilling locations. Seismic processing and interpretation undertaken by KUB-Gas led to the identification of the channel sands and the drilling of M-19 well. Previously disregarded, this classic "bright spot" anomaly (by Western Canada standards) was drilled as a new pool gas discovery in 2010. The technical team of KUB-Gas expects the new 3D survey to provide important information which will assist with the full development of the Makeevskoye and Olgovskoye license areas. In the first quarter of 2012, a 3D survey of the North Makeevskoye field (total area 160 km^2) will be conducted, which will further enhance geological information of the Kub-Gas assets.

Statement of Reserves Data and Other Oil and Gas Information

Reserves and Resources

RPS Energy, an engineering consulting company, has prepared the RPS Report in accordance with the requirements of NI 51-101, which evaluated the natural gas and natural gas liquids reserves and contingent natural gas resources in the Ukraine Licenses effective as at July 31, 2011. The preparation date of the RPS Report is December 14, 2011.

In preparing the RPS Report, RPS Energy relied on certain factual information and data furnished by Gastek and KUB-Gas with respect to ownership interests, gas production, historical costs of operation and development, product prices, agreements relating to current and future operations, sales of production, and other relevant data to July 31, 2011.

All of the information derived from the RPS Report and disclosed in this Filing Statement has been reviewed and approved by RPS.

Attached hereto as Exhibit “I” is the “Statement of Reserves Data and Other Oil and Gas Information”. The “Report of Independent Qualified Reserves Evaluator” by RPS Energy and the “Report of Management on Oil and Gas Disclosure”, prepared in accordance with the standards of NI 51-101, are attached hereto respectively as Exhibit “J” and Exhibit “K”.

On March 20, 2012, Kulczyk announced by way of press release (the “**Kulczyk Press Release**”) a summary of its reserves and resources volumes and estimated value for its 70% ownership interest in the Ukrainian Licenses effective as of December 31, 2011 as evaluated by its independent reserves engineers RPS Energy Consultants Ltd. Gastek has not independently verified the information contained in the Kulczyk Press Release, but notes that the effective date of information contained in the Kulczyk Press Release is more current than the information set out in the "Statement of Reserves Data and Other Oil and Gas Information" attached hereto as Appendix "I" and that the information contained in the Kulczyk Press Release would suggest that the reserves and resources attributable to the Ukrainian Licenses has declined since July 31, 2011. A copy of the Kulczyk Press Release is available on Kulczyk's profile on www.sedar.com.

Future growth in reserves will come from development of the contingent resources at Olgovskoye and Makeevskoye and by further development of all of the fields. There is also potential for additional volumes of contingent resources associated with the Vergunskoye and Krutogorovskoye fields. Additionally, the RPS Report does not take into account the application of new field operating practices commonly used elsewhere in the world to improve overall well productivity, such as dual completions and compression of gas, which KUB-Gas intends to apply to the fields. With regard to further update, the RPS Report specifically acknowledges that there are additional gas reservoirs located in conventional but relatively tight reservoirs which should produce commercially after fracturing, but which will not be categorized as reserves until KUB-Gas demonstrates this procedure will work on the fields.

The work program for 2012 principally targets a continuation of the exploitation of the Olgovskoye and Makeevskoye fields. This involves the drilling of new wells, the completion of new zones in existing wells, dual completions, stimulation treatments using modern and technically advanced methods commonly used elsewhere in the world and the implementation of a compression strategy.

Exploration / Development Activity and Future Plans

Since June 2010, six wells have been successfully drilled and cased under the operational supervision and with the technical input of Gastek. A third well at O-7 was drilled in December, 2009 and put on production in November 2010. The M-19 was tested during February 2011 at a stabilized flow rate of 5 MMcf/d through a 10 mm choke and was expected to commence regular production late in the second quarter at an initial rate of 3-3.5 MMcf/d. Having been put on production, the M-19 well flow rate is about 6.4 MMcf/d. A fourth well, at O-9, was spud on March 5, 2011, drilled to target depth, and was commissioned in September of 2011 with a flow rate of 1.6 MMcf/d.

The drilling plans during 2011 called for a new well to be drilled every six weeks. KUB-Gas' service rigs were expected to be working more or less fulltime on new and legacy wells.

A 2D seismic program was instigated on the North Makeevskoye exploration license. This program was completed in second quarter 2011 with the first exploratory wells being drilled in these licenses planned for early 2012. In the first quarter 2012, KUB-Gas is scheduled to acquire 160 km^2 of 3D seismic survey on the North Makeevskoye exploration license. The 3D seismic survey targets the indication of structural features of occurrence for mapping of potential zones and fault seals as well as locations of appraisal and exploration wells.

During the year 2011 KUB-Gas followed the drilling schedule according to the work program and the budgets of KUB-Gas. The following results have been achieved:

- O-8 well after the fracking operation completed in 2011, will be commissioned in March of 2012 with expected production rate of 0.3 MMcf/d;
- O-9 well was commissioned with a gas rate of 1.6 MMcf/d;
- As at Dec 1st, 2011, O-14 well is being tested;
- In the beginning of 2012 O-12 was commissioned with a gas rate of 4.6 MMcf/d; and
- In the beginning of 2012 O-18 well will be commissioned with a gas rate of 0.65MMcf/d.

In October 2011 KUB-GAS successfully realized the fracking program on O-6 and O-8 wells. Gas flow on O-6 is expected to be at 0.65 MMcf/d, in O-8 well – 0.3 MMcf/d. The survey results allow Gastek to significantly increase the potential of tight gas reservoir zones.

During 2011 the works on recovery of wells O-10, M-11, M-12 have been performed, the geological survey of shut-in wells have been carried out and the zones for testing have been identified. At the moment the wells are pending to be tested.

As at December 1, 2011, 14 wells were in operation, 8 wells were being tested (four of which tested commercial in flow and these wells are ready for tie-in). Also in 2011 the wells M-19 and O-9 were commissioned.

The work program for 2012 principally targets a continuation of the comprehensive and efficient exploitation of the Olgovskoye and Makeevskoye Fields. To aid in the exploitation of these fields, a 182 km^2 3D seismic survey was acquired in 2011. Along with this new data, the technical teams continued to drill new wells, complete new zones in existing wells and plan dual completions, stimulation treatments using modern and technically advanced methods commonly used elsewhere in the world and the effective implementation of a compression strategy.

Plant, Property and Equipment

KUB-Gas owns 100% of four gas processing facilities, each of which is located on the Ukrainian Licenses, with a total capacity of 98.1 MMcf/d of natural gas throughput per day and a network of flow lines totaling more than 40 kilometres, to enable the production and sale of natural gas. Additionally, KUB-Gas owns 100% of two service rigs, a snubbing unit, an inventory of spare parts, support vehicles, land and buildings.

Gastek owns 30% of Kubgas Holdings (which owns 100% of KUB-Gas) and therefore a net 30% indirect interest in the Ukrainian Licenses and in the drilling rig owned by Kubgas Holdings.

Material Agreements

(a) Shareholders' Agreement

On November 10, 2009, KOL Cyprus, Gastek and Kubgas Holdings entered into the SHA governing KOL Cyprus and Gastek's relationship as shareholders in Kubgas Holdings. The SHA came into effect upon completion of the 70% KUB-Gas disposition to KOL Cyprus.

Under the SHA, KOL Cyprus and Gastek agree that Kubgas Holdings' business will be to conduct petroleum operations in Ukraine through its wholly owned subsidiary KUB-Gas under the existing Ukrainian Licenses as well as applying for and exploring new petroleum opportunities in Ukraine. If either KOL Cyprus or Gastek would prefer not to undertake a particular new petroleum opportunity in Ukraine through Kubgas Holdings, the other party may proceed independently.

The SHA contains the customary non-compete restrictions on the parties to the agreement.

Kubgas Holdings' activities have been funded through a combination of cash flow generated through KUB-Gas' ongoing petroleum operations and from additional funds contributed by KOL Cyprus and Gastek pro-rata to their shareholdings in Kubgas Holdings with such shareholder loans bearing interest (at LIBOR (London Interbank Offered Rate) plus 2%) in accordance with the SHA.

The board of directors of Kubgas Holdings consists of five members. So long as KOL Cyprus holds 60% or more of the issued equity in Kubgas Holdings, it is entitled to appoint three of its nominees to the Kubgas Holdings board (with one of KOL Cyprus' nominees being the Chairman). Otherwise, KOL Cyprus is entitled to appoint two directors and Gastek is entitled to appoint three directors to the Kubgas Holdings board (with one of Gastek's nominees being the Chairman).

The SHA also establishes a management committee (the "**Management Committee**"). Its function is to provide day-to-day operational recommendations to Kubgas Holdings and the General Director and Technical Director of KUB-Gas in respect of petroleum operations conducted by KUB-Gas (including decisions relating to field abandonment). It is also responsible for developing and recommending annual work programs and budgets to the board of directors of Kubgas Holdings.

Resolution of any deadlock occurring at either the board of directors of Kubgas Holdings or Management Committee level is by way of consultation and agreement between the chief executives of Gastek and KOL Cyprus for resolution by them.

Each shareholder holds a right of first refusal over the transfer of shares by the other to a third party providing that the remaining shareholder matches the price offered by the third party. If a shareholder becomes insolvent, is subject to a change in control or fails to make a subscription or loan payment to Kubgas Holdings in the manner required by the SHA, then the other shareholder has the right to buy the shares of the affected shareholder at either a predetermined price or a price determined by an expert.

The SHA also allows for a single Kubgas Holdings shareholder to require Kubgas Holdings to direct KUB-Gas to conduct particular petroleum operations on an exclusive basis (for example, if the other shareholder did not wish for Kubgas Holdings to direct KUB-Gas to do so) ("**Exclusive Operations**"). In such circumstances the party proposing the Exclusive Operations:

(i) must fund, and indemnify Kubgas Holdings against, all costs and liabilities associated with conducting the Exclusive Operations; and

(ii) receives a beneficial interest in 90% of all net proceeds derived from the Exclusive Operations until it has received an amount of proceeds from such Exclusive Operation which is equal to 200% of the amount spent by it under (i).

The SHA is governed by English law. Any disputes arising out of, or in connection with, the SHA are to be referred to the London Court of International Arbitration.

(b) Technical Services Agreements

KUB-Gas benefits from two back-to-back technical services agreements (the "**TSAs**"). The purpose of the TSAs is to allow KUB-Gas to benefit from KOL Cyprus' skill and expertise in further developing and operating the KUB-Gas Assets (the "**Technical Services**"). The Technical Services may either be provided directly to the relevant counterparty by the service provider, by way of secondment or by way of sub-contracting of third party goods and/or service providers.

The first TSA operates as between the KOL Cyprus and Kubgas Holdings (the "**Head TSA**"). It is dated January 13, 2011, but is effective from January 1, 2010. It provides for the Technical Services to be provided to Kubgas Holdings for the benefit of KUB-Gas. Kubgas Holdings pays for the Technical Services on a time and costs basis.

The second TSA operates as between Kubgas Holdings and KUB-Gas (the "**sub TSA**"). It is also dated January 13, 2011 and stated to be effective from January 1, 2010. Except as provided below, the sub TSA is drafted on substantially the same terms as the Head TSA. Under the sub TSA, Technical Services provided to Kubgas Holdings pursuant to the Head TSA are passed through to KUB-Gas. However, Kubgas Holdings may also provide Technical Services to KUB-Gas under the sub TSA independently of those provided to Kubgas Holdings under the Head TSA. KUB-Gas pays for the Technical Services provided under the sub TSA by way of a fixed monthly fee plus costs.

The TSAs are governed by English law.

(c) KUB-Gas Gas Supply Agreements

The following is a summary of gas supply agreements executed by and between KUB-Gas and consumers:

Contract Number	Date of Execution	Name of the consumer (counterparty)	Expiry Date	Total Volume, m^3	Price [(1)], UAH/1000 m^3
GAS SUPPLY CONTRACTS					
1KГ12	Nov. 22, 2011	LLC "INTRUST COMPANY"	Dec. 31, 2012	20,000,000.00	4080,00 (Jan. 2012)
2KГ12	Nov. 22, 2011	LLC “KOMPANIYA “YUKOS”	Dec. 31, 2012	20,000,000.00	In Jan. gas supply was not carried out
3KГ12	Nov. 22, 2011	LLC “GROUP OF COMPANIES “SODRUZHESTVO”	Dec. 31, 2012	10,000,000.00	In Jan. gas supply was not carried out
4KГ12	Nov. 22, 2011	LLC “GAS COMPANY “ENERGORESURS”	Dec. 31, 2012	20,000,000.00	3992.40 (Jan. 2012)
5KГ2012/1486	Nov. 23, 2011	PJSC "SHAKHTA IMENI O.F. ZASYADKA"	Dec. 31, 2012	5,760,000.00	4194.24 (Jan. 2012)
6KГ2012	Nov. 23, 2011	LLC "LUGANSK ADMINISTRATION OF ROAD BUILDING NO. 3"	Dec. 31, 2012	225,000.00	4294.92 (Jan. 2012)
7KГ12	Nov. 25, 2011	Natural Person – Entrepreneur Golenko Galyna Mykolayivna	Dec. 31, 2012	120,000.00	4294.92 (Jan. 2012)
8KГ12	Nov. 25, 2011	LLC “LUGANSKY KARTON”	Dec. 31, 2012	240,000.00	4294.92 (Jan. 2012)
9KГ12	Nov. 28, 2011	LLC "YUG-GAS"	Dec. 31, 2012	40,000,000.00	3992,40 (Jan. 2012)
GAS CONDENSATE SUPPLY CONTRACTS					
03/01-3	Jan 03, 2012	LLC "Ukrainian technologies of cogeneration systems"	Dec. 31, 2012	1,200.00	6375,00

Contract Number	Date of Execution	Name of the consumer (counterparty)	Expiry Date	Total Volume, m^3	Price [(1)], UAH/1000 m^3
					(Jan.18, 2012)
04/10-1	Oct. 4, 2011	LLC “UKRAINIAN OIL TRADE COMPANY”	Dec. 31, 2012	1,200.00	6,375.00 (Jan.18, 2012)
23/11	Nov. 23, 2011	LLC”LERPOL”	Dec. 31, 2012	1,200.00	In Jan. shipment was not carried out
11/10	Oct. 11, 2011	Fedotenko V.V.	Dec. 31, 2012	1,200.00	6,583.35 (Jan.10, 2012)
07/10	October 7, 2011	LLC “AGRO-NAFTA”	Dec. 31, 2012	1,200.00	6,333.35 (Jan.18, 2011)
07/11	Nov. 7, 2011	LLC “Florena-Plus”	Dec. 31, 2012	1,200.00	In Jan. shipment was not carried out

Notes:

(1) Including VAT and other applicable duties.
(2) Excluding VAT and other applicable duties.

According to the above gas supply agreements, consumers pay for gas supplies in advance.

According to the above gas condensate agreements, consumers pay for gas condensate supplies post factum, i.e. from the moment of gas condensate supply (not later than the fifth day when gas condensate was supplied).

Selected Financial Information

The following table presents a summary of selected financial information of Gastek for the years ended December 31, 2008, 2009 and 2010 as well as for the three and nine month period ended September 30, 2011. The following summary is derived from, and should be read in conjunction with, and is qualified by reference to Gastek’s financial statements including the notes thereto. A copy of the audited financial statements of Gastek for the years ended December 31, 2008, 2009 and 2010, and the unaudited financial statements of Gastek for the period ending September 30, 2011 are attached hereto as Exhibit “F”.

(in thousands of Canadian dollars)

	Nine Months Ended September 30, 2011 (unaudited)	Year Ended December 31, 2010 (audited)	Year Ended December 31, 2009 (audited)	Year Ended December 31, 2008 (audited)
Revenue (net of royalties)	$ Nil	$ 6,459	$ 18,118	$ 18,651
Cost of sales	Nil	(3,365)	(8,152)	(9,091)
General and administration	(984)	(934)	(3,222)	(3,431)
Net finance income (loss)	75	(223)	(3,065)	(8,719)
Other income (loss)	Nil	(89)	(137)	(312)
Realized and Unrealized Gain on Sale	Nil	31,758	Nil	Nil
Income (Loss) from Equity Investment	1,915	376	Nil	Nil
Net income	1,006	33,435	1,884	(3,687)
Net income (Loss) (per share)	10.06	33.44	18.84	(36.87)
Working capital	(3)	14,937	(7,606)	(13,097)
Total assets	28,946	35,399	24,568	29,401
Total long-term liabilities	Nil	Nil	9,285	12,669
Dividends	$ 14,768	$ 7,265	$ Nil	$ Nil

Management's Discussion and Analysis

Gastek's MD&A should be read in conjunction with the audited financial statements and the notes related thereto for the fiscal years ended December 31, 2010, December 31, 2009 and December 31, 2008 and the unaudited financial statements for the three and nine month period ended September 30, 2011.

Readers should note that the auditors' report on the consolidated financial statements as at and for each of the two years ended December 31, 2008 and 2009 of Gastek is qualified in that it contains a scope limitation with respect to their inability to obtain sufficient appropriate audit evidence for certain revenue and expense items. The audit report for Gastek for the year ended December 31, 2010 does not contain a reservation. Readers are urged to read and pay particular attention to the auditors' reports accompanying the Gastek consolidated financial statements, which are attached hereto as Exhibit "F".

General Development and Description of Business

See "*Part II – Information Concerning Gastek – General Development of the Business – History"*.

Outlook

During the 2012 fiscal year, Gastek's work plan consists of:

Drilling of six wells:

- Drilling of two low-risk, high impact step-out wells M-16 and M-21 from the M-19 well on the M Field.
- Drilling O-11 and O-15 – one appraisal and one development well on the O Field
- Drilling K-5 well to test a new structure in the K Field
- Drilling NM-1

Development of pipelines:

- Develop pipelines for M-11, M-16, M-21
- Develop pipelines for O-1, O-2, O-11, O-15
- Develop pipelines for NM-1
- Develop pipeline for M-20

Completions and workovers:

- Workovers, including recompletion, re-entry, dual completion, re-completion of: O-1, O-2, O-3, O-4, O-5, O-7, O-9, O-12, O-18
- Re-completion and Dual Completion of M-1, M-2, M-12
- Dual completion of K-1

Facilities and rigs

- Facility projects in O&M and NM fields, including drill stem test, road upgrade, etc

Summary of Annual Results and Nine Months Ended September 30, 2011

(in thousands of Canadian dollars)

	Nine Months Ended September 30, 2011 (unaudited)	**December 31, 2010 (audited)**	**December 31, 2009 (audited)**	**December 31, 2008 (audited)**
Revenue (net of royalties)	$ Nil	$ 6,459	$ 18,118	$ 18,651
Cost of sales	Nil	(3,365)	(8,152)	(9,091)
General and administration	(984)	(934)	(3,222)	(3,431)
Net finance income (loss)	75	(223)	(3,065)	(8,719)
Other income (loss)	Nil	(89)	(137)	(312)
Realized and Unrealized Gain on Sale	Nil	31,758	Nil	Nil
Income (Loss) from Equity Investment	1,915	376	Nil	Nil
Net income	1,006	33,435	1,884	(3,687)
Net income (Loss) (per share)	10.06	33.44	18.84	(36.87)
Working capital	(3)	14,937	(7,606)	(13,097)
Total assets	28,946	35,399	24,568	29,401
Total long-term liabilities	Nil	Nil	9,285	12,669
Dividends	$ 14,768	$ 7,265	$ Nil	$ Nil

Discussion on Results of Annual Operations

During the nine months ended September 30, 2011, Gastek had increases in professional fees, classified as general and administration. Professional fees increased as Gastek was actively using consultants and legal advisors for development of Kub-Gas operations in Ukraine, including evaluation of Kub-Gas reserves.

During the year ended December 31, 2010, Gastek had completed the sale of 70% of ownership in KUB-Gas to KOL Cyprus. The transaction was completed on June 11, 2010. KUB-Gas is a Ukrainian registered company with 100% ownership interest in three exploration licenses and one production license, plus processing facilities and various well servicing assets, including a 1,000 horsepower Canadian built drilling rig. The investment in KUB-Gas is held through Kubgas Holdings, a private entity incorporated in Cyprus. As at September 30, 2011 KUB-Gas owns the following licenses in Ukraine.

Production license	**Issue date**	**Expiry date**
Vergunskoye field	27 September 2006	27 September 2026
Exploration licences		
Makeevskoye field	18 May 2001	11 August 2014
Krutogorovskoye field	16 July 2004	11 August 2014
Olgovskoye field	31 May 2006	11 August 2014
North Makeevskoye field	29 December 2010	29 December 2015

During the year ended December 2009 and 2008, Gastek owned a 100% equity interest in Kub-Gas. During this period of time, Gastek fully consolidated with Kub-Gas, hence it recorded all of the revenues and cost of sales associated with the production and selling of the natural gas from the licenses listed above. In 2008, Gastek had a net loss due to the significant net finance losses which consisted largely of $4,356,000 foreign exchange loss and $3,087,000 in finance lease expenses. The foreign exchange loss and finance lease expenses dropped significantly in the 2009 fiscal year to $386,000 and 1,878,000 respectively.

Liquidity and Capital Resources

Issued and outstanding as at September 30, 2011 and December 31, 2010:

Gastek has 100 units issued and outstanding. No other dilutive instruments are issued and outstanding.

As at December 31, 2010, Gastek had cash of $14,945,000 and a working capital of $14,937,000. Gastek paid dividends of $8,523,000 to its members during the nine months ended September 30, 2011.

As at September 30, 2011 Gastek had cash of $6,250,000 and a working capital of $(3,000).

Gastek does not have any contractual obligations.

Sale of 70% interest in Kub-Gas to Kulczyk

See "*Part II – Information Concerning Gastek – General Development of the Business – Significant Acquisitions and Dispositions".*

Off-balance sheet arrangements

Gastek currently has no off-balance sheet arrangements.

Related party transactions

During the nine months ended September 30, 2011, Gastek had no related party transactions.

Future accounting changes

A number of new standards, amendments to standards and interpretations are not yet effective for the period ended July 31, 2011, and have not been applied in preparing the consolidated financial statements.

IFRS 9 Financial Instruments: Classification and Measurement, effective for annual periods beginning on or after January 1, 2015, with early adoption permitted, introduces new requirements for the classification and measurement of financial instruments.

IFRS 10 Consolidated Financial Statements, effective for annual periods beginning on or after

January 1, 2013, with early adoption permitted, builds on existing principles by identifying the concept of control as the determining factor in whether an entity should be included within the consolidated financial statements of the parent company.

IFRS 11 Joint Arrangements, effective for annual periods beginning on or after January 1, 2013, with early adoption permitted, addresses inconsistencies in the reporting of joint arrangements by requiring a single method to account for interests in jointly controlled entities.

IFRS 12 Disclosure of Interests in Other Entities, effective for annual periods beginning on or after January 1, 2013, with early adoption permitted, is a new and comprehensive standard on disclosure requirements for all forms of interests in other entities, including joint arrangements, associates, special purpose vehicles and other off balance sheet vehicles.

IFRS 13 Fair Value Measurement defines fair value, sets out in a single IFRS a framework for measuring fair value and requires disclosures about fair value measurements. IFRS 13 applies when another IFRS requires or permits fair value measurements or disclosures about fair value measurements (and measurements, such as fair value less costs to sell, based on fair value or disclosures about those measurements), except for: (i) share-based payment transactions within the scope of IFRS 2 Share-based Payment; (ii) leasing transactions within the scope of IAS 17 Leases; and (iii) measurements that have some similarities to fair value but that are not fair value, such as net realizable value in IAS 2 Inventories or value in use in IAS 36 Impairment of Assets. This standard is effective for annual periods beginning on or after January 1, 2013, with early application permitted.

Gastek is currently assessing the effects of the new standards.

Risk factors

Gastek is subject to a number of risks due to the nature of the business of oil and gas exploration, development and production. For a list of the risk factors, refer to "*Part II - Information Concerning Gastek – Risk Factors*" in this filing statement.

Description of the Securities

Gastek issued 100 Gastek Units to its sole member Parma in 2005. In December 2011, Parma transferred all of its rights in the Gastek Units to Pelicourt. The Gastek Units represent 100% of the issued and outstanding membership interests in the company. The Gastek Units are not currently publicly traded on any stock exchange. There is only one class of membership interests in the company. The Gastek Units do not have preemptive rights, conversion rights or registration rights. There are no redemption or sinking fund provisions applicable to the Gastek Units. There are no cumulative dividends rights, priority returns or liquidation preferences applicable to the Gastek Units. There are no material restrictions relating to the Gastek Units, including any provisions requiring the Gastek Unit holder to contribute additional capital to the company. As the sole member of Gastek, Pelicourt possesses all voting rights, including the right to cause the company to make distributions (and to receive such distributions out of funds legally available therefor), to issue membership interests, to admit new members, and to dissolve and liquidate the company.

Consolidated Capitalization

The following table sets forth the Gastek Unit and loan capital of Gastek as at December 31, 2010 and March 15, 2012 on a consolidated basis, based on the consolidated financial statements contained in this Filing Statement after giving effect to the Transaction. This table should be read in conjunction with the consolidated financial statements and notes thereto included in this Filing Statement.

Designation of Security (authorized)	**Amount authorized or to be authorized**	**Amount outstanding as at December 31, 2010 ($ in 000's)**	**Amount outstanding as at March 15, 2012 prior to giving effect to the Transaction ($ in 000's)**
Bank Debt	N/A	**Nil**	US$6,900,000(1)
Units (unlimited)	N/A (100 Units)	$36,505, 000(2) (100 Units)	$26,016,000(2) (100 Units)

Notes:

(1) Represents Gastek's pro rata interest in the EBRD Credit Facility debt. As of March 15, 2012, Kub-Gas has drawn US$23,000,000 of the EBRD Credit Facility. Gastek holds an effective 30% ownership interest in KUB-Gas.
(2) Total member's equity.
(3) Total member's equity as at September 31, 2011 is $22,743,000.

Prior Sales

No securities of Gastek have been sold within the 12 month period prior to the date of this Filing Statement.

Executive Compensation

No compensation has been paid to the management or directors of Gastek.

Management Contracts

No management functions of Gastek have been or are performed by a person or company other than the manager, directors or officers of Gastek (or private companies controlled by them, either directly or indirectly).

Non-Arm's Length Party Transactions

The Transaction is an arm's length transaction. Other than as set forth in this Filing Statement, since its formation, Gastek has not acquired any assets or services from: (i) any manager, officers or promoter of Gastek; (ii) any party disclosed in this Filing Statement as a principal security holder; or (iii) an Associate or Affiliate of any of the persons referred to in sections (i) and (ii).

Legal Proceedings

Neither Gastek nor its subsidiaries are currently a party to any legal proceedings, nor is Gastek or its subsidiaries currently contemplating any legal proceedings, which are material to its business. Management of Gastek is currently not aware of any legal proceedings contemplated against Gastek or its subsidiaries.

Auditor, Transfer Agent and Registrar

The auditors of Gastek are KPMG LLP, 2700, 205 - 5th Avenue S.W., Calgary, AB T2P 4B9;

Gastek has not appointed a transfer agent and registrar for the Gastek Units.

Material Contracts

Gastek has not entered into any material contracts since incorporation, other than the following:

- the SHA;
- the EBRD Credit Facility;
- the Cross Indemnity Agreement; and
- the Securities Exchange Agreement.

Copies of these agreements may be inspected without charge at Gastek's registered office, located at Suite 785, 1000 Fourth St., San Rafael, California, 94901, during normal business hours until the completion of the Transaction and for a period of 30 days thereafter.

Risk Factors

Please see discussion under the heading "Risk Factors".

PART III – INFORMATION CONCERNING THE RESULTING ISSUER

Corporate Structure

Name and Incorporation

The name of the Resulting Issuer will be "CUB Energy Inc."

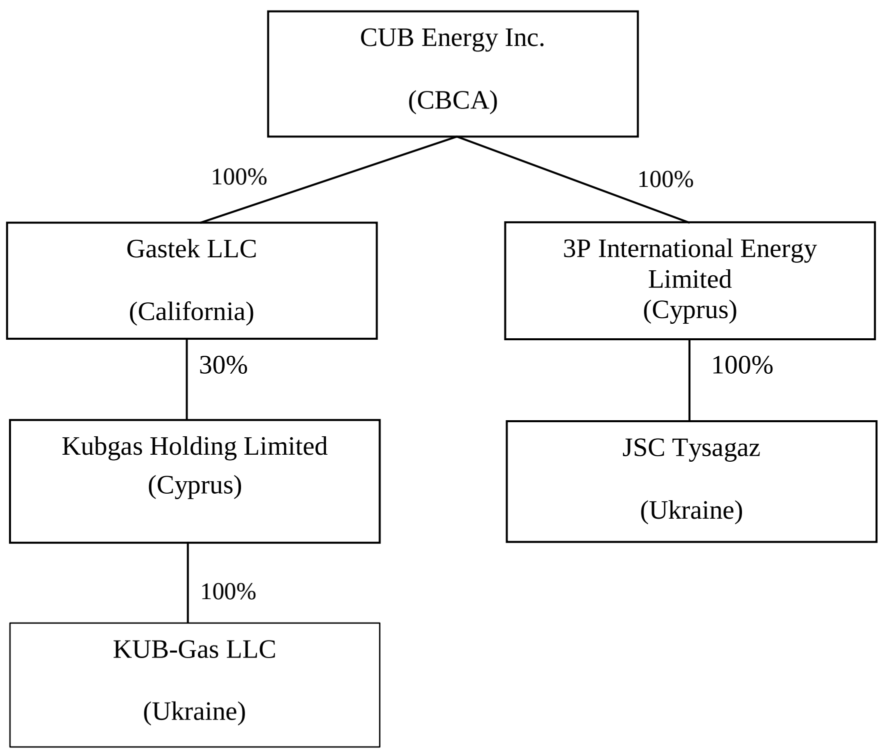
The head and registered office of the Resulting Issuer will be 50 Richmond Street East, Suite 101, Toronto, Ontario M5C 1N7.

Pursuant to the Articles of Continuance, CUB was continued from a company governed under the OBCA to a company governed under the CBCA.

Intercorporate Relationships

Upon the completion of the Transaction, the Resulting Issuer will own, directly or indirectly, all of the issued and outstanding Gastek Units. As a result of the Transaction, the sole member of Gastek will become a shareholder of the Resulting Issuer.

The following organizational chart demonstrates the intended corporate structure of the Resulting Issuer:



Narrative Description of the Business

Stated Business Objectives

The business objective of the Resulting Issuer is the development of a growth-based portfolio of low cost gas production assets in Eastern Europe to capitalize on high regional gas prices. CUB's strategy is to use proven technology, capital and expertise to grow its reserves base and continue to develop its portfolio.

Management of the Resulting Issuer has plans to continue optimizing production from existing wells. Management further intends to implement the exploration, drilling and development of additional wells on its Ukranian properties, and to focus on the acquisition of new projects fitting within its core business plan.

Management of the Resulting Issuer expects to apply its available funds towards the achievement of its business objectives as stated under the heading "Part III – Information Concerning the Resulting Issuer – Available Funds and Principal Purposes"; however, there may be circumstances where, for sound business reasons, a reallocation of funds would be necessary. In addition, the achievement of substantially all of the Resulting Issuer's business objectives is substantially dependent upon future cash flows from KUB-Gas and Tysagaz, as well as funds available to KUB-Gas under the EBRD Credit Facility. Although historically and at present KUB-Gas and Tysagaz generate positive cash flows and the conditions necessary for the continued access to funds under the EBRD Credit Facility have been met by KUB-Gas, there can be no assurance that the Resulting Issuer will continue to generate positive cash flows or that the conditions necessary to the continued access to funds under the EBRD Credit Facility will continue to be met by KUB-Gas, and consequently management of the Resulting Issuer can not express any certainty regarding the extent to which its business objectives will be achieved, if any. See "Risk Factors".

Milestones

The following significant events should occur for the stated business objectives disclosed above to be accomplished. The specific time periods in which each event is targeted to occur and the estimated cost concerning each event are listed below. Since the achievement of substantially all of the Resulting Issuer's milestones is substantially dependent upon future cash flows from KUB-Gas and Tysagaz, as well as funds available to KUB-Gas under the EBRD Credit Facility, management of the Resulting Issuer can not express any certainty regarding the extent to which its business objectives will be achieved, if any. See "Risk Factors".

Milestone Event	Anticipated Cost	Target Date
Drilling of two low-risk, high impact step-out M-16 and M-21 wells from the M-19 well on the M Field.	US$3,200,000(1)	Third quarter of 2012
Development drilling, completion and tie-in of one well on the RK Field	C$2,000,000	Fourth quarter of 2012
New seismic acquisition on the RK Field	C$144,000	First quarter of 2012
New seismic acquisition on the Stanovo Field	C$100,000	Second quarter of 2012
Drilling O-11 and O-15 – one appraisal and one development well on the O Field	US$4,300,000(1)	Third and Fourth Quarters 2012
Drilling K-5 well to test a new structure in the K Field	US$2,500,000(1)	Third Quarter 2012
Drilling NM-1	US$2,500,000(1)	First Quarter 2012
Workovers, including recompletion, re-entry, dual completion, re-completion of: O-1, O-2, O-3, O-4, O-5, O-7, O-9, O-12, O-18	US$3,150,000(1)	First, Second and Third Quarters 2012
Re-completion and Dual Completion of M-1, M-2, M-12	US$1,050,000(1)	First and Third Quarters 2012
Dual completion of K-1	US$350,000(1)	Fourth Quarter 2012
Develop pipelines for M-11, M-16, M-21	US$1,131,000(1)	Fourth Quarter 2012
Develop pipelines for O-1, O-2, O-11, O-15	US$1,307,500(1)	Fourth Quarter 2012
Develop pipelines for NM-1	US$1,460,000(1)	Third Quarter 2012
Develop pipeline for M-20	US$750,000(1)	Second and Third Quarters 2012
Facility projects in O&M and NM fields, including drill stem test, road upgrade, etc	US$6,450,000(1)	First, Second and Third Quarters 2012
New seismic acquisition on Uzhgorod Field	C$225,000	Third quarter of 2012

Note:

(1) Amounts indicated are expected costs to KUB-Gas. The Resulting Issuer will hold a 30% equity interest in KUB-Gas.

Exploration and Development Activities

Overview of the Resulting Issuer Assets

Oil and gas operations in the Ukraine center around two styles of operator licences. First, an exploration and pilot production licence is issued to the operator. This enables the operator to drill exploration wells and produce up to 10% of the estimated reserves. After five years, this licence will expire and the Ukrainian State Commission on Reserves will step in to produce a more accurate estimate of the field's reserves before granting the pilot company a 20-year production licence.

Through its two subsidiaries, the Resulting Issuer will have secured two production and seven exploration licences in the Ukraine in the two main basins, concentrated in both the far west and far east of the country. With its original asset base acquired from Tysagaz, CUB staked a claim in the western Trans-Carpathian basin. Tysagaz operates under one production licence for the RK Field and three explotration licences for the Stanovo, Korolevskoye and Uzhogorod fields. KUB-Gas holds licences for the O, M, K and NM fields. KUB Gas' sole production licence is held for the V and the O Field.

In total, the assets of the Resulting Issuer are expected to have current production of approximately 998 Boe/d, net Proved plus Probable Reserves 4.4 Mmboe and best estimate contingent resources of 5.6 Mmboe.

KUB-Gas Development Plan

Olgovskoye Field

The Olgovskoye exploration licence, originally granted on May 31, 2006, was issued as a new licence with additional acreage in 2009 and is set to expire on August 11, 2014, though it may be extended until 2019. An application has been submitted to convert this licence from a five-year exploration licence to a 20-year production licence. This is currently the most productive of the licences held by KUB-Gas and has experienced several excellent drilling results during 2011. KUB-Gas has drilled five wells through 2011, with a sixth currently underway (an infill target with good permeability and porosity). The wells drilled over the course of the year have seen consistently better results. Logs on the O-9 well indicated multiple hydrocarbon bearing zones and a new discovery in the Lower Bashkirian reservoir (tested at 1.2 MMcf/d). The primary zone of this well, the Middle Bashkirian, tested at a maximum rate of 4.4 MMcf/d (stabilized at 2.9 MMcf/d). Most recently, the O-12 well tested at a rate of 8.1 MMcf/d, which is the best result seen to date. The results from this well are important as it was a step-out location that further defined the extent of the main producing structure. Plans for 2012 include one appraisal well (O-11) and one development well (O-15) to be drilled by the end of Q4, 2012. As of January 1, 2011 there were approximately 24.0 BcfGE (3,997.6 Mboe) [1.85 BcfGE Proved Developed Producing (PDP), 2.36 BcfGE Proved Developed Non-Producing (PDNP) & 19.78 BcfGE Proved Undeveloped (PUD)] of net Proved Reserves (gas and condensate) and 35.9 BcfGE (5,991.4 Mboe) net Proved plus Probable Reserves attributed to this field on a 100% ownership basis (or, 7.20 BcfGE (1,119.3 Mboe) of net Proved Reserves and 10.8 BcfGE (1,797.4 Mboe) net Proved plus Probable Reserves attributed to this field on Gastek's 30% ownership basis). This exploration licence was converted to a 20-year production licence on the 6th of February of 2012.

Makeevskoye Field

The Makeevskoye exploration licence, originally granted on May 18, 2001, was issued as a new licence with additional acreage in 2009 and is set to expire on August 11, 2014, though it may be extended until 2019. An application has been submitted to convert this licence from five-year exploration licence to a 20-year production licence. This licence has experienced exciting exploration successes and as such as become a focus for KUB-Gas. Most recently, the M-19 exploration well, drilled in the second half of 2010 to a depth of 2,060 metres, recorded initial test results of 5.0 MMcf/d over 15 days. This was the first KUB-Gas well to use Western-style logging tools. Directly adjacent to the Olgovskoye Field, this licence will be the focus of substantial activity in 2012. Current plans are for the M-21 well to be drilled in the second quarter of 2012 followed by another follow up in the third quarter of 2012. The M-21 well is seen as a low risk step-out location based on the success of the M-19 well and will be located 830 metres away. As of January 1, 2011, there were approximately 5.3 BcfGE (883.3 Mboe) [0.98 BcfGE PDP & 4.32 BcfGE PDNP] of net Proved Reserves (gas and condensate) and 8.4 BcfGE (1,393.3 Mboe) of net Proved plus Probable Reserves attributed to the field on a 100% ownership basis (or, 1.59 BcfGE (265.0 Mboe) of net Proved Reserves and 2.51 BcfGE (418.0 Mboe) net Proved plus Probable Reserves attributed to this field on Gastek's 30% ownership basis). This exploration licence is expected to be converted to a 20-year production licence in the first quarter of 2012.

Krutogorovskoye Field

The Krutogorovskoye exploration licence, originally granted on July 16, 2004, was issued as a new licence with additional acreage in 2009 and is set to expire on August 11, 2014, though it may be extended until 2019. This field is currently a nominal producer and remains an exploration project of KUB-Gas. 2D seismic has defined a four-way dip closure in the northeast corner of the licence which the K-5 well will test in Q3, 2012. Targets include Muscovian and Bashkirian formations (several sands in the Bashkirian formation have produced gas in both the earlier K-1 and K-3 wells). Management's preliminary view is that trap and stratigraphy will be the main risk factors applicable to this 2,800 metre well. As of January 1, 2011, there were approximately 1.4 BcfGE (238.3 Mboe) [0.88 BcfGE PDP & 0.55 BcfGE PUD] of net Proved Reserves (gas and condensate) and 2.4 BcfGE (402.8 Mboe) of net Proved plus Probable Reserves attributed to the field on a 100% ownership basis (or, 0.43 BcfGE (71.5 Mboe) of net Proved Reserves and 0.73 BcfGE (120.9 Mboe) net Proved plus Probable Reserves attributed to this field on Gastek's 30% ownership basis). This exploration licence is expected to be converted to a 20-year production licence prior to the first quarter of 2012.

Vergunskoye Field

The Vergunskoye production licence was issued on September 27, 2006 and will expire on September 27, 2026. The field is approximately one kilometre by two kilometres and is not a substantial producer at this time, though historically the field has produced 13.8 Bcf from six wells. Three zones have been identified for multi-zone production or restart, but as of this time there are no plans to drill any wells in 2012 until available data has been analyzed in detail. As of January 1, 2011, there were approximately 1.3 Bcf of net Proved (PDP) Reserves (dry gas) and 2.6 Bcf of net Proved plus Probable Reserves attributed to the field on a 100% ownership basis (or, 0.40 Bcf of net Proved Reserves and 0.78 Bcf net Proved plus Probable Reserves attributed to this field on Gastek's 30% ownership basis).

North Makeevskoye Licence

The North Makeevskoye exploration licence was granted on December 29, 2010 and is set to expire on December 29, 2015. Gross acreage position is approximately 47,073 acres. Similar to the Olgovskoye and Makeevskoye licences, the licence lies along the primary southeastern Dnieper-Donetsk Basin gas/condensate structural trend and is prospective for gas production from multiple zones within the Muscovian and Bashkirian sedimentary section. The licence area is located only four kilometres from the recent M-19 gas discovery, which tested at 5 MMcf/d. To date, 2D seismic has provided the Northern Prospect, which management believes has significant resource potential. Plans include completing the 2D seismic program, currently underway, and drilling the first exploration well in the first quarter of 2012. 3D seismic is planned to commence in the fourth quarter of 2012.

Tysagaz Development Plan

Development at the Tysagaz properties will focus on the RK and Stanovo fields.

RK Field

During the first quarter of 2012, the Resulting Issuer plans to acquire 2D seismic on the RK Field, and based on the results of the 2D seismic plans to drill, complete, and upgrade facilities and tie-in one well during the fourth quarter of 2012. The Resulting Issuer also intends to perform workovers on the RK-2 and RK-6 wells as needed to maintain or improve existing production.

Stanovo Field

The Resulting Issuer intends to acquire new seismic during the first quarter of 2012, and based on results intends to drill, complete, upgrade facilities and tie in one well in the first half of 2013.

Uzhgorod Field

The Resulting Issuer intends to acquire 2D seismic and evaluate during the first and second quarter of 2012 and identify product markets.

Korolevskoye Field

The Resulting Issuer intends to continue to collect historical technical data, delineating regional geology and research the gas market.

Description of Securities

The authorized capital of the Resulting Issuer will consist of an unlimited number of common shares without nominal or par value. 123,278,089 CUB Shares will be issued to Pelicourt pursuant to the Transaction.

Immediately prior to giving effect to the Transaction, CUB will have 79,656,500 CUB Shares outstanding. Upon completion of the Transaction, it is anticipated that the Resulting Issuer will have approximately 209,050,433 CUB Shares outstanding.

Holders of the CUB Shares will be entitled to one vote per Resulting Issuer share at meetings of shareholders, and will be entitled to dividends if, as and when declared by the Resulting Issuer board of directors and upon liquidation, dissolution or winding-up to receive the Resulting Issuer's remaining property. Holders of CUB Shares have no pre-emptive rights, no conversion rights or rights of redemption provisions applicable to the CUB Shares.

Pro Forma Consolidated Capitalization

The following table sets forth the pro forma share and loan capital of the Resulting Issuer as at December 31, 2011 on a consolidated basis, based on the pro forma consolidated financial statements contained in this Filing Statement after giving effect to the Transaction. This table should be read in conjunction with the pro forma consolidated financial statements and notes thereto included in this Filing Statement, which are attached hereto as Schedule "G".

Designation of Security	Amount authorized or to be authorized	Amount outstanding after giving effect to the Transaction as of December 31, 2011
Common Shares	Unlimited	209,050,433
Stock options	10% of issued and outstanding common shares (20,930,043)	7,224,451
Warrants	N/A	12,020,366
Loans	$12,000, 000[(1)]	$6,900,000[(1)]

Notes:

(1) Represents Gastek's pro rata interest in the EBRD Credit Facility debt. As of December 31, 2011, Kub-Gas has drawn US$23,000,000 of the EBRD Credit Facility. Gastek holds an effective 30% ownership interest in KUB-Gas.

The following table outlines the expected number and percentage of securities of the Resulting Issuer to be outstanding on a fully diluted basis after giving effect to the Transaction:

Description of Issue	Number of CUB Shares (upon completion of Transaction)	Percentage of Total of CUB Shares (upon completion of Transaction)
Outstanding before the Transaction	79,656,500	34.85%
Issued to former Gastek member pursuant to the Securities Exchange Agreement	123,278,089	53.94%
Issuable upon conversion of the CUB Subscription Receipts	4,490,844	1.96%
Issuable upon exercise of the CUB Options	7,224,451	3.16%
Issuable upon exercise of the CUB Warrants	12,020,366	5.26%
Issuable upon completion of the Transaction(1)	1,625,000**(1)**	0.71%
Fully Diluted Resulting Issuer Share Capital	**228,545,250**	**100%**

Notes:

(1) Upon completion of the Transaction, CUB will make one-time bonus awards to Robert Bensh and Gregory Cameron and a severance payment to Ron MacMicken. Messrs. Bensh and Cameron will receive C$300,000 and C$200,000 in cash, respectively. Furthermore, Messrs. Bensh, Cameron and MacMicken will receive 500,000, 750,000 and 375,000 CUB Shares, respectively, valued at $0.40 per CUB Share. The CUB Shares issuable to Mr. Cameron is subject to the written consent of disinterested CUB Shareholders holding at least a majority of the issued and outstanding CUB Shares. In the event that the issuance of CUB Shares to Mr. Cameron is not approved by CUB Shareholders, CUB intends to pay a cash bonus to Mr. Cameron of C$300,000 (in addition to the cash bonus mentioned above). For more information on this bonus payment please see *Part III – Information Concerning the Resulting Issuer – Executive Compensation – Transaction Completion Payments.*

Available Funds and Principal Purposes

Funds Available

The total funds available to the Resulting Issuer after giving effect to the Transaction is estimated to be approximately C$6,150,000 as at February 29, 2012 after giving effect to the Transaction:

(a) C$4,354,000 in available working capital; and

(b) C$1,796,000 in net proceeds from the exercise of the CUB Subscription Receipts.

In addition, the Resulting Issuer may realize positive cash flow from KUB-Gas and Tysagaz and may further draw on the EBRD Credit Facility.

Principal Purposes of Funds

The funds available to the Resulting Issuer are expected to be used, principally, as follows:

Principal Use of Funds	Amount
Transaction fees	C$1,600,000
General and administration	C$3,600,000
Exploration and Development Program	C$750,000
Unllocated/Contingent Funds	C$200,000
TOTAL	**C$6,150,000**

The Resulting Issuer intends to spend the funds available to it as stated above. There may be circumstances, however, where for sound business reasons, a reallocation of funds may be necessary. In addition, the Resulting Issuer may make additional expenditures contingent on cash flow realized from KUB-Gas and Tysagaz (if any) and additional funds drawn from the EBRD Credit Facility (if any).

For further details, please see the discussion under the heading "*Part III – Information Concerning the Resulting Issuer – Narrative Description of the Business" and "Part III – Information Concerning the Resulting Issuer - Available Funds and Principal Purposes*".

Dividends

There are no restrictions in the terms of the CUB Shares that could prevent the Resulting Issuer from paying dividends. The holders of CUB Shares are entitled to participate in all dividends declared by the board of directors of the Resulting Issuer. It is expected that the Resulting Issuer's dividend policy will provide that the directors of the Resulting Issuer will determine if and when dividends should be declared and paid based upon the Resulting Issuer's financial position at the relevant time. All of the CUB Shares shall be entitled to an equal share in any dividends declared and paid. The Resulting Issuer currently does not intend to pay any dividends on its CUB Shares in the foreseeable future. No decision has been made to change the intended dividend policy of the Resulting Issuer.

Principal Securityholders

To the knowledge of CUB and Gastek, upon completion of the Transaction, no Person will beneficially own, directly or indirectly, or exercise control or direction over more than 10% of the CUB Shares or 10% except as follows:

Name and Municipality of Residence	Number of Resulting Issuer Voting Common Shares Owned	Percentage Held	Type of Ownership
Pelicourt Limited(1)	123,278,089	58.90%	Direct

Note:

(1) Pelicourt Limited is a holding company whose shares are owned by a special purpose vehicle named Jasel International Corp., which is owned by Mikhail Afendikov of San Rafael, California, Andreas Tserni of Athens, Greece, Valentin Bortnik of Athens, Greece and Robert Bensh of Houston, Texas in the following amounts:

Mikhail Afendikov	31%
Andreas Tserni	31%
Valentin Bortnik	31%
Robert Bensh	7%

Directors, Officers and Promoters

Name, Address, Occupation and Security Holdings

The following are the names and municipalities of residence of each proposed director and executive officer of the Resulting Issuer, the positions and offices to be held with the Resulting Issuer, and the number and percentage of CUB Shares which will be held by each of them on completion of the Transaction. Each director will hold office until the next annual meeting of the Resulting Issuer unless his or her office is earlier vacated in accordance with the CBCA.

Name and resident country of each Proposed Director and Officer(1)	Position to be Held with the Resulting Issuer	Present Principal Occupation or Employment (1)	Director of CUB	CUB Shares, Directly or Indirectly, Beneficially Owned (upon completion of the Transaction)(1)
Mikhail Afendikov San Rafael, California, USA	Executive Chairman, Chief Executive Officer and Director	Chief Executive Officer, Gastek LLC	CUB Director since December 2, 2011	38,216,207(2)
Wally Rudensky, Toronto, Ontario, Canada	Chief Financial Officer, Secretary	Chief Financial Officer, CUB Energy Inc.	N/A	30,000(3)
Cliff West Houston, Texas, USA	Executive Vice-President and Chief Operating Officer	Executive Vice-President and Chief Operating Officer, CUB Energy Inc.	N/A	Nil
Gregory Cameron Toronto, Ontario, Canada	Director	Executive Chairman, CUB Energy Inc.	CUB Director since December, 2010	1,246,500(4)
Steven VanSickle Calgary, Alberta, Canada	Director	President and Chief Executive Officer, Fairborne Energy Ltd.	CUB Director since December, 2010	200,000 (5)
Robert Hodgins Calgary, Alberta, Canada	Director	Corporate Director	CUB Director since July, 2011	Nil (6)

Notes:

(1) The information as to country of residence, principal occupation and number of CUB Shares beneficially owned, or controlled or directed, directly or indirectly, by the nominees is not within the knowledge of the management of CUB and has been furnished by the respective nominees and/or SEDI.
(2) Mr. Afendikov also holds 450,000 CUB Options. Includes 31% of the shares held by Pelicourt Limited.
(3) Mr. Rudensky also holds 440,000 CUB Options.
(4) Mr. Cameron also holds 1,209,000 CUB Options and 600,350 CUB Warrants (200,350 of which are each exercisable for one CUB Share and one additional CUB Warrant).
(5) Mr. VanSickle also holds 1,050,000 CUB Options.
(6) Mr. Hodgins holds 750,000 CUB Options.

The Compensation and Nominating Committee of the Resulting Issuer will be comprised of Steven VanSickle and Gregory Cameron.

The audit committee for the Resulting Issuer (the "**Audit Committee**") will be comprised of Robert Hodgins (Chairman), Gregory Cameron and Steven VanSickle. Each Audit Committee member is "financially literate", within the meaning of National Instrument 52-110 – *Audit Committees*, and possesses education or experience that is relevant for the performance of his responsibilities as an Audit Committee member.

The term of office of the directors expires annually at the time of the Resulting Issuer's annual meeting or when or until their successors are duly appointed or elected. The term of office of the Resulting Issuer's executive officers expires at the discretion of the Resulting Issuer's directors. Upon completion of the Transaction, two out of the four directors of the Resulting Issuer will be considered independent of the Resulting Issuer within the meaning of National Instrument 58-101 – *Disclosure of Corporate Governance Procedures*. The directors who will be considered independent are Steven VanSickle and Robert Hodgins. Gregory Cameron has been an executive officer of the Resulting Issuer within the past three years and therefore would not be considered independent. Mikhail Afendikov will not be independent of the Resulting Issuer as he will be a member of management of the Resulting Issuer.

Shareholdings of Directors and Executive Officers

After giving effect to the Transaction, the proposed directors and executive officers of the Resulting Issuer, as a group, are expected to own: (i) 38,216,207 CUB Shares (18.28% of the issued and outstanding CUB Shares); (ii) 3,899,000 CUB Options; and (iii) 600,350 CUB Warrants

Biographies of Directors and Executive Officers

The following is a brief description of each of the proposed members of management and directors for the Resulting Issuer (including details with regard to their principal occupations for the last five years).

Mikhail Afendikov – Executive Chairman, Chief Executive Officer and Director – Age 47

Mr. Afendikov is the Chief Executive Officer of Gastek. Mr. Afendikov and his two business partners started Gastek in 2005 as their first investment in the oil and gas sector in Ukraine. Since 2005, Mr. Afendikov has been the Chief Executive Officer of Clarkson Investment LLC and since 1994 he has been a director of V.E.M.A. Shipping Co. Ltd. Mr. Afendikov is a medical doctor who graduated from Donetsk State Medical University in Ukraine in 1987. In 1995 he received a Doctorate in Business Administration from Kennedy-Western University.

Mr. Afendikov will devote the time necessary to perform the work required in connection with the management of the Resulting Issuer.

Wally Rudensky – Chief Financial Officer and Secretary – Age 59

Mr. Rudensky, CA, has over 26 years of experience in public accounting as partner and founder of EvansMartin LLP Chartered Accountants, which recently merged with MNP LLP, one of Canada's largest chartered accountancy and business consulting firms. Mr. Rudensky is also an alumnus of Arthur Anderson. He has lectured at various Universities and professional forums and has extensive experience in taxation, corporate structuring, mergers and acquisitions and finance, both foreign and domestic. Mr. Rudensky acts as a CFO and Director for a number of sports organizations and private and publicly traded companies operating in the domestic and international markets.

Mr. Rudensky will devote the time necessary to perform the work required in connection with the management of the Resulting Issuer.

Cliff West – Chief Operating Officer – Age 72

Since 2008, Mr. West has been an independent consultant to several oil and gas companies with operations both in and outside of the USA. From 2004 until 2008, Mr. West was the Executive Vice President and Chief Operating Officer of Cardinal Houston Resources, an oil and gas exploration company in Texas. During that period, Mr. West also served as the COO of Taurex Resources, plc, and Condor Exploration, Inc., both oil and gas exploration companies in Texas. Mr. West also served as a director of each of those companies. From September 2001 to April 2004, he worked as an exploration consultant for Range Resources and advisor to Carpatsky Petroleum, the predecessor of Cardinal Resources. Mr. West graduated in 1961 with a B.A. degree in Geology from the University of Southern Mississippi and in 1963 with an M.S. in Geology from West Virginia University. Mr. West is a Professional Geoscientist licensed by the State of Texas (License # 1418), a Certified Petroleum Geologist (#1563) and member of the American Association of Petroleum Geologists, a member of the Society of Exploration Geophysicists, a member of the Society of Petroleum Engineers, and a member of the Houston Geological Society.

Mr. West will devote the time necessary to perform the work required in connection with the management of the Resulting Issuer.

Steven VanSickle – Director – Age 47

Mr. VanSickle has an extensive background in the oil and gas industry both in Canada and internationally, having been involved in exploration, production, strategic planning and portfolio management in the oil and gas industry for the past 20 years. He has been the President and Chief Executive Officer of Fairborne Energy Ltd. (formerly Fairborne Energy Trust), a Toronto Stock Exchange ("**TSX**") listed oil and gas producer with current production in excess of 16,000 boe/d, since June of 2005. Mr. VanSickle began his career as an exploration geologist with Amoco Canada Petroleum Company Ltd. in Calgary. In 1992-93 he attended Amoco's Petrophysics training school in Tulsa, Oklahoma and in 1995 was transferred to Houston, where he held a variety of positions including Exploration Coordinator –Trinidad and Exploration Manager – Angola. In January 1998, he joined Pan East Petroleum Corp., which was sold in November 1998. In 1999, he was part of the executive team which founded Canadian Midstream Services Ltd. and was Vice President Business Development until the company was sold to Duke Energy Field Services in the spring of 2001. Mr. VanSickle was the Vice President of Business Development for Duke Energy Field Services in Canada. Prior to its conversion to an income trust, Mr. VanSickle held the position of Senior Vice President, Exploration. Mr. VanSickle sits on the board of a number of publicly listed companies including Seaview Energy Inc., Bolivar Energy Corp. and Fairborne Energy Ltd.

Mr. VanSickle will devote the time necessary to perform the work required in connection with his role as a director the Resulting Issuer.

Gregory Cameron – Director – Age 38

Mr. Cameron has been Chairman of CUB since December, 2010. Previous to this, Mr. Cameron has worked in the finance industry for more than 15 years focused on small- and mid-capitalization companies in North America and abroad. Mr. Cameron has held senior positions in investment banking at Canaccord Capital Inc. (now Canaccord Genuity Corp.) (Senior Vice-President Investment Banking), MGI Securities Inc. (Founder) and Macquarie Capital Markets Canada (formerly Orion Securities Inc.) (Senior Vice President Investment Banking). Over a successful 12-year career in banking, Mr. Cameron has worked on hundreds of equity, debt, merger and acquisitions and restructurings. Mr. Cameron is also a member of the board of directors of EastCoal Inc. Mr. Cameron is a graduate of Saint Mary's University in Halifax, Nova Scotia, Canada with a Bachelor of Commerce in Finance and Accounting and holds numerous financial industry designations.

Mr. Cameron will devote the time necessary to perform the work required in connection with his role as a director of the Resulting Issuer.

Robert Hodgins – Director – Age 60

Mr. Hodgins has held executive roles in the oil and gas sector in a career that spanned 25 years with several senior Canadian corporations and is now an investor and professional director. Most recently, from 2002 to 2004, he served as Chief Financial Officer of Pengrowth Energy Trust. Beginning in 1998, he was Vice President and Treasurer of Canadian Pacific Limited. Prior to that he was Chief Financial Officer of TransCanada Pipelines Limited from 1993 to 1998 and held other senior positions at TransCanada Pipelines Limited commencing in 1981. Mr. Hodgins is on the board of several well-known oil and gas companies including Altagas Inc., Enerplus Corporation, MEG Energy Corp. and Fairborne Energy Ltd.

Mr. Hodgins will devote the time necessary to perform the work required in connection with his role as a director of the Resulting Issuer.

Promoter Consideration

There is no person or company that will be considered a promoter of the Resulting Issuer, nor has any person or company acted as a promoter for either CUB or Gastek within the past two years.

Cease Trade Orders or Bankruptcies

To the knowledge of CUB, no proposed director or officer of CUB is, as at the date hereof, or has been within the last ten years prior to the date hereof: (a) subject to a cease trade order, an order similar to a cease trade order or an order that denied a company access to any exemption under securities legislation that was in effect for a period of more than 30 consecutive days that was issued while the proposed director of CUB was acting in the capacity as director, chief executive officer or chief financial officer of that company; (b) subject to an event that resulted, after the director or executive officer ceased to be a director or executive officer, in CUB being subject of a cease trade order, an order similar to a cease trade order or an order that denied a company access to any exemption under securities legislation that was in effect for a period of more than 30 consecutive days that was issued after the proposed director of CUB ceased to be a director, chief executive officer or chief financial officer of that company and which resulted from an event that occurred while that person was acting in such capacity; or (c) a director or executive officer of any company that, while that person was acting in that capacity, or within a year of that person ceasing to act in that capacity, became bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency or was subject to or instituted any proceedings, arrangement or compromise with creditors or had a receiver, receiver manager or trustee appointed to hold its assets.

To the knowledge of CUB, no proposed director or officer of CUB: (a) has been subject to any penalties or sanctions imposed by a court relating to securities or by a securities regulatory authority or has entered into a settlement agreement with a securities regulatory; or (b) has been subject to any other penalties or sanctions imposed by a court or regulatory body that would likely be considered important to a reasonable shareholder in deciding whether to vote for a proposed director of CUB.

To the knowledge of CUB, no proposed director or officer of CUB is, or has within the ten years prior to the date hereof, become bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency, or become subject to or instituted any proceedings, arrangement or compromise with creditors or had a receiver, receiver manager or trustee appointed to hold the assets of that individual.

Conflicts of Interest

Directors and officers of the Resulting Issuer may also serve as directors and/or officers of other companies engaged in on-line education and/or whose products and services may be used by or partnered with those of the Resulting Issuer from time to time. Accordingly, certain directors and officers of the Resulting Issuer may be presented from time to time with situations or opportunities which give rise to apparent conflicts of interest which cannot be resolved by arm's-length negotiations but only through exercise by the officers and directors of such judgment as is consistent with their fiduciary duties to the Resulting Issuer which arise under applicable corporate law, especially insofar as taking advantage, directly or indirectly, of information or opportunities acquired in their capacities as directors or officers of the Resulting Issuer. It is expected that all conflicts of interest will be resolved in accordance with the CBCA. It is expected that any transactions with officers and directors will be on terms consistent with industry standards and sound business practice in accordance with the fiduciary duties of those Persons to the Resulting Issuer, and, depending upon the magnitude of the transactions and the absence of any disinterested board members, may be submitted to the shareholders for their approval.

Other Reporting Issuer Experience

The following table sets out the proposed directors, officers and promoters of the Resulting Issuer that are, or have been within the last five years, directors, officers or promoters of other reporting issuers:

Name	Reporting Issuer Name	Name of Trading Market	Position	From	To
Mikhail Afendikov	Glen Rose Petroleum	OTC	Director	January 2012	Present
Steven VanSickle	Faiborne Energy Ltd.	TSX	Officer and Director	May 2002	Present
	Seaview Energy Inc.	TSX	Director	June 2007	March 2012
	Anatolia Energy Corp. (formerly Bolivar Energy Inc.)	TSX	Director	May 2010	Present
Robert Hodgins	Fairborne Energy Ltd.	TSX	Director	June 2005	Present
	AltaGas Ltd	TSX	Director	July 2010	Present
	MEG Energy Corp.	TSX	Director	September 2010	Present
	Skope Energy Inc.	TSX	Director	October 2010	Present
	Enerplus Corporation	TSX / NYSE	Director	January 2011	Present
	Orion Oil and Gas Corporation	TSX	Director	January 2010	June 2011
	Enerplus Resources Fund	TSX / NYSE	Director	November 2007	December 2010
	Altagas General Partner Inc.	TSX	Director	March 2005	June 2010
	Enerflex Systems Income Fund	TSX	Director	April 2007	January 2010
	Primewest Energy Inc.	TSX / NYSE	Director	July 2007	January 2008
	Advantage Oil & Gas Ltd.	TSX	Director	May 2007	November 2007

Name	Reporting Issuer Name	Name of Trading Market	Position	From	To
	Calpine Power Income Fund	TSX	Trustee and Chairman	November 2002	November 2007
	Shiningbank Holdings Corporation	TSX	Director	May 2006	July 2007
Gregory Cameron	EastCoal Inc.	TSX	Director	March 2011	Present
	Crocodile Gold	TSX, OTCQX, Frankfurt	Director	November 2009	September 2010
	Vast Exploration Inc.	TSXV	VP Corporate Development	September 2009	August 2010
	Longford Energy Inc.	TSXV	VP Corporate Development	September 2009	August 2010
	Alder Resources Ltd.	TSXV	Director	January 2009	May, 2010
Wally Rudensky	Black Sparrow Capital Corp.	TSXV	Director	November 2011	Present
	Organic Potash Corp.	CNSX	Director	July 2011	Present
	Ethiopian Potash Corp.	TSXV	Director	September 2010	July, 2011
	Quetzal Energy Ltd.	TSXV	Chief Financial Officer	October 2009	September 2010
Cliff West	Cardinal Resources PLC	AIM	Executive Vice-President and Chief Operating Officer	April 2004	April 2008

Executive Compensation

Compensation Discussion and Analysis

Following completion of the Transaction, it is expected that the executive compensation structure of the Resulting Issuer and the philosophy of the directors of the Resulting Issuer in respect of executive compensation will be substantially similar to that of CUB. For information on the compensation structure and philosophy of CUB, please see the discussion under the heading "*Part I - Information Concerning CUB Executive Compensation – Compensation Discussion and Analysis*".

Summary Compensation Table – Proposed Compensation

The following table sets forth the anticipated base salary and bonuses payable to the Resulting Issuer's Chief Executive Officer, the Resulting Issuer's Chief Financial Officer, the Resulting Issuer's Executive Chairman and the Resulting Issuer's Chief Operating Officer, who will be the only officers of CUB at the Time of Closing.

Name and principal position	Salary	Annual Incentive Plans	Total Compensation
Wally Rudensky, Chief Financial Officer	C$120,000	To be determined	C$120,000
Mikhail Afendikov, Executive Chairman and Chief Executive Officer	C$184,800	To be determined	C$184,800
Cliff West, Chief Operating Officer	C$270,000	To be determined	C$270,000

Base Salary

The compensation committee of the Resulting Issuer intends to review the base salary of NEOs (and others) in light of the Transaction; however the amounts of the adjustments, if any, have not yet been determined.

Option-Based Awards

The Resulting Issuer intends to grant option-based awards, being grants of stock options under the Resulting Issuer Option Plan, to its directors, officers and employees, using a similar philosophy to that of CUB. However, the timing, amounts, and exercise price of such issuances have will be determined by the Compensation and Nominating Committee of the Resulting Issuer's board of directors. Existing CUB Options are expected to continue to vest according to existing vesting schedules and the CUB Shares issued upon exercise thereof will be exchangeable for CUB Shares as determined by the Board of Directors of the Resulting Issuer.

Pension Plan Benefits

During the 12 month period following completion of the Transaction, it is not expected that the Resulting Issuer will provide for defined benefit plans or defined contribution plans, being plans that provide for payments or benefits at, following, or in connection with retirement, or provide for deferred compensation plans.

Transaction Bonuses and Severance

Upon completion of the Transaction, CUB will make one-time bonus awards to Robert Bensh and Gregory Cameron and a severance payment to Ron MacMicken. Messrs. Bensh and Cameron will receive C$300,000 and C$200,000 in cash, respectively. Furthermore, Messrs. Bensh, Cameron and MacMicken will receive 500,000, 750,000 and 375,000 CUB Shares, respectively, valued at $0.40 per CUB Share.

The CUB Shares issuable to Mr. Cameron are subject to the written consent of disinterested CUB Shareholders holding at least a majority of the issued and outstanding CUB Shares. In the event that the issuance of CUB

Shares to Mr. Cameron is not approved by CUB Shareholders, CUB intends to pay a cash bonus to Mr. Cameron of C$300,000 in lieu of such shares.

Compensation of Directors

The Directors of the Resulting Issuer will each receive a quarterly fee of C$10,000. Furthermore, it is anticipated that the directors of the Resulting Issuer will be granted stock options to directors in recognition of the time and effort that such directors devote to the Resulting Issuer.

The Resulting Issuer will also enter into a non-exclusive, one-year consulting agreement upon completion of the Transaction with Colby, a holding company of Gregory Cameron (the "**Resulting Issuer Colby Agreement**"). Under the Resulting Issuer Colby Agreement, Colby will provides for a monthly service fee of C$10,000, on an independent contractor basis, assistance with investment introductions, new financing opportunities and ongoing capital markets and management advice.

Gregory Cameron will also receive the transaction bonus as described in the immediately previous section.

Indebtedness of Directors and Officers

Other than routine indebtedness, no director, executive officer, employee or former director, executive officer or employee of CUB who will also be a director, officer or employee of the Resulting Issuer or associate of any director, executive officer, employee or former director, executive officer or employee of the CUB is, or at any time since the beginning of CUB's financial year ended June 30, 2011, has been, indebted to CUB.

Investor Relations Arrangements

CUB entered into a service agreement with Contact Financial Corporation of Vancouver, British Columbia ("**Contact**") on April 1, 2011 (the "**Investor Relations Agreement**"). Contact is an investor relations agency that specializes in helping small to mid-cap companies gain awareness in the investment community. Pursuant to the Investor Relations Agreement, Contact provides investor relations services (including company information dissemination to interested parties, inquiry responses, assistance with company events, assistance with annual general meetings, advertising, etc.), general shareholder relations, investor database development and corporate consultation. As consideration for its services, Contact receives a monthly fee of C$6,000, and also received, upon signing of the Investor Relations Agreement, options to purchase 300,000 CUB Shares at a price of C$0.75 (the "**Contact Options**"). Other than any CUB Shares acquired upon exercise of the Contact Options, Contact has no direct or indirect beneficial ownership or control over any securities of CUB, Gastek or, upon completion of the Transaction, the Resulting Issuer.

Stock Option Plan

The Resulting Issuer will continue to use the CUB Option Plan which has been approved at the CUB Meeting. See *Part I – Information Concerning CUB – Stock Option Plan.*

Outstanding CUB Options and CUB Warrants

Other than as set out in the table below, as at the date of this Filing Statement, there are no stock options or warrants to purchase securities of the Resulting Issuer that will be held upon completion of the Transaction by:

- proposed officers of the Resulting Issuer as a group and proposed directors of the Resulting Issuer who are not also officers as a group;

- officers of all subsidiaries of the Resulting Issuer as a group and directors of those subsidiaries who are not also officers of the subsidiary as a group;
- other employees of the Resulting Issuer as a group;
- consultants of the Resulting Issuer as a group; and
- any other Person, including any agent or underwriter.

Category[(1) – (9)]	**Option or Warrant Holder**	**Number of CUB Shares reserved under Option or Warrant (upon completion of the Transaction)**	**Exercise Price per Resulting Issuer Share**	**Expiry Date[(10)]**
All proposed officers of the Resulting Issuer	Mikhail Afendikov, Wally Rudensky, Cliff West	140,000 150,000 150,000 450,000	\$0.31 \$0.50 \$0.87 \$0.45	2015 2016 2015 2016
All proposed directors of the Resulting Issuer who are not also officers	Gregory Cameron, Steven VanSickle, Robert Hodgins	300,000 1,350,000 459,000 600,000 300,000 200,350 600,350	\$0.87 \$0.45 \$0.40 \$0.40 \$0.50 \$0.25 \$0.70	2015 2016 2015 2016 2016 2012 2012
All proposed officers of all subsidiaries of the Resulting Issuer		Nil	Nil	Nil
All other employees of the Resulting Issuer		50,000	0.64	2016
All consultants of the Resulting Issuer		100,000 150,000 225,000 100,000 300,000 250,000 300,000 150,000	\$0.31 \$0.40 \$0.67 \$0.85 \$0.75 \$0.65 \$0.50 \$0.43	2015 2015 2015 2016 2016 See Note (11) 2016 See Note (11)
Any other Person		200,000	\$0.31	2015

Category(1) – (9)	Option or Warrant Holder	Number of CUB Shares reserved under Option or Warrant (upon completion of the Transaction)	Exercise Price per Resulting Issuer Share	Expiry Date(10)
		300,000	$0.76	2016
		8,170,000	$0.70	2012
		1,841,666	$0.30	2012
		8,000	$0.15	2012
		1,200,000	$0.40	2012
		200,451	$0.40	2015
		300,000	$0.64	2012
		250,000	$0.50	2012
		450,000	$0.45	2016

Notes:

(1) The information as to the number of Resulting Issuer warrants or options beneficially owned, or controlled or directed, directly or indirectly, by the proposed officers and directors of the Resulting Issuer is not within the knowledge of the management of CUB and has been furnished by the respective nominees and/or SEDI.
(2) Upon completion of the Transaction, options or warrants to purchase an aggregate of 2,090,000 CUB Shares at exercise prices between C$0.31 and $0.87 per share will be held by the current officers and former officers of CUB (such officers and former officers being Quinton Rafuse, Robert Bensh, Ronal MacMicken, Mikhail Afendikov and Wally Rudensky).
(3) Upon completion of the Transaction, options or warrants to purchase an aggregate of 4,310,151 CUB Shares at exercise prices between C$0.25 and $0.87 per share will be held by the current directors and former directors of CUB that are not also officers or former officers of CUB (such directors and former directors being Mykhailo Reznik, Robert Szczuczko, Gregory Cameron, Steven VanSickle and Robert Hodgins).
(4) Upon completion of the Transaction, no options or warrants to purchase CUB Shares will be held by the current officers and former officers of Gastek (other than Mikhail Afendikov who will continue as an officer of the Resulting Issuer and whose option and warrant holdings are reflected in the above table).
(5) Upon completion of the Transaction, no options or warrants to purchase CUB Shares will be held by the current directors and former directors of Gastek that are not also officers or former officers of Gastek.
(6) Upon completion of the Transaction, options or warrants to purchase an aggregate of 50,000 CUB Shares at an exercise price of C$0.64 per share will be held by current or former employees of CUB.
(7) There are no current or former employees of Gastek with options or warrants to purchase CUB Shares.
(8) Upon completion of the Transaction, options to purchase an aggregate of 1,575,000 CUB Shares at exercise prices between C$0.31 and C$0.85 per share will be held by consultants of CUB.
(9) Upon completion of the Transaction, no options to purchase CUB Shares will be held by consultants of Gastek.
(10) Securities expire at various dates during the year indicated.
(11) The expiry date for the grant of these options is the shorter of five years from the date of vesting or ten years from May 16, 2011, being the date of grant.

Escrowed Securities

The following table sets out as of the date hereof and, to the knowledge of CUB and Gastek, the name and municipality of residence of securityholders whose CUB Shares are currently held in Escrow or, upon completion of the transaction, may be held in escrow:

Name and Municipality of Residence of Security Holder	Designation of class	Prior to Giving Effect to the Transaction		After Giving Effect to the Transaction	
		Number of securities held in escrow	Percentage of Class held in escrow	Number of CUB Shares to be held in escrow	Percentage of class to be held in escrow
Robert Bensh, Houston, Texas	CUB Shares	Nil	0%	9,129,466[1][2]	4.4%
Mikhail Afendikov San Rafael, California	CUB Shares	Nil	0%	38,216,207[1]	18.3%
Valentin Bortnik, Athens, Greece	CUB Shares	Nil	0%	38,216,207[1]	18.3%
Andreas Tserni Athens, Greece	CUB Shares	Nil	0%	38,216,207[1]	18.3%
Wally Rudensky, Toronto, Ontario	CUB Shares	30,000[3]	‹1%	Nil	0%
Gregory Cameron, Toronto, Ontario	CUB Shares	496,500[3]	‹1%	750,000	‹1%
Steve VanSickle Toronto, Ontario	CUB Shares	200,000[3]	‹1%	Nil	0%
Robert Szczuczko Calgary, Alberta	CUB Shares	12,500[3]	‹1%	Nil	0%
BTR Accelerator Fund Limited Toronto, Ontario	CUB Shares	14,000,000[3]	17.57%	Nil	0%
Richard Kehmeier New Jersey, USA	CUB Shares	675,000[4]	‹1%	675,000	‹1%
Paul Deslauriers Toronto, Ontario	CUB Shares	180,000[4]	‹1%	180,000	‹1%
White Rock Capital Partners Toronto, Ontario	CUB Shares	45,000[4]	‹1%	45,000	‹1%

Notes:

(1) Messrs. Bensh, Afendikok, Tserni and Bortnik will each hold an interest in CUB Shares through Jasel, a special purpose vehicle that owns all of the shares of Pelicourt, which will receive 123,278,089 CUB Shares pursuant to the Transaction. Jasel, is owned by Messrs. Afendikov, Tserni, Bortnik and Bensh in the following proportions:

Mikhail Afendikov	31%
Andreas Tserni	31%
Valentin Bortnik	31%
Robert Bensh	7%

(2) Upon completion of the Transaction, Mr. Bensh will receive bonus consideration of, among other things, 500,000 CUB Shares valued at. $0.40 per CUB Share. For more information on this bonus payment please see *Part III – Information Concerning the Resulting Issuer – Executive Compensation – Transaction Completion Payments.*

(3) Pursuant to the policy of the Exchange, the securities of CUB held by officers, directors, other Insiders and Promoters of CUB (the "**CUB Insiders**") are subject to the terms of a pooling agreement dated October 31, 2011 among Equity Financial Trust Company (the "**Escrow Agent**"), CUB, and the CUB Insiders (the "**Pooling Agreement**"). Securities held in escrow pursuant to the Pooling Agreement will be released upon the earlier of: (i) the Escrow Agent receives a written certification from CUB addressed to the Escrow Agent and the Exchange stating that the Transaction shall not be completed and the Exchange issues a bulletin advising of the termination of the Transaction; or (ii) the Exchange issues a bulletin advising of the completion of the Transaction.

(4) Held in escrow pursuant to a CPC escrow agreement dated July 22, 2008.

Auditor, Transfer Agent and Registrar

Upon Completion of the Transaction, it is intended that the Resulting Issuer's auditors will be Collins Barrow Toronto LLP, at Collins Barrow Place 11 King Street West, Suite 700, Box 27, Toronto, Ontario, M5H 4C7.

Equity Financial Trust Company, at its offices in Toronto, Ontario, will act as the registrar and transfer agent of the CUB Shares following completion of the Transaction.

GENERAL MATTERS

Sponsorship

Cormark, subject to completion of satisfactory due diligence, has agreed to act as sponsor in connection with the Transaction. An agreement to sponsor should not be construed as any assurance with respect to the merits of the Transaction or the likelihood of completion.

The address of Cormark's Calgary office is 300 – 5th Avenue S.W., Suite 1800, Calgary, Alberta T2P 3C4.

Relationships

On October 19, 2011, CUB entered into an engagement letter agreement (the "**Engagement Agreement**") with Cormark to act as its exclusive financial advisor pursuant to the Transaction. Pursuant to the Engagement Agreement, Cormark agreed to provide such financial advisory services as are required or reasonably requested in connection with the Transaction, and which may include: (i) review and analysis of the assets, operations, financial results, and financial positions of Gastek, and the prospects for the combined entity following the completion of the Transaction; (ii) advising and assisting CUB in considering the desirability of effecting the Transaction and providing a view as to the capital markets' reaction to a Transaction; (iii) assisting CUB in its due diligence review of Gastek; (iv) providing CUB with financial advice and assistance with respect to the Transaction which may include informal value analysis; (v) advising and assisting CUB in negotiating the form, structure, terms and pricing of the Transaction; (vi) providing advice to CUB with respect to financing the Transaction; (vii) making whatever presentations deemed appropriate to the CUB Board and management, including such information and analysis as may be required by the CUB Board in reviewing and approving the Transaction; (viii) assisting CUB in the preparation of any regulatory filings or documents required in connection with the Transaction; (ix) assisting CUB in the developing and implementing of its communication strategy in connection with the Transaction, including press releases and shareholder presentations; (x) providing the Fairness Opinion; (xi) acting as a Sponsor to the Resulting Issuer in connection with the Transaction for purposes of listing on the TSXV; and (xii) providing such other financial advisory services in connection with the Transaction as may be appropriate in the circumstances.

Pursuant to the Engagement Agreement, Cormark will receive a success fee of C$500,000 upon completion of the Transaction or, in the event that the Transaction is not completed and CUB receives a break-up fee or termination fee (a "**Break Fee**"), CUB shall pay Cormark 25% of the Break Fee.

Experts

Opinions

The following is a list of persons or companies whose profession or business gives authority to a statement made by a person or company named in this Filing Statement as having prepared or certified a part of that document or report described in the Filing Statement:

(a) RPS Energy was retained by Gastek to prepare the RPS Report. RPS Energy are independent reserves evaluators appointed pursuant to NI 51-101;

(b) Cormark, was retained by CUB to provide the Fairness Opinion;

(c) Collins Barrow Toronto LLP, the auditors of CUB; and

(d) KPMG LLP, the auditors of Gastek.

Interest of Experts

No Person, whose profession or business gives authority to a statement made by the Person and who is named as having prepared or certified a part of this Filing Statement or as having prepared or certified a report or valuation described or included in this Filing Statement, holds any beneficial interest, directly or indirectly, in any property of CUB, Gastek or the Resulting Issuer or of an Associate or Affiliate of CUB, Gastek or the Resulting Issuer, other than as described below.

Collins Barrow Toronto LLP, Chartered Accountants, the auditors of CUB, audited the financial statements of CUB for the financial years ended June 30, 2009, June 30, 2010 and June 30, 2011 and delivered the auditors' report thereon, copies of which are attached as Exhibit "A" to this Filing Statement. Collins Barrow Toronto LLP has confirmed that it is independent of CUB in accordance with the rules of professional conduct of the Institute of Chartered Accountants of Ontario.

KPMG LLP, the auditors of Gastek, audited the financial statements of Gastek for the years ended December 31, 2008, December 31, 2009 and December 31, 2010, and delivered the auditors' report thereon, copies of which are attached as Exhibit "F" to this Filing Statement. KPMG LLP is independent of Gastek in accordance with the auditor's rules of professional conduct of the Institute of Chartered Accountants of Alberta.

RPS Energy authored the RPS Report. Neither RPS Energy nor any of its Associates or Affiliates has any interest in CUB, Gastek or the Resulting Issuer.

Wildeboer Dellelce LLP is counsel to CUB in connection with certain legal matters relating to the Transaction. Assuming the completion of the Transaction, partners and employees of Wildeboer Dellelce LLP will, collectively, own less than 1% of the CUB Shares.

Bennett Jones LLP is counsel to Gastek in connection with certain legal matters relating to the Transaction. Assuming the completion of the Transaction, partners and employees of Bennett Jones LLP will, collectively, own less than 1% of the CUB Shares.

Summary of Fairness Opinion

CUB retained Cormark to provide financial advice and assistance to CUB in connection with the Transaction, including the preparation and delivery to the CUB Board of directors of Cormark's Fairness Opinion as to the fairness of the consideration to be paid pursuant to the Transaction, from a financial point of view, to the CUB Shareholders. A copy of the Fairness Opinion is attached hereto as Exhibit "H".

The Fairness Opinion is dated February 15, 2012. For the purpose of this summary CUB and Gastek and any of their respective associates or affiliates are collectively referred to as the "**Interested Parties**".

Based on its review, and subject to certain assumptions and limitations, Cormark provided an opinion that, as at February 15, 2012 and subject to the review of final documentation, the consideration to be paid pursuant to the Transaction is fair, from a financial point of view, to the CUB Shareholders.

Cormark believes that the Fairness Opinion must be considered and reviewed as a whole and that selecting portions of the analyses or factors considered by Cormark, without considering all the analyses and factors together, could create a misleading view of the process underlying the Fairness Opinion. The preparation of a fairness opinion is a complex process and is not necessarily amenable to partial analysis or summary description. Any attempt to do so could lead to undue emphasis on any particular factor or analysis. The Fairness Opinion is not to be construed as a recommendation to any CUB Shareholder as to whether to approve the Transaction.

In connection with the preparation of the Fairness Opinion, Cormark has relied upon the completeness, accuracy and fair presentation of all of the financial and other information, data, advice, opinions and representations obtained by it from public sources or provided to it by or on behalf of CUB or Gastek and their respective directors, officers, agents and advisors or otherwise (collectively, the "**Information**") and Cormark has assumed that the Information did not omit to state any material fact or any fact necessary to be stated to make that Information not misleading. The Fairness Opinion is conditional upon the completeness, accuracy and fair presentation of such Information including as to the absence of any undisclosed material change. Subject to the exercise of professional judgment and except as expressly described herein, Cormark has not attempted to independently verify or investigate the completeness, accuracy or fair presentation of any of the Information.

In its analyses and in preparing the Fairness Opinion, Cormark has made numerous assumptions with respect to expected industry performance, general business and economic conditions and other matters, many of which are beyond the control of Cormark or any party involved in the Transaction. Cormark has also assumed that the disclosure provided or incorporated by reference in the Filing Statement, and any other documents in connection with the Transaction, will be accurate in all material respects and will comply with the requirements of all applicable laws, that all of the conditions required to implement the Transaction will be met, that the procedures being followed to implement the Transaction are valid and effective, and that the Filing Statement will be distributed to CUB Shareholders in accordance with applicable laws.

The Fairness Opinion is rendered on the basis of securities markets, economic, financial and general business conditions prevailing as at February 15, 2012 and the condition and prospects, financial and otherwise, of CUB and its affiliates, and Gastek and its affiliates, as they were reflected in the Information and as they have been represented to Cormark in discussions with management of CUB and Gastek.

Scope of Review

In connection with the Fairness Opinion, Cormark reviewed and relied upon (without verifying or attempting to verify independently the completeness or accuracy thereof) or carried out, among other things, the non-binding preliminary term sheet between CUB and Gastek dated October 31, 2011; the Securities Exchange Agreement (including the representations and warranties of CUB and Gastek therein); the independent evaluation of the oil and gas reserves of Kub-Gas prepared by RPS Energy as at July 31, 2011; the independent evaluation of the oil and gas reserves of CUB prepared by Sproule International Limited as at April 30, 2011; the audited consolidated financial statements of Kub-Gas for the year ended December 31, 2010 and December 31, 2009; the unaudited financial statements of Kub-Gas LLC for the quarters ended September 30, 2011 and June 30, 2011; the unaudited interim financial statements of Gastek for the quarter ended September 30, 2011; the audited consolidated financial statements of CUB for the years ended June 30, 2011 and June 30, 2010; the management discussion and analysis of CUB for the years ended June 30, 2011 and June 30, 2010; the unaudited financial statements of CUB for the quarters ended March 31, 2011, December 31, 2010 and September 30, 2010; the management information circulars for CUB in connection with the annual meeting of CUB Shareholders held in each of 2011 and 2010; all other public filings submitted by CUB to the securities commissions or similar regulatory authorities in Canada which are available on SEDAR since January 1, 2010; certain discussions with and confidential information made available by Gastek concerning the business, operations, assets, liabilities and prospects of Gastek; certain discussions with and confidential information made available by CUB concerning the business, operations, assets, liabilities and prospects of CUB; corporate presentations by the management of CUB and Gastek concerning their respective assets and business plans; meetings and discussions with the board of directors of CUB; a certificate dated February 15, 2012 as to certain factual matters and the completeness and accuracy of the information upon which this Fairness Opinion is based, addressed to us and provided by senior officers of CUB; the current oil and gas price forecasts of independent reservoir engineering firms; the current prices of oil and gas futures contracts; public information (including corporate presentations and information prepared by industry research analysts) related to the business, operations, financial performance and trading history of Gastek, CUB and such other selected oil and gas companies as we considered relevant; public information with respect to precedent transactions of a comparable nature which we considered relevant; and such other information, made such other investigations, prepared such other analyses and had such other discussions as we considered appropriate in the circumstances.

Cormark was not, to the best of its knowledge, denied access by CUB or Gastek to any information requested by Cormark.

Credentials of Cormark

Cormark is an independent Canadian investment dealer providing investment research, equity sales and trading and investment banking services to a broad range of institutions and corporations. Cormark has participated in a significant number of transactions involving public and private companies and income funds and has extensive experience in preparing fairness opinions.

The Fairness Opinion represents the opinion of Cormark and its form and content have been approved for release by a committee of its directors and officers, each of whom are experienced in merger, acquisition, divestiture, fairness opinion and capital market matters.

Relationship with Interested Parties

Neither Cormark, nor any of its affiliates, is an insider, associate or affiliate (as those terms are defined in the *Securities Act* (Ontario)) of CUB, Gastek or any of their respective associates or affiliates.

As of the date of the Fairness Opinion, Cormark had not been engaged to provide any financial advisory services nor has it participated in any financings involving CUB, Gastek or any of their respective affiliates or associates, in the two years preceding the date of the Fairness Opinion, other than services provided pursuant to the Engagement Agreement.

There are no understandings, agreements or commitments between Cormark and CUB, Gastek, or any other Interested Party, with respect to any future business dealings. Cormark may, in the future, in the ordinary course of its business, perform financial advisory or investment banking services for CUB, Gastek or any of their respective associates and affiliates.

Cormark acts as a securities trader and dealer, both as principal and agent, in major financial markets and, as such, may have had, may have and may in the future have long or short positions in securities of CUB or other Interested Parties and, from time to time, may have executed or may execute transactions on behalf of such companies or clients for which it may have received or may receive compensation. As an investment dealer, Cormark conducts research on securities and may, in the ordinary course of business, provide research reports and investment advice to its clients on investment matters, including with respect to CUB, Gastek or the Transaction.

Other Material Facts

There are no material facts about CUB, Gastek the Resulting Issuer or the Transaction that are not disclosed under the preceding items and are necessary in order for the Filing Statement to contain full, true and plain disclosure of all material facts relating to CUB, Gastek and the Resulting Issuer, assuming completion of the Transaction.

Board Approval

The CUB Board has approved this Filing Statement.

FINANCIAL STATEMENTS

Financial statements and MD&A for each of CUB, Gastek and the Resulting Issuer, as applicable, are attached hereto at Exhibits "A" through "G", respectively, and contained under the heading "*Information Concerning Gastek – Management Discussion and Analysis*".

AUDITOR’S CONSENT – COLLINS BARROW TORONTO LLP

The Directors of CUB Energy Inc.

We have read the filing statement of Cub Energy Inc. (formerly 3P International Energy Corp.) (the “**Company**”) dated March 20, 2012 relating to business combination of the Company and Gastek LLC. We have complied with Canadian generally accepted standards for an auditor's involvement with offering documents.

We consent to the use in the above-mentioned filing statement of our reports to the shareholders of the Company on the consolidated balance sheets of the Company as at June 30, 2011, 2010 and 2009 and the consolidated statements of operations and deficit and cash flows for each of the years in then ended. Our reports are dated October 24, 2011 and October 21, 2010.

“Collins Barrow Toronto LLP”

Chartered Accountants

March 20, 2012

Toronto, Canada

AUDITOR’S CONSENT – KPMG LLP

The Directors of Gastek LLC

We have read the filing statement of Cub Energy Inc. dated March 20, 2012 concerning the business combination of Cub Energy Inc. and Gastek LLC. We have complied with Canadian generally accepted standards for an auditor's involvement with offering documents.

We consent to the use in the above-mentioned filing statement of our report to the board of directors of Gastek LLC on the consolidated financial statements of Gastek LLC, which comprise the consolidated statements of financial position as at December 31, 2010, 2009 and 2008, the consolidated statements of comprehensive income, changes in equity and cash flows for each of the years in the three-year period ended December 31, 2010, and notes, comprising a summary of significant accounting policies and other explanatory information. Our report is dated February 14, 2012.

“KPMG LLP”

Chartered Accountants

March 20, 2012

Calgary, Canada

CERTIFICATE OF CUB ENERGY INC.

The foregoing constitutes full, true and plain disclosure of all material facts relating to the securities of CUB Energy Inc. assuming completion of the Transaction.

Dated: March 20, 2012.

(signed) MIKHAIL AFENDIKOV Chief Executive Officer	(signed) WALLY RUDENSKY Chief Financial Officer

On behalf of the Board of Directors

(signed) GREG CAMERON Director	(signed) Steven Vansickle Director

CERTIFICATE OF GASTEK LLC

The foregoing as it relates to Gastek LLC constitutes full, true and plain disclosure of all material facts relating to the securities of Gastek LLC.

Dated: March 20, 2012.

(signed) MIKHAIL AFENDIKOV
Chief Executive Officer

On behalf of the Board of Directors of Pelicourt Limited,
the Sole Member of Gastek LLC

(signed)	VALENTIN BORTNIK Director	(signed)	ANDREAS TSERNI Director

CERTIFICATE OF SPONSOR

To the best of our knowledge and belief, the foregoing constitutes full, true and plain disclosure of all material facts relating to CUB Energy Inc. assuming completion of the Transaction.

Dated: March 20, 2012.

CORMARK INC.

(Signed) CHRIS BURCHELL
Director, Investment Banking

ACKNOWLEDGMENT OF PERSONAL INFORMATION

The undersigned hereby acknowledges and agrees that it has obtained the express written consent of each individual to:

(a) the disclosure of Personal Information by the undersigned to the Exchange (as defined in Appendix 6B) pursuant to Form 3D2 – Information Required in a Filing Statement for a Reverse Takeover or Change of Business; and

(b) the collection, use and disclosure of Personal Information by the Exchange for the purposes described in Appendix 6B or as otherwise identified by the Exchange, from time to time.

Dated: March 20th, 2012.

(signed) "Gregory Cameron" ________________

Director of CUB Energy Inc.

EXHIBIT "A"
FINANCIAL STATEMENTS OF CUB FOR THE FINANCIAL YEARS ENDED JUNE 30, 2011, JUNE 30, 2010 AND JUNE 30, 2009

3P International Energy Corp.

(A development stage company)

Consolidated Financial Statements

For the Years Ended June 30, 2011 and 2010

Collins Barrow
Chartered Accountants

Collins Barrow Toronto LLP
Collins Barrow Place
11 King Street West
Suite 700, Box 27
Toronto, Ontario
M5H 4C7 Canada

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INDEPENDENT AUDITORS' REPORT

To the Shareholders of 3P International Energy Corp.

We have audited the accompanying consolidated financial statements of 3P International Energy Corp. and its subsidiaries, which comprise the consolidated balance sheets as at June 30, 2011 and June 30, 2010 and the consolidated statements of operations and deficit and statements of cash flows for the years then ended and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with Canadian generally accepted accounting principles, and for such internal control as management determines is necessary to enable the preparation of the financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of 3P International Energy Corp. and its subsidiaries as at June 30, 2011 and June 30, 2010, and its financial performance and its cash flows for the years then ended in accordance with Canadian generally accepted accounting principles.

Emphasis of Matter

Without qualifying our opinion, we draw attention to Note 1 in the consolidated financial statements which indicates the existence of material uncertainties that may cast significant doubt about the Company's ability to continue as a going concern.

Collins Barrow Toronto LLP

Licensed Public Accounts
Chartered Accountants
October 24, 2011
Toronto, Ontario

3P International Energy Corp.
(A development stage company)
Consolidated Balance Sheets
As at June 30,

	2011	2010
Assets		
Current		
Cash and cash equivalents	$ 16,677,609	$ 226,849
Investment (note 3)	1,000,000	272,000
Amounts receivable	375,056	11,461
Prepaid expenses	9,878	2,501
Deferred share issuance costs	-	8,000
	18,062,543	520,811
Mineral property and deferred exploration costs (note 6)	-	40,000
	$ 18,062,543	$ 560,811
Liabilities		
Current		
Accounts payable and accrued liabilities	$ 564,689	$ 79,673
Shareholders' Equity		
Capital stock (note 7)	20,868,730	566,609
Contributed surplus (note 7)	2,517,060	46,857
Warrants (note 7)	798,696	140,993
Deficit	(6,686,632)	(273,321)
	17,497,854	481,138
	$ 18,062,543	$ 560,811

Nature of Operations and Going Concern (note 1)
Commitments and Contingencies (note 10)
Subsequent Events (note 15)

See accompanying notes, which are an integral part of these financial statements

Approved by the Board **"Robert Hodgins"** Director **(Signed)** **"Gregory Cameron"** Director **(Signed)**

3P International Energy Corp.
(A development stage company)
Consolidated Statements of Operations and Deficit
Years Ended June 30,

	2011	2010
Interest income	$ 33,413	$ 57
Expenses		
Professional fees	828,775	50,527
Travel and promotion	751,009	-
Acquisition and due diligence costs	506,954	38,662
Consulting	403,081	-
Salaries and wages	210,714	-
Office and general	156,233	39,058
Petroleum and natural gas property write down (note 5)	1,604,698	-
Stock-based compensation (note 7)	1,454,814	17,023
Foreign exchange loss	490,446	-
Mineral property write down (note 6)	40,000	-
	6,446,724	145,270
Net loss and comprehensive loss	(6,413,311)	(145,213)
Deficit, beginning of year	(273,321)	(128,108)
Deficit, end of year	$ (6,686,632)	$ (273,321)
Loss per share		
Basic and diluted (note 9)	$ (0.14)	$ (0.04)

See accompanying notes, which are an integral part of these financial statements

3P International Energy Corp.
(A development stage company)
Consolidated Statements of Cash Flows
Years Ended June 30,

	2011	2010
Cash provided by (used in)		
Operations		
Net loss	$ (6,413,311)	$ (145,213)
Items not affecting cash		
Petroleum and natural gas property write down	1,604,698	-
Mineral property write down	40,000	
Stock-based compensation	1,454,814	17,023
	(3,313,799)	(128,190)
Net changes in non-cash working capital		
Amounts receivable	(363,595)	(6,721)
Prepaid expenses	(7,377)	(2,501)
Accounts payable and accrued liabilities	275,489	69,673
Deferred share issuance costs	8,000	(8,000)
	(3,401,282)	(75,739)
Investing		
Mineral property and deferred exploration costs	-	(40,000)
Petroleum and natural gas property	(74,698)	-
Investments	(728,000)	(272,000)
	(802,698)	(312,000)
Financing		
Proceeds from issuance of share capital and warrants	21,718,122	641,040
Share and warrant issuance costs	(1,063,383)	(171,624)
	20,654,739	469,416
Net change in cash and cash equivalents	16,450,760	81,677
Cash and cash equivalents, beginning of year	226,849	145,172
Cash and cash equivalents, end of year	$ 16,677,609	$ 226,849

See accompanying notes, which are an integral part of these financial statements

1. NATURE OF OPERATIONS AND GOING CONCERN

3P International Energy Corp. (the "Company"), formerly Colonnade Capital Corp. (as of July 19, 2010), was incorporated as a private company by Certificate of Incorporation issued pursuant to the provisions of the Business Corporations Act (Ontario) on April 3, 2008 and in August, 2008, had an initial public offering to convert to a Capital Pool Company ("CPC"). On May 13, 2010, the Company completed its "qualifying transaction" pursuant to the policies of the TSX Venture Exchange (the "Exchange"), removing the Company's CPC status. A filing statement describing the qualifying transaction was filed by the Company on April 13, 2010 and is accessible under the Company's profile on SEDAR at www.sedar.com.

The Company is in the development stage and has not yet determined whether its petroleum and natural gas properties contain reserves that are economically recoverable. The continued operations of the Company and the recoverability of amounts shown for its petroleum and natural gas properties is dependent upon the ability of the Company to obtain financing to complete the exploration and development of its petroleum and natural gas properties, the existence of economically recoverable reserves and future profitable production, or alternatively, upon the Company's ability to recover its costs through a disposition of its properties. The amount shown for petroleum and natural gas properties does not necessarily represent present or future value. Changes in future conditions could require a material change in the amount recorded for the petroleum and natural gas properties.

The Company is exposed to commodity price risk with respect to natural gas and oil commodity prices. A significant decline in any one of these commodity prices may affect the Company's ability to obtain capital for the exploration and development of its resource properties.

The Company has no source of revenue and has cash requirements to meet its administrative overhead and maintain its natural resource investments. Subsequent to year end, the Company completed its acquisition of Tysagaz for US$17,000,000 (note 15(b)). In order to meet future expenditures and cover administrative and exploration costs, the Company may need to raise additional financing. Although the Company has been successful in raising funds to date, there can be no assurance that adequate funding will be available in the future or available under terms favourable to the Company.

These consolidated financial statements have been prepared in accordance with Canadian generally accepted accounting principles ("GAAP") applicable to an entity expected to continue as a going concern. Accordingly, they do not give effect to adjustments that would be necessary should the Company be unable to continue as a going concern and, therefore, be required to realize its assets and liquidate its liabilities and commitments in other than the normal course of business and at amounts different from those in the accompanying financial statements.

2. SIGNIFICANT ACCOUNTING POLICIES

Cash and Cash Equivalents

Cash and cash equivalents consist of cash on deposit, which is held at a major Canadian banking institution or in trust with the Company's lawyer, and highly liquid investments with original maturities of three months or less.

2. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

Mineral Property and Deferred Exploration Costs

Direct costs relating to the acquisition, exploration and development of mineral properties are deferred until such time as the properties are either put into commercial production, sold, determined not to be economically viable or abandoned. General exploration expenditures which do not relate to specific resource properties are written off in the year incurred. These costs will be amortized over the estimated useful lives of the properties following the commencement of production or written off if the properties are sold, the rights to which are allowed to lapse, or abandoned. The costs of mineral properties include any fair market value of consideration, including cash and shares, if any, on the acquisition of property interests. The amounts of property acquisition costs and their related deferred exploration costs represent actual expenditures incurred and are not intended to reflect present or future values.

The Company reviews its mineral resource property on an annual basis to determine if events or circumstances have transpired which indicate that its carrying value may not be recoverable. The recoverability of costs incurred on mineral resource property is dependent upon numerous factors, including exploration results, environmental risks, commodity risks, and the Company's ability to attain profitable production. It is possible that conditions in the near-term could change the Company's assessment of the carrying value.

Petroleum and Natural Gas Property

Capitalized costs

The Company follows the full cost method of accounting for petroleum and natural gas activities, whereby all costs related to the acquisition, exploration and development of petroleum and natural gas reserves are capitalized and accumulated in one cost centre. Such costs include land and license acquisition costs, geological and geophysical costs, carrying costs on non-producing properties, costs of drilling both productive and non-productive wells, the cost of petroleum and natural gas production equipment and general and administrative overhead charges directly related to exploration and development activities. Proceeds from the sale of petroleum and natural gas properties are applied against capitalized costs with no gain or loss recognized unless such a sale would change the rate of depletion and amortization by 20% or more, in which case a gain or loss would be recognized.

Depletion and amortization

Capitalized costs from which there is production will be depleted using the unit-of-production method based on proved petroleum and natural gas reserves, as determined by independent consulting engineers. Petroleum and natural gas liquid reserves and production are converted into equivalent units of natural gas on relative energy content on a ratio of six thousand cubic feet of natural gas to one barrel of crude oil.

The cost of significant development projects and undeveloped properties will be excluded from costs subject to depletion until it is determined whether or not proved reserves are attributable to the properties or impairment has occurred. Estimated future costs to be incurred in developing proved reserves will be included and estimated salvage values are excluded from costs subject to depletion.

2. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

Petroleum and Natural Gas Property (Cont'd)

Ceiling test

In applying the full cost method, the Company performs a ceiling test on properties which restricts the capitalized costs less accumulated depletion from exceeding an amount equal to the estimated undiscounted value of future net revenues from proved petroleum and natural gas reserves, as determined by independent engineers, based on sales prices achievable under existing contracts and quoted benchmark prices in effect at year end and current costs and after deducting estimated production related expenses, abandonment and reclamation costs. If the carrying value of the cost center exceeds the undiscounted cash flows, an impairment loss will be determined. The impairment loss is measured as the amount by which the carrying amount of costs capitalized exceeds the fair value of proved and probable reserves and the costs associated with unproved properties less any impairment (which are subject to a separate test for impairment).

Asset retirement obligations

The Company recognizes the fair value of estimated asset retirement obligations on the balance sheet when a reasonable estimate of fair value can be made. Asset retirement obligations include those legal obligations where the Company will be required to retire long-lived assets such as well sites and facilities. The asset retirement cost, equal to the initially estimated fair value of the asset retirement obligation, is capitalized as part of the cost of the related long-lived asset. Changes in the estimated obligation resulting from revisions to estimated timing or amount of undiscounted cash flows are recognized as a change in the asset retirement obligation and the related asset retirement cost.

Asset retirement costs will be depleted using the unit-of-production method and will be included in depletion and amortization in the determination of net income (loss). Increases in the asset retirement obligations resulting from the passage of time are recorded as accretion of the asset retirement obligations in the determination of net income (loss), other than during the pre-production stage when accretion is included in the capitalized costs of petroleum and natural gas properties.

As at June 30, 2011, the Company has not incurred or committed any asset retirement obligations.

Unproved properties

Costs of acquiring and evaluating unproved properties are initially excluded from the costs subject to depletion until it is determined whether or not proved reserves are attributable to the properties, or in the case of major development projects, commercial production has commenced, or impairment has occurred. Impairment occurs whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. When proved reserves are determined or the property is considered to be impaired, the cost of the property or the amount of the impairment is added to the costs subject to depletion for that cost centre.

2. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

Financial Instruments

All financial instruments are recorded initially at fair value. In subsequent periods, all financial instruments are measured based on the classification adopted for the financial instrument: held to maturity, loans and receivables, held for trading, available for sale or other liability.

Held for trading

Financial assets or liabilities that are held with the intention of generating profits in the near term and derivative contracts that are financial assets, except for a derivative that is a designated and effective hedging instrument, are classified as held for trading. In addition, any other financial assets or liabilities can be designated by the Company upon initial recognition as held for trading. These instruments are subsequently re-measured at fair value with the change in the fair value recognized in net income during the period.

Held to maturity

Financial assets that have a fixed maturity date and which the Company has a positive intention and the ability to hold to maturity are classified as held to maturity, which are subsequently re-measured at amortized cost using the effective interest rate method.

Loans and receivables

Loans and receivables are non derivative financial assets resulting from the delivery of cash or other assets in return for a promise to repay on a specified date, or on demand, usually with interest. Loans and receivables are subsequently re-measured at amortized cost using the effective interest rate method.

Available for sale

Available for sale assets are non derivative financial assets that are either designated in this category or not classified in any of the other categories. Financial assets classified as available for sale are subsequently re-measured at fair value with the changes in fair value recorded in other comprehensive income.

Other liabilities

Non derivative financial liabilities that have not been designated as held for trading are classified as other liabilities, which are subsequently re-measured at amortized cost using the effective interest rate method.

The Company has classified its financial instruments as follows:

Financial Instrument		Classification
Cash and cash equivalents	-	Held for trading
Investments	-	Held to maturity
Amounts receivable	-	Loans and receivables
Accounts payable and accrued liabilities	-	Other liabilities

Transactions are accounted for on the trade date basis. Transaction costs are expensed as incurred.

2. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

Income Taxes

The Company follows the asset and liability method of accounting for income taxes. Under this method, future income tax assets and liabilities are determined based on temporary differences between financial reporting and tax bases of assets and liabilities, as well as for the benefit of losses available to be carried forward to future years for tax purposes. Future income tax assets and liabilities are measured using substantively enacted tax rates and laws that are expected to be in effect when the differences are likely to reverse. Future income tax assets are recorded in the financial statements if realization is considered more likely than not.

Stock-Based Compensation

The Company applies a fair value based method of accounting to all stock based payments, as set out in the CICA handbook section 3870 "Stock Based Compensation and Other Stock Based Payments".

Accordingly, stock-based payments are measured and accounted for at the fair value of the consideration received or the fair value of the equity instruments issued or liabilities incurred, whichever is more reliably measurable. Stock-based payments for awards to non-employees are expensed in the year during which the services are rendered. Stock-based payments for awards to employees are expensed over the vesting period of the instruments. The offset is credited to contributed surplus. Consideration received upon the exercise of stock options is credited to share capital and the related contributed surplus is transferred to share capital.

Use of Estimates

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amount of revenue and expenses during the year. Actual results could differ from those estimates.

Significant areas requiring the use of management estimates relate to valuation of stock options, valuation of warrants, impairment of mineral properties and deferred exploration costs, petroleum and natural gas property, and future taxes.

Loss Per Share

The Company uses the treasury stock method to compute the dilutive effect of options and similar instruments. Under this method, the dilutive effect on earnings per share is recognized on the use of the proceeds that could be obtained upon exercise of options and similar instruments. It assumes that proceeds would be used to purchase common shares at the average market price during the period.

Basic loss per share is calculated using the weighted average number of shares outstanding during the year. Contingently issuable shares are not considered outstanding common shares and consequently not included in loss per share calculations.

2. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

Changes in Accounting Policies

Business Combinations

In January 2009, the CICA issued Sections 1582 – Business Combinations, 1601 – Consolidated Financial Statements and 1602 – Non controlling Interests which replaces CICA Sections 1581 – Business Combinations and 1600 – Consolidated Financial Statements. Section 1582 establishes standards for the accounting for business combinations that is equivalent to the business combination accounting standard under International Financial Reporting Standards ("IFRS"). Section 1582 is applicable for the Company's business combinations with acquisition dates on or after January 1, 2011. Section 1601 together with Section 1602 establishes standards for the preparation of consolidated financial statements. Section 1601 is applicable for the Company's interim and annual consolidated financial statements for its fiscal year beginning July 1, 2011. Early adoption of these Sections is permitted. The Company has elected to early adopt these policies, effective July 1, 2010, and as a result, the Company expensed all transaction costs related to its acquisitions.

Recent Accounting Pronouncements Issued and Not Yet Applied

International Financial Reporting Standards

In February 2008, the Accounting Standards Board confirmed that Canadian publicly accountable enterprises will be required to adopt IFRS for fiscal years beginning on or after January 1, 2011, with earlier adoption permitted. Accordingly, the conversion to IFRS will be applicable to the Company's reporting no later than in the first quarter of fiscal 2012, with restatement of comparative information presented. The conversion to IFRS will impact the Company's accounting policies, internal control over financial reporting, and disclosure controls and procedures. The Company is currently assessing the future impact of IFRS on its consolidated financial statements and will continue to invest in training to ensure a timely conversion. The Company has not yet determined the impact of the adoption of IFRS on its financial statements.

3. INVESTMENT

Investment consists of a one year cashable guaranteed investment certificate, which bears interest at a rate of prime minus 1.85%, which as at June 30, 2011 was 1.15% per annum and matures on November 4, 2011.

4. ACQUISITIONS

Galizien:

On July 21, 2010, the Company executed a share purchase agreement ("SPA") to acquire 100% of the issued and outstanding shares of Galizien, a company involved in the exploration and exploitation of petroleum and natural gas resources in Ukraine. Under the terms of the SPA, the Company issued 4,400,000 common shares from treasury to the former shareholders of Galizien and assumed all of Galizien's liabilities. In April, 2011 and subsequent to year end, as the result of two settlement agreements, 3,050,000 of these shares issued were repurchased by the Company for a nominal fee and cancelled (note 15(c)).

In accordance with CICA Handbook Section 1581, this transaction does not meet the definition of a business combination as the primary asset has not commenced planned principal operations and is in the development stage. The transaction details are as follows:

4. ACQUISITIONS (Cont'd)

Galizien (Cont'd):

Net assets and liabilities acquired:	
Petroleum and natural gas properties	$ 1,655,000
Accounts payable and accrued liabilities	(335,000)
Net assets acquired	$ 1,320,000
Consideration:	
4,400,000 common shares at $0.30 per share issued from treasury	$ 1,320,000

Tysagaz:

On February 11, 2011, the Company signed a Binding Letter of Intent with JSC "Nadra Concern" ("Nadra LOI") for the purchase of 100% of its wholly owned subsidiary JSC "Tysagaz" ("Tysagaz") for U.S. $17,000,000. Tysagaz is the title holder to four gas licenses in Ukraine: the Rusko-Komariveske, Stanivske, Korolivske gas fields, and the Uzhogorod exploration block in Western Ukraine's Transcarpathian region. According to the terms of the Nadra LOI, the potential acquisition was subject to a 60-day due diligence period, the execution of a definitive agreement and receipt of all regulatory approvals. On April 13, 2011, the Company extended the Nadra LOI for an additional 14 days. The Company has incurred $506,954 in transaction costs with regards to the acquisition of Tysagaz. On May 24, 2011, and further amended on July 5, August 30 and September 2, 2011, the Company signed a definitive purchase agreement to acquire Tysgaz. Subsequent to year end, on September 6, 2011, all closing conditions were met and the Company completed its acquisition of Tysagaz.

With regards to the acquisition of Tysagaz, the Company has agreed to pay a finder's fee to an arm's length consultant whom assisted the Company in completing the transaction. The Company must pay 2% on the first $10,000,000 and 1.5% thereafter of the enterprise value. The payment is to be made 80% via issuance of common shares of the Company and 20% in cash. The total value of the payment in cash and shares is expected to be $305,000.

5. PETROLEUM AND NATURAL GAS PROPERTY

Through the acquisition of Galizien (note 4), the Company acquired the rights to a SPA ("Galizien SPA") to acquire 33% of Eurogas Ukraine Ltd. ("Eurogas"). Eurogas owns approximately 512 square kilometers of coal bed methane permits in the Donets Basin in the Ukraine. Under the terms of the Galizien SPA, to complete the acquisition, the Company must complete the drilling of 10 wells or spend $190,000 on or before 12 months after July 9, 2010, ("Consent Date") and $4,810,000 on or before 24 months after the Consent Date on the drilling and completion of 10 wells.

5. PETROLEUM AND NATURAL GAS PROPERTY (Cont'd)

During the year, the Company incurred the following expenditures with regards to the Eurogas property:

Acquisition costs (note 4)	$ 1,655,000
Professional fees	38,062
Studies and evaluation reports	36,636
Recovery from settlement agreement (note 15(c))	(125,000)
Write down of Galizien assets	(1,604,698)
	$ -

The above write down of the Galizien assets was a result of the Company's decision to not proceed with the required exploration program for the petroleum and natural gas property owned by Galizien, which led to the forfeiture of the Company's interest.

6. MINERAL PROPERTY AND DEFERRED EXPLORATION COSTS

On April 9, 2010, the Company entered into an option agreement with Canasia to acquire up to a 51% interest in the Eyehill Creek Potash Property, consisting of 21 metallic and industrial minerals permits encompassing approximately 1,833 km^2 (183,346 ha) within east-central Alberta. The Company paid $25,000 upon the execution of a letter agreement and $15,000 on the effective date of the option agreement, May 24, 2010.

During the year ended, June 30, 2011, the Company determined that it would not meet the minimum exploration requirements of the option agreement with Canasia Industries Corporation to acquire a 51% interest in the Eyehill Creek Potash Property. The Company recorded a write down of $40,000 to mineral properties and deferred exploration costs as not meeting the required exploration requirements of $150,000 before the first anniversary date, led to the termination of the agreement, thereby reducing value to $Nil.

7. SHAREHOLDERS' EQUITY

(a) Capital Stock and Warrants

Authorized
Unlimited common shares

7. SHAREHOLDERS' EQUITY (Cont'd)

(a) Capital Stock and Warrants (Cont'd)

Issued

	Common Shares		Amount
Balance, June 30, 2009 (i)	4,500,000	$	232,405
Private placement	4,186,664		460,815
Agent's options exercised	130,395		18,821
Share issuance costs	-		(145,432)
Balance, June 30, 2010	8,817,059		566,609
Private placements (iii)(iv)	40,035,000		11,895,438
Shares issued on the acquisition of Galizien (ii)	4,400,000		1,320,000
Warrants exercised	13,350,665		9,246,281
Agent and stock options exercised	750,854		158,616
Shares returned to treasury as part of settlement agreements (v)	(3,050,000)		(989,642)
Share issuance costs (iii)(iv)	-		(1,328,572)
Balance, June 30, 2011	64,303,578	$	20,868,730

	Warrants		Amount
Balance, June 30, 2009	-	$	-
Private placement warrants, net of issuance costs	4,186,664		114,422
Finder's warrants	334,933		26,571
Balance, June 30, 2010	4,521,597		140,993
Private placement warrants, net of issuance costs	20,035,000		993,349
Finder's units	1,002,100		132,060
Finder's warrants	1,200,000		253,093
Issuance of warrants on exercise of finders units	25,000		3,269
Transferred to contributed surplus, cancellation of finder's units	(666,750)		(87,867)
Transferred to share capital on exercise	(13,350,665)		(636,201)
Balance, June 30, 2011	12,766,282	$	798,696

Expiry Date	Number of Warrants	Weighted Average Exercise Price
May 6, 2012	130,933	$ 0.15
May 6, 2012	2,664,999	0.30
September 28, 2012[a]	310,350	0.25
September 28, 2012	8,460,000	0.70
October 26, 2010	1,200,000	0.40
	12,766,282	$ 0.57

(a) Finder's Units issued and outstanding as part of the September 28, 2010 private placement have an exercise price of $0.25 when exercised will provide the holder with one common share and one warrant exercisable at $0.70 for a period of two years

(i) 2,000,000 issued Common Shares of the Company are subject to a CPC Escrow Agreement. Under the CPC Escrow Agreement, 10% of the escrowed Common Shares were released from escrow on the issuance of the Final Exchange Bulletin (the "Initial Release") on May 13, 2010, and an additional 15% will be released on the dates 6 months, 12 months, 18 months, 24 months, 30 months and 36 months following the Initial Release. As at June 30, 2011, there are 1,200,000 remaining shares subject to escrow.

(ii) On July 21, 2010, the Company completed the acquisition of Galizien and issued 4,400,000 shares from treasury with a fair value of $0.30 per share for an acquisition cost of $1,320,000 (note 4).

7. SHAREHOLDERS' EQUITY (Cont'd)

(a) Capital Stock and Warrants (Cont'd)

(iii) On September 28, 2010, the Company completed a non brokered private placement of 20,035,000 units at $0.25 per unit for gross proceeds of $5,008,750. Each unit consisted of one common share and one share purchase warrant exercisable at $0.70 for a period of two years. The Company paid finder's fees of 6% of cash proceeds and finders warrants of up to 6% of the total number of units issued, each warrant granting the holder the ability to acquire one unit for $0.25 for a period of two years. The value of $3,895,438 less transaction costs of $419,745 has been attributed to the common shares. The remaining value of $1,113,312 less transaction costs of $119,963 has been attributed to the warrants issued based on the Black-Scholes pricing model and has been credited to warrants within shareholders' equity.

(iv) On October 26, 2010, the Company completed a non brokered private placement of 20,000,000 common shares at $0.40 per common share for gross proceeds of $8,000,000. The Company paid finder's fees of $480,000 and issued 1,200,000 finders warrants exercisable at $0.40, expiring on October 26, 2012, valued at $253,093 using the Black-Scholes option pricing model. Other transaction costs of $175,737 were incurred.

(v) In April 2011 and subsequent to year end (note 15(c)), the Company entered into two settlement agreements under which for a nominal value, 1,950,000 and 1,100,000 common shares, respectively, were returned to treasury and cancelled. The combined value of the 3,050,000 shares repurchased by treasury for cancellation was $989,642.

The fair value of the Company's warrants issued was estimated using the Black-Scholes option pricing model using the following assumptions:

Volatility	100%	(2010 – 100%)
Risk-free interest rate	1.39% - 2.81%	(2010 – 1.76%)
Expected life (years)	1.56 - 2 years	(2010 – 2 years)
Dividend yield	Nil	(2010 – Nil)

(b) Stock Options

The Company has a stock option plan under which it is authorized to grant options to its directors, officers, employees and consultants for the purchase of up to 10% of the issued and outstanding common shares. The term of options under the plan shall not exceed 10 years, have an exercise price not less than the current market price and may be subject to vesting terms as determined by the board of directors.

7. SHAREHOLDERS' EQUITY (Cont'd)

(b) Stock Options (Cont'd)

	Number of Options	Weighted Average Exercise Price
Balance at June 30, 2009	650,000	$ 0.10
Granted	274,999	0.19
Exercised	(130,395)	0.10
Balance at June 30, 2010	794,604	0.13
Granted	5,142,451	0.54
Exercised	(750,854)	0.13
Cancelled	(1,299,250)	0.48
Balance at June 30, 2011	3,886,951	$ 0.57

The Company had the following stock options outstanding at June 30, 2011:

Grant Date	Exercise Price ($)	Weighted Avg Remaining Life (yrs)	Number of Options Outstanding	Number of Options Exercisable
September 22, 2010	0.31	4.23	440,000	440,000
October 6, 2010	0.40	4.27	1,309,451	1,309,451
October 28, 2010	0.67	4.33	225,000	225,000
December 21, 2010	0.87	4.48	450,000	112,500
January 10, 2011	0.88	4.53	12,500	12,500
February 14, 2011	0.85	4.63	100,000	12,500
March 10, 2011	0.76	4.70	300,000	37,500
April 18, 2011	0.64	4.81	350,000	-
April 18, 2011	0.75	4.81	300,000	-
May 16, 2011	0.65	4.88	250,000	-
June 22, 2011	0.43	4.98	150,000	150,000
	0.57	4.49	3,886,951	2,299,451

The fair values of the Company's stock options issued during the years ended June 30, 2011 and 2010 were estimated using the Black-Scholes option pricing model using the following assumptions:

Volatility	100%	(2010 - 75% to 100%)
Risk-free interest rate	1.97% to 2.78%	(2010 - 2.51% to 2.55%)
Expected life (years)	5 years	(2010 - 5 years)
Dividend yield	NIL	(2010 - NIL)

7. SHAREHOLDERS' EQUITY (Cont'd)

(c) Contributed Surplus

Balance at June 30, 2009	$	35,615
Stock-based compensation		17,023
Transferred to share capital on exercise		(5,781)
Balance at June 30, 2010		46,857
Stock-based compensation		1,454,814
Transferred to share capital on exercise		(62,120)
Transferred to contributed surplus from warrants		87,867
Return of shares to treasury (note 7(a(v)) as per settlement agreements		989,642
Balance at June 30, 2011	**$**	**2,517,060**

8. INCOME TAXES

A reconciliation of income taxes at the statutory rate of 29.25% (2009 - 32.5%) with the reported taxes is as follows:

		2011		2010
Loss before income taxes	**$**	**(6,413,311)**	$	(145.213)
Statutory rate		**29.25%**		32.5%
Expected income tax recovery at the combined basic Federal and provincial tax rate	**$**	**(1,875,893)**	$	(47,194)
Effect on income taxes of:				
Change in rates		**366,021**		11,873
Permanent differences		**373,658**		(4,258)
Valuation allowance relating to operations		**1,136,214**		39,578
Income tax expense	**$**	**-**	$	-

The significant components of the Company's future income tax assets, valued using the future income tax rate of 25% (2009 - 29%), are as follows:

		2011		2010
Non-capital loss carry forward	**$**	**838,893**	$	78,008
Share issuance costs		**259,297**		51,468
Other		**167,500**		-
Less: Valuation allowance		**(1,265,690)**		(129,476)
Future income tax asset	**$**	**-**	$	-

The Company has available for deduction against future taxable income non-capital losses of approximately $3,355,000 and net capital losses of $20,000. The non capital losses, if not utilized, will begin to expire in 2029. There is no expiration of capital losses and they may carry forward indefinitely. Future tax benefits which may arise as a result of these non-capital losses have not been recognized in these financial statements and have been offset by a valuation allowance due to the uncertainty of their realization.

9. LOSS PER SHARE

The following table sets forth the computation of basic and diluted loss per share:

	2011	2010
Numerator:		
Net loss and comprehensive loss for the year	$ (6,413,311)	$ (145,213)
Numerator for basic and diluted loss per share	$ (6,413,311)	$ (145,213)
Denominator:		
Weighted average number of common shares	45,204,065	3,248,944
Denominator for basic loss per share	45,204,065	3,248,944
Effect of dilutive securities		
Stock options [(a)]	-	-
Share purchase warrants [(a)]	-	-
Denominator for diluted loss per share	45,204,065	3,248,944
Basic and diluted loss per share	$ (0.14)	$ (0.04)

(a) The stock options and share purchase warrants were not included in the computation of diluted loss per share as their inclusion would be anti-dilutive.

10. COMMITMENTS AND CONTINGENCIES

During the year ended, June 30, 2011, the Company terminated two agreements under which the Company was required to the issue 2,500,000 contingent shares based on the Company achieving production benchmarks with respect to its petroleum and natural gas properties. As these two agreement were terminated, the Company no longer has any commitments or contingencies outstanding.

11. CAPITAL RISK MANAGEMENT

The Company's objective when managing capital is to maintain its ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders.

The Company includes equity, comprised of issued capital stock, contributed surplus, warrants and deficit in the definition of capital. As at June 30, 2011, the Company has total equity of $17,497,854 (2010 – $481,138)

The Company’s primary objective with respect to its capital management is to ensure that it has sufficient cash resources to fund the identification and evaluation of potential acquisitions. To secure the additional capital necessary to pursue these plans, the Company may attempt to raise additional funds through the issuance of equity or by securing strategic partners.

The Company is not subject to externally imposed capital requirements and there has been no change with respect to the overall capital risk management strategy during the year ended June 30, 2011.

12. FINANCIAL INSTRUMENTS

Fair Value

Fair value represents the amount at which a financial instrument could be exchanged between willing parties, based on current markets for instruments with the same risk, principal and remaining maturity. Fair value estimates are based on quoted market values and other valuation methods.

The fair value measurement disclosures include the classification of financial instrument fair values in a hierarchy comprising three levels reflecting the significance of the inputs used in making the measurements, described as follows:

Level 1: Valuations based on quoted prices (unadjusted) in active markets for identical assets or liabilities;
Level 2: Valuations based on directly or indirectly observable inputs in active markets for similar assets or liabilities, other than Level 1 prices, such as quoted interest or currency exchange rates; and
Level 3: Valuations based on significant inputs that are not derived from observable market data, such as discounted cash flow methodologies based on internal cash flow forecasts.

The fair market value of cash and cash equivalents and investments are determined based on "level 1" inputs, which consist of quoted prices in active markets for identical assets.

13. FINANCIAL RISK MANAGEMENT

The Company is exposed to a variety of financial risks by virtue of its activities: market risk (including interest rate risk), liquidity risk and credit risk. The overall risk management program focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on financial performance.

Risk management is carried out by the officers of the Company as discussed with the Board of Directors. The officers of the Company charged with the responsibility of establishing controls and procedures to ensure that financial risks are mitigated in accordance with the expectations of the Board of Directors.

(a) Market Risk

Interest rate risk

Interest rate risk is the risk that the fair value or the future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

Financial assets and financial liabilities with variable interest rates expose the Company to cash flow interest rate risk. The Company's cash and cash equivalents and investment earn interest at market rates.

The Company manages its interest rate risk by maximizing the interest income earned on excess funds while maintaining the liquidity necessary to conduct operations on a day-to-day basis.

13. FINANCIAL RISK MANAGEMENT (Cont'd)

(b) Liquidity Risk

Liquidity risk is the risk that the Company will not be able to meet its obligations as they fall due.

The Company manages its liquidity risk by forecasting cash flows and anticipated investing and financing activities. Officers of the Company are actively involved in the review and approval of planned expenditures.

As at June 30, 2011, the Company has accounts payable and accrued liabilities of $564,689 (2010 - $79,673) due within 12 months and has combined cash and cash equivalents and investment of $17,677,609 (2010 - $498,894) to meet its current obligations. As a result the Company has minimal liquidity risk.

(c) Credit Risk

Credit risk is the risk of a loss if a counterparty to a financial instrument fails to meet its contractual obligations. The Company limits its exposure to credit risk by holding its cash and cash equivalents and its investment in deposits with high credit quality Canadian financial institutions.

(d) Foreign exchange risk

The Company is exposed to foreign exchange risk primarily related to operating and capital expenditures that are denominated in currencies other than the Canadian dollar which is primarily US Dollars. The following financial instruments are shown in Canadian Dollars:

	USD	Effect of +/- 10% change in exchange rate on net loss
Cash and cash equivalents	$ 16,550,131	$ 1,655,013
Accounts payable and accrued liabilities	(46,057)	(4,606)
Total	$ 16,504,074	$ 1,650,407

14. RELATED PARTY TRANSACTIONS

Transactions with related parties are incurred in the normal course of business and are measured at the exchange amount which is the amount of consideration established and approved by the related parties, which approximates the arm's length equivalent value. Related party transactions have been listed below unless they have been disclosed elsewhere in the consolidated financial statements.

During the year, the Company paid $10,000 to a director which was included in acquisition costs.

15. SUBSEQUENT EVENTS

(a) Subsequent to year end, the Company issued 600,000 and 1,000,000 stock options with exercise prices of $0.40 and $0.50 respectively per share and an expiry dates of July 12, 2016 and September 8, 2016 respectively.

(b) On September 6, 2011, the Company completed its acquisition of Tysagaz (note 4). The initial accounting for the business combination is incomplete as the financial statement effect of this transaction is not yet determinable with sufficient reliability.

(c) On October 14, 2011, the Company signed a settlement agreement with two of the original vendors involved in the sale of Galizien to the Company and former consultants of the Company, under which 609,000 stock options and 666,750 warrants issued and outstanding were cancelled and 1,100,000 common shares issued under the terms of the Galizien acquisition were repurchased by the Company for a nominal amount and cancelled. The Company also recovered $125,000 of fees that had been paid out as consulting fees in relation to the Galizien acquisition, which have been recorded at year end as a decrease in petroleum and natural gas property write down. The Company also recovered $116,000 in out of pocket costs.

3P International Energy Corp.

(Formerly Colonnade Capital Corp.)
(A development stage company)

Financial Statements

For the Years Ended June 30, 2010 and 2009

Collins Barrow
Chartered Accountants

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AUDITORS' REPORT

To the Shareholders of
3P International Energy Corp. (Formerly Colonnade Capital Corp.)
(A development stage company)

We have audited the balance sheets of 3P International Energy Corp. (Formerly Colonnade Capital Corp.) as at June 30, 2010 and 2009 and the statements of operations and deficit and cash flows for the years then ended. These financial statements are the responsibility of the company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the company as at June 30, 2010 and 2009 and the results of its operations and its cash flows for the years then ended, in accordance with Canadian generally accepted accounting principles.

Collins Barrow Toronto LLP

Licensed Public Accountants
Chartered Accountants
October 21, 2010
Toronto, Ontario

3P International Energy Corp.
(Formerly Colonnade Capital Corp.)
(A development stage company)
Balance Sheets
As at June 30,

		2010		2009
Assets				
Current				
Cash and cash equivalents	**$**	**226,849**	$	145,172
Investment (Note 3)		**272,000**		-
Amounts receivable		**11,461**		4,740
Prepaid expenses		**2,501**		-
Deferred share issues costs		**8,000**		-
		520,811		149,912
Mineral properties and deferred exploration costs (Note 4)		**40,000**		-
	$	**560,811**	$	149,912
Liabilities				
Current				
Accounts payable and accrued liabilities (Note 11)	**$**	**79,673**	$	10,000
Shareholders' Equity				
Capital stock (Note 5)		**566,609**		232,405
Contributed surplus (Note 5)		**46,857**		35,615
Warrants (Note 5)		**140,993**		-
Deficit		**(273,321)**		(128,108)
		481,138		139,912
	$	**560,811**	$	149,912

Nature of Operations and Going Concern (Note 1)
Commitments and Contingencies (Note 8)
Subsequent Events (Note 12)

See accompanying notes, which are an integral part of these financial statements

Approved by the Board **"Sanjay Joshi"** Director **(Signed)** **"Paul DesLauriers"** Director **(Signed)**

3P International Energy Corp.
(Formerly Colonnade Capital Corp.)
(A development stage company)
Statements of Operations and Deficit
Years Ended June 30,

		2010		2009
Expenses				
General and administrative	$	**39,058**	$	-
Professional fees (Note 11)		**50,527**		45,196
Qualifying transaction investigation cost (Note 11)		**38,662**		58,958
Stock-based compensation		**17,023**		25,100
Interest income		**(57)**		(1,146)
		145,213		128,108
Net loss and comprehensive loss		**(145,213)**		(128,108)
Deficit, beginning of year		**(128,108)**		-
Deficit, end of year	$	**(273,321)**	$	(128,108)

Loss per share				
Basic and diluted (Note 7)	$	**(0.04)**	$	(0.06)

See accompanying notes, which are an integral part of these financial statements

3P International Energy Corp.
(Formerly Colonnade Capital Corp.)
(A development stage company)
Statements of Cash Flows
Years Ended June 30,

	2010	2009
Cash provided by (used in)		
Operations		
Net loss	**$ (145,213)**	$ (128,108)
Items not affecting cash		
Stock-based compensation	**17,023**	25,100
	(128,190)	(103,008)
Net changes in non-cash working capital		
Amounts receivable	**(6,721)**	(4,490)
Prepaid expenses	**(2,501)**	-
Accounts payable and accrued liabilities	**69,673**	10,000
Deferred share issue costs	**(8,000)**	-
	(75,739)	(97,498)
Investing		
Mineral properties and deferred exploration costs	**(40,000)**	-
Purchase of investment	**(272,000)**	-
	(312,000)	-
Financing		
Share and warrant issuance costs	**(171,624)**	(92,310)
Proceeds from issuance of share capital and warrants	**641,040**	250,000
	469,416	157,690
Net change in cash and cash equivalents	**81,677**	60,192
Cash and cash equivalents, beginning of year	**145,172**	84,980
Cash and cash equivalents, end of year	**$ 226,849**	$ 145,172

See accompanying notes, which are an integral part of these financial statements

1. NATURE OF OPERATIONS AND GOING CONCERN

3P International Energy Corp. (the "Company"), formerly Colonnade Capital Corp. (as of July 19, 2010), was incorporated as a private company by Certificate of Incorporation issued pursuant to the provisions of the Business Corporations Act (Ontario) on April 3, 2008 and in August 2008, had an initial public offering to convert to a Capital Pool Company ("CPC"). On May 13, 2010, the Company completed its "qualifying transaction" pursuant to the policies of the TSX Venture Exchange (the "Exchange"), removing the Company's CPC status. In accordance with the Letter of Intent ("LOI"), the Company entered into an option agreement with Canasia Industries Corporation ("Canasia"), whereby the Company can earn a fifty-one percent (51%) beneficial interest in the Eyehill Creek Potash Property ("Eyehill"). A filing statement describing the qualifying transaction was filed by the Company on April 13, 2010 and is accessible under the Company's profile on SEDAR at www.sedar.com.

The Company is in the development stage and has not yet determined whether its mineral resource property contains reserves that are economically recoverable. The continued operations of the Company and the recoverability of amounts shown for its mineral resource property is dependent upon the ability of the Company to obtain financing to complete the exploration and development of its mineral resource property, the existence of economically recoverable reserves and future profitable production, or alternatively, upon the Company's ability to recover its costs through a disposition of its mineral resource property. The amount shown for mineral resource property does not necessarily represent present or future value. Changes in future conditions could require a material change in the amount recorded for the mineral resource property.

The Company is exposed to commodity price risk with respect to potash commodity prices. A significant decline in potash commodity prices may affect the Company's ability to obtain capital for the exploration and development of its mineral resource property.

The Company has no source of revenue, and has cash requirements to meet its administrative overhead and maintain its mineral natural resource investments. In order to meet future expenditures and cover administrative and exploration costs, the Company may need to raise additional financing. Although the Company has been successful in raising funds to date, there can be no assurance that adequate funding will be available in the future, or available under terms favourable to the Company.

These financial statements have been prepared in accordance with Canadian generally accepted accounting principles ("GAAP") applicable to an entity expected to continue as a going concern. Accordingly, they do not give effect to adjustments that would be necessary should the Company be unable to continue as a going concern and, therefore, be required to realize its assets and liquidate its liabilities and commitments in other than the normal course of business and at amounts different from those in the accompanying financial statements.

2. SIGNIFICANT ACCOUNTING POLICIES

Cash and Cash Equivalents

Cash and cash equivalents consist of cash on deposit, which is held at a major Canadian banking institution or in trust with the Company's lawyer, and highly liquid investments with original maturities of three months or less or which are cashable on demand.

Mineral Properties and Deferred Exploration Costs

Direct costs relating to the acquisition, exploration and development of mineral properties are deferred until such time as the properties are either put into commercial production, sold, determined not to be economically viable or abandoned. General exploration expenditures which do not relate to specific resources properties are written off in the year incurred. These costs will be amortized over the estimated useful lives of the properties following the commencement of production or written off if the properties are sold, the rights to which are allowed to lapse, or abandoned. The costs of mineral properties include any fair market value of consideration, including cash and shares, if any, on the acquisition of property interests. The amounts of property acquisition costs and their related deferred exploration costs represent actual expenditures incurred and are not intended to reflect present or future values.

The Company reviews its mineral resource property on an annual basis to determine if events or circumstances have transpired which indicate that its carrying value may not be recoverable. The recoverability of costs incurred on mineral resource property is dependent upon numerous factors, including exploration results, environmental risks, commodity risks, and the Company's ability to attain profitable production. It is possible that conditions in the near-term could change the Company's assessment of the carrying value.

Asset Retirement Obligation

The Company recognizes the fair value of its asset retirement obligation ("ARO") liabilities associated with tangible properties in the period in which the liability arises and when reasonable estimates of this fair value can be made. The fair value of this liability is calculated as the present value of the expected future costs of rehabilitating such property as legally required. The liability is recorded as a long term liability with a corresponding increase to the carrying amount of the related asset. The liability is increased each reporting period through the accretion of interest up to the future amount of the liability. The accretion is recorded as an expense in the Company's financial statements. The addition to the carrying amount of the asset is depleted on the same basis as the corresponding asset. Revisions to the estimated amount or timing of the obligations are reflected as increases or decreases to the recorded liability and related asset. Actual costs incurred upon settlement of the rehabilitation obligation are charged against the liability as incurred.

The Company does not currently have any AROs.

Financial Instruments

All financial instruments are recorded initially at fair value. In subsequent periods, all financial instruments are measured based on the classification adopted for the financial instrument: held to maturity, loans and receivables, held for trading, available for sale or other liability.

2. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

Financial Instruments (Cont'd)

Held for trading

Financial assets or liabilities that are held with the intention of generating profits in the near term and derivative contracts that are financial assets, except for a derivative that is a designated and effective hedging instrument, are classified as held for trading. In addition, any other financial assets or liabilities can be designated by the Company upon initial recognition as held for trading. These instruments are subsequently re-measured at fair value with the change in the fair value recognized in net income during the period.

Held to maturity

Financial assets that have a fixed maturity date and which the Company has a positive intention and the ability to hold to maturity are classified as held to maturity, which are subsequently re-measured at amortized cost using the effective interest rate method.

Loans and receivables

Loans and receivables are non derivative financial assets resulting from the delivery of cash or other assets in return for a promise to repay on a specified date, or on demand, usually with interest. Loans and receivables are subsequently re measured at amortized cost using the effective interest rate method.

Available for sale

Available for sale assets are non derivative financial assets that are either designated in this category or not classified in any of the other categories. Financial assets classified as available for sale are subsequently re-measured at fair value with the changes in fair value recorded in other comprehensive income.

Other liabilities

Non derivative financial liabilities that have not been designated as held for trading are classified as other liabilities, which are subsequently re-measured at amortized cost using the effective interest rate method.

The Company has classified its financial instruments as follows:

Financial Instrument		Classification
Cash and cash equivalents	-	Held for trading
Investments	-	Held for trading
Accounts payable and accrued liabilities	-	Other liabilities

Transactions are accounted for on the trade date basis. Transaction costs are expensed as incurred.

2. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

Income Taxes

The Company follows the asset and liability method of accounting for income taxes. Under this method, future income tax assets and liabilities are determined based on temporary differences between financial reporting and tax bases of assets and liabilities, as well as for the benefit of losses available to be carried forward to future years for tax purposes. Future income tax assets and liabilities are measured using substantively enacted tax rates and laws that are expected to be in effect when the differences are likely to reverse. Future income tax assets are recorded in the financial statements if realization is considered more likely than not.

Stock-Based Compensation

The Company applies a fair value based method of accounting to all stock based payments, as set out in the CICA handbook section 3870 "Stock Based Compensation and Other Stock Based Payments".

Accordingly, stock-based payments are measured and accounted for at the fair value of the consideration received or the fair value of the equity instruments issued or liabilities incurred, whichever is more reliably measurable. Stock-based payments for awards to non-employees are expensed in the year during which the services are rendered. Stock-based payments for awards to employees are expensed over the vesting period of the instruments. The offset is credited to contributed surplus. Consideration received upon the exercise of stock options is credited to share capital and the related contributed surplus is transferred to share capital.

Use of Estimates

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amount of revenue and expenses during the year. Actual results could differ from those estimates.

Significant areas requiring the use of management estimates relate to valuation of stock options, valuation of warrants, impairment of mineral properties and deferred exploration costs, and future taxes.

Loss Per Share

The Company uses the treasury stock method to compute the dilutive effect of options and similar instruments. Under this method, the dilutive effect on earnings per share is recognized on the use of the proceeds that could be obtained upon exercise of options and similar instruments. It assumes that proceeds would be used to purchase common shares at the average market price during the period.

Basic loss per share is calculated using the weighted average number of shares outstanding during the year. Contingently issuable shares are not considered outstanding common shares and consequently not included in loss per share calculations.

2. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

Recent Accounting Pronouncements Issued and Not Yet Applied

Business Combinations

In January 2009, the CICA issued Sections 1582 – Business Combinations, 1601 – Consolidated Financial Statements and 1602 – Non controlling Interests which replaces CICA Sections 1581 – Business Combinations and 1600 – Consolidated Financial Statements. Section 1582 establishes standards for the accounting for business combinations that is equivalent to the business combination accounting standard under International Financial Reporting Standards (“IFRS”). Section 1582 is applicable for the Company’s business combinations with acquisition dates on or after January 1, 2011. Early adoption of this Section is permitted. Section 1601 together with Section 1602 establishes standards for the preparation of consolidated financial statements. Section 1601 is applicable for the Company’s interim and annual consolidated financial statements for its fiscal year beginning July 1, 2011. Early adoption of this Section is permitted. If the Company chooses to early adopt any one of these Sections, the other two Sections must also be adopted at the same time. The Company does not expect the adoption of these new standards to have an effect on the Company's financial statements.

International Financial Reporting Standards

In February 2008, the Accounting Standards Board confirmed that Canadian publicly accountable enterprises will be required to adopt IFRS for fiscal years beginning on or after January 1, 2011, with earlier adoption permitted. Accordingly, the conversion to IFRS will be applicable to the Company’s reporting no later than in the first quarter of fiscal 2012, with restatement of comparative information presented. The conversion to IFRS will impact the Company’s accounting policies, internal control over financial reporting, and disclosure controls and procedures. The Company is currently assessing the future impact of IFRS on its consolidated financial statements and will continue to invest in training to ensure a timely conversion. The Company has not yet determined the impact of the adoption of IFRS on its financial statements.

3. INVESTMENT

Investment consists of a one year cashable guaranteed investment certificate, which bears interest at a rate of 0.3% per annum and matures on May 26, 2011.

4. MINERAL PROPERTIES AND DEFERRED EXPLORATION COSTS

On April 9, 2010, the Company entered into an option agreement with Canasia to acquire up to a 51% interest in the Eyehill Creek Potash Property, consisting of 21 metallic and industrial minerals permits encompassing approximately 1,833 km^2 (183,346 ha) within east-central Alberta. The Company paid $25,000 upon the execution of a letter agreement and $15,000 on the effective date of the option agreement, May 24, 2010. Under the terms of the option agreement, the Company must incur the following expenditures over a four year period:

(a) $150,000 before the first anniversary of the effective date;

(b) $250,000 ($400,000 total) before the second anniversary of the effective date;

(c) $250,000 ($650,000 total) before the third anniversary of the effective date;

(d) $500,000 ($1,150,000 total) before the fourth anniversary of the effective date.

Upon timely completion of the above payments, the Company will have completed all requirements and successfully acquired the 51% interest in Eyehill. The Eyehill project contains an obligation to pay a 4% net smelter return royalty upon commencement of commercial production.

5. SHAREHOLDERS' EQUITY

(a) Share Capital and Warrants

Authorized
Unlimited common shares

Issued

	Common Shares	Amount
Balance at June 30, 2008 (i)	2,000,000	$ 100,000
Private placement (ii)	2,500,000	250,000
Share issuance costs (ii)	-	(117,595)
Balance at June 30, 2009	4,500,000	232,405
Private placement (iii)	4,186,664	460,815
Agent's options exercised (iv)	130,395	18,821
Share issuance costs (iii)	-	(145,432)
Balance at June 30, 2010	**8,817,059**	**$ 566,609**

5. SHAREHOLDERS' EQUITY (Cont'd)

(a) Share Capital and Warrants (Cont'd)

Warrants:

	Number of Warrants	Fair value	Weighted Average Exercise Price
Balance at June 30, 2008 and 2009	-	$ -	$ -
Private placement warrants, net of share issuance costs (iii)	4,186,664	114,422	0.30
Finder's warrants (iii)	334,933	26,571	0.15
Balance at June 30, 2010	**4,521,597**	**$ 140,993**	**$ 0.29**

(i) The 2,000,000 issued Common Shares of the Company are subject to a CPC Escrow Agreement. Under the CPC Escrow Agreement, 10% of the escrowed Common Shares were released from escrow on the issuance of the Final Exchange Bulletin (the “Initial Release”) on May 13, 2010, and an additional 15% will be released on the dates 6 months, 12 months, 18 months, 24 months, 30 months and 36 months following the Initial Release.

(ii) On September 3, 2008 the Company completed its initial public offering of 2,500,000 common shares at a price of $0.10 per common share for total gross proceeds of $250,000. The Company granted to the agent non transferrable options to acquire up to an aggregate of 250,000 common shares at a price of $0.10 per share. The agent’s options may be exercised up to 24 months from the date the common shares are listed on the TSX V. The agent also received a commission equal to 10% of the aggregate gross proceeds of the sale of the common shares and a corporate finance fee. Total transaction costs of $117,595 were incurred.

(iii) On May 6, 2010, the Company completed a non-brokered private placement offering of 4,186,664 at $0.15 per unit for gross proceeds of $628,000. Each unit consisted of one common share and one share purchase warrant exercisable at $0.30 for a period of two years. The Company paid finder’s fees of 8% of cash proceeds and finder’s warrants of 8% of the total number of units issued, each warrant granting the holder the ability to acquire one common share for $0.15 for a period of two years. The value of $460,815 less transaction costs of $145,432 has been attributed to common shares. The remaining value of $167,185 less transaction costs of $52,763 has been attributed to the warrants issued based on the Black-Scholes pricing model and has been credited to warrants within shareholders’ equity.

5. SHAREHOLDERS' EQUITY (Cont'd)

(a) Share Capital and Warrants (Cont'd)

(iv) During the year ended June 30, 2010, 130,395 agent's options were exercised at a price of $0.10 per share, for proceeds of approximately $13,040.

The fair value of the Company's warrants issued was estimated using the Black-Scholes option pricing model using the following assumptions:

Volatility	100%
Risk-free interest rate	1.76%
Expected life (years)	2 years
Dividend yield	NIL

All warrants issued and outstanding expire on May 6, 2012.

(b) Stock Options

The Company has a stock option plan under which it is authorized to grant options to its directors, officers, employees and consultants for the purchase of up to 10% of the issued and outstanding common shares. The term of options under the plan shall not exceed 10 years, have an exercise price not less than the current market price and may be subject to vesting terms as determined by the board of directors.

The Company had the following stock options outstanding at June 30, 2010:

	Number of Options	Weighted Average Exercise Price
Balance at June 30, 2008	-	$ -
Granted	400,000	0.10
Granted to agents [(i)]	250,000	0.10
Balance at June 30, 2009	650,000	0.10
Granted	274,999	0.19
Exercised	(130,395)	0.10
Balance at June 30, 2010	**794,604**	**$0.13**

5. SHAREHOLDERS' EQUITY (Cont'd)

(b) Stock Options (Cont'd)

The Company had the following stock options outstanding at June 30, 2010:

Grant Date		Fair Value	Number of Non-vested Options	Weighted Average Remaining Life in Years	Number of Vested Options	Exercise Price	Expiry Date
September 3, 2008	$	25,100	-	3.18	400,000	$ 0.10	September 3, 2013
September 3, 2008 (i)		5,031	-	0.18	119,605	0.10	September 3, 2010
August 17, 2009		3,750	-	4.13	49,999	0.12	August 17, 2014
May 26, 2010		35,572	175,000	4.91	50,000	0.21	May 26, 2015
	$	**69,453**	**175,000**	**2.28**	**619,604**	**$ 0.13**	

(i) Agent options granted outside of the stock option plan.

On August 17, 2009, the Company issued 49,999 options with an exercise price of $0.12. The options were fully vested upon issuance.

On May 26, 2010, the Company issued 225,000 options with an exercise price of $0.21. 50,000 of the options were fully vested upon issuance and 175,000 options vest 1/4 each quarter over the period of one year.

The fair values of the Company's stock options issued during the years ended June 30, 2010 and 2009 were estimated using the Black-Scholes option pricing model using the following assumptions:

Volatility	75% to 100%	(2009 - 75%)
Risk-free interest rate	2.51% to 2.55%	(2009 - 2.76%)
Expected life (years)	5 years	(2009 - 2 to 5 years)
Dividend yield	NIL	(2009 - NIL)

(c) Contributed Surplus

Balance at June 30, 2008	$	-
Stock-based compensation		35,615
Balance at June 30, 2009		35,615
Stock-based compensation		17,023
Transferred to share capital on exercise		(5,781)
Balance at June 30, 2010	**$**	**46,857**

6. INCOME TAXES

A reconciliation of income taxes at the statutory rate of 32.5% (2009 - 33.5%) with the reported taxes is as follows:

		2010		2009
Loss before income taxes	**$**	**(145,213)**	$	(128,108)
Statutory rate		**32.5 %**		33.5 %
Expected income tax recovery at the combined basic Federal and provincial tax rate	**$**	**(47,194)**	$	(42,916)
Effect on income taxes of:				
Change in rates		**18,018**		4,635
Share issuance costs and other		**(39,374)**		(10,301)
Valuation allowance relating to operations		**68,550**		48,582
Income tax expense	**$**	**-**	$	-

The significant components of the Company's future income tax assets, valued using the future income tax rate of 25% (2009 - 29%), are as follows:

		2010		2009
Non-capital loss carry forward	**$**	**78,008**	$	36,685
Share issuance costs		**51,468**		24,241
Less: Valuation allowance		**(129,476)**		(60,926)
Future income tax asset	**$**	**-**	$	-

The Company has available for deduction against future taxable income non-capital losses of approximately $312,000. These losses, if not utilized, will begin to expire in 2029. Future tax benefits which may arise as a result of these non-capital losses have not been recognized in these financial statements and have been offset by a valuation allowance due to the uncertainty of their realization.

7. LOSS PER SHARE

The following table sets forth the computation of basic and diluted loss per share:

Numerator:		
Net loss and comprehensive loss for the year	$ (145,213)	$ (128,108)
Numerator for basic and diluted loss per share	$ (145,213)	$ (128,108)
Denominator:		
Weighted average number of common shares	3,248,944	2,083,333
Denominator for basic loss per share	3,248,944	2,083,333
Effect of dilutive securities		
Stock options [a]	-	-
Share purchase warrants [a]	-	-
Denominator for diluted loss per share	3,248,944	2,083,333
Basic and diluted loss per share	$ (0.04)	$ (0.06)

(a) The stock options and share purchase warrants were not included in the computation of diluted loss per share as their inclusion would be anti-dilutive.

8. COMMITMENTS AND CONTINGENCIES

The Company has committed to issue 2,500,000 performance shares, of which 2,200,000 are to a related party. Issuance of performance shares is dependent on the Company achieving production benchmarks. All shares issued as performance shares will be held in escrow for 12 months from the date of issuance.

The Company has the following commitments for services to be provided:

2011	$ 110,000
2012	$ 120,000
2013	$ 10,000

9. CAPITAL RISK MANAGEMENT

The Company's objective when managing capital is to maintain its ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders.

The Company includes equity, comprised of issued capital stock, contributed surplus, warrants and deficit in the definition of capital.

The Company's primary objective with respect to its capital management is to ensure that it has sufficient cash resources to fund the identification and evaluation of potential acquisitions. To secure the additional capital necessary to pursue these plans, the Company may attempt to raise additional funds through the issuance of equity or by securing strategic partners.

The Company is not subject to externally imposed capital requirements and there has been no change with respect to the overall capital risk management strategy during the year ended June 30, 2010.

10. FINANCIAL RISK MANAGEMENT

The Company is exposed to a variety of financial risks by virtue of its activities: market risk (including interest rate risk), liquidity risk and credit risk. The overall risk management program focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on financial performance.

Risk management is carried out by the officers of the Company as discussed with the Board of Directors. The officers of the Company charged with the responsibility of establishing controls and procedures to ensure that financial risks are mitigated in accordance with the expectations of the Board of Directors.

(a) Fair Value

Fair value represents the amount at which a financial instrument could be exchanged between willing parties, based on current markets for instruments with the same risk, principal and remaining maturity. Fair values estimates are based on quoted market values and other valuation methods.

The carrying value of cash and cash equivalents, investment, and accounts payable and accrued liabilities approximates fair value due to the short-term nature of these financial instruments. The Company's investments are classified as Level 2.

10. FINANCIAL RISK MANAGEMENT (Cont'd)

(a) Fair Value (Cont'd)

On July 1, 2009, the Company adopted amendments to CICA Handbook Section 3862, "Financial Instruments - Disclosures" which included amendments for additional disclosures about fair value measurements of financial instruments and enhanced liquidity risk disclosure. The additional fair value measurement disclosures include the classification of financial instrument fair values in a hierarchy comprising three levels reflecting the significance of the inputs used in making the measurements, described as follows:

Level 1: Valuations based on quoted prices (unadjusted) in active markets for identical assets or liabilities;

Level 2: Valuations based on directly or indirectly observable inputs in active markets for similar assets or liabilities, other than Level 1 prices, such as quoted interest or currency exchange rates; and

Level 3: Valuations based on significant inputs that are not derived from observable market data, such as discounted cash flow methodologies based on internal cash flow forecasts.

Other than additional disclosure, adoption of these accounting standards did not have an effect on the Company's financial statements.

(b) Market Risk

Interest rate risk

Interest rate risk is the risk that the fair value or the future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

Financial assets and financial liabilities with variable interest rates expose the Company to cash flow interest rate risk. The Company's cash and cash equivalents and investment earn interest at market rates.

The Company manages its interest rate risk by maximizing the interest income earned on excess funds while maintaining the liquidity necessary to conduct operations on a day-to-day basis.

10. FINANCIAL RISK MANAGEMENT (Cont'd)

(c) Liquidity Risk

Liquidity risk is the risk that the Company will not be able to meet its obligations as they fall due.

The Company manages its liquidity risk by forecasting cash flows and anticipated investing and financing activities. Officers of the Company are actively involved in the review and approval of planned expenditures.

As at June 30, 2010, the Company has accounts payable and accrued liabilities of $79,673 (2009 - $10,000) and project commitments of $150,000 (2009 - $NIL) (see Note 4) due within 12 months and has combined cash and cash equivalents and investment of $498,849 (2009 - $145,172) to meet its current obligations. As a result the Company has minimal liquidity risk.

(d) Credit Risk

Credit risk is the risk of a loss if a counterparty to a financial instrument fails to meet its contractual obligations. The Company limits its exposure to credit risk by holding its cash and cash equivalents and its investment in deposits with high credit quality Canadian financial institutions.

11. RELATED PARTY TRANSACTIONS

Transactions with related parties are incurred in the normal course of business and are measured at the exchange amount which is the amount of consideration established and approved by the related parties. Related party transactions have been listed below, unless they have been disclosed elsewhere in the financial statements.

The Company incurred legal fees included in share capital, deferred charges and professional fees totaling approximately $136,000 to a law firm in which a director and shareholder of the Company is a partner. Of these amounts, $23,000 remains in accounts payables and accrued liabilities at June 30, 2010. In 2009, an amount of approximately $33,000 was incurred to the same law firm which was included in qualifying transaction investigation costs and professional fees.

12. SUBSEQUENT EVENTS

(a) On July 21, 2010, the Company executed a share purchase agreement ("SPA") to acquire 100% of issued and outstanding shares of Galizien Energy Corp., a company involved in the exploration and exploitation of petroleum and natural gas resources in Ukraine. Under the terms of the SPA, the Company must issue 4,400,000 common shares and assume $285,000 in accounts payable. On July 30, 2010, the Company received final approval of the transaction from the TSX-V.

(b) On September 22, 2010, the Company issued 640,000 stock options with an exercise price of $0.31 per share and an expiry date of September 22, 2015.

(c) On September 28, 2010, the Company completed a non-brokered private placement of 20,035,000 units at $0.25 per unit for gross proceeds of $5,008,750. Each unit consists of one common share and one share purchase warrant exercisable at $0.70 for a period of two years.

(d) On October 6, 2010, the Company issued 2,027,451 stock options with an exercise price of $0.40 per share and an expiry date of October 6, 2015.

(e) On October 12, 2010, the Company announced a non-brokered private placement of up to 12,500,000 at $0.40 per share, for gross proceeds of $5,000,000. Subsequently on October 14, 2010, the Company raised the offering to 20,000,000 shares at $0.40 per share, for gross proceeds of $8,000,000.

EXHIBIT "B"
MD&A OF CUB FOR THE FINANCIAL YEARS ENDED JUNE 30, 2011, JUNE 30, 2010 AND JUNE 30, 2009

3P International Energy Corp **October 28, 2011**
June 30, 2011
Management's Discussion and Analysis ("MD&A")

Introduction

The following discussion and analysis is a review of operations, current financial position and outlook for 3P International Energy Corp. (the "**Company**" or "**3P**") and should be read in conjunction with the audited financial statements for the year-ended June 30, 2011. Results are presented for the year ended June 30, 2011. Amounts are reported in Canadian dollars based upon the financial statements prepared in accordance with Canadian generally accepted accounting principles.

This MD&A provides management's view of the financial condition of the Company and the results of its operations for the reporting periods indicated. Additional information related to 3P is available in the Information Circular as filed on the Canadian Securities Administrators' website at www.sedar.com.

Forward-looking information

This MD&A contains "forward-looking information" which may include, but is not limited to, statements with respect to the future financial or operating performance of the Company, its mineral project, the future price of resources, the estimation of resources, the realization of resource estimates, the timing and amount of estimated future production, costs of production, capital, operating and exploration expenditures, costs and timing of development, costs and timing of future exploration, requirements for additional capital, government regulations, environmental risks, reclamation expenses, title disputes or claims and limitations of insurance coverage. Often, but not always, forward-looking statements can be identified by the use of words such as "plans", "is expected", "budget", "scheduled", "estimates", "forecasts", "intends", "anticipates", or "believes" or variations (including negative variations) of such words and phrases, or state that certain actions, events or results "may", "could", "would", "might" or "will" be taken, occur or be achieved.

Forward-looking statements are based on the opinions and estimates of management as of the date such statements are made and are based on assumptions. They involve known and unknown risks, uncertainties and other factors which may cause the actual results, performance or achievements of the Company and/or its subsidiary to be materially different from any future results, performance or achievements expressed or implied by the forward-looking statements. Such factors include, among others, general business, economic, competitive, political and social uncertainties; the actual results of current exploration activities; actual results of reclamation activities; conclusions of economic evaluations; changes in project parameters as plans continue to be refined; future prices of resources; possible variations recovery rates; failure of plant, equipment or processes to operate as anticipated; accidents, labour disputes and other risks of the industry; political instability; delays in obtaining governmental approvals or financing or in the completion of development or construction activities, as well as those factors discussed in the section entitled "Risk Factors" in this MD&A. Although the Company has attempted to identify important factors that could cause actual actions, events or results to differ materially from those described in forward-looking statements, there may be other factors that cause actions, events or results to differ from those anticipated, estimated or intended. Forward-looking statements contained herein are made as of the date of this MD&A and the Company disclaims any obligation to update any forward-looking statements, whether as a result of new information, future events or result, except as may be required by applicable securities laws. There can be no assurance that forward-looking statements will prove to be accurate, as actual results and future events could differ materially from those anticipated in such statements. Accordingly, readers should not place undue reliance on forward-looking statements.

General Development of the Business

History

The Company was incorporated on April 3, 2008 and issued 2,000,000 common shares at a price of $0.05 per share to its founders raising gross proceeds of $100,000. On August 19, 2008, the Company received a final receipt from the Ontario Securities Commission ("OSC") for a final prospectus dated August 15, 2008 filed in connection with the Company's initial public offering (the "Offering"). The Offering was made on behalf of the Company by its agent, Canaccord Capital Corp. Inc. (the "Agent"), on a best commercial efforts basis, to place 2,500,000 common shares for total gross proceeds to the Company of $250,000. This offering was completed in its entirety on September 3, 2008. Upon completion of the offering, the Company became listed on the TSX Venture Exchange ("TSX-V") as a capital pool company ("CPC").

The purpose of the Offering was to provide the Company with a minimum of funds with which to identify and evaluate businesses or assets with a view to completing a qualifying transaction ("QT"); as such term is defined in TSX-V Policy 2.4. On May 13, 2010, the Company completed its QT pursuant to the policies of the TSX-V removing the Company's CPC status. In accordance with the Letter of Intent ("LOI"), the Company entered into an option agreement with Canasia Industries Corporation ("Canasia"), whereby the Company can earn a fifty-one percent (51%) beneficial interest in the Eyehill Creek Potash Property ("Eyehill"). A filing statement describing the QT was filed by the Company on April 13, 2010 and is accessible under the Company's profile on SEDAR at www.sedar.com.

Results of Operations

Tysagaz Acquisition:

On February 11, 2011, the Company signed a Binding Letter of Intent with JSC "Nadra Concern" ("Nadra LOI") for the purchase of its wholly owned subsidiary JSC "Tysagaz" ("Tysagaz") for US$17,000,000. Tysagaz is the title holder to four gas licenses in Ukraine: the Rusko-Komariveske, Stanivske, Korolivske gas fields, and the Uzhogorod exploration block in Western Ukraine's Transcarpathian region. On May 24, 2011, the Company signed a definitive agreement to acquire Tysagaz, subject to TSX review and a standard Ukrainian Anti Trust review. On September 6, 2011, all closing requirements were met and the Company successfully completed the acquisition of Tysagaz.

The acquisition of Tysagaz adds proven resources and cash flow from operations through the currently producing Rusko-Komariveske ("RK") block as well as providing approximately 320 km^2 of exploration opportunity through the Stanivske, Korolivske and Uzhogorod exploration blocks to 3P's current Ukrainian assets. The Company had Sproule International Limited ("Sproule") complete an independent reserves assessment in accordance with NI 51-101. The reserve report was commissioned to focus solely on the lone producing field, the RK field and one area of the Stanivske block. The following table provides a summary of the evaluation of the natural gas reserves in the Rusko-Komarivske and Stanivske Fields, Ukraine, as of April 30, 2011 in the reserve report completed by Sproule:

	Remaining Reserves			Net Present Value After Income Taxes (million $CDN)
		WI 100%		
	Project	Gross	Net (AT)	At 10%
Associated and Non-Associated Gas (MMcf)				
Proved Developed Producing	244	244	244	$ 707
Proved Undeveloped	3,194	3,194	3,194	$ 5,368
Total Proved	3,438	3,438	3,438	$ 6,075
Total Proved + Probable	11,885	11,885	11,885	$ 21,278
Total Proved + Probable + Possible	22,876	22,876	22,876	$ 36,913
BOE (Mbbl)				
Proved Developed Producing	41	41	41	$ 707
Proved Undeveloped	532	532	532	$ 5,368
Total Proved	573	573	573	$ 6,075
Total Proved + Probable	1,981	1,981	1,981	$ 21,278
Total Proved + Probable + Possible	3,813	3,813	3,813	$ 36,913

Other:

- The Company also incorporated a Cyprus and Ukrainian corporation to complete the Company’s corporate structure for Ukrainian operations;
- The Company terminated the Eyehill option agreement;
- Signed an agreement to have Dave Birnie and Steve Balog provide services as the Chief Geoscientist and Chief of Engineering respectively; and
- The Company terminated the Galizien CBM option agreement.

Outlook

As the Company completed the acquisition of Tysagaz, it has been focused on developing a work plan for the next year to further exploration while optimizing current production. Through to December 31, 2011, the Company plans to work on the following:

RK Field/ Production License

- Drill 2 or 3 wells in the RK structure to increase and optimize production
- Evaluate interventions to wells 2 and 6 to increase production and execute as appropriate
- 2D or 3D seismic studies of license area

Stanovo Test Production License

- 3D seismic of key well target areas
- Drill 1 well, and bring production to maximum pipeline take-away capacity
- Exploration New Business Development

Uzhgorod Exploration License

- 2D seismic of Strumkovskoi lead

Korolevskyi Test Production License

- Evaluate the scale of the opportunity and determine options to develop the existing discovery
- Study pipeline takeaway options

Zakarpatiye Regional Study

- Build database of all Zakarpatiye wells drilled and license areas

Selected Financial Information and Management's Discussion and Analysis

Summary of Annual Results

	June 30, 2011	June 30, 2010	June 30, 2009
Interest income	$ 33,413	$ 57	$ 1,146
Net loss	(6,413,311)	(145,213)	(145,213)
Net loss (per share)	(0.14)	(0.04)	(0.06)
Total capitalized to investment in petroleum and natural gas properties during period	Nil	Nil	Nil
Total assets	18,062,543	560,811	145,213
Total long-term liabilities	$ Nil	$ Nil	$ Nil

Discussion on Results of Quarterly Operations

During the year ended June 30, 2010, the Company had limited operations as for most of the year, it was a CPC which was searching out a QT which it completed in May 2010. Due to the limited activity, the Company incurred limited expenses during that fiscal year.

During the year ended June 30, 2011, the Company had significant increases in both professional fees and travel and promotion. Professional fees increased as the Company was actively setting up operations in Ukraine and was actively seeking out opportunities for potential acquisitions, setting up the corporate structure, recruiting a management team and dealing with settlement proceedings.

Travel and promotion significantly increased due to the acquisition and potential acquisitions of properties in Ukraine and trips that management made throughout the year. The Company also incurred costs of $335,000 while participating in the 2011 Ukraine Energy Forum Attending the forum which allowed the Company to foster and strengthen its presence in the Ukrainian Oil and Gas industry. The Company also brought a number of investors to the Energy Forum to help them understand the business.

During the year ended June 30, 2011, the Company incurred stock-based compensation in the amount of $1,454,814 an increase from $17,023 in 2010, as the board issued a number of stock options throughout the year to ensure that employees, consultants and directors compensation are all tied to the success of the Company.

Summary of Quarterly Results

The following table sets out selected unaudited consolidated financial information, presented in Canadian dollars and prepared in accordance with Canadian generally accepted accounting principles ("GAAP") for each of the last eight quarters ended up to and including June 30, 2011. The information contained herein is drawn from interim consolidated financial statements of the Company for each of the aforementioned quarters.

Quarter	**2011**	**2011**	**2010**	**2010**
Ended	**June 30**	**March 31**	**December 31**	**September 30**
Interest Income	2,868	14,234	16,186	125
Working Capital	17,497,854	18,419,943	11,602,610	4,512,603
Expenses	3,110,480	1,541,297	1,437,968	356,979
Net Loss	(3,107,)	(1,527,063)	(1,421,782)	(356,854)
Net Loss (per Share)	(0.070)	(0.030)	(0.030)	(0.030)

Quarter	**2010**	**2010**	**2009**	**2009**
Ended	**June 30**	**March 31**	**December 31**	**September 30**
Interest Income	26	-	13	18
Working Capital	441,138	57,244	89,845	(15,472)
Expenses	95,040	32,602	4,138	13,490
Net Loss	(94,014)	(32,602)	(4,125)	(105,440)
Net Loss (per Share)	(0.045)	(0.007)	(0.001)	(0.001)

Discussion on Results of Quarterly Operations

Revenue

During each quarter, the Company earned interest income through investments of the excess cash balances.

Operating Expenses

During Q4, 2011, the Company saw an increase in professional fees and due diligence and acquisition costs as it was focused on acquiring Tysagaz and the settlement proceedings with regards to the former CEO and his resignation. The Company also contracted Sproule to complete a report on reserves for the acquisition of Tysagaz.

Going Concern

The Company has no source of revenue and has cash requirements to meet its administrative overhead and maintain its natural resource investments. In order to meet future expenditures and cover administrative and exploration costs, the Company may need to raise additional financing. Although the Company has been successful in raising funds to date, there can be no assurance that adequate funding will be available in the future, or available under terms favourable to the Company.

The financial statements associated with this MD&A have been prepared in accordance with GAAP applicable to an entity expected to continue as a going concern. Accordingly, they do not give effect to adjustments that would be necessary should the Company be unable to continue as a going concern and, therefore, be required to realize its assets and liquidate its liabilities and commitments in other than the normal course of business and at amounts different from those in the accompanying financial statements.

Liquidity, Capital Resources and Financings

At June 30, 2011, the Company had a cash and cash equivalents balance of $16,677,609 (June 30, 2010 – $226,849) and a positive working capital of $17,497,854 (June 30, 2010 – $441,138). The Company has no commitments or obligations outstanding.

The Company's balance sheet remains free from long-term debt and capital leases. The Company has been able to raise funds through the issuance of shares.

Off Balance Sheet Arrangements

General:

The Company terminated a consulting agreement during the year leading to the cancellation of 300,000 performance shares and removal of the prior $10,000 per month commitment. During the year, the former Chief Executive Officer resigned, and as a result, his 2,200,000 performance shares have been cancelled.

During the year, the Company abandoned both the Eyehill project and the Galizien project. Abandoning both of these projects will allow the Company to focus on the Tysagaz properties which were acquired subsequent to year end.

As a result, the Company has no further commitments.

Transactions with Related Parties

Transactions with related parties are incurred in the normal course of business and are measured at the exchange amount which is the amount of consideration established and approved by the related parties, which approximates the arm's length equivalent value. Related party transactions have been listed below unless they have been disclosed elsewhere in the financial statements.

During the year, the Company paid $10,000 to a director which was included in acquisition costs.

Outstanding Share Data

Issued and outstanding as at June 30, 2011:

Common shares	64,303,578
Warrants	12,766,282
Stock options	3,886,951

During the year, the former CEO resigned. Upon resignation all 459,000 stock options granted to the former CEO were cancelled and 1,950,000 common shares were returned to treasury.

The issued and outstanding share capital reflects the cancellation of 1,100,000 common shares recovered as part of the settlement agreement subsequent to year end.

Critical Accounting Estimates

The preparation of financial statements in accordance with Canadian GAAP requires management to make judgments, assumptions and estimates that affect the financial results of the Company. These estimates are reviewed regularly, but changes in circumstances and new information may result in actual results that differ materially from current estimates.

Significant areas requiring the use of management estimates relate to valuation of stock options, valuation of warrants, impairment of mineral properties and deferred exploration costs, and future taxes. The Company believes the following are the most critical accounting policies contained within its financial statements which include significant estimates.

Petroleum and natural gas properties - *Capitalized costs*

The Company follows the full cost method of accounting for petroleum and gas activities, whereby all costs related to the acquisition, exploration and development of petroleum and natural gas reserves are capitalized and accumulated in one cost centre. Such costs include land and license acquisition costs, geological and geophysical costs, carrying costs on non-producing properties, costs of drilling both productive and non-productive wells, the cost of petroleum and natural gas production equipment and general and administrative overhead charges directly related to exploration and development activities. Proceeds from the sale of petroleum and natural gas properties are applied against capitalized costs with no gain or loss recognized unless such a sale would change the rate of depletion and amortization by 20% or more, in which case a gain or loss would be recognized.

Petroleum and natural gas properties - Ceiling test

In applying the full cost method, the Company performs a ceiling test on properties which restricts the capitalized costs less accumulated depletion from exceeding an amount equal to the estimated undiscounted value of future net revenues from proved petroleum and natural gas reserves, as determined by independent engineers, based on sales prices achievable under existing contracts and quoted benchmark prices in effect at year end and current costs and after deducting estimated production related expenses, abandonment and reclamation costs. If the carrying value of the cost center exceeds the undiscounted cash flows, an impairment loss will be determined. The impairment loss is measured as the amount by which the carrying amount of costs capitalized exceeds the fair value of proved and probable reserves and the costs associated with unproved properties less any impairment (which are subject to a separate test for impairment).

Asset retirement obligations

The Company recognizes the fair value of its asset retirement obligations ("ARO") liabilities associated with tangible properties in the period in which the liability arises and when reasonable estimates of this fair value can be made. The fair value of this liability is calculated as the present value of the expected future costs of rehabilitating such property as legally required. The liability is recorded as a long-term liability with a corresponding increase to the carrying amount of the related asset. The liability is increased each reporting period through the accretion of interest up to the future amount of the liability. The accretion is recorded as an expense in the Company's financial statements. The addition to the carrying amount of the asset is depleted on the same basis as the corresponding asset. Revisions to the estimated amount or timing of the obligations are reflected as increases or decreases to the recorded liability and related asset. Actual costs incurred upon settlement of the rehabilitation obligation are charged against the liability as incurred.

The Company does not currently have any AROs.

Income taxes

The Company follows the asset and liability method of accounting for income taxes. Under this method, future income tax assets and liabilities are determined based on temporary differences between financial reporting and tax bases of assets and liabilities, as well as for the benefit of losses available to be carried forward to future years for tax purposes. Future income tax assets and liabilities are measured using substantively enacted tax rates and laws that are expected to be in effect when the differences are likely to reverse. Future income tax assets are recorded in the financial statements if realization is considered more likely than not.

<u>Changes in Accounting Policies</u>

Business Combinations

In January 2009, the CICA issued Sections 1582 – Business Combinations, 1601 – Consolidated Financial Statements and 1602 – Non controlling Interests which replaces CICA Sections 1581 – Business Combinations and 1600 – Consolidated Financial Statements. Section 1582 establishes standards for the accounting for business combinations that is equivalent to the business combination accounting standard under International Financial Reporting Standards ("IFRS"). Section 1582 is applicable for the Company's business combinations with acquisition dates on or after January 1, 2011. Section 1601 together with Section 1602 establishes standards for the preparation of consolidated financial statements. Section 1601 is applicable for the Company's interim and annual consolidated financial statements for its fiscal year beginning July 1, 2011. Early adoption of these Sections is permitted. The Company has elected to early adopt these policies and as a result, the Company expensed all transaction costs related to its acquisitions.

<u>Recent Accounting Pronouncements Issued and Not Yet Applied</u>

International Financial Reporting Standards

Transition to IFRS:

In February 2008, the Accounting Standards Board ("AcSB") confirmed that Canadian publicly accountable enterprises will be required to adopt IFRS for fiscal years beginning on or after January 1, 2011, with earlier adoption permitted. Accordingly, the conversion to IFRS will be applicable to the Company's reporting no later than in the first quarter of fiscal 2012, with restatement of comparative information presented. The conversion to IFRS will impact the Company's accounting policies, internal control over financial reporting, and disclosure controls and procedures. 3P's date of transition to IFRS will be July 1, 2010 (the "Transition Date").

For the year ended June 30, 2011, the Company is finalizing its evaluation of the accounting policy differences between Canadian GAAP and IFRS as at July 1, 2010, and finalizing the implementation procedures pursuant to the Company's IFRS conversion plan, based on management's current understanding of what standards will be implemented for the year ended June 30, 2012.

The conversion requirement from GAAP to IFRS raises both financial and non-financial issues. The Company has developed an IFRS conversion project consisting of three phases which are diagnostic, design and planning, and implementation and review, described as follows:

Phase One: Diagnostics, which involved a review of the differences between current Canadian GAAP and IFRS, was completed during the fourth quarter of 2011. It was determined that the areas of accounting differences which could have the greatest impact on 3P's consolidated financial statements relate to accounting for exploration and development activities, and impairment testing.

Phase Two: Design and Planning, which involves detailed diagnostics and evaluation of the financial impacts of converting to IFRS; identification and design of operational and financial business processes; initial staff training; analysis of IFRS 1 optional exemptions and mandatory exceptions to the general requirement for full retrospective application upon transition; summarization of 2012 IFRS disclosure requirements; and addressing any identified issues. This phase is nearing completion and the optional exemptions and mandatory exception to be selected by the Company are noted below under "Initial adoption of IFRS".

Phase Three: Implementation and Review, which involves the execution of changes to information systems and business processes; formalizing and approving recommended accounting policy changes; and further training across the necessary areas of the Company. This phase will result in the ultimate approval of the IFRS compliant interim and annual consolidated financial statements for 2012. This phase has commenced including engaging ongoing discussions with the auditors and Audit Committee regarding revisions to accounting policies to conform to IFRS.

Internal Controls:

3P is currently assessing the impact of the conversion to IFRS on internal controls and business processes. Based on an initial assessment, the impact is not expected to be significant. However, some additional controls will be required in regard to recording transitional adjustments and new processes for identifying and separately accounting for exploration and evaluation assets.

The Company expects to utilize the amendment issued by the International Accounting Standards Board (IASB) in July 2009 with respect to the determination of opening balances of property, plant and equipment. That amendment permits oil and gas companies currently using the full cost method of accounting to allocate the balance of property, plant and equipment as determined under Canadian GAAP to the IFRS categories of exploration and evaluation assets and development and producing properties without requiring full retroactive restatement of historic balances to the IFRS basis of accounting. The Company is also in the process of evaluating the impact that system and procedural changes will have on disclosure controls and procedures and internal controls over financial reporting.

Information Systems:

The adoption of IFRS is expected to have no material impact on the Company's current information systems.

Initial adoption of IFRS:

IFRS 1, *First-time Adoption of International Financial Reporting Standards*, requires that comparative financial information be provided and that the same accounting policies be applied throughout all periods presented. As the IFRSs and IFRS Interpretations Committee (IFRIC) that will be applicable at June 30, 2012 are not known with certainty at this time, the 2011 and interim 2012 IFRS financial statements may be adjusted for the impacts of new standards that become effective prior to June 30, 2012. The policy choices and elections that were made and are presented below are potentially subject to change.

IFRS 1 provides for certain optional exemptions and certain mandatory exceptions to full retrospective application of IFRSs for first time IFRS adopters. The Company has decided to take the following elections provided by IFRS 1. All other available elections are either considered not applicable or not material to the Company.

Areas of IFRS	Summary of Exemption Available
Optional exemption for arrangements containing a lease	IFRIC 4, *Determining whether an Arrangement contains a Lease,* may be applied prospectively at the Transition Date on the basis of facts and circumstances existing at that date rather than at the inception of the arrangement. There is no effect on the opening balance sheet at the Transition Date.
Share-based payment transactions	IFRS 2, *Share-Based Payments,* may be elected to not be applied to equity instruments granted on or before November 7, 2002 or which vested before the Company's Transition Date to IFRSs. There is no effect on the opening balance sheet at the Transition Date.

The mandatory exemption that is applicable to the Company under IFRS 1 is the following:

Estimates: Hindsight is not used to create or revise estimates and, accordingly, the estimates previously made by the Company under Canadian GAAP are consistent with their application and cannot be revised for application of IFRS except where necessary to reflect any difference in accounting policies.

Significant changes in accounting policies on the Transition Date to IFRS:

The following discussion provides an overview of the key areas that will have the greatest impact on the Company's consolidated financial statements. The items discussed below should not be considered a complete list of the changes which may occur as a result of the transition to IFRS. The discussion is intended to highlight the areas of most significant impact on the Company based on the work completed to date. However, the Company's analysis of the changes is ongoing. The differences described below are those existing based on Canadian GAAP to IFRSs at year end.

Accounting Policy Area	Impact of Policy Adoption
Extractive and Development Activities	IFRS 6, *Extractive Activities*, does not exist under Canadian GAAP, thus some difference have occurred. IFRS requires the Company to identify and account for pre-exploration, exploration and evaluation (E&E), and development expenditures separately. E&E costs may be expensed as incurred or capitalized, in accordance with the Company's selected accounting policy. Capitalized E&E costs are classified as either tangible or intangible assets, according to their nature. Once technical feasibility and commercial viability of extracting is demonstrated, the E&E costs must be reclassified and accounted for in accordance with IAS 16, *Property, plant and equipment ("PP&E").*

	Expected transition impact: Mineral properties of $40K, consist of property rights that will be reclassified from PP&E to evaluation and exploration assets. No other adjustments are required on the Transition Date in regards to E&E costs.
Impairment Testing of Assets	Under Canadian GAAP, 3P's petroleum and natural gas assets were tested for impairment in a single, country-wide full cost pool. Under IFRS, assets must be segregated into "cash-generating units" ("CGUs") for purposes of impairment testing. A CGU is defined as the smallest identifiable group of assets that generates cash inflows that are largely independent of the cash inflows from other assets or groups of assets. As a result, impairments may occur with respect to certain assets which would not have been incurred under Canadian GAAP because of the ability under full cost accounting to shelter assets using the cash flow from all of the company's petroleum and natural gas properties included in the full cost pool. **Expected transition impact:** No adjustments identified to date.
Foreign Exchange Translation	Under IAS 21 "Foreign exchange translation", functional currency is determined on an entity-by-entity basis as the primary economic environment in which each entity operates based on a hierarchy of factors explicitly described by IAS 21. **Expected transition impact:** No adjustments identified to date.
Income Taxes	Under IAS 12 "Income Taxes", deferred taxes are not recognized for temporary differences arising from the initial recognition of an asset or liability in a transaction which is not a business combination and which at the time of the transaction affects neither accounting nor taxable income. Canadian GAAP contains no such exemption. Additionally, under IFRS current and deferred taxes are normally recognized in the income statement, except to the extent that deferred tax arises from (1) an item that has been recognized directly in equity, whether in the same or a different period, (2) a business combination or (3) a share-based payment transaction. If a deferred tax asset or liability is remeasured subsequent to initial recognition, the impact of remeasurement is recorded in earnings, unless it relates to an item originally recognized in equity, in which case the change would also be recorded in equity. The practice of tracking the remeasurement of taxes back to the item which originally triggered the recognition is commonly referred to as ''backwards tracing.'' Canadian GAAP prohibits backwards tracing except in relation to business combinations and financial reorganizations. **Expected transition impact:** No adjustments identified to date.

The Company is in the process of quantifying potential adjustments and is near complete for the conversion required during Q1, 2012. The Company is actively monitoring changes to IFRS standards and following the efforts of industry peer companies in the IFRS transition process while coordinating its transition.

Financial Instruments and Other Instruments

The Company's financial instruments consist of cash and cash equivalents, investments, amounts receivable and accounts payable and accrued liabilities.

Management does not believe these financial instruments expose the Company to any significant interest, currency or credit risks. The fair market values of cash and cash equivalents, investments, amounts receivable, accounts payables and accrued liabilities approximate their carrying values.

Risk Factors

The Company is exposed to a variety of risks, including, but not limited to the risks set out below. The Company considers these risks the most significant to potential investors, but not all of the risks associated with an investment in securities of 3P.

- Financial risks
  - Commodity price risk
  - Fluctuations in currency exchange rates
  - Interest rate risk
  - Credit risk
  - Cash flows and additional funding requirements
  - Global financial conditions
  - Uncertainty of additional financing

- Operational risks
  - Dependence limited number of early staged projects
  - Limited operating history
  - Exploration and development
  - Operating hazards and risks
  - Reserve estimates
  - Transportation risks
- Other Risks
  - Environmental factors
  - Political risk
  - Changes in legislation
  - Competition risks
  - Dependence on management and outside advisors
  - Payment of dividends

Disclosure Controls and Procedures

Disclosure controls and procedures are designed to provide reasonable assurance that all relevant information is gathered and reported to senior management, including the Chief Executive Officer and Chief Financial Officer, on a timely basis so that appropriate decisions can be made regarding public disclosure.

The Company's Management conducted an evaluation of the effectiveness of the design and operation of our disclosure controls and procedures as of June 30, 2011. Based on this evaluation, the Chief Executive Officer and Chief Financial Officer have concluded that our disclosure controls and procedures are effective to ensure that information required to be disclosed in reports that we file or submit under Canadian securities legislation is recorded, processed, summarized and reported within the time periods specified in those rules and forms.

It should be noted that while the Company's Chief Executive Officer and Chief Financial Officer believe that our disclosure controls and procedures will provide a reasonable level of assurance and that they are effective, they do not expect that the disclosure controls and procedures will prevent all errors and frauds. A control system, no matter how well designed or operated, can provide only reasonable, not absolute assurance that the objectives of the control system are met.

3P International Energy Corp **October 22, 2010**
(Formerly Colonnade Capital Corp)
June 30, 2010
Management's Discussion and Analysis ("MD&A")

Introduction

The following discussion and analysis is a review of operations, current financial position and outlook for 3P International Energy Corp. (the "**Company**" or "**3P**") and should be read in conjunction with the audited financial statements for the year-ended June 30, 2010. Results are presented for the year ended June 30, 2010. Amounts are reported in Canadian dollars based upon the financial statements prepared in accordance with Canadian generally accepted accounting principles.

This MD&A provides management's view of the financial condition of the company and the results of its operations for the reporting periods indicated. Additional information related to 3P is available in the Information Circular as filed on the Canadian Securities Administrators' website at www.sedar.com.

Forward-looking information

This MD&A contains "forward-looking information" which may include, but is not limited to, statements with respect to the future financial or operating performance of the Company, its mineral project, the future price of resources, the estimation of resources, the realization of resource estimates, the timing and amount of estimated future production, costs of production, capital, operating and exploration expenditures, costs and timing of development, costs and timing of future exploration, requirements for additional capital, government regulations, environmental risks, reclamation expenses, title disputes or claims and limitations of insurance coverage. Often, but not always, forward-looking statements can be identified by the use of words such as "plans", "is expected", "budget", "scheduled", "estimates", "forecasts", "intends", "anticipates", or "believes" or variations (including negative variations) of such words and phrases, or state that certain actions, events or results "may", "could", "would", "might" or "will" be taken, occur or be achieved.

Forward-looking statements are based on the opinions and estimates of management as of the date such statements are made and are based on assumptions. They involve known and unknown risks, uncertainties and other factors which may cause the actual results, performance or achievements of the Company and/or its subsidiary to be materially different from any future results, performance or achievements expressed or implied by the forward-looking statements. Such factors include, among others, general business, economic, competitive, political and social uncertainties; the actual results of current exploration activities; actual results of reclamation activities; conclusions of economic evaluations; changes in project parameters as plans continue to be refined; future prices of resources; possible variations recovery rates; failure of plant, equipment or processes to operate as anticipated; accidents, labour disputes and other risks of the industry; political instability; delays in obtaining governmental approvals or financing or in the completion of development or construction activities, as well as those factors discussed in the section entitled "Risk Factors" in this MD&A. Although the Company has attempted to identify important factors that could cause actual actions, events or results to differ materially from those described in forward-looking statements, there may be other factors that cause actions, events or results to differ from those anticipated, estimated or intended. Forward-looking statements contained herein are made as of the date of this MD&A and the Company disclaims any obligation to update any forward-looking statements, whether as a result of new information, future events or result, except as may be required by applicable securities laws. There can be no assurance that forward-looking statements will prove to be accurate, as actual results and future events could differ materially from those anticipated in such statements. Accordingly, readers should not place undue reliance on forward-looking statements.

General Development of the Business

History

The Company was incorporated on April 3, 2008 and issued 2,000,000 common shares at a price of $0.05 per share to its founders raising gross proceeds of $100,000. On August 19, 2008, the Company received a final receipt from the Ontario Securities Commission ("OSC") for a final prospectus dated August 15, 2008 filed in connection with the Company's initial public offering (the "Offering"). The Offering was made on behalf of the Company by its agent, Canaccord Capital Corp. Inc. (the "Agent"), on a best commercial efforts basis, to place 2,500,000 common shares for total gross proceeds to the Company of $250,000. This offering was completed in its entirety on September 3, 2008. Upon completion of the offering, the Company became listed on the TSX Venture Exchange ("TSX-V") as a capital pool company ("CPC:").

The purpose of the Offering was to provide the Company with a minimum of funds with which to identify and evaluate businesses or assets with a view to completing a qualifying transaction ("QT"), as such term is defined in TSX Venture Exchange Policy 2.4. On May 13, 2010, the Company completed its "qualifying transaction" pursuant to the policies of the TSX-V removing the Company's CPC status. In accordance with the Letter of Intent ("LOI"), the Company entered into an option agreement with Canasia Industries Corporation ("Canasia"), whereby the Company can earn a fifty-one percent (51%) beneficial interest in the Eyehill Creek Potash Property ("Eyehill"). A filing statement describing the Transaction was filed by the Company on April 13, 2010 and is accessible under the Company's profile on SEDAR at www.sedar.com.

2011 Outlook

On July 21, 2010, the Company executed a share purchase agreement ("SPA") to acquire 100% of issued and outstanding shares of Galizien Energy Corp. ("Galizien"), a company involved in the exploration and exploitation of petroleum and natural gas resources in Ukraine. Under the terms of the SPA, the Company must issue 4,400,000 common shares to the Galizien shareholders and assume $285,000 in accounts payable. On July 30, 2010, the Company received final approval of the transaction from the TSX-V.

Galizien owns the rights to a sales purchase agreement ("Galizien SPA") to acquire 33% of Eurogas Ukraine Ltd. ("Eurogas"). Eurogas owns coal bed methane permits in East and West Ukraine and an interest in a revitalization program of up to approximately 2,000 plugged and shut-in natural gas wells. Under the terms of the Galizien SPA, Galizien must spend up to $190,000 on or before 12 months after the date consent is received from parties associated with the properties to transfer the interest from Eurogas to Galizien ("Consent Date") and $4,810,000 on or before 24 months after the Consent Date.

The company has begun to mobilize drilling equipment including use of North American drilling and completion technologies on its initial target wells. The company intends to re-enter several wells and drill a series of new wells which can be tied into existing pipeline infrastructure relatively quickly. In addition to its planned drilling activities for organic production growth, the company is continuously seeking complimentary assets in the Ukraine and regionally which can add immediate production and critical mass development opportunities to its growth pipeline. The dual focus of 3P in 2011 is conventional production of oil and gas in the Ukraine and regionally, as well as drilling and augmenting its current coal bed methane land position.

Selected Financial Information and Management's Discussion and Analysis

This MD&A provides analysis of the Company's financial results for the year ended June 30, 2010. The following information should be read in conjunction with the audited financial statements of the Company for the year-ended June 30, 2010 (and the notes thereto).

Annual Information from Inception

The following table summarizes the Company's financial results for the years ended June 30, 2010, June 30, 2009 and June 30, 2008.

	June 30, 2010	**June 30, 2009**	**June 30, 2008 (1)**
Interest income	$57	$1,146	$Nil
Net loss	$(145,213)	$(128,108)	$Nil
Total assets	$560,811	$149,912	$127,794
Total long term liabilities	$Nil	$Nil	$Nil
Cash dividends declared	$Nil	$Nil	$Nil

(1) The Company was incorporated on April 3, 2008.

Discussion on Results of Annual Operations

During the year, the Company continued to work on the completion of a QT as in 2009. On May 13, 2010 the Company completed its QT and had its CPC status removed. The increase in net loss is due to an increase in general and administrative expenses related to operations leading up to and subsequent to completing the QT.

Summary of Quarterly Results

The following table sets out selected unaudited financial information, presented in Canadian dollars and prepared in accordance with Canadian generally accepted accounting principles("GAAP"), for each of the last eight quarters ended up to and including June 30, 2010. The information contained herein is drawn from interim financial statements of the Company for each of the aforementioned quarters.

Year	**2010**	**2010**	**2009**	**2009**
Ending	**June 30**	**March 31**	**December 31**	**September 30**
Interest income	27	-	13	17
Working Capital	441,138	57,244	89,845	106,029
Expenses	95,040	32,602	4,138	13,490
Net Loss	(94,014)	(32,602)	(4,125)	(14,472)
Net Loss (per Share)	(0.013)	(0.007)	(0.001)	(0.001)

Year	2009	2009	2008	2008
Ending	**June 30**	**March 31**	**December 31**	**September 30**
Interest income	30	181	647	288
Working Capital	139,912	171,462	181,782	209,492
Expenses	72,369	7,284	8,197	41,404
Net Loss	(72,339)	(7,103)	(7,550)	(41,116)
Net Loss (per Share)	(0.061)	(0.001)	(0.001)	(0.015)

Discussion on Results of Quarterly Operations

Revenue

The Company has not generated any revenues to date with the exception of nominal interest.

Operating Expenses

During the last eight quarters, the operating expenses are a result of the cost incurred to complete an acquisition of properties, and thus fulfill the requirements of a QT. The most significant costs paid during the year were fees to consultants. The Company also provided stock-based compensation to directors and officers resulting in an expense of $17,023.

Going Concern

The Company has no source of revenue and has cash requirements to meet its administrative overhead and maintain its natural resource investments. In order to meet future expenditures and cover administrative and exploration costs, the Company may need to raise additional financing. Although the Company has been successful in raising funds to date, there can be no assurance that adequate funding will be available in the future, or available under terms favourable to the Company.

The financial statements associated with this MD&A have been prepared in accordance with GAAP applicable to an entity expected to continue as a going concern. Accordingly, they do not give effect to adjustments that would be necessary should the Company be unable to continue as a going concern and, therefore, be required to realize its assets and liquidate its liabilities and commitments in other than the normal course of business and at amounts different from those in the accompanying financial statements.

Liquidity, Capital Resources and Financings

At June 30, 2010, the Company had a cash and cash equivalent balance of $226,849 (2009 – $145,172) and a positive working capital of approximately $441,138 (2009 – 139,912). Based on commitments for the upcoming year of $150,000 for Eyehill, the Company will be able to fund these operations.

The Company's balance sheet remains free from long-term debt and capital leases. The Company has been able to raise funds through the issuance of shares.

On May 6, 2010, the Company completed a non-brokered private placement at $0.15 per unit for gross proceeds of $628,000. Each unit consisted of one common share and one share purchase warrant exercisable at $0.30 for a period of two years.

Subsequent to year end, on September 28, 2010, the Company completed a non-brokered private placement at $0.25 per unit for gross proceeds of $5,008,750. Each unit consisted of one common share and one share purchase warrant exercisable at $0.70 for a period of two years.

Off Balance Sheet Arrangements

The Company has committed to issue 2,500,000 performance shares, of which 2,200,000 are to a related party. Issuance of performance shares is dependent upon the Company achieving production benchmarks. All shares issued as performance shares will be held in escrow for 12 months from the date of issuance.

The Company has the following commitments for services to be provided:

2010	$ 110,000
2011	$ 120,000
2012	$ 10,000

Under the terms of the option agreement for the Eyehill project dated which has an effective date of May 24, 2010, the Company has the following commitments:

(a) $150,000 before the first anniversary of the effective date;
(b) $250,000 ($400,000 total) before the second anniversary of the effective date;
(c) $250,000 ($650,000 total) before the third anniversary of the effective date;
(d) $500,000 ($1,150,000 total) before the fourth anniversary of the effective date.

Aside from those listed above, as at June 30, 2010, the Company had no additional off balance sheet arrangements such as guaranteed contracts, contingent interests in assets transferred to an entity, derivative instrument obligations or any instruments that could trigger financing, market or credit risk to the Company.

Transactions with Related Parties

Transactions with related parties are incurred in the normal course of business and are measured at the exchange amount which is the amount of consideration established and approved by the related parties. The Company incurred legal fees included in share capital, deferred charges and professional fees totaling approximately $136,000 to a law firm in which a director and shareholder of the Company is a partner. Of these amounts, $23,000 remains in accounts payables and accrued liabilities at June 30, 2010. In 2009, an amount of approximately $33,000 was incurred to the same law firm which was included in qualifying transaction investigation costs and professional fees.

Outstanding Share Data

For information regarding outstanding share capital of the Company, please see the table presented below the year-ended June 30, 2010.

Common shares	8,817,059
Warrants	4,521,597
Stock options	796,604

Critical Accounting Estimates

The preparation of financial statements in accordance with GAAP requires management to make judgments, assumptions and estimates that affect the financial results of the Company. These estimates are reviewed regularly, but changes in circumstances and new information may result in actual results that differ materially from current estimates.

Significant areas requiring the use of management estimates relate to valuation of stock options, valuation of warrants, impairment of mineral properties and deferred exploration costs, and future taxes. The Company believes the following are the most critical accounting policies contained within its financial statements which include significant estimates.

Mineral properties and deferred exploration costs

Direct costs relating to the acquisition, exploration and development of mineral properties are deferred until such time as the properties are either put into commercial production, sold, determined not to be economically viable or abandoned. General exploration expenditures which do not relate to specific resources properties are written off in the year incurred. These costs will be amortized over the estimated useful lives of the properties following the commencement of production or written off if the properties are sold, the rights to which are allowed to lapse, or abandoned. The costs of mineral properties include any fair market value of consideration, including cash and shares, if any, on the acquisition of property interests. The amounts of property acquisition costs and their related deferred exploration costs represent actual expenditures incurred and are not intended to reflect present or future values.

Asset retirement obligation

The Company recognizes the fair value of its asset retirement obligation ("ARO") liabilities associated with tangible properties in the period in which the liability arises and when reasonable estimates of this fair value can be made. The fair value of this liability is calculated as the present value of the expected future costs of rehabilitating such property as legally required. The liability is recorded as a long-term liability with a corresponding increase to the carrying amount of the related asset. The liability is increased each reporting period through the accretion of interest up to the future amount of the liability. The accretion is recorded as an expense in the Company's financial statements. The addition to the carrying amount of the asset is depleted on the same basis as the corresponding asset. Revisions to the estimated amount or timing of the obligations are reflected as increases or decreases to the recorded liability and related asset. Actual costs incurred upon settlement of the rehabilitation obligation are charged against the liability as incurred.

The Company does not currently have any AROs.

Income taxes

The Company follows the asset and liability method of accounting for income taxes. Under this method, future income tax assets and liabilities are determined based on temporary differences between financial reporting and tax bases of assets and liabilities, as well as for the benefit of losses available to be carried forward to future years for tax purposes. Future income tax assets and liabilities are measured using substantively enacted tax rates and laws that are expected to be in effect when the differences are likely to reverse. Future income tax assets are recorded in the financial statements if realization is considered more likely than not.

Recent Accounting Pronouncements Issued and Not Yet Applied

Business Combinations

In January 2009, the CICA issued Sections 1582 – Business Combinations, 1601 – Consolidated Financial Statements and 1602 – Non-controlling Interests which replaces CICA Sections 1581 – Business Combinations and 1600 - Consolidated Financial Statements. Section 1582 establishes standards for the accounting for business combinations that is equivalent to the business combination accounting standard under International Financial Reporting Standards ("**IFRS**"). Section 1582 is applicable for the Company’s business combinations with acquisition dates on or after January 1, 2011. Early adoption of this Section is permitted. Section 1601 together with Section 1602 establishes standards for the preparation of consolidated financial statements. Section 1601 is applicable for the Company’s interim and annual consolidated financial statements for its fiscal year beginning July 1, 2011. Early adoption of this Section is permitted. If the Company chooses to early adopt any one of these Sections, the other two Sections must also be adopted at the same time. The Company has not yet determined the impact of the adoption of these standards on its financial statements.

International Financial Reporting Standards

In February 2008, the Accounting Standards Board confirmed that Canadian publicly accountable enterprises will be required to adopt IFRS for fiscal years beginning on or after January 1, 2011, with earlier adoption permitted. Accordingly, the conversion to IFRS will be applicable to the Company's reporting no later than in the first quarter of fiscal 2012, with restatement of comparative information presented. The conversion to IFRS will impact the Company's accounting policies, internal control over financial reporting, and disclosure controls and procedures. The Company is currently assessing the future impact of IFRS on its consolidated financial statements and will continue to invest in training to ensure a timely conversion. The Company has not yet determined the impact of the adoption of IFRS on its financial statements.

The conversion requirement from GAAP to IFRS raises both financial and non-financial issues. The company has commenced the development of an IFRS implementation plan to prepare for this transition. The plan consists of three phases which are diagnostic, design and planning, and implementation.

The Company is currently in the diagnostic phase where it identifying the key areas of IFRS where changes to the accounting policies may be required. The Company plans on completing the diagnostic phase during Q2 2011. During the third quarter, the company plans on assessing and selecting the first-time adoption requirements and alternatives under IFRS 1. During Q4 2011, the Company plans on quantifying the impact on the financial statements based on the first two phases.

Financial Instruments and Other Instruments

The Company's financial instruments consist of cash and cash equivalents, investment, amounts receivable and accounts payable and accrued liabilities.

Management does not believe these financial instruments expose the Company to any significant interest, currency or credit risks. The fair market values of cash and cash equivalents, investment, amounts receivable, accounts payables and accrued liabilities approximate their carrying values.

Risk Factors

The Company is exposed to a variety of risks, including, but not limited to the risks set out below. The Company considers these risks the most significant to potential investors, but not all of the risks associated with an investment in securities of 3P.

- Financial risks
    - Commodity price risk
    - Fluctuations in currency exchange rates
    - Interest rate risk
    - Credit risk
    - Cash flows and additional funding requirements
    - Global financial conditions
    - Uncertainty of additional financing
- Operational risks
    - Dependence on one resource project
    - Limited operating history
    - Exploration and development

- Operating hazards and risks
- Reserve estimates
- Transportation risks

- Other Risks
  - Environmental factors
  - Political risk
  - Changes in legislation
  - Competition risks
  - Dependence on management and outside advisors
  - Payment of dividends

Disclosure Controls and Procedures

Disclosure controls and procedures are designed to provide reasonable assurance that all relevant information is gathered and reported to senior management, including the Chief Executive Officer and Chief Financial Officer, on a timely basis so that appropriate decisions can be made regarding public disclosure.

The Company's Management conducted an evaluation of the effectiveness of the design and operation of our disclosure controls and procedures as of June 30, 2010. Based on this evaluation, the Chief Executive Officer and Chief Financial Officer have concluded that our disclosure controls and procedures, are effective to ensure that information required to be disclosed in reports that we file or submit under Canadian securities legislation is recorded, processed, summarized and reported within the time periods specified in those rules and forms.

It should be noted that while the Company's Chief Executive Officer and Chief Financial Officer believe that our disclosure controls and procedures will provide a reasonable level of assurance and that they are effective, they do not expect that the disclosure controls and procedures will prevent all errors and frauds. A control system, no matter how well designed or operated, can provide only reasonable, not absolute assurance that the objectives of the control system are met.

EXHIBIT "C"
FINANCIAL STATEMENTS OF CUB FOR THE THREE AND SIX MONTH PERIODS ENDED DECEMBER 31, 2011 AND DECEMBER 31, 2010

Cub Energy Inc.
(Formerly 3P International Energy Corp.)

Consolidated Financial Statements

For the three and six month periods ended
December 31, 2011 and 2010
(in Canadian dollars)
(unaudited)

Cub Energy Inc. **(Formerly 3P International Energy Corp.)**
Interim Consolidated Statements of Financial Position
(in Canadian dollars)
(unaudited)

		December 31, 2011		June 30, 2011
				(note 4)
Assets				
Current				
Cash	$	5,023,564	$	16,677,609
Investment (note 6)		-		1,000,000
Trade and other receivables (note 11)		295,883		375,056
Inventories		47,000		-
Prepaid expenses		39,196		9,878
		5,405,643		18,062,543
Property, plant and equipment (note 10)		21,206,078		-
Total assets	$	26,611,721	$	18,062,543
Liabilities				
Current				
Trade and other payables (note 12)	$	562,297	$	564,689
		562,297		564,689
Provisions		40,000		-
Deferred income tax liability		4,701,378		-
		4,741,378		-
Total liabilities		5,303,675		564,689
Shareholders' Equity				
Share capital (note 13)		26,401,207		20,868,730
Contributed surplus		3,092,835		2,517,060
Warrants (note 13)		760,145		798,696
Accumulated foreign currency translation		(19,726)		-
Deficit		(8,926,415)		(6,686,632)
		21,308,046		17,497,854
Total liabilities and shareholders' equity	$	26,611,721	$	18,062,543

Reporting entity and going concern (Note 1)
Commitments (Note 20)
Subsequent events (Note 22)

See accompanying notes, which are an integral part of these consolidated financial statements

Approved by the Board "Robert Hodgins" Director **(Signed)** "Gregory Cameron" Director **(Signed)**

Cub Energy Inc. **(Formerly 3P International Energy Corp.)**
Interim Consolidated Statements of Comprehensive Loss
Three and six month periods ended December 31,
(in Canadian dollars)
(unaudited)

	Three months ended December 31, **2011**	2010	Six months ended December 31, **2011**	2010
Revenue (note 7)	$ 492,000	$ -	$ 514,000	$ -
Cost of sales	202,000	-	217,000	-
Gross profit	290,000	-	297,000	-
Expenses				
General and administrative	676,744	624,854	1,347,555	821,225
Acquisition costs	231,500	-	757,780	-
Exploration and evaluation	-	-	20,004	-
Depletion and depreciation	71,205	-	85,523	-
Share-based payments (note 14)	322,156	813,114	575,775	973,722
	1,301,605	1,437,968	2,786,637	1,794,947
	(1,011,605)	(1,437,968)	(2,489,637)	(1,794,947)
Net finance income (loss) (note 8)	(13,463)	16,186	337,854	16,311
Net loss for the period before income taxes	(1,025,068)	(1,421,782)	(2,151,783)	(1,778,636)
Income taxes	69,000	-	88,000	-
Net loss for the period	(1,094,068)	(1,421,782)	(2,239,783)	(1,778,636)
Other comprehensive income				
Exchange gain on translating to presentation currency	46,520	-	19,726	-
Total comprehensive loss for the period	$ (1,047,548)	$ (1,421,782)	$ (2,222,057)	$ (1,778,636)
Basic and diluted loss per share (note 16)	$ (0.02)	$ (0.03)	$ (0.03)	$ (0.06)

See accompanying notes, which are an integral part of these consolidated financial statements

Cub Energy Inc. (Formerly 3P International Energy Corp.)
Interim Consolidated Statements of Changes in Equity
Three and six month periods ended December 31,
(in Canadian dollars)
(unaudited)

	Number of common shares	Share capital	Contributed surplus	Warrants	Accumulated foreign currency translation	Deficit	Total
Balance as at July 1, 2010	8,817,059	$ 558,609	$ 46,857	$ 140,993	$ -	$ (273,321)	$ 473,138
Private placements	40,035,000	11,903,438	-	993,349	-	-	12,896,787
Shares issued on acquisition	4,400,000	1,320,000	-	-	-	-	1,320,000
Finder's units and warrants	-	-	-	385,153	-	-	385,153
Share-based payments	-	-	973,722	-	-	-	973,722
Options exercised	619,604	110,303	(41,370)	-	-	-	68,933
Warrants exercised	1,158,147	363,600	-	(39,876)	-	-	323,724
Share issuance costs	-	(1,328,575)	-	-	-	-	(1,328,575)
Net loss for the period	-	-	-	-	-	(1,778,636)	(1,778,636)
Balance as at December 31, 2010	55,029,810	$12,927,375	$ 979,209	$1,479,619	$ -	$(2,051,957)	$ 13,334,246

	Number of common shares	Share capital	Contributed surplus	Warrants	Accumulated foreign currency translation	Deficit	Total
Balance as at July 1, 2011	64,303,578	$20,868,730	$ 2,517,060	$ 798,696	$ -	$(6,686,632)	$ 17,497,854
Private placements	13,659,156	5,463,662	-	-	-	-	5,463,662
Share issued for payment of finders' fee	637,500	255,000	-	-	-	-	255,000
Share-based payments	-	-	575,775	-	-	-	575,775
Warrants exercised	1,036,266	325,491	-	(38,551)	-	-	286,940
Share issuance costs	-	(511,676)	-	-	-	-	(511,676)
Exchange gain on translation	-	-	-	-	(19,726)	-	(19,726)
Net loss for the period	-	-	-	-	-	(2,239,783)	(2,239,783)
Balance as at December 31, 2011	79,636,500	$26,401,207	$ 3,092,835	$ 760,145	$ (19,726)	$(8,926,415)	$ 21,308,046

See accompanying notes, which are an integral part of these consolidated financial statements

Cub Energy Inc. (Formerly 3P International Energy Corp.)
Interim Consolidated Statements of Cash Flows
Three and six month periods ended December 31,
(in Canadian dollars)
(unaudited)

	Three months ended December 31, 2011	Three months ended December 31, 2010	Six months ended, December 31, 2011	Six months ended, December 31, 2010
Cash provided by (used in)				
Operations				
Net loss	$ (1,094,068)	$ (1,421,782)	$(2,239,783)	$ (1,778,636)
Items not affecting cash				
Income tax	3,000	-	22,000	-
Depletion and depreciation	71,205	-	85,523	-
Write-down on disposition of assets	41,000	-	41,000	-
Share-based payments	322,156	813,114	575,775	973,722
	(656,707)	(608,668)	(1,515,485)	(804,914)
Net changes in non-cash working capital (note 9)	(608,159)	(322,747)	71,142	(109,971)
Cash flows from operating activities	(1,264,866)	(931,415)	(1,444,343)	(914,885)
Investing				
Petroleum and natural gas properties	(8,000)	(6,500)	(10,000)	(36,635)
Proceeds from redemption of (purchase of) investment	-	(9,000,000)	1,000,000	(8,728,000)
Acquisitions (note 5)	-	-	(15,871,323)	(335,000)
Cash flows used in investing activities	(8,000)	(9,006,500)	(14,881,323)	(9,099,635)
Financing				
Proceeds from issuance of share capital and warrants	5,683,102	8,360,438	5,750,602	13,400,932
Share capital and warrant issuance costs	(511,676)	(655,737)	(511,676)	(1,063,383)
Cash flows from financing activities	5,171,426	7,704,701	5,238,926	12,337,549
Net change in cash	3,898,560	(2,233,214)	(11,086,740)	2,323,029
Effects of exchange rate changes	(40,336)	-	(567,305)	-
Cash, beginning of period	1,165,340	4,783,092	16,677,609	226,849
Cash, end of period	$ 5,023,564	$ 2,549,878	$ 5,023,564	$ 2,549,878

See accompanying notes, which are an integral part of these consolidated financial statements

1. REPORTING ENTITY AND GOING CONCERN

Cub Energy Inc. (Formerly 3P International Energy Corp.) (the "Company") is a resource-based company engaged in the exploration, development and production of petroleum and natural gas properties in Ukraine. The Company is incorporated by Certificate of Incorporation issued pursuant to the provisions of the Business Corporations Act (Ontario) on April 3, 2008 and in August 2008, had an initial public offering to convert to a Capital Pool Company ("CPC"). Subsequently, the Company filed for continuance to become a Canada corporation. On May 13, 2010, the Company completed its qualifying transaction" pursuant to the policies of the TSX Venture Exchange (the "Exchange"), removing the Company's CPC status. A filing statement describing the qualifying transaction was filed by the Company on April 13, 2010 and is accessible under the Company's profile on SEDAR at www.sedar.com. The address of the Company's registered office is 50 Richmond Street East, Suite 101, Toronto Ontario, M5C 1N7, Canada.

The interim consolidated financial statements for the three and six months ended December 31, 2011, were approved and authorized for issue by the Board of Directors on February 21, 2011.

The continued operations of the Company and the recoverability of amounts shown for its petroleum and natural gas properties is dependent upon the ability of the Company to obtain financing to continue the exploration and development of its petroleum and natural gas properties, the existence of economically recoverable reserves and future profitable production, or alternatively, upon the Company's ability to recover its costs through a disposition of its properties. The amount shown for petroleum and natural gas properties does not necessarily represent present or future value. Changes in future conditions could require a material change in the amount recorded for the petroleum and natural gas properties.

The Company is exposed to commodity price risk with respect to natural gas and oil commodity prices. A significant decline in any one of these commodity prices may affect the Company's ability to obtain capital for the exploration and development of its resource properties.

The consolidated financial statements are prepared on the basis that the Company will continue as a going concern, which contemplates the realization of assets and settlement of liabilities in the normal course of operations as they become due. The Company has a limited source of revenue, and has cash requirements to meet its administrative overhead and maintain its resource investments. In order to meet future expenditures and cover administrative and exploration costs, the Company may need to raise additional financing. The Company is expected to continue as a going concern however, although the Company has been successful in raising funds to date, there can be no assurance that adequate funding will be available in the future, or available under terms favourable to the Company.

2. BASIS OF PREPARATION

(a) Statement of compliance

The interim consolidated financial statements have been prepared in accordance with International Accounting Standard ("IAS") 34, Interim Financial Reporting, as issued by the International Accounting Standards Board ("IASB"). These consolidated interim financial statements are reported under International Financial Reporting Standards ("IFRS"). IFRS 1 "First-time adoption of IFRS" has been applied. These consolidated interim financial statements follow the same accounting policies and methods of computation as outlined in note 3 of the Company's consolidated interim financial statements for the three months ended September 30, 2011. The consolidated interim financial statements do not include all of the information required for full annual financial statements. An explanation of how the transition to IFRS has affected the consolidated financial statements is included in note 4.

2. BASIS OF PREPARATION (CONT'D)

(a) Statement of compliance (cont'd)

Any subsequent changes to IFRS that are given effect in the Company's annual consolidated financial statements for the year ending June 30, 2012 could result in restatement of these interim consolidated financial statements, including the transition adjustments recognized on changeover to IFRS.

(b) Basis of measurement

The interim consolidated financial statements have been prepared on the historical cost basis. Where there are assets and liabilities calculated on a different basis, this fact is disclosed in the relevant accounting policy.

(c) Functional and presentation currency

These interim consolidated financial statements are presented in Canadian dollars, which is the Company's presentation currency. The Company's functional currency is Canadian dollars and the functional currency of all subsidiaries is Ukrainian Hryvnia.

(d) Use of estimates and judgments

The preparation of the consolidated financial statements in conformity with IFRS requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses.

Estimates and underlying assumptions are continuously evaluated and are based on management's experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. By nature, estimates and assumptions are subject to measurement uncertainty and may result in outcomes that require a material adjustment to the carrying amount of the asset or liabilities in future periods. Accordingly, actual results may differ from the estimated amounts as future confirming events occur. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in any future periods affected.

Information about critical judgments in applying accounting policies that have the most significant effect on the amounts recognized in the interim consolidated financial statements are included in the notes to the financial statements where applicable and relate to the following:

2. BASIS OF PREPARATION (CONT'D)

(d) Use of estimates and judgments (cont'd)

Amounts recognized for depletion and depreciation and amounts used for impairment calculations are based on estimates of petroleum and natural gas reserves. By their nature, the estimates of reserves, including the estimates of future prices, costs, discount rates and the related future cash flows, are subject to measurement uncertainty.

Amounts recognized for decommissioning obligations and the related accretion expense requires the use of estimates with respect to the amount and timing of decommissioning expenditures. Other provisions are recognized in the period when it becomes probable that there will be a future cash outflow.

Charges for share-based payment and the value of warrants are based on the fair value at the date of issuance. These instruments are subject to the estimation of what the ultimate payout will be using pricing models such as the Black-Scholes option pricing model, which is based on assumptions such as volatility, dividend yield and expected term. A forfeiture rate is estimated on the grant date and is adjusted to reflect the actual number of options that vest.

Allocation of the purchase price of acquisitions contain estimates as to the fair market value of the assets acquired.

Tax interpretations, regulations and legislations in the jurisdiction in which the Company operates are subject to change. As such, income taxes are subject to measurement uncertainty. Deferred income tax assets are assessed by management at the end of the reporting period to determine the likelihood that they will be realized from future taxable earnings.

(e) Basis of consolidation

(i) Business combinations

For acquisitions on or after July 1, 2010, the business combination is accounted for using the acquisition method for acquisitions of subsidiaries and assets that meet the definition of a business under IFRS. The cost of an acquisition is measured as the consideration transferred, measured at acquisition date fair value and the amount of any non-controlling interest in the acquiree. The consideration transferred includes the fair values of the assets transferred, the liabilities incurred and the equity interests issued by the Company. Acquisition-related costs are recognized in profit or loss as incurred. On an acquisition-by-acquisition basis, the Company recognized any non-controlling interest in the acquiree either at fair value or at the non-controlling interest's proportionate share of the acquiree's identifiable net assets.

In the event that the excess of the consideration transferred and the amount recognized for any non-controlling interest over the acquisition-date fair value of the net identifiable assets acquired and liabilities assumed is less than the fair value of the net identifiable assets of the acquiree, the difference is recognized directly in profit or loss.

2. BASIS OF PREPARATION (CONT'D)

(e) Basis of consolidation (cont'd)

(i) Business combinations (cont'd)

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Company's cash-generating units that are expected to benefit from the combination.

For acquisitions made prior to July 1, 2010, as part of its transition to IFRS, the Company elected to restate only those business combinations that occurred on or after July 1, 2010. The Company had not recorded any goodwill for any acquisitions prior to July 1, 2010.

(ii) Subsidiaries

Subsidiaries are entities controlled by the Company. The Company owns 100% of all subsidiaries which are, Private Joint Stock Company Tysagaz (Ukraine), 3P International Ukraine Limited (Ukraine), 3P International Energy Limited (Cyprus) and Galizien Energy Corp. (Ontario). The results of subsidiaries acquired are consolidated from the date of acquisition, the date control commences until the date the control ceases. The accounting policies of subsidiaries have been changed when necessary to align them with the policies adopted by the Company.

(iii) Transactions eliminated on consolidation

Intercompany balances and transactions, and any unrealized income and expenses arising from intercompany transactions, are eliminated in preparing the consolidated financial statements.

3. NEW STANDARDS AND INTERPRETATIONS NOT YET ADOPTED

A number of new standards, amendments to standards and interpretations are not yet effective for the period ended December 31, 2011, and have not been applied in preparing these interim consolidated financial statements. None of these are expected to have an effect on the interim consolidated financial statements of the Company, except for the relevant ones noted below:

The Company is currently assessing the effects of IFRS 9 Financial Instruments (Classification and Measurement), IFRS 10 Consolidated Financial Statements, IFRS 11 Joint Arrangements, IFRS 12 Disclosure of Interest in Other Entities and IFRS 13 Fair Value Measurement, all of which become effective January 1, 2013. The extent of the impact has not been determined.

4. EXPLANATION OF TRANSITION TO IFRS

(a) Elected exemptions from full retrospective application:

In preparing these consolidated financial statements in accordance with IFRS 1, the Company has applied certain of the optional exemptions from full retrospective application of IFRS.

The optional exemptions applied are described below:

(i) Leases:

The Company has elected to be exempted from the requirement of IFRIC 4, Determining Whether an Arrangement Contains a Lease, and will account for such requirements from the transition date of July 1, 2010.

(ii) Share-based payments:

The Company has elected to be exempted from the requirement of IFRS 2, Share-Based Payments, for retrospective application of equity instruments granted on or before November 7, 2002 or which vested and settled before the Company's transition date of July 1, 2010 and will apply IFRS 2 to awards that are modified on or after the transition date, even if the original grant of the award is not accounted for under IFRS 2.

(iii) Business combinations:

The Company has elected to be exempted from the requirement of IFRS 3, Business Combinations, for retrospective application of business combinations that occurred before the Company's transition date of July 1, 2010 and will apply IFRS 3 to business combinations occurring on or after the transition date.

(b) Mandatory exemptions to retrospective application:

On preparing these interim consolidated financial statements in accordance with IFRS 1, the Company has applied a mandatory exemption from full retrospective application of IFRS. The mandatory exemption applied from full retrospective application of IFRS is described below:

(in Canadian dollars)

4. EXPLANATION OF TRANSITION TO IFRS (CONT'D)

(i) Estimates:

Hindsight was not used to create or revise estimates and, accordingly, the estimates previously made by the Company under Canadian GAAP are consistent with their application and cannot be revised for application of IFRS except where necessary to reflect any difference in accounting policies.

(c) Reconciliations:

In preparing its opening IFRS statement of financial position, the Company has adjusted amounts reported previously in financial statements prepared in accordance with previous Canadian GAAP. An explanation of how the transition from previous Canadian GAAP to IFRS has affected the Company's equity and financial performance is set out in the following tables:

The following is a reconciliation of the Company's statement of comprehensive income for the three months ended December 31, 2010:

	Canadian GAAP, December 31, 2010	References	IFRS adjustments	IFRS, December 31, 2010
Expenses				
General and administrative	$ 608,668	(a), (b)	$ 16,186	$ 624,854
Share-based payments	813,114		-	813,114
	1,421,782		16,186	1,437,968
Net finance income	-	(a)	16,186	16,186
Net loss and comprehensive loss	(1,421,782)		-	(1,421,782)
Deficit, beginning of period	(630,175)		-	(630,175)
Deficit, end of period	$ (2,051,957)		$ -	$ (2,051,957)
Loss per share	$ (0.03)		$ -	$ (0.03)

(in Canadian dollars)

4. EXPLANATION OF TRANSITION TO IFRS (CONT'D)

The following is a reconciliation of the Company's statement of comprehensive income for the six months ended December 31, 2010:

	Canadian GAAP, December 31, 2010	References	IFRS adjustments	IFRS, December 31, 2010
Expenses				
General and administrative	$ 804,914	(a), (b)	$ 16,311	$ 821,225
Share-based payments	973,722		-	973,722
	1,778,636		16,311	1,794,947
Net finance income	-	(a)	16,311	16,311
Net loss and comprehensive loss	(1,778,636)		-	(1,778,636)
Deficit, beginning of period	(273,321)			(273,321)
Deficit, end of period	$ (2,051,957)		$ -	$ (2,051,957)
Loss per share	$ (0.06)		$ -	$ (0.06)

All of the IFRS transition adjustments have had no effect on the statements of shareholders equity and cash flows as at and for the period ended December 31, 2010, therefore no cash or equity reconciliations have been provided.

Reconciling items:

(a) *Reclassification* – Consistent with the Company's policy to classify its statement of comprehensive income by function, the Company has reclassified certain items to net finance income for the three and six months ended December 31, 2010.

(b) *Reclassification* **-** Consistent with the Company's policy to classify its statement of comprehensive income by function, the Company has reclassified certain expense items, noted on the previously reported consolidated financial statements in accordance with Canadian GAAP into general and administrative expense.

5. ACQUISITION OF TYSAGAZ

On February 11, 2011, the Company signed a Binding Letter of Intent with JSC "Nadra Concern" ("Nadra LOI") for the purchase of 100% of its wholly owned subsidiary JSC "Tysagaz" ("Tysagaz") for U.S. $17,000,000. Tysagaz is the title holder to four gas licenses in Ukraine: the Rusko-Komariveske, Stanivske, Korolivske gas fields, and the Uzhogorod exploration block in Western Ukraine's Transcarpathian region. According to the terms of the Nadra LOI, the potential acquisition was subject to a 60-day due diligence period, the execution of a definitive agreement and receipt of all regulatory approvals. The Company has incurred $506,954 in transaction costs with regards to the acquisition of Tysagaz. On May 24, 2011, and further amended on July 5, August 30 and September 2, 2011, the Company signed a definitive purchase agreement to acquire Tysgaz. On September 6, 2011, all closing conditions were met and the Company completed its acquisition of Tysagaz.

(in Canadian dollars)

5. ACQUISITION OF TYSAGAZ (CONT'D)

With regards to the acquisition of Tysagaz, the Company has agreed to pay a finder's fee to an arm's length consultant who assisted the Company in completing the transaction. The Company must pay 2% on the first $10,000,000 and 1.5% thereafter of the purchase price. The total value of the payment was $50,000 cash and $255,000 in shares valued at $0.40 per common share resulting in the issuance of 637,500 common shares.

All assets and liabilities included in Tysagaz's statement of financial position have been adjusted to reflect the fair value determined by the Company as part of the preliminary purchase price allocation.

The allocation of the Tysagaz purchase price has been prepared on a preliminary basis as the final purchase price allocation report had not been completed as of the date of the financial statements. The identified assets and liabilities below are a result of management's best estimates and assumptions after taking into account all relevant information available. The final purchase price allocation may result in adjustments to the preliminary estimate of the purchase date fair values disclosed in the table below.

The preliminary purchase price allocation is summarized as follows:

Purchase Price:		
Cash	$	16,231,323
Holdback		494,900
Total Purchase Price	$	16,726,223
Fair value of net assets acquired:		
Cash	$	360,000
Trade and other receivables		875,000
Prepaid expenses		3,000
Inventories		94,000
Property, plant and equipment		21,286,601
Trade and other payables		(317,000)
Advances received		(310,000)
Provisions		(18,000)
Other non-current liabilities		(549,000)
Deferred income tax liability		(4,698,378)
	$	16,726,223

6. INVESTMENT

As at June 30, 2011, investment consisted of a one year cashable guaranteed investment certificate, which bore interest at a rate of prime minus 1.85% per annum and matured on November 4, 2011.

(in Canadian dollars)

7. REVENUE

	Three months ended December 31, 2011	Three months ended December 31, 2010	Six months ended, December 31, 2011	Six months ended, December 31, 2010
Sale of oil and natural gas	$ 557,000	$ -	$ 591,000	$ -
Less: Royalties[(1)]	(65,000)	-	(81,000)	-
Sales from rendering services	-	-	3,000	-
Sales of goods	-	-	1,000	-
		-		-
Total revenue	$ 492,000	$ -	$ 514,000	$ -

(1) Standard Ukrainian government royalties

8. FINANCE INCOME AND EXPENSES

	Three months ended December 31, 2011	Three months ended December 31, 2010	Six months ended, December 31, 2011	Six months ended, December 31, 2010
Interest income	$ 59	$ 16,186	$ 3,345	$ 16,311
Foreign exchange gain (loss)	(11,615)	-	338,074	-
Interest and bank charges	(1,907)	-	(3,565)	-
Net finance income (loss)	$ (13,463)	$ 16,186	$ 337,854	$ 16,311

9. SUPPLEMENTAL CASH FLOW INFORMATION

Changes in non-cash flow working capital is comprised of the following:

	Three months ended December 31, 2011	Three months ended December 31, 2010	Six months ended, December 31, 2011	Six months ended, December 31, 2010
Decrease (increase) in trade and other receivables	$ 684,405	$ (79,094)	$ 930,172	$ (122,060)
Decrease (increase) in inventories	86,000	-	47,000	-
Decrease (increase) in prepaid expenses	1,859	(25,181)	(2,320)	(22,680)
Increase (decrease) in trade and other payables	(1,380,423)	(218,472)	(931,710)	26,769
Increase in provisions	-	-	28,000	-
Decrease in deferred share issuance costs	-	-	-	8,000
	$ (608,159)	$ (322,747)	$ 71,142	$ (109,971)

(in Canadian dollars)

10. PROPERTY, PLANT AND EQUIPMENT

Movements in property, plant and equipment on the date of transition, for the year ended June 30, 2011 and for the period ended December 31, 2011 are as follows:

	Petroleum and Natural Gas Properties	Equipment, Furniture and Fixtures	Total
Cost			
Balance at July 1, 2010	$ -	$ -	$ -
Balance at June 30, 2011	$ -	$ -	$ -
Balance at July 1, 2011	$ -	$ -	$ -
Acquisition of Tysagaz (note 5)	20,799,601	487,000	21,286,601
Additions	4,000	6,000	10,000
Effect of movements in exchange rates	7,000	29,000	36,000
Disposals	(55,000)	-	(55,000)
Balance at December 31, 2011	$ 20,755,601	$ 522,000	$ 21,277,601
Accumulated depletion, depreciation and impairment			
Balance at July 1, 2011	$ -	$ -	$ -
Depletion and depreciation for the period	70,523	15,000	85,523
Effect of movements in exchange rates	-	-	-
Disposals	(14,000)	-	(14,000)
Balance at December 31, 2011	$ 56,523	$ 15,000	$ 71,523
Carrying amounts			
As at July 1, 2010	$ -	$ -	$ -
As at June 30, 2011	$ -	$ -	$ -
At December 31, 2011	$ 20,699,078	$ 507,000	$ 21,206,078

11. TRADE AND OTHER RECEIVABLES

	December 31, 2011	June 30, 2011
Trade receivables	$ 216,000	$ 130,703
HST receivable	79,883	244,353
Trade and other receivables	$ 295,883	$ 375,056

(in Canadian dollars)

12. TRADE AND OTHER PAYABLES

	December 31, 2011		June 30, 2011	
Trade payables	$	8,000	$	552,264
Accrued liabilities		313,156		12,425
Other payables		157,141		
Income tax payable		84,000		-
Trade and other payables	$	562,297	$	564,689

13. SHARE CAPITAL AND WARRANTS

As at December 31, 2011 and June 30, 2011, the Company was authorized to issue an unlimited number of common shares with no par value.

Share Capital and Warrants

	Common Shares		Amount
Balance, June 30, 2010 (i)	8,817,059	$	558,609
Private placements	40,035,000		11,895,438
Shares issued on acquisition	4,400,000		1,320,000
Options exercised	619,604		110,303
Warrants exercised	1,158,147		363,600
Share issuance costs	-		(1,320,575)
Balance, December 31, 2010	55,029,810		12,927,375
Balance, June 30, 2011	64,303,578	$	20,868,730
Warrants exercised	1,036,266		325,491
Shares issued on acquisition	637,500		255,000
Private placement	13,659,156		5,463,662
Share issuance costs	-		(511,676)
Balance, December 31, 2011	79,636,500	$	26,401,207

	Warrants		Amount
Balance, June 30, 2010	4,521,597	$	140,993
Private placement warrants, net of issuance costs	20,035,000		993,349
Finder's warrants	2,202,100		385,153
Transferred to share capital on exercise	(1,158,147)		(39,876)
Balance, December 31, 2010	25,600,550		1,479,619
Balance, June 30, 2011	12,766,282	$	798,696
Transferred to share capital on exercise	(1,036,266)		(46,204)
Warrants issued from exercise of finder's units	110,000		7,653
Balance, December 31, 2011	11,840,016	$	760,145

Expiry Date	Number of Warrants	Weighted Average Exercise Price
May 6, 2012	8,000	$ 0.15
May 6, 2012	1,861,666	0.30
September 28, 2012[a]	200,350	0.25
September 28, 2012	8,570,000	0.70
October 26, 2012	1,200,000	0.40
	11,840,016	$ 0.59

(a) Finder's Units issued and outstanding as part of the September 28, 2010 private placement have an exercise price of $0.25 when exercised will provide the holder with one common share and one warrant exercisable at $0.70 for a period of two years

13. SHARE CAPITAL AND WARRANTS (CONT'D)

(i) 2,000,000 issued Common Shares of the Company are subject to a CPC Escrow Agreement. Under the CPC Escrow Agreement, 10% of the escrowed Common Shares were released from escrow on the issuance of the Final Exchange Bulletin (the "Initial Release") on May 13, 2010, and an additional 15% will be released on the dates 6 months, 12 months, 18 months, 24 months, 30 months and 36 months following the Initial Release. As at December 31, 2011, there are 900,000 remaining shares subject to escrow.

(ii) On July 21, 2010, the Company completed the acquisition of Galizien Energy Corp., which did not meet the requirements of a business combination because the company had not yet commenced principal operations, and issued 4,400,000 shares from treasury with a fair value of $0.30 per share for an acquisition cost of $1,320,000.

(iii) On September 28, 2010, the Company completed a non brokered private placement of 20,035,000 units at $0.25 per unit for gross proceeds of $5,008,750. Each unit consisted of one common share and one share purchase warrant exercisable at $0.70 for a period of two years. The Company paid finder's fees of 6% of cash proceeds and finders warrants of up to 6% of the total number of units issued, each warrant granting the holder the ability to acquire one unit for $0.25 for a period of two years. The value of $3,895,438 less transaction costs of $419,745 has been attributed to the common shares. The remaining value of $1,113,312 less transaction costs of $119,963 has been attributed to the warrants issued based on the Black-Scholes pricing model and has been credited to warrants within shareholders' equity.

(iv) On October 26, 2010, the Company completed a non brokered private placement of 20,000,000 common shares at $0.40 per common share for gross proceeds of $8,000,000. The Company paid finder's fees of $480,000 and issued 1,200,000 finders warrants exercisable at $0.40, expiring on October 26, 2012, valued at $253,093 using the Black-Scholes option pricing model. Other transaction costs of $175,737 were incurred.

(v) In April 2011 and October 2011, the Company entered into two settlement agreements under which for a nominal value, 1,950,000 and 1,100,000 common shares, respectively, were returned to treasury and cancelled. The combined value of the 3,050,000 shares repurchased by treasury for cancellation was $989,642.

(vi) In November 2011, the Company issued 637,500 shares at a price of $0.40 per common to pay $255,000 of the finders' fees related to the Tysagaz acquisition (note 5).

(vii) On November 25, 2011, the Company completed a non brokered private placement of 13,659,156 common shares at a price of $0.40 per common share for gross proceeds of $5,463,662. Transaction costs of $511,676 were incurred. In conjunction with the closing of the private placement, the Company also issued 4,490,844 subscription receipts at a price of $0.40 per subscription receipt for gross proceeds of $1,796,337 (note 21).

(in Canadian dollars)

13. SHARE CAPITAL AND WARRANTS (CONT'D)

The fair value of the Company's warrants issued was estimated using the Black-Scholes option pricing model using the following assumptions:

Volatility	100%	(2011 – 100%)
Risk-free interest rate	0.91%	(2011 – 1.39%-2.81%)
Expected life (years)	1.02	(2011 – 1.56 - 2 years)
Dividend yield	Nil	(2011 – Nil)

14. STOCK OPTIONS

	Number of Options	Weighted Average Exercise Price
Balance at June 30, 2010	794,604	$ 0.13
Granted	5,142,451	0.54
Exercised	(750,854)	0.13
Cancelled	(1,299,250)	0.48
Balance at June 30, 2011	3,886,951	0.57
Granted	3,850,000	0.46
Cancelled	(12,500)	0.88
Balance at December 31, 2011	7,724,451	$ 0.51

The Company had the following stock options outstanding at December 31, 2011:

Grant Date	Exercise Price ($)	Weighted Avg Remaining Life (yrs)	Number of Options Outstanding	Number of Options Exercisable
September 22, 2010	0.31	3.73	440,000	440,000
October 6, 2010	0.40	3.77	1,309,451	1,309,451
October 28, 2010	0.67	3.83	225,000	225,000
December 21, 2010	0.87	3.98	450,000	225,000
February 14, 2011	0.85	4.13	100,000	37,500
March 10, 2011	0.76	4.20	300,000	112,500
April 18, 2011	0.64	4.30	350,000	87,500
April 18, 2011	0.75	4.30	300,000	150,000
May 16, 2011	0.65	4.38	250,000	-
June 22, 2011	0.43	4.48	150,000	150,000
July 12, 2011	0.40	4.53	600,000	75,000
September 8, 2011	0.50	4.69	1,000,000	125,000
December 2, 2011	0.45	4.93	2,250,000	-
	0.51	4.40	7,724,451	2,936,951

The fair values of the Company's stock options issued were estimated using the Black-Scholes option pricing model using the following assumptions:

Volatility	100%	(2011 - 100%)
Risk-free interest rate	1.25% to 2.15%	(2011 – 1.97% to 2.78%)
Expected life (years)	5 years	(2011 - 5 years)
Dividend yield	NIL	(2011 - NIL)
Forfeiture rate	NIL	(2011 – NIL)
Stock price	$0.40 to 0.41	(2011 - $0.31 to 0.88)
Average fair value	$0.30	(2011 - $0.35)

(in Canadian dollars)

15. DECOMMISSIONING EXPENSE

The Company leases wells # 2 and # 6 of Rusko-Komarivskye field. According to the contract the Company has a lease until December 4, 2017, after this date wells # 2 and # 6 are returned to the owner. According to the contract, liabilities for decommissioning costs are the responsibility of the wells owner. Therefore the Company does not have any commitment for liabilities for the decommissioning costs.

16. LOSS PER SHARE

	Three months ended December 31, 2011	Three months ended December 31, 2010	Six months ended, December 31, 2011	Six months ended, December 31, 2010
Numerator:				
Net loss for the period	$ (1,094,068)	$ (1,421,782)	$ (2,239,783)	$ (1,778,636)
Numerator for basic and diluted loss per share	(1,094,068)	$ (1,421,782)	(2,239,783)	$ (1,778,636)
Denominator:				
Weighted average number of common shares	69,920,265	46,794,510	66,541,740	28,836,126
Effect of dilutive securities:				
Stock options[(a)]	-	-	-	-
Share purchase warrants[(a)]	-	-	-	-
Denominator for basic and diluted loss per share	69,920,265	46,794,510	66,541,740	28,836,126
Basic and diluted loss per share	$ (0.02)	$ (0.03)	$ (0.03)	$ (0.06)

(a) The Stock options and share purchase warrants were not included in the computation of diluted loss per share as their inclusion would be anti-dilutive.

17. OPERATING SEGMENTS

The Company defines its reportable segments based on geographical locations.

Three months ended December 31, 2011	Ukraine	Canada	Total
Revenues (net of royalties)	$ 492,000	$ -	$ 492,000
Cost of sales	(202,000)	-	(202,000)
	290,000	-	290,000
General and administrative expenses	122,611	554,133	676,744
Acquisition costs	-	231,500	231,500
Depletion and depreciation	71,205	-	71,205
Stock-based compensation	-	322,156	322,156
Net finance loss (income)	370	13,093	13,463
Income taxes	69,000	-	69,000
	263,186	1,120,882	1,384,068
Net income (loss)	$ 26,814	$ (1,120,882)	$ (1,094,068)
Total assets	$ 21,545,541	$ 5,066,180	$ 26,611,721
Total liabilities	$ 4,936,699	$ 366,977	$ 5,303,676

(in Canadian dollars)

17. OPERATING SEGMENTS (CONT'D)

Six months ended December 31, 2011		Ukraine		Canada		Total
Revenues (net of royalties)	$	514,000	$	-	$	514,000
Cost of sales		(217,000)		-		(217,000)
		297,000		-		297,000
General and administrative expenses		144,178		1,203,377		1,347,555
Acquisition costs		-		757,780		757,780
Exploration and evaluation expense		-		20,004		20,004
Depletion and depreciation		85,523		-		85,523
Stock-based compensation		-		575,775		575,775
Net finance loss (income)		1,023		(338,877)		(337,854)
Income taxes		88,000		-		88,000
		318,724		2,218,059		2,536,783
Net loss	$	(21,724)	$	(2,218,059)	$	2,239,783
Total assets	$	21,545,541	$	5,066,180	$	26,611,721
Total liabilities	$	4,936,699	$	366,977	$	5,303,676

The Company had no segmented reporting requirements prior to the period ended December 31, 2011.

18. FINANCIAL RISK MANAGEMENT

The Company has exposure to the following risks from its use of financial instruments:

- credit risk
- liquidity risk
- market risk

This note presents information about the Company's exposure to each of the above risks, the Company's objectives, policies and processes for measuring and managing risk, and the Company's management of capital.

Risk management framework

The Directors have overall responsibility for establishment and oversight of the Group's risk management framework.

(i) Credit risk

Credit risk is the risk of financial loss associated with counterparty's inability to fulfill its contractual obligations. The Company's exposure to credit risk is influenced mainly by the individual characteristics of each customer. However, management also considers the demographics of the Company's customer base, including the default risk of the industry and country in which customers operate, as these factors may have an influence on credit risk. The Company manages its credit risk by holding its cash and its investment in deposits with high credit quality Canadian financial institutions.

Exposure to credit risk:

		December 31, 2011		June 30, 2011
Trade and other receivables	$	295,883	$	375,056

18. FINANCIAL RISK MANAGEMENT (CONT'D)

(ii) Liquidity risk

Liquidity risk is the risk that the Company will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset as they fall due. The Company manages its liquidity risk by forecasting cash flows and anticipated investing and financing activities. Officers of the Company are actively involved in the review and approval of planned expenditures.

The Company's operating cash requirements, including amounts projected, are continuously monitored and adjusted as input variables change. These variables include but are not limited to, changes to government regulations relating to prices, taxes, royalties and availability of markets. As these variables change, liquidity risks may necessitate the need for the Company to pursue equity issuances, obtain debt financing, or enter into joint arrangements. There is no assurance that the necessary financing will be available in a timely manner.

As at December 31, 2011, the Company had current assets of $5,405,643 and had the following financial liabilities:

Exposure to liquidity risk:	**Carrying Amount**	**Contractual Cash Flows**	**< 1 year**
Trade and other payables	$ 562,298	$ 562,298	$ 562,298
Provisions	40,000	40,000	-
	$ 606,298	$ 606,298	$ 562,298

(iii) Market risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. The significant market risks to which the Company is exposed are foreign exchange risk and commodity price risk.

(i) Foreign exchange risk

The Company is exposed to foreign exchange risk primarily related to operating and capital expenditures, denominated in currencies other than the Canadian Dollar which is primarily US Dollars and Ukrainian Hryvnia. The following financial instruments are shown in Canadian Dollars:

(in Canadian dollars)

18. FINANCIAL RISK MANAGEMENT (CONT'D)

(iii) Market risk (cont'd)

Exposure to market risk as at December 31, 2011:

		UAH		USD		Total
Cash	$	51,346	$	145,514	$	196,860
Trade and other receivables		216,000		-		216,000
Trade and other payables		(92,000)		(144,310)		(236,310)
Provisions		(40,000)		-		(40,000)
		135,346		1,204		136,550
Effect of +/- 10% change in exchange rate	$	13,535	$	120	$	13,655

Exposure to market risk as at June 30, 2011:

		UAH		USD		Total
Cash	$	-	$	16,550,131	$	16,550,131
Trade and other payables		-		(46,057)		(46,057)
	$	-	$	16,504,074	$	16,504,074
Effect of +/- 10% change in exchange rate	$	-	$	1,650,407	$	1,650,407

(ii) Interest rate risk

Interest rate risk is the risk that the fair value or the future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

Financial assets and financial liabilities with variable interest rates expose the Company to cash flow interest rate risk. The Company's cash and cash equivalents and investment earn interest at market rates.

The Company manages its interest rate risk by maximizing the interest income earned on excess funds while maintaining the liquidity necessary to conduct operations on a day-to-day basis.

(in Canadian dollars)

19. CAPITAL RISK MANAGEMENT

The Company's objective when managing capital is to maintain its ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders.

The Company includes equity, comprised of issued share capital, contributed surplus, warrants, accumulated foreign currency translation and retained earnings (deficit) in the definition of capital. As at December 31, 2011, the Company has total equity of $21,308,045 (June 30, 2011 - $17,497,854).

The Company's primary objective with respect to its capital management is to ensure that it has sufficient cash resources to fund the identification and evaluation of potential acquisitions. To secure the additional capital necessary to pursue these plans, the Company may attempt to raise additional funds through the issuance of equity or by securing strategic partners.

The Company is not subject to externally imposed capital requirements and there has been no change with respect to the overall capital risk management strategy during the period ended December 31, 2011.

20. LEASE COMMITMENTS

	Not later than one year	Later than one year and not later than five years	Later than five years
Total of future minimum lease payments under non-cancellable operating leases	$ 35,055	$ 138,107	$ 36,017

21. SUBSCRIPTION RECEIPTS

On November 25, 2011, in conjunction with the closing of the private placement, the Company also issued 4,490,844 subscription receipts at a price of $0.40 per subscription receipt for gross proceeds of $1,796,337. Gross proceeds are held in escrow until such time the subscription receipts are exercised or expire. Each subscription receipt will automatically convert into one common share upon the issuance of a sufficient number of common shares such that the exercise of the subscription receipts shall not cause the holder to become an insider. In the event that the subscription receipts are not exchanged on or before March 31, 2012, the subscription receipts shall be null and void and the holder shall be entitled to receive from the escrow agent the subscription proceeds.

22. SUBSEQUENT EVENTS

On October 31, 2011, the Company signed a letter of intent ("LOI") with Gastek LLC ("Gastek") to acquire a 30% interest in five license areas in the Dnieper-Donetsk Basin of Eastern Ukraine through a business combination. Pursuant to the LOI, the Company is to issue common shares to the owners of Gastek such that the recipients will hold 60% of the issued and outstanding shares in the Company upon closing. The business combination will constitute a reverse take-over of the Company. The closing of the transaction shall occur on or before December 31, 2011, or such other date as the parties may mutually agree. The Company and Gastek mutually agreed to extend the date past December 31, 2011.

On January 26, 2012, the Company entered into a securities exchange agreement (the "Securities Exchange Agreement") with Gastek, the Gastek's sole unitholder Pelicourt Limited ("Pelicourt"), and Pelicourt's beneficial shareholders. Pursuant to the Securities Exchange Agreement, the Company will acquire all of the outstanding units of Gastek from Pelicourt in exchange for 123,806,858 common shares of the Company (the "Gastek Acquisition"). The Gastek Acquisition will be a reverse takeover of the Company by Gastek. The completion of the Gastek Acquisition is subject to a number of conditions, including but not limited to the written approval of a minimum of 50% of the CUB shareholders and the receipt of all required regulatory approvals, including the approval of the TSX Venture Exchange and the Ukrainian Anti-Monopoly Committee.

EXHIBIT "D"
MD&A OF CUB FOR THE THREE-MONTH PERIOD ENDED DECEMBER 31, 2011

Cub Energy Inc. (Formerly 3P International Energy Corp.) **February 29, 2011**
December 31, 2011
Management's Discussion and Analysis ("MD&A")

Introduction

The following discussion and analysis is a review of operations, current financial position and outlook for Cub Energy Inc. (the "**Company**" or "**Cub**"), formerly 3P International Energy Corp., and should be read in conjunction with the audited financial statements for the year-ended June 30, 2011, the initial transition to IFRS financial statements for the period ended September 30, 2011, and the current period financial statements for the period ended December 31, 2011. Results are presented for the period ended December 31, 2011. Amounts are reported in Canadian dollars based upon the financial statements prepared in accordance with International Financial Reporting Standards ("IFRS").

This MD&A provides management's view of the financial condition of the Company and the results of its operations for the reporting periods indicated. Additional information related to the Company is available in the Information Circular as filed on the Canadian Securities Administrators' website at www.sedar.com.

Forward-looking information

This MD&A contains "forward-looking information" which may include, but is not limited to, statements with respect to the future financial or operating performance of the Company, its petroleum and natural gas projects, the future price of resources, the estimation of resources, the realization of resource estimates, the timing and amount of estimated future production, costs of production, capital, operating and exploration expenditures, costs and timing of development, costs and timing of future exploration, requirements for additional capital, government regulations, environmental risks, reclamation expenses, title disputes or claims and limitations of insurance coverage. Often, but not always, forward-looking statements can be identified by the use of words such as "plans", "is expected", "budget", "scheduled", "estimates", "forecasts", "intends", "anticipates", or "believes" or variations (including negative variations) of such words and phrases, or state that certain actions, events or results "may", "could", "would", "might" or "will" be taken, occur or be achieved.

Forward-looking statements are based on the opinions and estimates of management as of the date such statements are made and are based on assumptions. They involve known and unknown risks, uncertainties and other factors which may cause the actual results, performance or achievements of the Company and/or its subsidiaries to be materially different from any future results, performance or achievements expressed or implied by the forward-looking statements. Such factors include, among others, general business, economic, competitive, political and social uncertainties; the actual results of current exploration activities; actual results of reclamation activities; conclusions of economic evaluations; changes in project parameters as plans continue to be refined; future prices of resources; possible variation recovery rates; failure of plant, equipment or processes to operate as anticipated; accidents, labour disputes and other risks of the industry; political instability; delays in obtaining governmental approvals or financing or in the completion of development or construction activities, as well as those factors discussed in the section entitled "Risk Factors" in this MD&A. Although the Company has attempted to identify important factors that could cause actual actions, events or results to differ materially from those described in forward-looking statements, there may be other factors that cause actions, events or results to differ from those anticipated, estimated or intended. Forward-looking statements contained herein are made as of the date of this MD&A and the Company disclaims any obligation to update any forward-looking statements, whether as a result of new information, future events or results, except as may be required by applicable securities laws. There can be no assurance that forward-looking statements will prove to be accurate, as actual results and future events could differ materially from those anticipated in such statements. Accordingly, readers should not place undue reliance on forward-looking statements.

General Development of the Business

History

On December 2, 2011, at the Company's annual general meeting the Company's shareholders approved the change of the Company's name from 3P International Energy Corp. to Cub Energy Inc and the continuance of the Company under the Canada Business Corporations Act. These changes are expected to be implemented in the immediate future. The Company is incorporated by Certificate of Incorporation issued pursuant to the provisions of the Business Corporations Act (Ontario) on April 3, 2008 and in August 2008, had an initial public offering to convert to a Capital Pool Company ("CPC"). On May 13, 2010, the Company completed its qualifying transaction" pursuant to the policies of the TSX Venture Exchange (the "Exchange"), removing the Company's CPC status. A filing statement describing the qualifying transaction was filed by the Company on April 13, 2010 and is accessible under the Company's profile on SEDAR at www.sedar.com.

On February 11, 2011, the Company signed a Binding Letter of Intent with JSC "Nadra Concern" ("Nadra LOI") for the purchase of its wholly owned subsidiary JSC "Tysagaz" ("Tysagaz") for US$17,000,000 in cash. On May 24, 2011, the Company signed a definitive agreement to acquire Tysagaz, and on September 6, 2011, all closing requirements were met and the Company successfully completed the acquisition of Tysagaz.

The acquisition of Tysagaz added proven resources and cash flow from operations through the producing Rusko-Komariveske ("RK") Field as well as providing approximately 320 km^2 of exploration opportunity through the Stanivske, Korolivske and Uzhogorod exploration Fields The Company had Sproule International Limited ("Sproule") complete an independent reserves assessment in accordance with NI 51-101. The reserve report was commissioned to focus solely on the lone producing field, the RK field and one area of the Stanivske block. The following table provides a summary of the evaluation of the natural gas reserves in the Rusko-Komarivske and Stanivske Fields, Ukraine, as of April 30, 2011 in the reserve report completed by Sproule:

	Remaining Reserves			Net Present Value After Income Taxes (million $CDN)	
		WI 100%			
	Project	Gross	Net (AT)		At 10%
Associated and Non-Associated Gas (MMcf)					
Proved Developed Producing	244	244	244	$	707
Proved Undeveloped	3,194	3,194	3,194	$	5,368
Total Proved	3,438	3,438	3,438	$	6,075
Total Proved + Probable	11,885	11,885	11,885	$	21,278
Total Proved + Probable + Possible	22,876	22,876	22,876	$	36,913
BOE (Mbbl)					
Proved Developed Producing	41	41	41	$	707
Proved Undeveloped	532	532	532	$	5,368
Total Proved	573	573	573	$	6,075
Total Proved + Probable	1,981	1,981	1,981	$	21,278
Total Proved + Probable + Possible	3,813	3,813	3,813	$	36,913

Results of Operations

Gastek LLC Securities Exchange Agreement:

On October 31, 2011, the Company signed a letter of intent ("LOI") with Gastek LLC ("Gastek") to acquire a 30% interest in five license areas in the Dnieper-Donetsk Basin of Eastern Ukraine through a business combination. Pursuant to the LOI, the Company is to issue common shares to the owners of Gastek such that the recipients will hold 60% of the issued and outstanding shares in the Company upon closing. The business combination will constitute a reverse take-over of the Company.

On January 26, 2012, the Company entered into a securities exchange agreement (the "Securities Exchange Agreement") with Gastek and Gastek's sole unitholder Pelicourt Limited ("Pelicourt"), and Pelicourt's beneficial shareholders. Pursuant to the Securities Exchange Agreement, the Company will acquire all of the outstanding units of Gastek from Pelicourt in exchange for 123,806,858 common shares of the Company (the "Gastek Acquisition"). The Gastek Acquisition will be a reverse takeover of the Company by Gastek. The completion of the Gastek Acquisition is subject to a number of conditions, including but not limited to the written approval of a minimum of 50% of the CUB shareholders and the receipt of all required regulatory approvals, including the approval of the TSX Venture Exchange and the Ukrainian Anti-Monopoly Committee.

Private Placement:

On November 25, 2011, the Company completed a non brokered private placement of 13,659,156 common shares at a price of $0.40 per common share for gross proceeds of $5,463,662. Transaction costs of $511,676 were incurred.

In conjunction with the closing of the private placement, the Company also issued 4,490,844 subscription receipts at a price of $0.40 per subscription receipt for gross proceeds of $1,796,337. Gross proceeds are held in escrow until such time the subscription receipts are exercised or expire. Each subscription receipt will automatically convert into one common share upon the issuance of a sufficient number of common shares such that the exercise of the subscription receipts shall not cause the holder to become an insider. In the event that the subscription receipts are not exchanged on or before March 31, 2012, the subscription receipts shall be null and void and the holder shall be entitled to receive from the escrow agent the subscription proceeds.

Tysagaz:

- Shot 14 line kilometres of 2D seismic in December 2011 on the RK field which is being interpreted, with plans to infill a further 5 line KM's in March
- Renegotiated transportation and mixing contracts
- Looking to contract third party in Calendar Q2 to develop and optimize the RK Field infrastructure
- Contracted for 40 line kilometres of 2D seismic on the Stanovo field

Outlook

Since acquiring Tysagaz, the Company has been focused on developing a detailed work plan to develop the assets while optimizing current production. Through to December 31, 2012, the Company plans to work on the following:

RK Field/ Production License

- Drill 2 wells on the RK Field to increase and optimize production
    - Plan to select first location on crest of structure and begin drilling in summer of 2012
- Work over RK 2 and RK 6 (cleaning, re-perforating and adding compression to reduce water production)
    - The Company expects this to substantially increase current production from approximately 450mcf/d
- Commission study of infrastructure to determine the best way to upgrade facilities to raise capacity from 3.5Mmcf/d

Stanovo Test Production License

- 40 line KM's of 2D seismic starting in March
- Logging study of the Yabluniv #2 well underway
- Plan to drill one well in back half of 2012

Uzhgorod Exploration License

- Plan to shoot approximately 40 kilometres of 2D seismic
- Evaluating the South West area of the field for potential well location

Korolevskyi Test Production License

- Evaluate field and determine best options to develop the existing discovery
- Study potential to convert the old wells into gas storage

Zakarpatiye Regional Study

- Build database of all Zakarpatiye wells drilled and license areas

Selected Financial Information and Management's Discussion and Analysis

<u>Summary of Quarterly Results</u>

The following table sets out selected unaudited consolidated financial information, presented in Canadian dollars and prepared in accordance with IFRS for each of the last eight quarters ended up to and including December 31, 2011. The information contained herein is drawn from interim consolidated financial statements of the Company for each of the aforementioned quarters.

Quarter	2011	2011	2011	2011
Ended	**December 31**	**September 30**	**June 30**	**March 31**
Revenue (net of royalties)	492,000	22,000	-	-
Cost of sales	202,000	15,000	-	-
Finance income (loss)	(13,463)	351,317	2,868	14,234
Expenses	1,301,605	1,485,033	3,110,480	1,541,297
Net Loss	(1,094,068)	(1,145,716)	(3,107,612)	(1,527,063)
Net Loss (per Share)	(0.02)	(0.02)	(0.070)	(0.030)
Working Capital	4,843,346	748,282	17,497,854	18,419,943

Quarter	2010	2010	2010	2010
Ended	**December 31**	**September 30**	**June 30**	**March 31**
Revenue (net of royalties)	-	-	-	-
Cost of sales	-	-	-	-
Finance income	16,186	125	26	-
Expenses	1,437,968	356,979	95,040	32,602
Net Loss	(1,421,782)	(356,854)	(94,014)	(32,602)
Net Loss (per Share)	(0.030)	(0.030)	(0.045)	(0.007)
Working Capital	11,602,610	4,512,603	441,138	57,244

<u>Discussion on Results of Quarterly Operations</u>

Revenue

On September 6, 2011, the Company completed its acquisition of Tysagaz, which is currently producing gas from 2 wells on the RK field. During the 3 months ended December 31, 2011, the Company had gross petroleum and natural gas sales of approximately $557,000.

Finance income

The finance income largely relates to gains and losses related to changes in foreign exchange as well as some interest income.

Operating Expenses

During the quarter ended December 31, 2011, the Company saw an increase in revenues to $492,000 net of government royalties, due to this being the first full quarter since the acquisition of Tysagaz, and as the colder weather arrived in Ukraine, the Company sold off inventory that it had stored. The significant expenses incurred relate to fees related to due diligence and negotiation of the proposed Gastek transaction in the amount of $231,500, management salaries of approximately $140,000, travel expenses of approximately $124,000 and share-based compensation of $322,156.

During the quarter ended September 30, 2011, the Company was focused on completing the acquisition of Tysagaz and integration of the Tysagaz staff. The significant expenses incurred during the quarter were a $305,000 finders' fee accrued to a consultant with regards to the acquisition of Tysagaz of which $255,000 remains payable, approximately $253,000 of share-based payments, $152,000 of travel expenses and $416,000 of professional fees and due diligence costs.

Liquidity, Capital Resources and Financings

At December 31, 2011, the Company had a cash balance of $5,023,564 (June 30, 2011 – $16,677,609) and a working capital of $4,843,346 (June 30, 2011 – $17,497,854).

The Company has the following lease commitments which it inherited through the acquisition of Tysagaz:

	Not later than one year	Later than one year and not later than five years	Later than five years
Total of future minimum lease payments under non-cancellable operating leases	$ 35,055	$ 138,107	$ 36,017

The Company's balance sheet remains free from long-term debt and capital leases. The Company has been able to raise funds through the issuance of shares.

Off Balance Sheet Arrangements

The Company currently has no off balance sheet arrangements.

Transactions with Related Parties

During the period ended December 31, 2011, the Company had no related party transactions.

Outstanding Share Data

Issued and outstanding as at December 31, 2011:

Common shares	79,636,500
Warrants	11,840,016
Stock options	7,724,451

In conjunction with the closing of the private placement in November, 2011, the Company also issued 4,490,844 subscription receipts at a price of $0.40 per subscription receipt for gross proceeds of $1,796,337. Gross proceeds are held in escrow until such time the subscription receipts are exercised or expire. Each subscription receipt will automatically convert into one common share upon the issuance of a sufficient number of common shares such that the exercise of the subscription receipts shall not cause the holder to become an insider. In the event that the subscription receipts are not exchanged on or before March 31, 2012, the subscription receipts shall be null and void and the holder shall be entitled to receive from the escrow agent the subscription proceeds.

Critical Accounting Estimates

The preparation of the consolidated financial statements in conformity with IFRS requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses.

Estimates and underlying assumptions are continuously evaluated and are based on management's experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. By nature, estimates and assumptions are subject to measurement uncertainty and may result in outcomes that require a material adjustment to the carrying amount of the asset or liabilities in future periods. Accordingly, actual results may differ from the estimated amounts as future confirming events occur. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in any future periods affected.

Information about critical judgments in applying accounting policies that have the most significant effect on the amounts recognized in the interim consolidated financial statements are included in the notes to the financial statements, where applicable, and relate to the following:

Amounts recognized for depletion and depreciation and amounts used for impairment calculations are based on estimates of petroleum and natural gas reserves. By their nature, the estimates of reserves, including the estimates of future prices, costs, discount rates and the related future cash flows, are subject to measurement uncertainty.

Amounts recognized for decommissioning obligations and the related accretion expense requires the use of estimates with respect to the amount and timing of decommissioning expenditures. Other provisions are recognized in the period when it becomes probable that there will be a future cash outflow.

Charges for share-based payments and the value of warrants are based on the fair value at the date of issuance. These instruments are subject to the estimation of what the ultimate payout will be using pricing models such as the Black-Scholes option pricing model, which is based on assumptions such as volatility, dividend yield and expected term. A forfeiture rate is estimated on the grant date and is adjusted to reflect the actual number of options that vest.

Allocation of the purchase price of acquisitions contain estimates as to the fair market value of the assets acquired.

Tax interpretations, regulations and legislations in the jurisdiction in which the Company operates are subject to change. As such, income taxes are subject to measurement uncertainty. Deferred income tax assets are assessed by management at the end of the reporting period to determine the likelihood that they will be realized from future taxable earnings.

Changes in Accounting Policies

Prior to 2011, the Company prepared its financial statements under Canadian Generally Accepted Accounting Principles ("GAAP"). For year ends starting on or after January 1, 2011, Canadian public companies were required to adopt IFRS. The Company's financial statements for the quarter ended December 31, 2011, including comparative amounts, have been prepared on an IFRS basis. The date of the transition for the Company was July 1, 2010, being the start date of the earliest period of comparative information.

In order to explain how the Company's reported performance, financial position and accounting policies are affected by the changeover to IFRS, information previously reported under Canadian GAAP have been restated under IFRS with reconciliations provided in the notes to the consolidated financial statements at December 31, 2011. The restated information and new accounting policies information are set out in the consolidated financial statements as at, and for the period ended September 30, 2011.

During the conversion, the Company elected to apply the following exemptions in preparation of its opening IFRS statement of financial position as at July 1, 2010:

Leases:

The Company has elected to be exempted from the requirement of IFRIC 4, Determining Whether an Arrangement Contains a Lease, and will account for such requirements from the transition date of July 1, 2010.

Share-based payments:

The Company has elected to be exempted from the requirement of IFRS 2, Share-Based Payments, for retrospective application of equity instruments granted on or before November 7, 2002 or which vested and settled before the Company's transition date of July 1, 2010 and will apply IFRS 2 to awards that are modified on or after the transition date, even if the original grant of the award is not accounted for under IFRS 2.

Business combinations:

The Company has elected to be exempted from the requirement of IFRS 3, Business Combinations, for retrospective application of business combinations that occurred before the Company's transition date of July 1, 2010 and will apply IFRS 3 to business combinations occurring on or after the transition date.

Recent Accounting Pronouncements Issued and Not Yet Applied

A number of new standards, amendments to standards and interpretations are not yet effective for the period ended December 31, 2011, and have not been applied in preparing these interim consolidated financial statements. None of these are expected to have an effect on the interim consolidated financial statements of the Company, except for the relevant ones noted below:

The Company is currently assessing the effects of IFRS 9 Financial Instruments (Classification and Measurement), IFRS 10 Consolidated Financial Statements, IFRS 11 Joint Arrangements, IFRS 12 Disclosure of Interest in Other Entities and IFRS 13 Fair Value Measurement, all of which become effective January 1, 2013. The extent of the impact has not been determined.

Financial Instruments and Other Instruments

The Company's financial instruments consist of cash, trade and other receivables, trade and other payables and accrued liabilities, and provisions.

Management believes that these financial instruments expose the Company to a limited amount of currency or credit risks. The fair market values of cash, trade and other receivables, trade and other payables and accrued liabilities approximate their carrying values. Provisions are based on expected future cash outflow.

Risk Factors

The Company is exposed to a variety of risks, including, but not limited to the risks set out below. The Company considers these risks the most significant to potential investors, but not all of the risks associated with an investment in securities of the Company.

- Financial risks
  - Commodity price risk
  - Fluctuations in currency exchange rates
  - Interest rate risk
  - Credit risk
  - Cash flows and additional funding requirements
  - Global financial conditions
  - Uncertainty of additional financing

- Operational risks
  - Dependence on limited number of early staged projects
  - Limited operating history
  - Exploration and development
  - Operating hazards and risks
  - Reserve estimates
  - Transportation risks
- Other Risks
  - Environmental factors
  - Political risk
  - Changes in legislation
  - Competition risks
  - Dependence on management and outside advisors
  - Payment of dividends

Disclosure Controls and Procedures

Disclosure controls and procedures are designed to provide reasonable assurance that all relevant information is gathered and reported to senior management, including the Chief Executive Officer and Chief Financial Officer, on a timely basis so that appropriate decisions can be made regarding public disclosure.

The Company's management conducted an evaluation of the effectiveness of the design and operation of our disclosure controls and procedures as of December 31, 2011. Based on this evaluation, the Chief Executive Officer and Chief Financial Officer have concluded that our disclosure controls and procedures are effective to ensure that information required to be disclosed in reports that we file or submit under Canadian securities legislation is recorded, processed, summarized and reported within the time periods specified in those rules and forms.

It should be noted that while the Company's Chief Executive Officer and Chief Financial Officer believe that our disclosure controls and procedures will provide a reasonable level of assurance and that they are effective, they do not expect that the disclosure controls and procedures will prevent all errors and frauds. A control system, no matter how well designed or operated, can provide only reasonable, not absolute, assurance that the objectives of the control system are met.

EXHIBIT “E”
FINANCIAL STATEMENTS OF CUB FOR THE THREE MONTH PERIODS ENDED SEPTEMBER 30, 2011 AND SEPTEMBER 30, 2010

3P International Energy Corp.

Consolidated Financial Statements

For the three month periods ended
September 30, 2011 and 2010
(in Canadian dollars)
(unaudited)

3P International Energy Corp.
Interim Consolidated Statements of Financial Position
(in Canadian dollars)
(unaudited)

	September 30, 2011	June 30, 2011	July 1, 2010
		(note 4)	(note 4)
Assets			
Current			
Cash	$ 1,165,340	$ 16,677,609	$ 226,849
Investment (note 6)	-	1,000,000	272,000
Trade and other receivables (note 11)	1,004,288	375,056	11,461
Inventories	133,000	-	-
Prepaid expenses	17,055	9,878	2,501
	2,319,683	18,062,543	512,811
Exploration and evaluation assets (note 4)	-	-	40,000
Unallocated purchase price (note 5)	4,796,068	-	-
Property, plant and equipment (note 10)	14,355,047	-	-
Total assets	$ 21,470,798	$ 18,062,543	$ 552,811
Liabilities			
Current			
Trade and other payables (note 12)	$ 1,245,401	$ 564,689	$ 79,673
Unearned revenue	326,000	-	-
	1,571,401	564,689	79,673
Provisions	25,000	-	-
Deferred income tax liability (note 5)	3,174,345	-	-
	3,199,345	-	-
Total liabilities	4,770,746	564,689	79,673
Shareholders' Equity			
Share capital (note 13)	20,954,370	20,868,730	558,609
Contributed surplus	2,770,680	2,517,060	46,857
Warrants (note 13)	780,556	798,696	140,993
Accumulated foreign currency translation	26,794	-	-
Retained earnings (deficit)	(7,832,348)	(6,686,632)	273,321
	16,700,052	17,497,854	473,138
Total liabilities and shareholders' equity	$ 21,470,798	$ 18,062,543	$ 552,811

Reporting entity and Going Concern (Note 1)
Commitments (Note 20)
Subsequent events (Note 21)

See accompanying notes, which are an integral part of these consolidated financial statements

Approved by the Board "Robert Hodgins" Director **(Signed)** "Gregory Cameron" Director **(Signed)**

3P International Energy Corp.
Interim Consolidated Statements of Comprehensive Loss
Three month periods ended September 30,
(in Canadian dollars)
(unaudited)

		2011		2010
				(note 4)
Revenue (note 7)	$	22,000	$	-
Cost of sales		15,000		-
Gross profit		7,000		
Expenses				
General and administrative		670,811		196,371
Acquisition costs (note 5)		526,280		-
Exploration and evaluation		20,004		-
Depletion and depreciation		14,318		-
Share-based payments		253,620		160,608
		1,485,033		356,979
		(1,478,033)		(356,979)
Net finance income (note 8)		351,317		125
Net loss for the period before income taxes		(1,126,716)		(356,854)
Income taxes		19,000		-
Net loss for the period		(1,145,716)		(356,854)
Other comprehensive income				
Exchange gain on translating to presentation currency		26,794		-
Total comprehensive loss for the period	$	(1,118,922)	$	(356,854)
Basic and diluted loss per share (note 16)	$	(0.02)	$	(0.03)

See accompanying notes, which are an integral part of these consolidated financial statements

3P International Energy Corp.

Interim Consolidated Statements of Changes in Equity
Three month periods ended September 30,
(in Canadian dollars)
(unaudited)

	Number of common shares	Share capital	Contributed surplus	Warrants	Accumulated foreign currency translation	Retained earnings (deficit)	Total
Balance as at July 1, 2010 (note 4)	8,817,059	$ 558,609	$ 46,857	$ 140,993	$ -	$ (273,321)	$ 473,138
Private placement	20,035,000	3,903,438	-	993,349	-	-	4,896,787
Shares issued on acquisition	4,400,000	1,320,000	-	-	-	-	1,320,000
Finder's units	-	-	-	132,060	-	-	132,060
Share-based payments	-	-	160,608	-	-	-	160,608
Options exercised	32,441	4,682	-	-	-	-	4,682
Warrants exercised	150,000	38,321	-	-	-	-	38,321
Share issuance costs	-	(419,745)	-	-	-	-	(419,745)
Transferred to share capital on exercise	-	-	(1,439)	(9,820)	-	-	(11,259)
Net profit (loss) for the period	-	-	-	-	-	(356,854)	(356,854)
Balance as at September 30, 2010 (note 4)	33,434,500	$ 5,405,305	$ 206,026	$1,256,582	$ -	$ (630,175)	$ 6,237,738
Balance as at July 1, 2011 (note 4)	64,303,578	$20,868,730	$ 2,517,060	$ 798,696	$ -	$(6,686,632)	$ 17,497,854
Share-based payments	-	-	253,620	-	-	-	253,620
Warrants exercised	243,333	85,640	-	-	-	-	85,640
Transferred to share capital on exercise	-	-	-	(18,140)	-	-	(18,140)
Exchange gain on translation	-	-	-	-	26,794	-	26,794
Net profit (loss) for the period						(1,145,716)	(1,145,716)
Balance as at September 30, 2011	64,546,911	$20,954,370	$ 2,770,680	$ 780,556	$ 26,794	$(7,832,348)	$ 16,700,052

See accompanying notes, which are an integral part of these consolidated financial statements

3P International Energy Corp.
Interim Consolidated Statements of Cash Flows
Three month periods ended September 30,
(in Canadian dollars)
(unaudited)

		2011		2010
				(note 4)
Cash provided by (used in)				
Operations				
Net loss	$	(1,145,716)	$	(356,854)
Items not affecting cash				
Income tax		19,000		-
Depletion and depreciation		14,318		-
Share-based payments		253,620		160,608
Net changes in non-cash working capital (note 9)		679,302		212,776
Cash flows from operating activities		(179,476)		16,530
Investing				
Purchase of exploration and evaluation assets		(2,000)		-
Petroleum and natural gas properties		-		(30,135)
Proceeds from redemption of investment		(1,000,000)		272,000
Acquisitions		(15,871,323)		(335,000)
Cash flows used in investing activities		(14,873,323)		(93,135)
Financing				
Proceeds from issuance of share capital and warrants		67,500		5,040,494
Share capital and warrant issuance costs		-		(407,646)
Cash flows from financing activities		67,500		4,632,848
Net change in cash		(14,985,299)		4,556,243
Effects of exchange rate changes		(526,970)		-
Cash, beginning of period		16,677,609		226,849
Cash, end of period	$	1,165,340	$	4,783,092

See accompanying notes, which are an integral part of these consolidated financial statements

1. REPORTING ENTITY AND GOING CONCERN

3P International Energy Corp. (the "Company") is a resource-based company engaged in the exploration, development and production of petroleum and natural gas properties in Ukraine. The Company is incorporated by Certificate of Incorporation issued pursuant to the provisions of the Business Corporations Act (Ontario) on April 3, 2008 and in August 2008, had an initial public offering to convert to a Capital Pool Company ("CPC"). On May 13, 2010, the Company completed its qualifying transaction" pursuant to the policies of the TSX Venture Exchange (the "Exchange"), removing the Company's CPC status. A filing statement describing the qualifying transaction was filed by the Company on April 13, 2010 and is accessible under the Company's profile on SEDAR at www.sedar.com. The address of the Company's registered office is 50 Richmond Street East, Suite 101, Toronto Ontario, M5C 1N7, Canada.

The interim consolidated financial statements for the three months ended September 30, 2011, were approved and authorized for issue by the Board of Directors on December 19, 2011.

The continued operations of the Company and the recoverability of amounts shown for its petroleum and natural gas properties is dependent upon the ability of the Company to obtain financing to continue the exploration and development of its petroleum and natural gas properties, the existence of economically recoverable reserves and future profitable production, or alternatively, upon the Company's ability to recover its costs through a disposition of its properties. The amount shown for petroleum and natural gas properties does not necessarily represent present or future value. Changes in future conditions could require a material change in the amount recorded for the petroleum and natural gas properties.

The Company is exposed to commodity price risk with respect to natural gas and oil commodity prices. A significant decline in any one of these commodity prices may affect the Company's ability to obtain capital for the exploration and development of its resource properties.

The consolidated financial statements are prepared on the basis that the Company will continue as a going concern, which contemplates the realization of assets and settlement of liabilities in the normal course of operations as they become due. The Company has a limited source of revenue, and has cash requirements to meet its administrative overhead and maintain its mineral natural resource investments. In order to meet future expenditures and cover administrative and exploration costs, the Company may need to raise additional financing. The Company is expected to continue as a going concern however, although the Company has been successful in raising funds to date, there can be no assurance that adequate funding will be available in the future, or available under terms favourable to the Company.

2. BASIS OF PREPARATION

(a) Statement of compliance

The interim consolidated financial statements have been prepared in accordance with International Accounting Standard ("IAS") 34, Interim Financial Reporting, as issued by the International Accounting Standards Board ("IASB") and using the accounting policies the Company expects to adopt in its consolidated financial statements as at and for the year ending June 30, 2012.

These are the Company's first quarterly interim consolidated financial statements prepared in accordance with International Financial Reporting Standards ("IFRS") and the Company has elected July 1, 2010 as the date of transition to IFRS ("the Transition Date"). IFRS 1, First-time Adoption of IFRS ("IFRS 1"), has been applied.

2. BASIS OF PREPARATION (cont'd)

An explanation of how the transition to IFRS has affected the consolidated financial statements is included in note 4. As these interim consolidated financial statements are the Company's first financial statements prepared using IFRS, certain disclosures that are required to be included in the annual consolidated financial statements prepared in accordance with IFRS have been included in these interim consolidated financial statements for the comparative annual period.

Any subsequent changes to IFRS that are given effect in the Company's annual consolidated financial statements for the year ending June 30, 2012 could result in restatement of these interim consolidated financial statements, including the transition adjustments recognized on changeover to IFRS.

(b) Basis of measurement

The interim consolidated financial statements have been prepared on the historical cost basis. Where there are assets and liabilities calculated on a different basis, this fact is disclosed in the relevant accounting policy.

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(c) Functional and presentation currency

These interim consolidated financial statements are presented in Canadian dollars, which is the Company's presentation currency. The Company's functional currency is Canadian dollars and the functional currency of all subsidiaries is Ukrainian Hryvnia.

(d) Use of estimates and judgments

The preparation of the consolidated financial statements in conformity with IFRS requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses.

Estimates and underlying assumptions are continuously evaluated and are based on management's experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. By nature, estimates and assumptions are subject to measurement uncertainty and may result in outcomes that require a material adjustment to the carrying amount of the asset or liabilities in future periods. Accordingly, actual results may differ from the estimated amounts as future confirming events occur. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in any future periods affected.

Information about critical judgments in applying accounting policies that have the most significant effect on the amounts recognized in the interim consolidated financial statements are included in the notes to the financial statements where applicable and relate to the following:

2. BASIS OF PREPARATION (cont'd)

(d) Use of estimates and judgments (cont'd)

Amounts recognized for depletion and depreciation and amounts used for impairment calculations are based on estimates of petroleum and natural gas reserves. By their nature, the estimates of reserves, including the estimates of future prices, costs, discount rates and the related future cash flows, are subject to measurement uncertainty.

Amounts recognized for decommissioning obligations and the related accretion expense requires the use of estimates with respect to the amount and timing of decommissioning expenditures. Other provisions are recognized in the period when it becomes probable that there will be a future cash outflow.

Charges for share-based payment and the value of warrants are based on the fair value at the date of issuance. These instruments are subject to the estimation of what the ultimate payout will be using pricing models such as the Black-Scholes option pricing model, which is based on assumptions such as volatility, dividend yield and expected term. A forfeiture rate is estimated on the grant date and is adjusted to reflect the actual number of options that vest.

Allocation of the purchase price of acquisitions contain estimates as to the fair market value of the assets acquired.

Tax interpretations, regulations and legislations in the jurisdiction in which the Company operates are subject to change. As such, income taxes are subject to measurement uncertainty. Deferred income tax assets are assessed by management at the end of the reporting period to determine the likelihood that they will be realized from future taxable earnings.

(e) Basis of consolidation

(i) Business combinations

For acquisitions on or after July 1, 2010, the business combination is accounted for using the acquisition method for acquisitions of subsidiaries and assets that meet the definition of a business under IFRS. The cost of an acquisition is measured as the consideration transferred, measured at acquisition date fair value and the amount of any non-controlling interest in the acquiree. The consideration transferred includes the fair values of the assets transferred, the liabilities incurred and the equity interests issued by the Company. Acquisition-related costs are recognized in profit or loss as incurred. On an acquisition-by-acquisition basis, the Company recognized any non-controlling interest in the acquiree either at fair value or at the non-controlling interest's proportionate share of the acquiree's identifiable net assets.

In the event that the excess of the consideration transferred and the amount recognized for any non-controlling interest over the acquisition-date fair value of the net identifiable assets acquired and liabilities assumed is less than the fair value of the net identifiable assets of the acquiree, the difference is recognized directly in profit or loss.

2. BASIS OF PREPARATION (cont'd)

(e) Basis of consolidation (cont'd)

(i) Business combinations (cont'd)

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Company's cash-generating units that are expected to benefit from the combination.

For acquisitions made prior to July 1, 2010, as part of its transition to IFRS, the Company elected to restate only those business combinations that occurred on or after July 1, 2010. The Company had not recorded any goodwill for any acquisitions prior to July 1, 2010.

(ii) Subsidiaries

Subsidiaries are entities controlled by the Company. The Company owns 100% of all subsidiaries which are, Private Joint Stock Company Tysagaz (Ukraine), 3P International Ukraine Limited (Ukraine), 3P International Energy Limited (Cyprus) and Galizien Energy Corp. (Ontario). The results of subsidiaries acquired are consolidated from the date of acquisition, the date control commences until the date the control ceases. The accounting policies of subsidiaries have been changed when necessary to align them with the policies adopted by the Company.

(iii) Transactions eliminated on consolidation

Intercompany balances and transactions, and any unrealized income and expenses arising from intercompany transactions, are eliminated in preparing the consolidated financial statements.

3. SIGNIFICANT ACCOUNTING POLICIES

The accounting policies set out below have been applied consistently to all periods presented in these interim consolidated financial statements unless otherwise indicated, and in preparing the opening IFRS statement of financial position as at July 1, 2010 for the purposes of the transition to IFRS. The accounting policies have been applied consistently by each subsidiary entity.

Foreign currency

(i) Foreign currency transactions

Transactions in foreign currencies are translated to the respective functional currencies of the Company's entities at exchange rates at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies at the reporting date are translated to the functional currency at the exchange rate at that date. The foreign currency gain or loss resulting from the settlement of such transactions and from the translation at the reporting date of monetary assets and liabilities denominated in foreign currencies are recognized in the statement of comprehensive loss. Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value are translated to the functional currency at the exchange rate at the date that the fair value was determined, or using spot exchange rates at the transition date, July 1, 2010, whichever is later. Foreign currency differences arising on translation are recognized in the statement of comprehensive loss. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction is used or the spot exchange rates at the transition date, July 1, 2010, whichever is later.

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

(ii) Foreign operations

The assets and liabilities of foreign operations with a functional currency that differs from the presentation currency of the Company are translated to the presentation currency at the rate of exchange in effect at the financial period end; revenue and expenses are translated at average exchange rates (unless the average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the rate on the dates of the transactions); assets and liabilities and equity transactions are translated using the exchange rate at the date of the transaction; and all resulting exchange gains or losses are recognized to the foreign currency translation adjustment account included as a separate component of accumulated other comprehensive income (loss).

Revenue Recognition

Revenue is measured at the fair value of the consideration received or receivable, excluding rebates estimated customer returns and other similar allowances.

(i) Sale of petroleum and natural gas

Revenue from the sale of petroleum and natural gas net of royalty is recognized when the significant risk and rewards of ownership have been transferred to the buyer, which is usually when legal title passes to the external party, and collection is reasonably assured.

(ii) Rendering of services

Revenue from a contract to provide services is recognized by reference to the stage of completion of the contract. The stage of completion of the contract is determined on a specific contract-by-contract basis.

Finance income and expenses

Finance income comprises interest income on funds invested. Interest income is recognized as it accrues in profit or loss, using the effective interest method.

Finance expense comprises interest expense on borrowings, accretion of the discount on the decommissioning obligation and impairment losses recognized on financial assets.

Gains and losses related to foreign currency are reported under finance income and expenses on a net basis.

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

Intangible mineral exploration and evaluation assets

(i) Pre-license costs

Pre-license costs are expensed in the period in which they are incurred.

(ii) Exploration and evaluation costs ("E&E")

E&E costs include, the costs of acquiring exploration licenses or legal rights to explore, exploratory expenditures, activities in relation to evaluating the technical feasibility and commercial viability of extracting the mineral resource, including related borrowing costs and directly attributable general and administrative costs, which are initially capitalized as exploration and evaluation assets until the technical feasibility and commercial viability is determined.

Technical feasibility and commercial viability is considered to be determined when proved reserves are determined to exist. Upon determination, the E&E assets attributable to the project are tested for impairment and reclassified from exploration assets to property, plant and equipment.

E&E assets are assessed for impairment when (i) sufficient data exists to determine technical feasibility and commercial viability, or (ii) facts and circumstances suggest that the carrying amount exceeds the recoverable amount. For purposes of impairment testing, E&E assets that cannot be tested individually are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or groups of assets as cash generating units ("CGUs"). To the extent that the capitalized E&E cost is not expected to be recovered through use or disposal as a result of being unsuccessful or no future related activity is planned, it is expensed in accordance with the successful efforts method.

Property, plant and equipment ("PP&E")

(i) Recognition and measurement

Items of PP&E, which include petroleum and natural gas development and production assets are measured at cost less accumulated depletion and depreciation and accumulated impairment losses.

The initial cost of an asset comprises its acquisition or construction cost, which are directly attributable to the acquisition of the assets, including preparation, installation and testing charges incurred with respect to PP&E, bringing the assets to working condition for their intended use, and the costs of dismantling and removing the items and restoring the site on which they are located, license acquisition costs, borrowing costs incurred to acquire qualifying assets and administrative and other general costs. The acquisition or construction cost is the aggregate amount paid and the fair value of any other consideration given to acquire the asset.

When parts of an item of PP&E have different useful lives, they are accounted for as separate items (major components) of PP&E. Each material component of a composite asset with different useful lives or different patterns of depreciation is accounted for separately for the purpose of depreciation and for accounting of subsequent expenditures.

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

Property, plant and equipment ("PP&E") (cont'd)

(i) Recognition and measurement (cont'd)

Gains and losses on disposal of an item of PP&E, including petroleum and natural gas development and production assets, are determined by comparing the net proceeds from disposal with the carrying amount and are recognized in the statement of comprehensive loss.

Development and production assets are grouped into CGUs for impairment testing.

(ii) Subsequent costs

Petroleum and natural gas property costs incurred subsequent to reaching the stage of technical feasibility and commercial viability, as well as the costs of replacing parts of the PP&E, are recognized as PP&E when the cost increases the future economic benefits embodied in the specific asset to which the costs relate. Such capitalized items generally represent costs incurred in developing proved and/or probable reserves and bringing on or enhancing production from such reserves, and are accumulated on a field or geotechnical area basis. The carrying amount of any replaced or sold component is derecognized. All other expenditures are recognized in profit or loss as incurred. The costs of the day-to-day servicing and maintenance and repairs of PP&E are recognized in profit or loss as incurred.

(iii) Depletion, depreciation and amortization

Development or production assets are depleted on a unit-of-production basis by ratio of production in the year, over the proved and probable reserves of the field concerned, except in the case of assets whose useful life is shorter than the lifetime of the field, in which case the straight-line method is applied. The unit-of-production rate for the depletion of field development costs takes into account estimated future development costs necessary to bring those reserves into production. These estimates are reviewed by independent reserve engineers at least annually.

Proved and probable reserves are estimated using independent reserve engineer reports and represent the estimated quantities of oil and natural gas which geological, geophysical and engineering data demonstrate with a specified degree of certainty to be recoverable in future years from known reservoirs and which are considered commercially producible.

Such reserves are considered commercially producible if management has the intention of developing and producing them and such intention is based upon a reasonable assessment of future economics of such production, a reasonable expectation that there is a market for all or substantially all the expected oil and natural gas production, and evidence that the necessary production, transmission and transportation facilities are available or can be made available.

For other assets, depreciation or amortization is recognized in profit or loss on either a straight-line or declining balance method over the estimated useful lives of each part of an item of property, plant and equipment. Depreciation or amortization methods, useful lives and residual values are reviewed at each reporting date.

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

Property, plant and equipment ("PP&E") (cont'd)

(iii) Depletion, depreciation and amortization (cont'd)

The estimated useful lives for the principal asset categories are as follows:

Equipment furniture and fixtures	2-20 years

Impairment of assets

(i) Non-financial assets

The carrying amounts of the Company's non-financial assets, other than deferred tax assets, are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated. For intangible assets that have indefinite lives or that are not yet available for use, the recoverable amount is estimated each year at the reporting date.

Assets that cannot be tested individually are grouped together into cash-generating units ("CGUs"). The impairment test consists of comparing the carrying amount of the asset or the CGU to its recoverable amount, which is the greater of its fair value less costs to sell and value in use.

Fair value less costs to sell is the comparison of recent market transactions, which are taken into account, if available. If no such transactions can be identified, an appropriate valuation model is used.

Value in use is the present value of the future cash flows expected to be derived from an asset or group of assets. Discounted cash flows are determined on the basis of reasonable and documented assumptions that represent the best estimate of the future economic conditions during the remaining useful life of the asset, giving more importance to independent assumptions.

Determining the recoverable amount of the CGU requires estimating the growth rate of the revenues generated by the assets tested, use of an appropriate pre-tax discount rate that takes into account the implicit risk in the sectors where the Company operates and the operating margin rates of underlying assets for related future periods and estimating the value of the operating cash flows, including their terminal value.

If the recoverable amount is less than the carrying amount of the asset or the CGU, an impairment loss is recognized for the difference. Impairment losses recognized in respect of CGUs are allocated first to reduce any applicable goodwill related to the CGU and then to all other assets in the CGU on a pro rata basis. However, assets are not written down below the lower of nil and the recoverable amount of the assets.

When it is determined that the recoverable amount is greater than the carrying amount, previously recognized impairment losses are reversed. Previous impairment losses cannot be reversed above the lower of the recoverable amount or the carrying amount that would have been determined, net of depreciation, at the time of the reversal had the previous impairment never been recorded. An impairment loss in respect of goodwill cannot be reversed.

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

Impairment of assets

(ii) Financial assets (including receivables)

A financial asset not carried at fair value through profit or loss is assessed at each reporting date to determine whether there is objective evidence that it is impaired. A financial asset is impaired if objective evidence indicates that a loss event has occurred after the initial recognition of the asset, and that the loss event had a negative effect on the estimated future cash flows of that asset that can be estimated reliably.

An impairment loss in respect of a financial asset measured at amortized cost is calculated as the difference between its carrying amount and the present value of the estimated future cash flows discounted at the asset's original effective interest rate. Losses are recognized in profit or loss and reflected in the allowance for doubtful accounts against receivables. When an event subsequent to the reporting date causes the amount of impairment loss to decrease, the decrease in impairment loss is reversed through profit or loss.

Leases

Leases are classified as finance leases when the terms of the lease transfers substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases. The determination of whether an arrangement is, or contains a lease is based on the substance of the arrangement at the inception date.

(i) The Company as a lessor

Amounts due from lessees under finance leases are recognized as receivables at the amount of the Company's net investment in the leases. Finance lease income is allocated to accounting periods so as to reflect a constant periodic rate of return on the Company's net investment outstanding in respect of the leases.Rental income from operating leases is recognized on a straight-line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognized on a straight-line basis over the lease term.

(iii) The Company as lessee

Assets held under finance leases are initially recognized as assets of the Company at their fair value at the inception of the lease or, if lower, at the present value of the minimum lease payments.

Lease payments are apportioned between finance expenses and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability. Finance expenses are recognized immediately in profit or loss.

Operating lease payments are recognized as an expense on a straight-line basis over the lease term, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed. Contingent rentals arising under operating leases are recognized as an expense in the period in which they are incurred.

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

Inventories

Inventories are comprised of natural gas and other stocks, and is valued at the lower of average cost of production and net realizable value.

Net realizable value is the estimated selling price in the ordinary course of business less all estimated costs of completion and the estimated costs necessary to make the sale.

Share-based payment transactions

The grant date fair value of share-based payments awarded to employees, directors and service providers is recognized as compensation expense, with a corresponding increase in contributed surplus, over the vesting period, based on the Company's estimate of equity instruments that will eventually vest. A forfeiture rate is estimated on the grant date and is adjusted to reflect the actual number of options that vest. At the end of each reporting date, the Company revises its estimate of the number of equity instruments expected to vest. The impact of the revision of the original estimates, if any, is recognized in profit or loss such that the cumulative expense reflects the revised estimate, with a corresponding adjustment to the equity-settled employee benefits reserve.

For transactions with employees and others providing similar services, the Company measures the fair value of the services received by reference to the fair value of the equity instruments granted. For transactions with parties other than employees, the Company measures the goods or services received, and the corresponding increase in equity, directly, at the fair value of the goods or services received, unless that fair value cannot be estimated reliably. When the Company cannot estimate reliably the fair value of the goods or services received, it measures their value, and the corresponding increase in equity, indirectly, by reference to the fair value of the equity instruments granted.

Provisions

A provision is recognized if, as a result of a past event, the Company has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The unwinding of the discount is recognized in profit or loss as a finance cost.

(i) Decommissioning obligations

The Company's activities may give rise to dismantling, decommissioning and site disturbance remediation activities when retiring tangible long-lived assets such as producing well sites and facilities. A provision is made for the estimated cost of site restoration and capitalized in the relevant asset category.

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

Provisions (cont'd)

Decommissioning obligations are recognized in the year in which it is incurred and when a reasonable estimate of fair value can be made. The fair value of the obligation is the amount at which that liability could be settled in a current transaction between willing parties; that is, other than in a forced liquidation transaction. Decommissioning obligations are measured at the present value of management's best estimate of fair value of the expenditures required to settle the present obligation at the statement of financial position date. Subsequent to initial measurement, the obligation is adjusted at the end of each period to reflect the passage of time and changes in the estimated future cash flows underlying the obligation. The increase in the provision due to the passage of time is recognized as accretion whereas increases/decreases due to changes in the estimated future cash flows are added to or deducted from the related asset. Actual costs incurred upon settlement of the decommissioning obligations are charged against the provision to the extent the provisions were established.

The Company does not currently have any decommissioning obligations recognized.

Income taxes

The income tax expense is the sum of current and deferred tax. Tax expense is recognized in the statement of comprehensive income, except to the extent that it relates to items recognized in other comprehensive income, directly in equity or when current tax or deferred tax arises from the initial accounting for a business combination, the tax effect is included in the accounting for the business combination.

Current tax is determined based on the amount of income taxes payable or receivable in respect of the taxable income or loss for the year, using tax rates that have been enacted or substantively enacted at the reporting date and any adjustments to tax payable in respect of previous years.

Deferred tax is determined using the liability method, which account for temporary differences between the tax base of assets and liabilities and the amounts used for financial reporting purposes. Deferred tax is not recognized for temporary differences from the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss, and differences relating to investments in subsidiaries, associates and joint ventures to the extent that it is probable that they will not reverse in the foreseeable future. Deferred tax is also not recognized for taxable temporary differences arising on the initial recognition of goodwill. Deferred tax assets and liabilities are measured using tax rates enacted or substantively enacted by the reporting date and are expected to apply when the related deferred income tax asset is realized or the liability is settled. Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets and they relate to income taxes levied by the same tax authority on the same taxable entity.

A deferred tax asset is recognized only to the extent that it is probable that the future taxable earnings will be available against which the deductible temporary differences and the carry forward of unused tax credits and unused tax losses can be utilized. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realized.

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

Earnings (loss) per share

Basic earnings (loss) per share are calculated by dividing net earnings (loss) attributable to shareholders by using the weighted average number of shares outstanding during the year. Contingently issuable shares are not considered outstanding common shares and consequently not included in earnings (loss) per share calculations.

Diluted earnings (loss) per unit is calculated by adjusting the weighted average number of shares outstanding for the effects of all dilutive potential shares including warrants and stock options. To the extent that the Company incurs losses, all potential shares are considered to be anti-dilutive and no adjustment is made.

Operating segments

An operating segment is a component of the Company that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of the Company's other components. All operating segments' operating results are reviewed regularly by the Company's CEO to make decisions about resources to be allocated to the segment and assess its performance and for which discrete financial information is available.

Segment results that are reported to the CEO include items directly attributable to a segment as well as those that can be allocated on a reasonable basis.

Segment capital expenditure is the total cost incurred during the period to acquire property, plant and equipment and intangible assets other than goodwill.

The Company conducts all of its operations in one industry, therefore only a geographical segment exists within Canada and Ukraine. For the period ended September 30, 2011, the Canadian segment consisted solely of general and administrative expenses and all operations occurred within the Ukrainian segment.

Financial Instruments

(i) Recognition

The Company initially recognizes loans and receivables on the date of origination and all other financial assets and liabilities on the trade date at which the Company becomes a party to the contractual provision of the instrument at fair value. Financial assets and liabilities are offset and the net amount is presented in the statement of financial position when, and only when, the Company has a legal right to offset the amounts and intends to either settle on a net basis, or realize the asset and settle the liability simultaneously.

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

Financial Instruments (cont'd)

(ii) Classification and measurement

All financial instruments have been classified into one of the following categories: financial assets at fair value through profit or loss, available-for-sale loans and receivables or other financial liabilities. The classification depends on the purpose and is determined at initial recognition.

All financial instruments are recorded on the consolidated statements of financial position initially at fair value and are measured at fair value at the end of each period, with the exception of available-for-sale financial assets, loans and receivables and other financial liabilities which are measured at amortized cost.

The Company records all transaction costs and loan fees for financial assets and liabilities, other than fair value through profit or loss, as a component of the related asset or liability and amortizes the costs using the effective interest method to allocate interest expense over the life of the related asset or liability.

The Company derecognizes a financial asset when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all of the risks and rewards of ownership of the asset to another entity.

a. Non-derivative financial assets

The Company has the following non-derivative financial assets: financial assets at fair value through profit or loss, available-for-sale and loans and receivables.

Financial assets at fair value through profit or loss

A financial asset is classified at fair value through profit or loss when acquired principally for the purpose of trading. Financial assets are designated at fair value through profit or loss if the Company manages such investments and makes purchase and sale decisions based on their fair value in accordance with the Company's documented risk management or investment strategy. Upon initial recognition attributable transaction costs are recognized in profit or loss as incurred. Financial assets at fair value through profit or loss are measured at fair value, and subsequent changes are recognized in profit or loss. The net gain or loss recognized in profit or loss incorporates any dividend or interest earned on the financial asset.

The Company has classified its cash and investment as assets at fair value through profit or loss.

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

Financial Instruments (cont'd)

Available-for-sale financial assets

Available-for-sale financial assets are either designated in this category or not classified in any of the other categories. Available-for-sale financial assets are recognized initially at fair value plus transaction costs and are subsequently carried at fair value, and subsequent changes are recognized in other comprehensive loss.

Interest on available-for-sale financial assets, calculated using the effective interest method, is recognized in the profit or loss. Dividends on available-for-sale equity instruments are recognized in profit or loss when the Company's right to receive payment is established.

Loans and receivables

Loans and receivables are financial assets with fixed or determinable payments that are not quoted in an active market. Such assets are recognized initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, loans and receivables are measured at amortized cost using the effective interest method, less any impairment losses, except for short-term receivables when the recognition of interest would be immaterial.

Loans and receivables are comprised of trade receivables and other receivables.

b. Non-derivative financial liabilities

All of the Company's non-derivative financial liabilities are classified as other financial liabilities, comprised of trade and other payables.

The Company derecognizes a financial liability when its contractual obligations are discharged, cancelled or expire.

Other financial liabilities

Non-derivative financial liabilities that have not been designated as financial liabilities at fair value through profit or loss are classified as other liabilities. Such financial liabilities are recognized initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, these financial liabilities are measured at amortized cost using the effective interest method.

c. Share capital

Common shares are classified as equity. Incremental costs directly attributable to the issue of common shares and share options are recognized as a deduction from equity.

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

Determination of fair values

A number of the Company's accounting policies and disclosures require the determination of fair value, for both financial and non-financial assets and liabilities. Fair values have been determined for measurement and/or disclosure purposes based on the methods noted below. When applicable, further information about the assumptions made in determining fair values is disclosed in the notes specific to that asset or liability.

(i) Cash, investment, trade and other receivables, trade and other payables

The fair value of cash, investment, trade and other receivables, trade and other payables are estimated as the present value of future cash flows, discounted at the market rate of interest at the reporting date if the effect of discounting is material. At September 30, 2011, the carrying value approximated fair value due to their short term to maturity.

(ii) Stock options and warrants

The fair value of employee stock options and warrants are measured using the Black-Scholes option pricing model. Measurement inputs include share price on measurement date, exercise price of the instrument, weighted average expected life of the instruments, expected volatility, expected dividends, expected forfeiture rate and the risk-free interest rate.

New standards and interpretations not yet adopted

A number of new standards, amendments to standards and interpretations are not yet effective for the period ended September 30, 2011, and have not been applied in preparing these interim consolidated financial statements. None of these are expected to have an effect on the interim consolidated financial statements of the Company, except for the relevant ones noted below:

The Company is currently assessing the effects of IFRS 9 Financial Instruments (Classification and Measurement), IFRS 10 Consolidated Financial Statements, IFRS 11 Joint Arrangements, IFRS 12 Disclosure of Interest in Other Entities and IFRS 13 Fair Value Measurement, all of which become effective January 1, 2013. The extent of the impact has not been determined.

4. EXPLANATION OF TRANSITION TO IFRS

As stated in note 2, these are the Company's first consolidated financial statements prepared in accordance with IFRS.

The accounting policies set out in note 3 have been applied in preparing the consolidated financial statement for the quarter ended September 30, 2011, the comparative information presented in these financial statements for the quarter ended September 30, 2010, the statement of financial position as at June 30, 2011, and the opening IFRS statement of financial position as at July 1, 2010. Accordingly, the opening balance sheet and financial statements for fiscal years 2011 and 2012 as presented at the end of the year may differ from the financial statements presented here.

(a) Elected exemptions from full retrospective application:

In preparing these consolidated financial statements in accordance with IFRS 1, the Company has applied certain of the optional exemptions from full retrospective application of IFRS.

The optional exemptions applied are described below:

(i) Leases:

The Company has elected to be exempted from the requirement of IFRIC 4, Determining Whether an Arrangement Contains a Lease, and will account for such requirements from the transition date of July 1, 2010.

(ii) Share-based payments:

The Company has elected to be exempted from the requirement of IFRS 2, Share-Based Payments, for retrospective application of equity instruments granted on or before November 7, 2002 or which vested and settled before the Company's transition date of July 1, 2010 and will apply IFRS 2 to awards that are modified on or after the transition date, even if the original grant of the award is not accounted for under IFRS 2.

(iii) Business combinations

The Company has elected to be exempted from the requirement of IFRS 3, Business Combinations, for retrospective application of business combinations that occurred before the Company's transition date of July 1, 2010 and will apply IFRS 3 to business combinations occurring on or after the transition date.

(b) Mandatory exemptions to retrospective application:

On preparing these interim consolidated financial statements in accordance with IFRS 1, the Company has applied a mandatory exemption from full retrospective application of IFRS. The mandatory exemption applied from full retrospective application of IFRS is described below:

(in Canadian dollars)

4. EXPLANATION OF TRANSITION TO IFRS (CONT'D)

(i) Estimates:

Hindsight was not used to create or revise estimates and, accordingly, the estimates previously made by the Company under Canadian GAAP are consistent with their application and cannot be revised for application of IFRS except where necessary to reflect any difference in accounting policies.

(c) Reconciliations:

In preparing its opening IFRS statement of financial position, the Company has adjusted amounts reported previously in financial statements prepared in accordance with previous Canadian GAAP. An explanation of how the transition from previous Canadian GAAP to IFRS has affected the Company's equity and financial performance is set out in the following tables:

The following is a reconciliation of the Company's statement of financial position at the transition date July 1, 2010:

	Canadian GAAP, June 30, 2010	References	IFRS adjustments	IFRS, July 1, 2010
Assets				
Current				
Cash	$ 226,849		$ -	$ 226,849
Investment	272,000		-	272,000
Amounts receivable	11,461		-	11,461
Prepaid expenses	2,501		-	2,501
Deferred share issuance costs	8,000	(a)	(8,000)	-
	520,811		(8,000)	512,811
Mineral properties and deferred exploration costs	40,000	(b)	(40,000)	-
Exploration and evaluation assets	-	(b)	40,000	40,000
	$ 560,811		$ (8,000)	$ 560,811
Liabilities				
Current				
Accounts payable and accrued liabilities	$ 79,673		$ -	$ 79,673
Shareholders' Equity				
Capital stock	566,609	(a)	(8,000)	558,609
Contributed surplus	46,857		-	46,857
Warrants	140,993		-	140,993
Deficit	(273,321)		-	(273,321)
	481,138		(8,000)	473,138
	$ 560,811		$ (8,000)	$ 552,811

(in Canadian dollars)

4. EXPLANATION OF TRANSITION TO IFRS (CONT'D)

The following is a reconciliation of the Company's statement of financial position as at September 30, 2010:

	Canadian GAAP, September 30, 2010	References	IFRS adjustments	IFRS, September 30, 2010
Assets				
Current				
Cash	$ 4,783,092		$ -	$ 4,783,092
Investment	-		-	-
Amounts receivable	54,427		-	54,427
Prepaid expenses	-		-	-
Deferred share issuance costs	-		-	-
	4,837,519		-	4,837,519
Mineral properties and deferred exploration costs	40,000	(b)	(40,000)	-
Petroleum and natural gas properties	1,685,135	(b)	(1,685,135)	-
Exploration and evaluation assets	-	(b)	1,725,135	1,725,135
	$ 6,562,654		$ -	$ 6,562,654
Liabilities				
Current				
Accounts payable and accrued liabilities	$ 324,916		$ -	$ 324,916
Shareholders' Equity				
Capital stock	5,405,305		-	5,405,305
Contributed surplus	206,026		-	206,026
Warrants	1,256,582		-	1,256,582
Deficit	(630,175)		-	(630,175)
	6,237,738		-	6,237,738
	$ 6,562,654		$ -	$ 6,562,654

The consolidated statement of financial position as at June 30, 2011 for the Company has not been adjusted for amounts previously reported under Canadian GAAP as no significant differences were noted upon conversion to IFRS.

(in Canadian dollars)

4. EXPLANATION OF TRANSITION TO IFRS (CONT'D)

The following is a reconciliation of the Company's statement of comprehensive income for the three months ended September 30, 2010:

	Canadian GAAP, September 30, 2010	References	IFRS adjustments	IFRS, September 30, 2010
Expenses				
General and administrative	$ 196,246	(c)	$ 125	$ 196,371
Share-based payments	160,608		-	160,608
	356,854		125	356,979
Net finance income	-	(c)	(125)	(125)
Net loss and comprehensive loss	356,854		-	356,854
Deficit, beginning of period	273,321		-	273,321
Deficit, end of period	$ 630,175		$ -	$ 630,175
Loss per share	$ (0.03)		$ -	$ (0.03)

The following is a reconciliation of the Company's statement of comprehensive income for the year ended June 30, 2011:

	Canadian GAAP, June 30, 2011	References	IFRS adjustments	IFRS, June 30, 2011
Expenses				
General and administrative	$ 6,413,311	(b), (c), (d)	$ (3,556,545)	$ 2,856,766
Exploration and evaluation expense	-	(b)	1,644,698	1,644,698
Share-based payments	-		1,454,814	1,454,814
	6,413,311		(457,033)	5,956,278
Net finance expense	-	(c)	(33,413)	
		(c)	490,446	457,033
Net loss and comprehensive loss	(6,413,311)		-	(6,413,311)
Deficit, beginning of period	(273,321)			(273,321)
Deficit, end of period	$ (6,686,632)		$ -	$ (6,686,632)
Loss per share	$ (0.14)			$ (0.14)

4. EXPLANATION OF TRANSITION TO IFRS (CONT'D)

All of the IFRS transition adjustments have had no effect on the cash flows, therefore no cash flow reconciliation has been provided.

Reconciling items:

(a) *Deferred share issuance costs* – On transition to IFRS the Company reclassified the deferred share issuance costs of $8,000 to equity to ensure the capitalization against the equity balance.

(b) *Exploration and evaluation assets* – On transition to IFRS the Company reclassified all E&E assets that were included in the mineral properties and deferred exploration costs balance on the consolidated balance sheet. These amounts consisted of the carrying amounts of an option agreement with Canasia Industries Corporation ("Canasia") to acquire up to a 51% interest in the Eyehill Creek Potash Property. On transition to IFRS it was determined that the E&E assets were not impaired.

For the three month period ended September 30, 2010, all E&E assets that were included in the mineral properties and deferred exploration costs balance as well as the petroleum and natural gas properties balance on the consolidated balance sheet were reclassified. These amounts consisted of the carrying amounts of an option agreement with Canasia to acquire up to a 51% interest in the Eyehill Creek Potash Property as well as rights to a share purchase agreement to acquire 33% of Eurogas Ukraine Ltd.

For the year ended June 30, 2011, all E&E assets that were included in the petroleum and natural gas properties balance on the consolidated balance sheet were written-off to exploration and evaluation expense on the statement of comprehensive income.

(c) *Reclassification* – Consistent with the Company's policy to classify its statement of comprehensive income by function, the Company has reclassified certain items to net finance income for the three months ended September 30, 2010 and year ended June 30, 2011, that were separately classified under Canadian GAAP, including interest income of approximately $125 and $33,000 respectively, as well as certain foreign exchange losses for the year ended June 30, 2011, including approximately $490,000.

(d) *Reclassification* - Consistent with the Company's policy to classify its statement of comprehensive income by function, the Company has reclassified certain expense items, noted on the previously reported consolidated financial statements in accordance with Canadian GAAP into general and administrative expense.

(in Canadian dollars)

5. ACQUISITION OF TYSAGAZ

On February 11, 2011, the Company signed a Binding Letter of Intent with JSC “Nadra Concern” (“Nadra LOI”) for the purchase of 100% of its wholly owned subsidiary JSC “Tysagaz” (“Tysagaz”) for U.S. $17,000,000. Tysagaz is the title holder to four gas licenses in Ukraine: the Rusko-Komariveske, Stanivske, Korolivske gas fields, and the Uzhgorod exploration block in Western Ukraine’s Transcarpathian region. According to the terms of the Nadra LOI, the potential acquisition was subject to a 60-day due diligence period, the execution of a definitive agreement and receipt of all regulatory approvals. The Company has incurred $506,954 in transaction costs with regards to the acquisition of Tysagaz, of which approximately $221,280 was recorded in general and administrative expenses disclosed in the statement of comprehensive loss for the current quarter. On May 24, 2011, and further amended on July 5, August 30 and September 2, 2011, the Company signed a definitive purchase agreement to acquire Tysgaz. On September 6, 2011, all closing conditions were met and the Company completed its acquisition of Tysagaz.

With regards to the acquisition of Tysagaz, the Company has agreed to pay a finder’s fee to an arm’s length consultant who assisted the Company in completing the transaction. The Company must pay 2% on the first $10,000,000 and 1.5% thereafter of the purchase price. The payment is to be made 80% via issuance of common shares of the Company and 20% in cash. The total value of the payment in cash and shares is expected to be $305,000. As at September 30, 2011, $255,000 of the finders’ fee remain payable.

All assets and liabilities included in Tysagaz’s statement of financial position have been adjusted to reflect the fair value determined by the Company as part of the preliminary purchase price allocation.

The allocation of the Tysagaz purchase price has been prepared on a preliminary basis as the final purchase price allocation report had not been completed as of the date of the financial statements. The identified assets, liabilities, and unallocated purchase price below are a result of management’s best estimates and assumptions after taking into account all relevant information available. The Company plans to conduct studies and analysis of the acquired assets and liabilities before finalizing the purchase price allocation. The final purchase price allocation may result in adjustments to the preliminary estimate of the purchase date fair values disclosed in the table below.

The preliminary purchase price allocation is summarized as follows:

Purchase Price:		
Cash	$	16,231,323
Holdback		494,900
Total Purchase Price	$	16,726,223
Fair value of net assets acquired:		
Cash	$	360,000
Trade and other receivables		875,000
Prepaid expenses		3,000
Inventories		94,000
Property, plant and equipment		14,328,500
Trade and other payables		(90,000)
Advances received		(310,000)
Provisions		(18,000)
Other non-current liabilities		(138,000)
Deferred income tax liability		(3,174,345)
Unallocated purchase price		4,796,068
	$	16,726,223

(in Canadian dollars)

6. INVESTMENT

As at June 30, 2011, investment consisted of a one year cashable guaranteed investment certificate, which bore interest at a rate of prime minus 1.85% per annum and matures on November 4, 2011.

7. REVENUE

	Three months ended			
		September 30, 2011		September 30, 2010
Sale of oil and natural gas	$	34,000	$	-
Less: Royalties[(1)]		(16,000)		-
Sales from rendering services		3,000		-
Sales of goods		1,000		-
Total revenue	$	22,000	$	-

(1) Standard Ukrainian government royalties

8. FINANCE INCOME AND EXPENSES

	Three months ended			
		September 30, 2011		September 30, 2010
Finance income				
Interest income	$	3,286	$	125
Foreign exchange gain		349,689		-
		351,975		125
Finance expenses				
Interest and bank charges		1,658		-
Net finance income	$	351,317	$	125

9. SUPPLEMENTAL CASH FLOW INFORMATION

Changes in non-cash flow working capital is comprised of the following:

	Three months ended			
		September 30, 2011		September 30, 2010
Decrease (increase) in trade and other receivables	$	245,767	$	(42,966)
Decrease (increase) in inventories		(39,000)		-
Decrease (increase) in prepaid expenses		(4,177)		2,501
Increase in trade and other payables		448,712		245,241
Increase in provisions		28,000		-
Decrease in deferred share issuance costs		-		8,000
	$	679,302	$	212,776

(in Canadian dollars)

10. PROPERTY, PLANT AND EQUIPMENT

Movements in property, plant and equipment on the date of transition, for the year ended June 30, 2011 and for the period ended September 30, 2011 are as follows:

	Petroleum and natural gas properties	Equipment, furniture and fixtures	Total
Cost			
Balance as at July 1, 2010	$ -	$ -	$ -
Balance as at June 30, 2011	$ -	$ -	$ -
Acquisition of Tysagaz	13,851,365	487,000	14,338,365
Effect of movement in exchange rates	3,000	28,000	31,000
Balance as at September 30, 2011	$ 13,854,365	$ 515,000	$ 14,369,365
Accumulated depletion, depreciation and impairment			
Balance as at July 1, 2010	$ -	$ -	$ -
Balance as at June 30, 2011	$ -	$ -	$ -
Depletion and depreciation for the period	11,318	3,000	14,318
Effect of movement in exchange rates	-	-	
Balance as at September 30, 2011	$ 11,318	$ 3,000	$ 14,318
Carrying amount			
As at July 1, 2010	$ -	$ -	$ -
As at June 30, 2011	$ -	$ -	$ -
As at September 30, 2011	$ 13,843,047	$ 512,000	$ 14,355,047

11. TRADE AND OTHER RECEIVABLES

	September 30, 2011	June 30, 2011
Trade receivables	$ 776,000	$ 130,703
Other current receivables	161,000	-
HST receivable	67,288	244,353
Trade and other receivables	$ 1,004,288	$ 375,056

(in Canadian dollars)

12. TRADE AND OTHER PAYABLES

	September 30, 2011	June 30, 2011
Trade payables	$ 450,340	$ 552,264
Accrued liabilities	280,424	12,425
Holdback payable	514,637	-
Trade and other payables	$ 1,245,401	$ 564,689

13. SHARE CAPITAL AND WARRANTS

As at September 30, 2011 and June 30, 2011, the Company was authorized to issue an unlimited number of common shares with no par value.

Share Capital and Warrants

	Common Shares	Amount
Balance, June 30, 2010 (i)	8,817,059	$ 558,609
Private placement	20,035,000	3,903,438
Shares issued on acquisition	4,400,000	1,320,000
Options exercised	32,441	4,682
Warrants exercised	150,000	38,321
Share issuance costs	-	(419,745)
Balance, September 30, 2010	33,434,500	5,405,305
Balance, June 30, 2011	64,303,578	$ 20,868,730
Warrants exercised	243,333	85,640
Balance, September 30, 2011	64,546,911	$ 20,954,370

	Warrants	Amount
Balance, June 30, 2010	4,521,597	$ 104,993
Private placement warrants, net of issuance costs	20,035,000	993,349
Finder's warrants	1,002,100	132,060
Transferred to share capital on exercise	(150,000)	(9,820)
Balance, September 30, 2010	25,408,697	1,256,582
Balance, June 30, 2011	12,766,282	798,696
Transferred to share capital on exercise	(243,333)	(18,140)
Balance, September 30, 2011	12,522,949	$ 780,556

Expiry Date	Number of Warrants	Weighted Average Exercise Price
May 6, 2012	130,933	$ 0.15
May 6, 2012	2,531,666	0.30
September 28, 2012(a)	200,350	0.25
September 28, 2012	8,460,000	0.70
October 26, 2012	1,200,000	0.40
	12,522,949	$ 0.58

(a) Finder's Units issued and outstanding as part of the September 28, 2010 private placement have an exercise price of $0.25 when exercised will provide the holder with one common share and one warrant exercisable at $0.70 for a period of two years

(in Canadian dollars)

13. SHARE CAPITAL AND WARRANTS (CONT'D)

(i) 2,000,000 issued Common Shares of the Company are subject to a CPC Escrow Agreement. Under the CPC Escrow Agreement, 10% of the escrowed Common Shares were released from escrow on the issuance of the Final Exchange Bulletin (the "Initial Release") on May 13, 2010, and an additional 15% will be released on the dates 6 months, 12 months, 18 months, 24 months, 30 months and 36 months following the Initial Release. As at September 30, 2011, there are 1,200,000 remaining shares subject to escrow.

(ii) On July 21, 2010, the Company completed the acquisition of Galizien Energy Corp., which did not meet the requirements of a business combination because the company had not yet commenced principal operations, and issued 4,400,000 shares from treasury with a fair value of $0.30 per share for an acquisition cost of $1,320,000.

(iii) On September 28, 2010, the Company completed a non brokered private placement of 20,035,000 units at $0.25 per unit for gross proceeds of $5,008,750. Each unit consisted of one common share and one share purchase warrant exercisable at $0.70 for a period of two years. The Company paid finder's fees of 6% of cash proceeds and finders warrants of up to 6% of the total number of units issued, each warrant granting the holder the ability to acquire one unit for $0.25 for a period of two years. The value of $3,895,438 less transaction costs of $419,745 has been attributed to the common shares. The remaining value of $1,113,312 less transaction costs of $119,963 has been attributed to the warrants issued based on the Black-Scholes pricing model and has been credited to warrants within shareholders' equity.

(iv) On October 26, 2010, the Company completed a non brokered private placement of 20,000,000 common shares at $0.40 per common share for gross proceeds of $8,000,000. The Company paid finder's fees of $480,000 and issued 1,200,000 finders warrants exercisable at $0.40, expiring on October 26, 2012, valued at $253,093 using the Black-Scholes option pricing model. Other transaction costs of $175,737 were incurred.

(v) In April 2011 and October 2011 (note 21), the Company entered into two settlement agreements under which for a nominal value, 1,950,000 and 1,100,000 common shares, respectively, were returned to treasury and cancelled. The combined value of the 3,050,000 shares repurchased by treasury for cancellation was $989,642.

The fair value of the Company's warrants issued was estimated using the Black-Scholes option pricing model using the following assumptions:

Volatility	Nil	(2011 – 100%)
Risk-free interest rate	Nil	(2011 – 1.39%-2.81%)
Expected life (years)	Nil	(2011 – 1.56 - 2 years)
Dividend yield	Nil	(2011 – Nil)

(in Canadian dollars)

14. STOCK OPTIONS

	Number of Options	Weighted Average Exercise Price
Balance at June 30, 2010	794,604	$ 0.13
Granted	5,142,451	0.54
Exercised	(750,854)	0.13
Cancelled	(1,299,250)	0.48
Balance at June 30, 2011	3,886,951	0.57
Granted	1,600,000	0.46
Exercised	Nil	-
Cancelled	(12,500)	0.88
Balance at June 30, 2011	5,474,451	$ 0.54

The Company had the following stock options outstanding at September 30, 2011:

Grant Date	Exercise Price ($)	Weighted Avg Remaining Life (yrs)	Number of Options Outstanding	Number of Options Exercisable
September 22, 2010	0.31	3.98	440,000	440,000
October 6, 2010	0.40	4.02	1,309,451	1,309,451
October 28, 2010	0.67	4.08	225,000	225,000
December 21, 2010	0.87	4.23	450,000	168,750
February 14, 2011	0.85	4.38	100,000	25,000
March 10, 2011	0.76	4.45	300,000	75,000
April 18, 2011	0.64	4.55	350,000	43,750
April 18, 2011	0.75	4.55	300,000	75,000
May 16, 2011	0.65	4.63	250,000	-
June 22, 2011	0.43	4.73	150,000	150,000
July 12, 2011	0.40	4.79	600,000	-
September 8, 2011	0.50	4.95	1,000,000	-
	0.54	4.43	5,474,451	2,511,951

The fair values of the Company's stock options issued were estimated using the Black-Scholes option pricing model using the following assumptions:

Volatility	100%	(2011 - 100%)
Risk-free interest rate	1.41% to 2.15%	(2011 – 1.97% to 2.78%)
Expected life (years)	5 years	(2011 - 5 years)
Dividend yield	NIL	(2011 - NIL)
Forfeiture rate	NIL	(2011 – NIL)
Stock price	$0.40 to 0.41	(2011 - $0.31 to 0.88)

15. DECOMMISSIONING EXPENSE

The Company leases wells # 2 and # 6 of Rusko-Komarivskye field. According to the contract the Company has a lease until December 4, 2017, after this date wells # 2 and # 6 are returned to the owner. According to the contract, liabilities for decommissioning costs are the responsibility of the wells owner. Therefore the Company does not have any commitment for liabilities for the decommissioning costs.

(in Canadian dollars)

16. LOSS PER SHARE

	Three months ended September 30, 2011	September 30, 2010
Numerator:		
Net loss for the period	$ 1,145,716	$ 356,854
Numerator for basic and diluted loss per share	$ 1,145,716	$ 356,854
Denominator:		
Weighted average number of common shares	64,363,216	10,877,742
Effect of dilutive securities:		
Stock options[(a)]		-
Share purchase warrants[(a)]		-
Denominator for basic and diluted loss per share	64,363,216	10,877,742
Basic and diluted loss per share	$ (0.02)	$ (0.03)

(a) The Stock options and share purchase warrants were not included in the computation of diluted loss per share as their inclusion would be anti-dilutive.

17. OPERATING SEGMENTS

The Company defines its reportable segments based on geographical locations.

Three months ended September 30, 2011	Ukraine	Canada	Total
Revenues (net of royalties)	$ 22,000	$ -	$ 22,000
Cost of sales	(15,000)	-	(15,000)
	7,000	-	7,000
General and administrative expenses	21,567	649,244	670,811
	-	526,280	526,280
Exploration and evaluation expense	-	20,004	20,004
Depletion and depreciation	14,318	-	14,318
Stock-based compensation	-	253,620	253,620
Net finance loss (income)	653	(351,970)	(351,317)
Income taxes	19,000	-	19,000
	52,538	1,100,178	1,152,716
Net loss	$ 45,538	$ 1,101,484	$ 1,145,716
Total assets	$ 20,304,129	$ 1,166,669	$ 21,470,798
Total liabilities	$ 4,080,982	$ 689,764	$ 4,770,746

18. FINANCIAL RISK MANAGEMENT

The Company has exposure to the following risks from its use of financial instruments:

- credit risk
- liquidity risk
- market risk

This note presents information about the Company's exposure to each of the above risks, the Company's objectives, policies and processes for measuring and managing risk, and the Company's management of capital.

Risk management framework

The Directors have overall responsibility for establishment and oversight of the Group's risk management framework.

(i) Credit risk

Credit risk is the risk of financial loss associated with counterparty's inability to fulfill its contractual obligations. The Company's exposure to credit risk is influenced mainly by the individual characteristics of each customer. However, management also considers the demographics of the Company's customer base, including the default risk of the industry and country in which customers operate, as these factors may have an influence on credit risk. The Company manages its credit risk by holding its cash and its investment in deposits with high credit quality Canadian financial institutions.

Exposure to credit risk:

	September 30, 2011	June 30, 2011
Trade and other receivables	$ 1,004,288	$ 375,056

18. FINANCIAL RISK MANAGEMENT (CONT'D)

(ii) Liquidity risk

Liquidity risk is the risk that the Company will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset as they fall due. The Company manages its liquidity risk by forecasting cash flows and anticipated investing and financing activities. Officers of the Company are actively involved in the review and approval of planned expenditures.

The Company's operating cash requirements, including amounts projected, are continuously monitored and adjusted as input variables change. These variables include but are not limited to, changes to government regulations relating to prices, taxes, royalties and availability of markets. As these variables change, liquidity risks may necessitate the need for the Company to pursue equity issuances, obtain debt financing, or enter into joint arrangements. There is no assurance that the necessary financing will be available in a timely manner.

As at September 30, 2011, the Company had the following financial liabilities:

Exposure to liquidity risk:		**Carrying Amount**		**Contractual Cash Flows**		**< 1 year**
Trade and other payables	$	1,245,401	$	1,245,401	$	1,245,401
Provisions		25,000		25,000		-
	$	1,270,401	$	1,270,401	$	1,245,401

(iii) Market risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. The significant market risks to which the Company is exposed are foreign exchange risk and commodity price risk.

(i) Foreign exchange risk

The Company is exposed to foreign exchange risk primarily related to operating and capital expenditures, denominated in currencies other than the Canadian Dollar which is primarily US Dollars and Ukrainian Hryvnia. The following financial instruments are shown in Canadian Dollars:

(in Canadian dollars)

18. FINANCIAL RISK MANAGEMENT (CONT'D)

(iii) Market risk (cont'd)

Exposure to market risk as at September 30, 2011:

		UAH		USD		Total
Cash	$	199,256	$	398, 354	$	597,610
Trade and other receivables		812,000		-		812,000
Trade and other payables		(555,637)		-		(555,637)
	$	455,619	$	398,354	$	853,973
Effect of +/- 10% change in exchange rate	$	45,562	$	39,835	$	85,397

Exposure to market risk as at June 30, 2011:

		UAH		USD		Total
Cash	$	-	$	16,550,131	$	16,550,131
Trade and other payables		-		(46,057)		(46,057)
	$	-	$	16,504,074	$	16,504,074
Effect of +/- 10% change in exchange rate	$	-	$	1,650,407	$	1,650,407

(ii) Interest rate risk

Interest rate risk is the risk that the fair value or the future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

Financial assets and financial liabilities with variable interest rates expose the Company to cash flow interest rate risk. The Company's cash and cash equivalents and investment earn interest at market rates.

The Company manages its interest rate risk by maximizing the interest income earned on excess funds while maintaining the liquidity necessary to conduct operations on a day-to-day basis.

(in Canadian dollars)

19. CAPITAL RISK MANAGEMENT

The Company's objective when management capital is to maintain its ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders.

The Company includes equity, comprised of issued share capital, contributed surplus, warrants, accumulated foreign currency translation and retained earnings (deficit) in the definition of capital. As at September 30, 2011, the Company has total equity of $16,700,052 (June 30, 2011 - $17,497,854).

The Company's primary objective with respect to its capital management is to ensure that it has sufficient cash resources to fund the identification and evaluation of potential acquisitions. To secure the additional capital necessary to pursue these plans, the Company may attempt to raise additional funds through the issuance of equity or by securing strategic partners.

The Company is not subject to externally imposed capital requirements and there has been no change with respect to the overall capital risk management strategy during the period ended September 30, 2011.

20. LEASE COMMITMENTS

	Not later than one year	Later than one year and not later than five years	Later than five years
Total of future minimum lease payments under non-cancellable operating leases	$ 26,857	$ 142,280	$ 54,000

21. SUBSEQUENT EVENTS

On October 14, 2011, the Company signed a settlement agreement with two of the original vendors involved in the sale of Galizien to the Company and former consultants of the Company, under which 609,000 stock options and 666,750 warrants issued and outstanding were cancelled and 1,100,000 common shares issued under the terms of the Galizien acquisition were repurchased by the Company for a nominal amount and cancelled. The Company also recovered $125,000 of fees that had been paid out as consulting fees in relation to the Galizien acquisition, which have been recorded at year end as a decrease in petroleum and natural gas property write down. The Company also recovered $116,000 in out of pocket costs.

On October 31, 2011, the Company signed a letter of intent ("LOI") with Gastek LLC ("Gastek") to acquire a 30% interest in five license areas in the Dnieper-Donetsk Basin of Eastern Ukraine through a business combination. Pursuant to the LOI, the Company is to issue common shares to the owners of Gastek such that the recipients will hold 60% of the issued and outstanding shares in the Company upon closing. The business combination will constitute a reverse take-over of the Company. The closing of the transaction shall occur on or before December 31, 2011, or such other date as the parties may mutually agree.

21. SUBSEQUENT EVENTS (CONT'D)

On November 25, 2011, the Company completed a private placement of 13,659,156 common shares and 4,490,844 subscription receipts all price at $0.40 per share for gross proceeds of $7,260,000. The subscription receipts for $1,796,337 are being held in escrow by a third party in a segregated account. The amounts held in escrow shall only be released upon exchange of the subscription receipts for common shares which will occur automatically for no additional consideration or action from the holder such time that there are sufficient common shares outstanding such that an exercise of the subscription receipts shall not cause the holder thereof to become an insider.

On December 2, 2011, the Company issued 2,250,000 stock options with an exercise price of $0.45, expiring 5 years from the date of issue.

EXHIBIT “F”
FINANCIAL STATEMENTS OF GASTEK FOR THE FINANCIAL YEARS ENDED DECEMBER 31, 2010, DECEMBER 31, 2009 AND DECEMBER 31, 2008 AND THE NINE MONTH PERIOD ENDED SEPTEMBER 30, 2011

Gastek LLC

Consolidated Financial Statements

30 September 2011 and December 2010, 2009, and 2008
(In Canadian Dollars)

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INDEPENDENT AUDITORS' REPORT

To the Directors of Gastek LLC

We have audited the accompanying consolidated financial statements of Gastek LLC, which comprise the consolidated statements of financial position as at December 31, 2010, 2009 and 2008, the consolidated statements of comprehensive income, changes in equity and cash flows for the years then ended, and notes, comprising a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our qualified audit opinion.

Basis for Qualified Opinion

Gastek LLC has not maintained adequate accounting records regarding certain revenue and certain selling and general administrative expenses for the years ended December 31, 2009 and 2008. It was impracticable to satisfy ourselves regarding certain revenue stated at $1.3 million and certain selling and general administrative expenses stated at $1.3 million for the year ended December 31, 2009 ($0.4 million and $0.4 million, respectively for the year ended December 31, 2008).

Qualified Opinion

In our opinion, except for the possible effects of such adjustments, if any, that might have been determined to be necessary had it been practicable to obtain sufficient appropriate audit evidence as described in the Basis for Qualified Opinion paragraph, the consolidated financial statements present fairly, in all material respects, the consolidated financial position of Gastek LLC as at December 31, 2010, 2009 and 2008, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with International Financial Reporting Standards.

KPMG LLP

Chartered Accountants
Calgary, Canada
February 14, 2012

(in thousands of Canadian dollars)	*Note*	**September 30 2011 (unaudited)**	December 31 2010	2009	2008
Assets					
Non-current assets					
Property, plant and equipment and intangible assets	*4*	-	-	15,409	18,512
Exploration and evaluation assets	*4*	-	-	7,803	9,478
Prepayments for property, plant and equipment		-	-	26	2
Equity investment	*10*	**22,659**	19,315	-	-
Loan to Loon	*32*	**39**	1,139	-	-
		22,698	20,454	23,238	27,992
Current assets					
Inventories	*5*	-	-	36	17
Trade and other receivables	*6*	-	-	221	188
Other taxes receivable	*7*	-	-	30	500
Prepayments to suppliers	*8*	-	-	12	23
Other current assets		-	-	104	34
Cash and cash equivalents	*9*	**6,250**	14,945	927	647
		6,250	14,945	1,330	1,409
Total assets		**28,948**	35,399	24,568	29,401

The consolidated statement of financial position is to be read in conjunction with the notes to and forming part of, the consolidated financial statements.

(in thousands of Canadian dollars)	_Note_	**September 30 2011 (unaudited)**	December 31 2010	2009	2008
Equity	_11_				
Members equity		**22,743**	36,505	10,335	5,123
Accumulated other comprehensive gain (loss)		**(48)**	(1,114)	(3,988)	(2,907)
Total equity attributable to equity holders of Kub-Gas LLC		**22,695**	35,391	6,347	2,216
Minority interest		-	-	-	10
Total equity		**22,695**	35,391	6,347	2,226
Non-current liabilities					
Long-term loans and borrowings	_12_	-	-	4,202	6,249
Finance lease liability	_13_	-	-	2,965	4,439
Decommissioning provision	_14_	-	-	99	175
Post-employment employee benefit obligations	_15_	-	-	45	39
Deferred tax liability	_28_	-	-	1,974	1,767
		-	-	9,285	12,669
Current liabilities					
Short-term loans and borrowings	_12_	-	-	3,781	6,429
Current portion of long-term loans and borrowings	_12_	-	-	-	1,315
Finance lease liability	_13_	-	-	2,634	4,095
Accounts payable	_16_	**8**	8	113	1,004
Promissory notes issued	_18_	-	-	-	413
Other taxes payable		-	-	479	456
Advances received		-	-	51	447
Other current liabilities	_19_	-	-	1,768	319
Income tax payable		-	-	110	28
Dividend payable	_17_	**6,245**	-	-	-
		6,253	8	8,936	14,506
Total equity and liabilities		**28,948**	35,399	24,568	29,401

The consolidated statement of financial position is to be read in conjunction with the notes to and forming part of, the consolidated financial statements.

(in thousands of Canadian dollars)	*Note*	**Nine Months Ended September 30**		Year Ended December 31		
		2011	**2010**	2010	2009	2008
		(unaudited)				
Revenue	*20*	-	**6,459**	6,459	18,118	18,651
Cost of revenue	*21*	-	**(3,365)**	(3,365)	(8,152)	(9,091)
Gross profit		-	**3,094**	3,094	9,966	9,560
Selling and general administrative expenses	*23*	**(984)**	**(903)**	(934)	(3,222)	(3,431)
Other income	*25*	-	**9**	9	32	336
Other expenses	*26*	-	**(98)**	(98)	(169)	(648)
Finance income		**75**	**47**	130	78	27
Finance expenses	*27*	-	**(353)**	(353)	(3,143)	(8,746)
Realized and unrealized gain on sale	*10*	-	**32,150**	31,758	-	-
Income (loss) from equity investment	*10*	**1,915**	**(169)**	376	-	-
Profit (loss) before tax		**1,006**	**33,777**	33,982	3,542	(2,902)
Income tax expense	*28*	-	**(547)**	(547)	(1,658)	(785)
Net profit (loss) for the period		**1,006**	**33,230**	33,435	1,884	(3,687)
Currency translation adjustment		**1,066**	**(151)**	(1,070)	(1,081)	(2,907)
Comprehensive income (loss)		**2,072**	**33,079**	32,365	803	(6,594)
Net Profit (Loss) Attributable to:						
Participants of the parent		**1,006**	**33,230**	33,435	1,884	(3,687)
Comprehensive Income (Loss) Attributable to:						
Participants of the parent		**2,072**	**33,079**	**32,365**	**803**	**(6,594)**

(in thousands of Canadian dollars)	**Attributable to equity holders of Gastek LLC** Members Equity	Other Comprehensive Income (Loss)	Total	Minority interest	Total equity
Balances as at 1 January 2008	8,373	-	8,373	10	8,383
Contributions from shareholders, net of deferred tax	437	-	437	-	437
Net loss for the year	(3,687)	-	(3,687)	-	(3,687)
Currency translation adjustments	-	(2,907)	(2,907)	-	(2,907)
Balances as at 31 December 2008	5,123	(2,907)	2,216	10	2,226
Change in terms of finance lease	228	-	228	-	228
Contributions from shareholders	2,954	-	2,954	-	2,954
Deferred tax effect on transactions with shareholders, net	136	-	136	-	136
Liquidation of the SPE	10	-	10	(10)	-
Net profit for the year	1,884	-	1,884	-	1,884
Currency translation adjustments	-	(1,081)	(1,081)	-	(1,081)
Balances as at 31 December 2009	10,335	(3,988)	6,347	-	6,347
Deconsolidation of previous wholly owned subsidiary	-	3,944	3,944	-	3,944
Distribution to members	(515)	-	(515)	-	(515)
Net profit for the period	33,230	-	33,230	-	33,230
Currency translation adjustments	-	(151)	(151)	-	(151)
Balances as at 30 September 2010 (unaudited)	43,050	(195)	42,855	-	42,855
Distribution to members	(6,750)	-	(6,750)	-	(6,750)
Net profit for the period	205	-	205	-	205
Currency translation adjustments	-	(919)	(919)	-	(919)
Balances as at 31 December 2010	36,505	(1,114)	35,391	-	35,391
Distribution to members	(14,768)	-	(14,768)	-	(14,768)
Net profit for the period	1,006	-	1,006	-	1,006
Currency translation adjustments	-	1,066	1,066	-	1,066
Balances as at 30 September 2011 (unaudited)	**22,743**	**(48)**	**22,695**	**-**	**22,695**

The consolidated statement of financial position is to be read in conjunction with the notes to and forming part of, the consolidated financial statements.

(in thousands of Canadian dollars)	*Note*	**Nine Months Ended September 30**		Year Ended December 31		
		2011	**2010**	2010	2009	2008
		(unaudited)				
Operating activities						
Profit (loss) before tax		**1,006**	33,777	33,982	3,542	(2,902)
Adjustments for:						
Depreciation depletion and amortisation expense		-	814	814	1,847	1,387
Post-employment employee benefit charges	*15*	-	(3)	(3)	6	22
Loss on disposal of property, plant and equipment	*26*	-	-	-	133	336
Finance lease interest expense	*27*	-	313	313	1,878	3,087
Interest expense on loans and borrowings	*27*	-	129	129	1,091	1,295
Unwinding of the discount on decommissioning provision	*14, 27*	-	2	2	6	6
Unrealised foreign exchange loss		-	1	1	349	4,355
Impairment losses on trade and other receivables		-	-	-	4	163
Borrowing costs capitalised	*27*	-	(96)	(96)	(222)	-
Finance income		-	(48)	(48)	(78)	(27)
Gain on sale of investment		-	(32,150)	(31,758)	-	-
Equity share of investment		**(1,915)**	169	(376)	-	-
Operating cash flow before changes in working capital		**(909)**	2,908	2,960	8,556	7,722
(Increase) decrease in inventories		-	(36)	(36)	(20)	986
(Increase) decrease in trade and other receivables		-	88	88	(37)	(228)
(Increase) decrease in other taxes receivable		-	(89)	(89)	470	892
(Increase) decrease in other current assets		-	26	26	(70)	526
(Increase) decrease in prepayments to suppliers		-	(40)	(40)	11	45
(Decrease) increase in trade accounts payable		-	73	73	(557)	(1,825)
(Decrease) increase in advances received		-	413	413	(404)	385
(Decrease) increase in promissory notes issued		-	-	-	(413)	52
Increase in other taxes payable		-	108	108	23	78
Increase in other current liabilities		-	77	77	31	3
Cash flows from operations before income taxes, finance expenses paid and finance income received		**(909)**	3,528	3,580	7,590	8,636
Income taxes paid		-	(129)	(129)	(874)	(470)
Interest received		-	48	48	78	27
Interest paid		-	(798)	(798)	(2,967)	(4,383)
Cash flows from operating activities		**(909)**	2,649	2,701	3,827	3,810

(in thousands of Canadian dollars)	*Note*	**Nine Months Ended September 30**		Year Ended December 31		
		2011	**2010**	2010	2009	2008
		(unaudited)				
Investing activities						
Proceeds from disposal of property, plant and equipment		-	-	-	41	14
Purchase of property, plant and equipment and intangible assets		-	(615)	(615)	(1,915)	(8,035)
Proceeds from sale of investment		-	43,131	43,131	-	-
Fees related to sale of investment		-	(5,423)	(5,423)	-	-
Loans issued		-	(1,174)	(1,138)	-	-
Reduction of cash from deconsolidaton of subsidiary		-	(58)	(58)	-	-
Cash used in investing activities		-	35,861	35,897	(1,874)	(8,021)
Financing activities						
Additional paid-in capital		-	1	1	-	582
Proceeds from loans and borrowings		**1,100**	339	339	1,613	9,450
Repayment of loans and borrowings		-	(5,510)	(6,972)	(3,294)	(5,528)
Finance lease principal paid		-	(423)	(423)	(1,661)	(168)
Deposit received on sale of majority interest		-	-	-	1,541	-
Additional investment to Loon		-	(8,763)	(8,763)	-	-
Dividends paid		**(8,523)**	(515)	(7,265)	-	-
Cash flows (used in) from financing activities		**(7,423)**	(14,871)	(23,083)	(1,801)	4,336
Net (decrease) increase in cash and cash equivalents		**(8,332)**	23,639	15,515	152	125
Cash and cash equivalents at beginning of period		**14,945**	928	927	647	194
Effect of currency exchange rate changes on cash and equivalents		**(363)**	(770)	(1,497)	128	328
Cash and cash equivalents at end of period		**6,250**	23,797	14,945	927	647

The consolidated statement of financial position is to be read in conjunction with the notes to and forming part of, the consolidated financial statements.

1 Background

(a) Organization and operations

Gastek LLC ("Gastek" or the "Company") was incorporated and registered 3 May 2005 in California, United States of America. Its registered office and principal place of business is 1000 Fourth Street, Suite 785, San Rafael, California, USA. In December 2005, Gastek entered into a contract acquiring all the outstanding shares in Kub-Gas LLC ("Kub-Gas") for approximately USD 5,300 thousand. During 2010 Gastek invested an additional USD 8,500 thousand into Kub-Gas through its owner Parma, Ltd. During 2010 Gastek's ownership in Kub-Gas was transferred to a related holding company, Loon Ukraine Holding Limited ("Loon"). Gastek and Loon are primarily holding companies for its investment ownership in Kub-Gas and their operations are limited.

Kub-Gas was established on 13 January 2000 as the license holder and an entity engaged in exploration, development and production of gas and gas condensate in the region of Dniepr-Donetsk Basin Ukraine. Its registered office and the principal place of business is 8 Karl Marx Street, Lugansk, Ukraine. Kub-Gas has 5 licensed gas and gas condensate fields (4 exploration and 1 production), 4 gas distribution stations, over 20 kilometres of main gas pipelines and is connected to the Ukrainian gas transportation infrastructure

Kub-Gas' financial information includes consolidation of its special purpose entity (the SPE), First Drilling Company LLC (together referred to as "the Group"). First Drilling Company LLC ("First Drilling") was established on 12 October 2006 as a SPE to provide drilling, wells repairs and maintenance services exclusively for Kub-Gas. The SPE is registered in Lugansk region on 6 General Mikhailov Street, Kreminna, Ukraine. The principal activities of the Group include exploration, development and production of gas and gas condensate in Ukraine.

On 10 November 2009, Kulczyk Oil Ventures Inc., Calgary, Canada ("Kulczyk") entered into two Sale and Purchase Agreements (the Agreements) with Gastek under which Kulczyk agreed to acquire an effective indirect 70% ownership in Kub-Gas for approximately USD 43,200 thousand. This transaction was completed in June 2010. Upon completion of the transaction in early June 2010, Kub-Gas is no longer consolidated with the Company and the remaining 30% equity ownership is accounted for by the Equity method of accounting. The consolidated statement of income includes the operations of the Group through May 31, 2010 (see Note 10).

The consolidated financial statements for the years 2008 and 2009 and up to May 31, 2010 comprise Gastek LLC and the Group (Kub-Gas and First Drilling). The consolidated financial statements subsequent to May 31, 2010, comprise Gastek LLC and its 30% indirect equity interest in Kub-Gas. The consolidated financial statements are hereinafter referred to as "the Company."

A summary of Kub-Gas' unexpired licences issued by the Ministry for Environmental Protection of Ukraine as at September 30, 2011 are noted below:

Production license	**Issues date**	**Prolongation date**	**Expiry date**
Vergunske field	27 September 2006	-	27 September 2026
Exploration licences			
Makiivske field	18 May 2001	11 August 2009	11 August 2014
Krutogorivske field	16 July 2004	11 August 2009	11 August 2014
Olgivske field	31 May 2006	11 August 2009	11 August 2014
Pivnichnomakiivske field	29 December 2010	-	29 December 2015

Under the terms of licences the Group may produce gas and gas condensate on the exploration fields capped by 10% of total reserves estimated and approved by the licensor, the Ministry for Environmental Protection of Ukraine, and may not exceed the cap during the exploration status. Management of the Group closely monitors the compliance with terms of licenses. Should the Group wish to produce more, it would need to convert the exploration license into a production license. The production license allows unlimited production of gas and gas condensate over the terms of the license. Management expects that the Group will be able to convert the exploration licences into production licences once this is necessary.

2 Basis of preparation

(a) Statement of compliance

The consolidated financial statements are prepared in accordance with International Financial Reporting Standards (IFRS) and were approved by the directors of Gastek on February 14, 2012.

(b) Basis of consolidation

(i) Special purpose entities

Kub-Gas has established a special purpose entity (SPE), First Drilling Company LLC, for providing drilling, wells repairs and maintenance services. Kub-Gas does not have any direct or indirect shareholdings in this entity. A SPE is consolidated if, based on an evaluation of the substance of its relationship with the Group and the SPE's risks and rewards, the Group concludes that it controls the SPE. The SPE controlled by the Group was established under terms that impose strict limitations on the decision-making powers of the SPE's management and that result in the Group receiving the majority of the benefits related to the SPE's operations and net assets, being exposed to risks incident to the SPE's activities, and retaining the majority of the residual or ownership risks related to the SPE or its assets. Refer to Note 29 for derecognition of SPE.

(ii) Transactions eliminated on consolidation

Intra-company balances and transactions, and any unrealised gains arising from intra-company transactions, are eliminated in preparing the consolidated financial statements. Unrealised gains arising on transactions with equity accounted investees are eliminated against the investment to the extent of the Company's interest in the investee. Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment.

(c) Basis of measurement

The consolidated financial statements are prepared on the historical cost basis.

(d) Functional and presentation currency

Gastek's functional currency is the United States Dollar (USD). The national currency of Ukraine is the Ukrainian hryvnia (UAH), which is Kub-Gas's and its SPE's functional currency. The presentation currency of the consolidated financial statements is the Canadian Dollar (CAD). All Company financial information is presented in CAD is rounded to the nearest thousand.

(e) Parent company support

The consolidated financial statements are prepared on a going concern basis, which contemplates the realisation of assets and the satisfaction of liabilities in the normal course of business. The Company's assets exceed liabilities by approximately CAD 22,700 thousand and CAD 35,400 thousand for the nine months ended 30 September 2011 and for the year ended 31 December 2010. The Company's current liabilities exceed current assets by approximately CAD 15,600 thousand and CAD 14,900 thousand as at 31 December 2009 and 2008. The ongoing economic uncertainty has resulted in, among other things, a lower level of capital market funding and consequently lower liquidity levels across Ukrainian companies, higher interest rates as well as a significant devaluation of the Ukrainian hryvnia. Such circumstances could affect the ability of the Group to obtain new borrowings and refinance its existing borrowings at terms and conditions similar to those applied to earlier transactions.

The Company's future operations are expected to consist of managing its 30% investment in Kub-Gas which is anticipated to be funded from its cash flow and available credit facilities. If future capital is required, the Company will look to its owner Parma for support. Therefore, management believes that the Company will operate as a going concern in the foreseeable future and the preparation of the consolidated financial statements on a going concern basis is appropriate.

(f) Use of estimates and judgments

Management makes a number of estimates and assumptions relating to the reporting of assets and liabilities and the disclosure of contingent assets and liabilities to prepare these consolidated financial statements in conformity with IFRS. Actual results could differ from those estimates.

In particular, information about significant areas of estimation uncertainty and critical judgments in applying accounting policies that have the most significant effect on the amounts recognised in the consolidated financial statements are described below:

(i) Key Sources of Estimation Uncertainty

- ***Valuation of trade and other receivables, and prepayments to suppliers***. Management estimates the likelihood of the collection of trade and other receivables and recovery of prepayments based on an analysis of individual accounts. Factors taken into consideration include the ageing of receivables in comparison with the credit terms allowed to customers, and the financial position and collection history with the customer. Should actual collections be less than management estimates, the Group would be required to record additional impairment expense.

- ***Decommissioning provision.*** Management estimates obligations of the Group under environmental regulations in respect of decommissioning and site restoration. These obligations are determined based on the expected present value of expenses required in the process of plugging and abandoning wells, dismantlement of wellheads, production and transport facilities and restoration of producing areas in accordance with relevant legislation, discounted from the date when expenses are expected to be incurred. Most of the abandonment of the Group's wells is estimated to take place far in the future. Therefore, changes in estimated timing of future expenses, estimated logistics of performing abandonment work and the discount rate used to discount future expenses would have a significant effect on the carrying amount of the decommissioning provision. Refer to Note 14 for a sensitivity analysis in respect of key assumptions used to determine the decommissioning provision.

- ***Post-employment employee benefit obligations***. Management estimates obligations of the Group under post-employment employee benefit obligations based on assumptions described in Note 15.

- ***Determination of useful lives for gas pipeline network assets and oil and gas assets.*** As described in Note 31(c), the current licenses of the Group for gas exploration and production expire between 2014 and 2026. Management believes that the Group will be able to receive new licenses to use these assets after 2014-2026. Therefore, management determined that gas pipeline network assets should be depreciated over the estimated useful live of gas pipeline network assets of 20 years and that oil and gas assets should be depreciated using the units-of-production method. In case the Group is not able to re-new the licenses, the Group would not be able to use its gas pipeline network and its oil and gas assets and the effect on the consolidated financial statements could be significant.

- ***Estimating oil and gas reserves.*** Management involved a qualified oil and gas appraiser to perform an estimation of the amount of oil and gas reserves, which are the basis for the calculation of depletion charges and assessment of impairment of oil and gas assets, based on assumptions described in Note 4. Reserves are estimated using the definitions of reserves prescribed by the Society of Petroleum Engineers and the World Petroleum Congress requirements. Proved oil and gas reserves are the estimated quantities of crude oil, natural gas liquids including condensate and natural gas that geological and engineering data demonstrate with reasonable certainty can be recovered in future years from known reservoirs under existing economic and operating conditions. Reserves are considered proved if they can be produced economically as demonstrated by either actual production or conclusive formation tests. Due to the inherent uncertainties and the necessarily limited nature of reservoir data, estimates of reserves are inherently imprecise, require the application of judgment and are subject to change as additional information becomes available. The estimates are made using all available geological and reservoir data as well as historical production data. Estimates are reviewed and revised as appropriate. Revisions occur as a result of changes in prices, costs, fiscal regimes, reservoir performance or a change in the Group's plans.

(i) Critical judgments in applying accounting policies

- Management made a critical judgment in selecting the accounting policy for oil and gas assets. Using guidance provided in International Financial Reporting Standard 6 Exploration for and Evaluation of Mineral Resources, management believes that application of the method of accounting for oil and gas assets as described in note 3(c) is appropriate.

- Determination that with regard to the drilling rig leased from Drillcon Inc., substantially all the risks and rewards of ownership of this asset have been assumed by the Group based on the fact that the net present value of the minimum lease payments exceeds 90% of the fair value of the drilling rig at commencement of the lease. Accordingly, management believes that classification as a finance lease is appropriate (refer to Note 13).

(g) Changes in accounting policies

(i) Overview

Starting as of 1 January 2009, the Company has changed its accounting policies in the following areas:

- Accounting for borrowing costs;

- Determination and presentation of operating segments;

- Presentation of financial statements.

(ii) Accounting for borrowing costs

In respect of borrowing costs relating to qualifying assets for which the commencement date for capitalisation is on or after 1 January 2009, the Company capitalises borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset as part of the cost of that asset. Previously the Company immediately recognised all borrowing costs as an expense. This change in accounting policy was due to the adoption of International Financial Reporting Standard IAS 23 Borrowing Costs (2007) in accordance with the transitional provisions of such standard; comparative figures have not been restated. Following the change in accounting policy the Company capitalized CAD 201thousand of borrowing costs during the year ended 31 December 2009.

The Company has capitalised borrowing costs with respect to property, plant and equipment under construction (see Note 3(c)(i)).

(iii) Presentation of financial statements

The Company applies revised IAS 1 Presentation of Financial Statements (2007), which became effective as of 1 January 2009. As a result, the Company presents in the consolidated statement of changes in equity all owner changes in equity, whereas all non-owner changes in equity are presented in the consolidated statement of comprehensive income. The application of revised IAS 1 does not impact the comparative information of these consolidated financial statements.

3 Significant accounting policies

The accounting policies set out below have been applied consistently to all periods presented in these consolidated financial statements, and have been applied consistently by Company entities, except as explained in Note 2(g), which addresses changes in accounting policies.

(a) Foreign currency transactions and translation

Where the functional currency of a entity within the Company differs from the reporting currency, the assets and liabilities are translated to Canadian dollar presentation currency at exchange rates at the reporting date. The income and expenses of are translated to Canadian dollar reporting currency at exchange rates at the dates of transactions or average exchange rates in the period. Foreign currency differences are recognized directly in equity in the translation reserve.

Foreign exchange gains and losses arising from a monetary item receivable from or payable to a foreign operation, the settlement of which is neither planned nor likely in the foreseeable future, are considered to form part of a net investment in a foreign operation and are recognized directly in equity in the translation reserve.

Transactions in foreign currencies are translated to the functional currency of the entity at the foreign exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the reporting date are translated to the functional currency at the foreign exchange rate ruling at the reporting date. Non-monetary assets and liabilities denominated in foreign currencies, which are stated at historical cost, are translated to the functional currency at the foreign exchange rate ruling at the date of the transaction. Foreign exchange differences arising on translation are recognised in the profit or loss.

The principal CAD exchange rates used in the preparation of the consolidated financial statements are as follows:

Currency	**Nine Months Ended September 30**		Year Ended December 31		
	2011	**2010**	2010	2009	2008
US dollar (USD)	**1.04091**	**1.03009**	0.99802	1.05052	1.21838
Ukranian Hryvnias (UAH)	**0.12841**	**0.12819**	0.12368	0.12899	0.15487
British Pound (GBP)	**1.62375**	**1.62726**	1.54691	1.69397	1.76585
EUR	**1.40582**	**1.4033**	1.33129	1.50916	1.71054

** The principal CAD exchange rates are determined by www.oanda.com. Market exchange rates may differ from exchange rates established by www.oanda.com.

As of January 31, 2012, the exchange rate was CAD 0.99911 to USD 1.00; 0.12310 to UAH 1.00; 1.57554 to GBP 1.00; and 0.75974 to EUR.

(b) Financial instruments

Non-derivative financial instruments comprise investments in equity and debt securities, trade and other receivables, cash and cash equivalents, loans and borrowings, and trade and other payables.

Non-derivative financial instruments are recognised initially at fair value plus, for instruments not at fair value through profit or loss, any directly attributable transaction costs. Subsequent to initial recognition non-derivative financial instruments are measured as described below.

Cash and cash equivalents comprise cash balances and call deposits. Bank overdrafts that are repayable on demand and form an integral part of the Group's cash management are included as a component of cash and cash equivalents for the purpose of the consolidated statement of cash flows.

Accounting for finance income and expenses is discussed in Note 3(n).

Other

Other non-derivative financial instruments are measured at amortised cost using the effective interest method, less any impairment losses. Investments in equity securities that are not quoted on a stock exchange are principally valued using valuation techniques such as discounted cash flow analysis, option pricing models and comparisons to other transactions and instruments that are substantially the same. Where fair value cannot be estimated on a reasonable basis by other means, investments are stated at cost less impairment losses.

Derivative financial instruments and certain derivatives that are determined to be embedded in non-financial derivative contracts are recognised at fair value with changes in fair value each period included in income (loss).

(c) Property, plant and equipment

(i) Basis of measurement

Items of property, plant and equipment are measured at cost less accumulated depreciation and impairment losses.

Cost includes expenditures that are directly attributable to the acquisition of the asset. The cost of self-constructed assets includes the cost of materials and direct labour, any other costs directly attributable to bringing the asset to a working condition for its intended use, and the costs of dismantling and removing the items and restoring the site on which they are located and capitalised borrowing costs (see note 2(g)(ii)). Purchased software that is integral to the functionality of the related equipment is capitalised as part of that equipment.

For items of property, plant and equipment of oil and gas assets that are commissioned, a decommissioning provision is recognised as part of the cost of these items and depleted accordingly. Changes in the decommissioning provision during the useful lives of the property, plant and equipment, resulting from changes in the estimated timing or amount of the outflow of resources required to settle the obligation, or a change in the discount rate, are added to, or deducted from, the cost of the related asset in the current period. Once the related items have reached the end of their useful life, all subsequent changes in the decommissioning provision are recognised in the profit or losses they occur.

Where an item of property, plant and equipment comprises major components having different useful lives, they are accounted for as separate items of property, plant and equipment.

(ii) Exploration and evaluation expenditure

Pre-licence costs are recognised in the profit or losses incurred.

Exploration and evaluation costs, including the costs of acquiring licences, initially are capitalised as either tangible or intangible exploration and evaluation assets according to the nature of the assets acquired. The costs are accumulated in cost centres by well, field or exploration area pending determination of technical feasibility and commercial viability.

If the exploration and evaluation of mineral resources in the field/area have not led to the discovery of commercially viable quantities of mineral resources and the entity has decided to discontinue such activities in the specific field/area the exploration and evaluation assets are written off.

If mineral resources are found and, subject to further appraisal activity are likely to be capable of commercial development, the costs continue to be carried as an asset. All such carried costs are subject to technical, commercial and management review at least once a year to confirm the continued intent to develop or otherwise extract value from the discovery.

When proved reserves of gas and gas condensate are determined and development of the field/area is sanctioned, the relevant expenditure is transferred to oil and gas properties.

(iii) Oil and gas assets

With respect to the Company's oil and gas assets, costs incurred on property acquisitions, successful exploratory wells, all development costs and support equipment and facilities are capitalised. Unsuccessful exploratory wells are charged to expense at the time the wells or other exploration activities are determined to be non-productive.

Production costs, overheads and all exploration costs other than exploratory drilling are charged to expense as incurred. The net book value of oil and gas assets is evaluated on a regular basis and provisions, if necessary, are made for impairments.

(iv) Other property, plant and equipment

Property, plant and equipment not directly associated with oil and gas activities are stated at cost less accumulated depreciation and impairment losses.

Where an item of property, plant and equipment comprises major components having different useful lives, they are accounted for as separate items of property, plant and equipment.

(v) Land

The Group leases the land plots on which its assets are located. Land is the property of the landlords (state governmental authorities, legal entities and individuals) and, therefore, is not included in the consolidated financial statements of the Group. The Group does not have any non-cancellable lease agreements.

(vi) Subsequent expenditure

Expenditure incurred to replace a component of an item of property, plant and equipment that is accounted for separately, is capitalised with the carrying amount of the component replaced being written off. Other subsequent expenditure is capitalised only when it increases the future economic benefits embodied in the item of property, plant and equipment. All other expenditure is recognised in the in the profit or loss as an expense as incurred.

(vii) Depreciation and depletion

Depletion of costs related to oil and gas properties is calculated using the units-of-production method based on proved developed reserves for oil and gas properties.

Depreciation of assets not directly associated with production of gas and gas condensate is charged on a straight-line basis over the estimated useful lives of the individual assets. Depreciation commences on the date of acquisition or, in respect of internally constructed assets, from the time an asset is completed and ready for use.

The estimated useful lives are as follows:

The estimated useful lives are as follows:

Buildings and gas pipelines	10–20 years
Plant and equipment	4–10 years
Fleet and vehicles	6–8 years
Fixtures and fittings	4–6 years

(viii) Intangible assets

Intangible assets that are acquired by the Company, which have finite useful lives, are measured at cost less accumulated amortisation and accumulated impairment losses.

Amortisation is charged to the profit or loss on a straight-line basis over the estimated useful lives of intangible assets from the date that they are available for use.

The estimated useful lives of intangible assets are 20 years. Useful lives are reassessed annually at the reporting date.

(ix) Construction in progress

Construction in progress is stated at cost less impairment losses.

(d) Prepayments for property, plant and equipment

Prepayments for property, plant and equipment are stated at cost less impairment losses.

(e) Inventories

Inventories are stated at the lower of cost and net realisable value. The cost of inventories is based on the first-in, first-out principle and includes expenditure incurred in acquiring the inventories and bringing them to their existing location and condition.

Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and selling expenses.

(f) Prepayments to suppliers

Prepayments to suppliers are stated at cost less impairment losses.

(g) Leases

(i) Finance leases

Finance leases, which transfer to the Company substantially all the risks and rewards incidental to ownership of the leased item, are capitalised at the inception of the lease at the fair value of the leased asset or, if lower, at the present value of the minimum lease payments. Lease payments are apportioned between finance charges and the reduction of the lease liability so as to achieve a constant periodic rate of interest on the remaining balance of the liability. Finance charges are reflected in the profit or loss.

Capitalised leased assets are depreciated over the shorter of the estimated useful life of the asset and the lease term, if there is no reasonable certainty that the Company will obtain ownership by the end of the lease term.

(ii) Operating leases

A lease is classified as an operating lease if it does not transfer substantially all of the risks and rewards incidental to ownership.

Operating lease payments are recognised as an expense in the profit or loss on a straight line basis over the lease term.

(h) Impairment

(i) Financial assets

A financial asset is assessed at each reporting date to determine whether there is any objective evidence that it is impaired. A financial asset is considered to be impaired if objective evidence indicates that one or more events have had a negative effect on the estimated future cash flows of that asset.

An impairment loss in respect of a financial asset measured at amortised cost is calculated as the difference between its carrying amount, and the present value of the estimated future cash flows discounted at the original effective interest rate. An impairment loss in respect of an available-for-sale financial asset is calculated by reference to its current fair value.

Individually significant financial assets are tested for impairment on an individual basis. The remaining financial assets are assessed collectively in groups that share similar credit risk characteristics.

All impairment losses are recognised in the profit or loss. Any cumulative loss in respect of an available-for-sale financial asset recognised previously in equity is transferred to the profit or loss.

An impairment loss is reversed if the reversal can be related objectively to an event occurring after the impairment loss was recognised. For financial assets measured at amortised cost and available-for-sale financial assets that are debt securities, the reversal is recognised in the profit or loss. For available-for-sale financial assets that are equity securities, the reversal is recognised directly in equity.

(ii) Non-financial assets

The carrying amounts of the Company's non-financial assets, other than inventories and deferred tax assets, are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. For goodwill and intangible assets that have indefinite lives or that are not yet available for use, the recoverable amount is estimated at each reporting date.

The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For the purpose of impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or groups of assets (the "cash-generating unit"). The goodwill acquired in a business acquisition, for the purpose of impairment testing, is allocated to cash-generating units that are expected to benefit from the synergies of the combination.

An impairment loss is recognised if the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount. Impairment losses are recognised in the profit or loss. Impairment losses recognised in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to the units and then to reduce the carrying amount of the other assets in the unit (group of units) on a pro rata basis.

(i) Provisions

A provision is recognised if, as a result of a past event, the Company has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability.

(j) Decommissioning provision

The decommissioning provision is the Company's assessment based on the estimated future costs expected to be incurred in respect of the decommissioning and site restoration, adjusted for the effect of the projected inflation for the upcoming periods and discounted using interest rates applicable to the provision. Interest expense related to the provision is included in finance expenses in the profit or loss.

Changes in the decommissioning provision that result from changes in the estimated timing or amount of the outflow of resources embodying economic benefits required to settle the obligation, or a change in the discount rate, are added to, or deducted from, the cost of the related oil and gas asset in the current period. The amount deducted from the cost of the asset is limited to the carrying amount of the asset. If a decrease in the liability exceeds the carrying amount of the asset, the excess is recognised immediately in the profit or loss.

(k) Employee benefits

(i) Defined contribution state pension plan

The Group pays contributions based on each employee's wage to defined contribution pension plans, including the Ukrainian state pension fund, social security fund, security against injury fund, and unemployment fund. These amounts are expensed as incurred.

(ii) Defined benefit state pension plan

The Group is obliged to compensate to the Ukrainian state amounts of pensions which are paid by the State to employees of the Group who worked a certain period of time in hazardous or heavy-load conditions as defined by the statutory regulations and are eligible for early retirement and pensions until the normal retirement age as defined by the statutory regulations (the Plan). The Plan is not funded and there are no plan assets.

The net obligation in respect of this defined benefit state pension plan is calculated by estimating the amount of future benefit that employees have earned in return for their service in the current and prior periods; that benefit is discounted to determine its present value, and any unrecognised past service costs and the fair value of any plan assets are deducted. The discount rate is determined by reference to market yields at the reporting date on corporate bonds. The currency and term of the corporate bonds is consistent with the currency and estimated term of the post-employment benefit obligations.

The calculation is performed by management using the projected unit credit method. When the calculation results in a benefit to Kub-Gas, the recognised asset is limited to the net total of any unrecognised past service costs and the present value of any future refunds from the plan or reductions in future contributions to the plan.

In calculating the Group's obligation in respect of the Plan, to the extent that any cumulative unrecognised actuarial gain or loss exceeds ten percent of the present value of the defined benefit obligation, that portion is recognised in the profit or loss over the expected average remaining working lives of the employees participating in the Plan.

(l) Income tax expense

Income tax on the profit for the year comprises current and deferred tax related to the operation of Kub-Gas. Gastek is not subject to tax as it is considered a disregarded entity for tax purposes and its results of operation are included with those of its parent company, Parma Ltd. Parma is a Liberian Corporation. Income tax expense is recognised in the profit or loss except to the extent that it relates to items recognised directly to equity, in which case it is recognised in equity.

Current tax expense is the expected tax payable on the taxable income for the year, using tax rates enacted or substantially enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

Deferred tax is provided using the balance sheet liability method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The following temporary differences are not provided for: goodwill not deductible for tax purposes, initial recognition of assets or liabilities that affect neither accounting nor taxable profit nor investments in subsidiaries. In addition, deferred tax is not recognised for taxable temporary differences arising on the initial recognition of goodwill. Deferred tax is measured at the tax rates that are expected to be applied to the temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date. Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax assets and liabilities, and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realised simultaneously.

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the unused tax losses and credits can be utilised. Deferred tax assets are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

(m) Revenue

(i) Sales of gas and gas condensate

Revenue from the sale of gas and gas condensate is recognised in the profit or loss when the significant risks and rewards of ownership are transferred to the buyer.

The gas selling price is determined based on the application of prices for gas sales as approved (capped) by the Ukrainian National Commission on Energy Regulation.

Prices for gas condensate are established at the market based on actual correspondence of supply and demand at a particular period of time.

(ii) Services rendered

Revenue from services rendered is recognised in the profit or loss in proportion to the stage of completion of the transaction at the reporting date.

(n) Finance income and expenses

Finance income comprises interest income on funds. Interest income is recognised as it accrues in the profit or loss, using the effective interest method.

Finance expenses comprise interest expense on loans and borrowings, unwinding of the discount on provisions and foreign currency exchange losses.

Foreign currency gains and losses are reported on a net basis.

Borrowing costs directly attributable to the acquisition, construction or production of an asset that necessarily takes a substantial period of time to get ready for its intended use or sale are capitalised as part of the cost of the respective assets. All other borrowing costs are expensed in the period they occur. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

The Company capitalises borrowing costs for all eligible assets where construction was commenced on or after 1 January 2009.

4 Property, plant and equipment and intangible assets

Movements in property, plant and equipment and intangible assets for the years ended 31 December 2009 and 2008 are noted below. Noted currency differences attributable to varying currency rates used for year-end balances and for activity within the account. No periods are presented after 31 December 2009 as Kub-Gas is no longer consolidated with Gastek after this date.

(in thousands of Canadian Dollars)	**Oil and gas assets**	**Buildings and gas pipelines**	**Plant and equipment**	**Fleet and vehicles**	**Fixtures and fittings**	**Intangible assets**	**Constru-ction in progress**	**Total**
Cost								
At 1 January 2008	7,626	588	10,630	785	320	394	1,885	22,228
Additions	2,337	39	1,356	11	46	5	63	3,856
Change in decommissioning provision (note 14)	34	-	-	-	-	-	-	34
Disposals	(47)	(28)	(263)	(25)	(3)	-	(68)	(434)
Transfers from exploration and evaluation assets	2,510	-	-	-	-	-	-	2,510
At 31 December 2008	12,460	599	11,722	772	362	399	1,880	28,194
Additions	**2,015**	**-**	**-**	**19**	**51**	**296**	**24**	**2,406**
Change in decommissioning provision (note 14)	**(57)**	**-**	**-**	**-**	**-**	**-**	**-**	**(57)**
Disposals	**-**	**(5)**	**(40)**	**(19)**	**(29)**	**(5)**	**(124)**	**(223)**
Transfers	**-**	**151**	**374**	**-**	**-**	**-**	**(525)**	**-**
Transfers from exploration and evaluation assets	**2,455**	**-**	**-**	**-**	**-**	**-**	**-**	**2,455**
Transfers to exploration and evaluation assets	**-**	**-**	**-**	**-**	**-**	**-**	**(42)**	**(42)**
At 31 December 2009	**16,873**	**745**	**12,056**	**772**	**385**	**690**	**1,213**	**32,733**
Accumulated depreciation, depletion and amortisation								
At 1 January 2008	(1,492)	(109)	(864)	(174)	(116)	(60)	-	(2,816)
Depreciation, depletion and amortisation charge	(1,281)	(49)	(1,433)	(123)	(71)	(38)	-	(2,995)
Disposals	5	5	47	23	3	-	-	83
At 31 December 2008	(2,768)	(153)	(2,250)	(275)	(184)	(98)	-	(5,728)
Depreciation, depletion and amortisation charge	(1,736)	(40)	(1,052)	(86)	(50)	(88)	-	**(3,051)**
Disposals	-	2	11	18	16	3	-	**49**
At 31 December 2009	**(4,504)**	**(192)**	**(3,291)**	**(342)**	**(218)**	**(183)**	**-**	**(8,730)**
Impact of currency translation								
2008	(1,577)	(82)	(1,768)	(87)	(32)	(55)	(354)	(3,955)
2009	(4,584)	(153)	(2,990)	(149)	(56)	(115)	(548)	(8,594)
Net book value								
At 31 December 2009	**7,786**	**400**	**5,774**	**280**	**111**	**392**	**665**	**15,409**
At 31 December 2008	8,115	363	7,704	410	147	246	1,526	18,512

Movements in capitalised expenditures of exploration and evaluation assets for the years ended 31 December are as follows:

(in thousands of Canadian dollars)	2009	2008
At 1 January	9,478	6,422
At 31 December	7,803	9,478

The Group capitalised depreciation charges related to drilling equipment used in construction of property, plant and equipment in the cost of exploration and evaluation assets for the year ended 31 December 2009 of CAD 538 thousand (2008: CAD 839 thousand).

As a result of the change in accounting policy with respect to the treatment of borrowing costs, at 31 December 2009 capitalised borrowing costs related to the investments into Exploration and evaluation assets amounted to CAD 201 thousand (31 December 2008: nil). The rate used to determine the amount of borrowing costs eligible for capitalisation was 23.9 percent which is the effective interest rate of the specific borrowing.

Cost of fully depreciated assets as at 31 December is as follows:

(in thousands of Canadian dollars)	2009	2008
Fixture and fittings	53	56
Fleet and vehicles	20	14
Plant and equipment	7	-
Intangible assets	3	3
	83	73

Net book values of pledged assets as at 31 December are as follows:

(in thousands of Canadian dollars)	2009	2008
Oil and gas assets	3,575	6,157
Plant and equipment	985	650
Buildings and gas pipelines	110	270
Fleet and vehicles	101	230
Fixture and fittings	14	27
	4,785	7,334

As at 1 April 2009 and 1 January 2008, gas and condensate reserves for all fields controlled by the Company have been estimated by an oil and gas appraiser, RPS Energy, United Kingdom. The volume of gas and gas condensate reserves, as estimated by this firm, is used, in part, to determine the depletion rates for oil and gas assets located at these fields.

In addition to the determination of estimated gas reserves by an oil and gas appraiser, impairment testing was conducted by management in order to assess whether the net present value of future cash flows related to the gas fields exceeds the book value of related gas assets as at 31 December 2009.

The following approach and key assumptions were used in performing the impairment testing:

- Cash flows were projected for the years 2010 – 2014 based on actual operating results for the reporting period ended 31 December 2009.

- Cash flows for future periods were extrapolated assuming no further growth in production while selling prices were forecasted to grow by 35% on average which was based on the expectation that regulated gas prices in Ukraine will gradually increase over time. Expenses are increasing in line with revenue growth remaining constant as a percentage of sales.

- A real discount rate of 15.11% being the weighted average cost of capital of the Group was applied in determining the recoverable amount of plant, property and equipment.

- Future cash flows were assessed for a period of 5 years.

- Revenue for 2010 was calculated using an expected gas sales price of CAD 210 per 1,000 cubic meters increased by 35% for each subsequent period. The actual average gas sales price for the Group during the year ended 31 December 2009 was CAD 208 per 1,000 cubic meters and the average actual sales price in January 2010 was CAD 228 per 1,000 cubic meters.

The values assigned to the key assumptions represent management's assessment of future trends in the business, investments plans and are based on both external sources and internal sources.

The results of the impairment test performed by management as at 31 December 2009 confirmed that the recoverable amount exceeds the carrying values reported in the consolidated financial statements and management believes that an impairment adjustment was not required as at 31 December 2009.

5 Inventories

Inventories at 31 December are noted below. No periods are presented after 31 December 2009 as Kub-Gas is no longer consolidated with Gastek after this date.

(in thousands of Canadian dollars)	2009	2008
Materials and supplies	23	14
Gas condensate	13	3
	36	17

6 Trade and other receivables

Trade and other receivables as at 31 December are noted below. No periods are presented after 31 December 2009 as Kub-Gas is no longer consolidated with Gastek after this date.

(in thousands of Canadian dollars)	2009	2008
Trade receivables for gas and condensate	233	169
Other receivables	93	142
	326	311
Allowance for impairment (Note 24)	(105)	(123)
	221	188

The Company's exposure to credit and currency risk and impairment losses related to trade and other receivables are discussed in Note 30.

7 Other taxes receivable

As at 31 December 2009 and 2008 other taxes receivable relate primarily to reimbursable value-added tax. No periods are presented after 31 December 2009 as Kub-Gas is no longer consolidated with Gastek after this date.

8 Prepayments to suppliers

Prepayments to suppliers as at 31 December are noted below. No periods are presented after 31 December 2009 as Kub-Gas is no longer consolidated with Gastek after this date.

(in thousands of Canadian dollars)	2009	2008
Prepayment for services	4	16
Other prepayment	8	7
	12	23

Prepayments for services as at 31 December 2009 and 2008 primarily relate to prepaid repairs and maintenance work.

9 Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and balances with banks. Cash and cash equivalents are as follows:

	September 30	December 31		
(in thousands of Canadian dollars)	**2011 (unaudited)**	2010	2009	2008
Current accounts	**6,250**	14,945	927	647
	6,250	14,945	927	647

The Company's exposure to interest rate risk and sensitivity analysis for financial assets and liabilities are discussed in Note 30.

The following table shows current accounts in banks by rating agency designation based on Moody's ratings or their equivalent:

	September 30	December 31		
(in thousands of Canadian dollars)	**2011 (unaudited)**	2010	2009	2008
B1	**-**	-	-	161
B2	**-**	-	927	-
E	**-**	-	-	486
Baa2	**6,250**	14,945	-	-
	6,250	14,945	927	647

As at 31 December 2010, 2009, and 2008 cash balances with banks are neither impaired nor past due.

10 Equity Investment and Realized and Unrealized Gain on Sale

Prior to June 2010 the Company had a 100% ownership interest in Kub-Gas. In June 2010 the Company sold 70% of its ownership interest in the Company for approximately USD 43,200 thousand in cash. The Company recognized a gain on sale of this 70% interest of approximately CAD 20,300 thousand after deducting professional fees and other costs. Additionally the Company recognized an unrealized gain of approximately CAD 11,500 thousand related to a fair value write-up of its remaining 30% ownership interest. Upon the sale of 70% of Kub-Gas, the cumulative translation adjustment of CAD 3,944 thousand previously associated with Kub-Gas was written as part of the gain on sale. As of 30 September 2011 and 31 December 2010 the Company's 30% ownership investment was CAD 22,659 thousand and CAD 19,315 thousand. Subsequent to sale of its 70% interest, the Company recognizes its share of the income/loss from its 30% ownership interest which totaled CAD 1,915 thousand for the nine months ended 30 September 2011, CAD (169) thousand for the nine months ended 30 September 2010 and CAD 376 thousand for the year ended 30 December 2010.

As at 30 September 2011 and 31 December 2010 the financial metrics of our equity investment include the following:

(in thousands of Canadian dollars)	**September 30 2011 (unaudited)**	December 31 2010
Total assets	61,033	28,865
Total liabilities	31,995	11,693
Capital expenditures	19,144	7,880
Revenues	20,453	9,216
Royalties expense	4,008	1,521
Net income	6,383	1,458

11 Equity

Gastek is ultimately owned and controlled by three individual shareholders: Mr. Mikhail Afendikov, Mr. Valentin Bortnik, and Mr. Andreas Tsemi through Gastek LLC.

12 Loans and borrowings

Loans and borrowings as at 31 December are noted below. No periods are presented after 31 December 2009 as Kub-Gas is no longer consolidated with Gastek after this date and Gastek LLC does not have any outstanding loans or borrowings.

(in thousands of Canadian dollars)	2009	2008
Long-term loans and borrowings	4,202	6,249
Current portion of long-term loans and borrowings	-	1,315
Short-term loans and borrowings	3,781	6,429
	7,983	13,993

Terms and conditions of outstanding loans as at 31 December are as follows**:**

(in thousands of Canadian dollars)	Currency	Effective interest rate	Maturity	Carrying Amount 2009	Carrying Amount 2008
Long-term loans					
Non-current portion:					
Orca Minerals Tr.LLC	USD	0.0%	Undetermined	4202	4,874
KhJSB Zembank	UAH	20.0%	20 May 2010	-	1,375
Current portion:					
KhJSB Zembank	UAH	17.0%	23 November 2009	-	1,315
				4,202	7,564
Short-term loans					
Parma Ltd	USD	0.0%	December 1, 2012	1,461	1,977
JSB Prominvestbank	UAH	16.0%	30 November 2009	-	1,544
JSB Prominvestbank	UAH	25.0%	19 December 2010	1,290	1,549
Clarkeson Inv. LLC	USD	0.5%	31 December 2010	-	167
Orca Minerals Tr.LLC	USD	8.0%	31 December 2010	1,030	1,192
				3,781	6,429
				7,983	13,993

Certain of the Group assets have been pledged as collateral for bank borrowings. In addition, loans from KhJSB Zembank were guaranteed by related parties:

- Land and buildings owned by the General Director of the Group have been pledged as collateral as at 31 December 2009 and 2008.

Upon declaration of bankruptcy of the SPE the loans due to KhJSB Zembank and Clarkeson Inv. LLC were derecognised. Refer to Note 29.

13 Finance lease liability

On 1 February 2007, the Group entered into finance lease arrangements with a related party, Drillcon Inc., USA to lease a new drilling rig for a 5 year period starting from 1 July 2007 when the drilling rig was delivered and assembled in Ukraine. Drillcon Inc., USA is related as its shareholders are the same as principal shareholders of Gastek. No periods are presented after 31 December 2009 as Kub-Gas is no longer consolidated with Gastek after this date.

	2009			2008		
(in thousands of Canadian dollars)	Minimum payments	Finance charges	Present value of payments	Minimum payments	Finance charges	Present value of payments
Within one year	2,534	(193)	2,341	4,179	(780)	3,399
After one year but not more than five years	3,864	(899)	2,965	10,551	(6,112)	4,439
	6,398	(1,092)	5,306	14,730	(6,892)	7,838
Unpaid due	293	-	293	696	-	696
Total	6,691	(1,092)	5,599	15,426	(6,892)	8,534

Under the terms of this lease agreement the Group has to pay for all repairs and can modify the drilling rig as necessary to operate it. There is no purchase option of the equipment at the lease expiry date. The effective interest rate of the lease agreement at inception was 48%, current effective interest rate of the lease agreement is 16% after the lease agreement was revised on 1 July 2009.

Effective from 1 July 2009 the Group revised the finance lease agreement with the lessor by decreasing the monthly lease payments from USD 292 thousand to USD 205 thousand with respective adjustment to its finance lease liability.

The Group used a discount rate of 14.89% representing the incremental rate for USD borrowings in Ukraine at the date of change in lease terms in July 2009, to calculate the net present value of future lease payments. No periods are presented after 31 December 2009 as Kub-Gas is no longer consolidated with Gastek after this date.

14 Decommissioning provision

Movements in the decommissioning provision for the years ended 31 December are noted below. No periods are presented after 31 December 2009 as Kub-Gas is no longer consolidated with Gastek after this date.

(in thousands of Canadian dollars)	2009	2008
Balance as at 1 January	175	179
Balance as at 31 December	99	175

The Group determines the decommissioning provision for its wells located in its gas deposits, which are in the exploration and production phases. The principal assumptions used in determining the decommissioning provision are presented below:

	2009	2008
Pre-tax real discount rate	5.9%	3.6%

The sensitivity of the decommissioning provision to the key assumptions described is as follows:

- A decrease by 1 percentage point of the real discount rate would increase the provision as at 31 December 2009 by approximately CAD 15 thousand (31 December 2008: CAD 31 thousand).

15 Post-employment employee benefit obligations

As described in note 3(k)(ii), management determined the amount of the postemployment defined benefit obligations relating to the defined benefit state pension plan for employees who worked in hazardous or heavy-load conditions.

The post-employment employee benefit obligations as at 31 December are noted below. No periods are presented after 31 December 2009 as Kub-Gas is no longer consolidated with Gastek after this date.

(in thousands of Canadian dollars)	2009	2008
Post-employment benefit obligations	29	40
Unrecognized actuarial gains (losses)	16	(1)
	45	39

Movements in the liability recognised in the consolidated statement of financial position during the years ended 31 December is as follows:

(in thousands of Canadian dollars)	2009	2008
Liability at 1 January	39	17
Expense recognised in the profit (loss)	6	22
	45	39

The amounts recognized in the profit (loss) for the years ended 31 December are as follows:

(in thousands of Canadian dollars)	2009	2008
Current service cost (Note 22)	2	20
Interest cost on benefit obligation (Note 27)	4	2
	6	22

The principal assumptions used in determining these obligations are presented below:

	2009	2008
Discount rate at 31 December	12.0%	12.0%
Future salary increase rate	11.9%	11.9%

The discount rate is estimated based on the yield at the reporting date on high quality corporate bonds adjusted for the estimated effects of the difference in duration.

The salary increase rate is estimated based on the expected budgeted and forecasted salary increases for the Group’s employees.

The sensitivity of post-employment employee benefit obligations to the key assumptions described is as follows:

- A decrease by 1 percentage point of the discount rate would increase the obligation as at 31 December 2009 by approximately CAD 2 thousand (31 December 2008: CAD 3 thousand).

- An increase by 1 percentage point of the estimated salary increase rate would increase the obligation as at 31 December 2009 by approximately CAD 2 thousand (31 December 2008: CAD 2 thousand).

16 Trade accounts payable

Trade and other payables as at 31 December 2010, 2009, and 2008 include payables for services, materials and equipment. The exposure to currency and liquidity risk related to trade accounts payable is disclosed in Note 30.

17 Dividend payable

Prior to September 30, 2011 the Company declared dividends due and payable to its owner Parma. The dividends were paid in November 2011.

18 Promissory notes issued

Nominal and effective interest rates on promissory notes issued are nil as at 31 December 2008 and 2009. The exposure to currency and liquidity risk related to promissory notes issued is disclosed in Note 30. No periods are presented after 31 December 2009 as Kub-Gas is no longer consolidated with Gastek after this date.

19 Other current liabilities

Other current liabilities as at 31 December are noted below. No periods are presented after 31 December 2009 as Kub-Gas is no longer consolidated with Gastek after this date.

(in thousands of Canadian dollars)	2009	2008
Provision for unused vacation	168	180
Salary and related charges payable	149	80
Interest accrued	23	27
Deposit from Kulczyk	1,418	-
Other	10	32
	1,768	319

In 2009, the Company received a deposit from Kulczyk with respect to the sale of an effective 70% interest in Kub-Gas. The transaction with Kulczyk closed in 2010 and the deposit was included in other current liabilities until closing of the transaction.

20 Revenue

Revenue is noted below:

	Nine Months Ended September 30		Year Ended December 31		
(in thousands of Canadian dollars)	**2011**	**2010**	2010	2009	2008
	(unaudited)				
Revenue from sales of gas and gas condensate	-	**6,455**	6,455	17,936	18,418
Revenue from drilling and construction services	-	**4**	4	182	233
	-	**6,459**	6,459	18,118	18,651

21 Cost of revenue

Cost of revenue is as follows:

	Nine Months Ended September 30		Year Ended December 31		
(in thousands of Canadian dollars)	**2011**	**2010**	2010	2009	2008
	(unaudited)				
Direct production taxes	-	**1,208**	1,208	2,944	4,858
Depreciation, depletion and amortisation expenses	-	**809**	809	1,791	1,328
Materials and production overheads	-	**297**	297	1,228	711
Well intensification	-	**356**	356	829	232
Salaries and related charges	-	**442**	442	712	1,004
Security	-	**171**	171	462	760
Lease of well	-	**82**	82	186	198
	-	**3,365**	3,365	8,152	9,091

22 Personnel cost

Personnel cost is as follows:

	Nine Months Ended September 30		Year Ended December 31		
(in thousands of Canadian dollars)	**2011**	**2010**	2010	2009	2008
	(unaudited)				
Wages, salaries and other employee benefits	-	**994**	994	2,156	2,565
Salary-related charges	-	**266**	298	508	984
Unused vacations	-	**96**	96	20	42
Pensions (Note 15)	-	**(4)**	(4)	2	20
	-	**1,352**	1,384	2,686	3,611

23 Selling and general administrative expenses

Selling and general administrative expenses are as follows:

	Nine Months Ended September 30		Year Ended December 31		
(in thousands of Canadian dollars)	**2011**	**2010**	2010	2009	2008
	(unaudited)				
Salaries and related charges	-	**565**	565	1,640	1,473
Consulting and legal fees	**984**	**166**	197	1,080	1,032
Lease of car fleet	-	**34**	34	95	137
Materials and overheads	-	**36**	36	66	140
Maintenance of property, plant and equipment	-	**21**	21	65	76
Depreciation, depletion and amortisation expenses	-	**21**	21	171	196
Bank charges and currency conversion commission	-	**14**	14	49	68
Communication	-	**6**	6	21	49
Business trips	-	**7**	7	13	23
Insurance	-	**5**	5	12	16
Bad debts	-	**9**	9	4	163
Other	-	**19**	19	6	58
	984	**903**	934	3,222	3,431

24 (Impairment losses) reversal of impairment on trade and other receivables

Movements in provision for impairment on trade and other receivables and prepayments to suppliers for the year ended 31 December are noted below. No periods are presented after 31 December 2009 as Kub-Gas is no longer consolidated with Gastek after this date.

(in thousands of Canadian dollars)	2009	2008
Balance as at 1 January	123	-
Balance as at 31 December	105	123

Provisions for impairment as at 31 December are as follows:

(in thousands of Canadian dollars)	2009	2008
Trade and other receivables (Note 6)	105	123
Total	105	123

25 Other income

Other income is as follows:

	Nine Months Ended September 30		Year Ended December 31		
(in thousands of Canadian dollars)	**2011**	**2010**	2010	2009	2008
	(unaudited)				
Income from sale of materials	**-**	**1**	1	17	175
Income from operating lease	**-**	**2**	2	5	9
Income from sales of aluminium	**-**	**-**	-	-	152
Other	**-**	**6**	6	10	-
	-	**9**	9	32	336

26 Other expenses

Other expenses are as follows:

	Nine Months Ended September 30		Year Ended December 31		
(in thousands of Canadian dollars)	**2011**	**2010**	2010	2009	2008
	(unaudited)				
Loss on disposal of property, plant and equipment	-	-	-	133	336
Geological research expense	-	**64**	64	-	279
Other	-	**34**	34	36	33
	-	**98**	98	169	648

27 Finance expenses

Finance expenses are as follows:

	Nine Months Ended September 30		Year Ended December 31		
(in thousands of Canadian dollars)	**2011**	**2010**	2010	2009	2008
	(unaudited)				
Finance lease interest expense	-	**313**	313	1,878	3,087
Interest expenses on loans and borrowings	-	**129**	129	1,091	1,295
Foreign currency exchange loss	-	**4**	4	386	4,356
Unwinding of the discount on decommissioning provision	-	**2**	2	6	6
Interest cost on employee benefits obligation (Note 15)	-	**1**	1	4	2
Less borrowing costs capitalised	-	**(96)**	(96)	(222)	-
	-	**353**	353	3,143	8,746

28 Income tax expense

Income tax expense is as follows:

(in thousands of Canadian dollars)	**Nine Months Ended September 30** **2011**	**2010**	Year Ended December 31 2010	2009	2008
	(unaudited)				
Current tax expense	-	**547**	547	969	493
Deferred tax expense:					
Origination and reversal of temporary differences	-	-	-	689	292
	-	**547**	547	1,658	785

The applicable tax rate is the corporate income tax rate of 25% for the years ended 31 December 2010, 2009, and 2008.

(a) Reconciliation of effective tax rate

The reconciliation of effective tax rate is as follows:

(in thousands of Canadian dollars)	**Nine Months Ended September 30** **2011**	**%**	**2010**	**%**	**Year ended December 31** 2010	%	2009	%	2008	%
		(unaudited)								
Profit (loss) before tax	**1,006**	**100**	**46,083**	**100**	46,220	100	3,542	100	(2,902)	100
Income tax at applicable tax rate	-	-	**137**	-	137	-	1,001	25	(614)	25
Non-deductible/non-taxable items, net	-	-	**410**	**1**	410	1	657	16	1,399	(57)
Income tax expense	-	-	**547**	**1**	547	1	1,658	41	785	(32)

(b) Recognised deferred tax assets and liabilities

Recognised deferred tax assets and liabilities as at 31 December are attributable to the items detailed below. No periods are presented after 31 December 2009 as Kub-Gas is no longer consolidated with Gastek after this date.

(in thousands of Canadian dollars)	Assets 2009	2008	Liabilities 2009	2008	Net 2009	2008
Prepayments for property, plant and equipment	60	5	-	-	60	5
Exploration and evaluation assets	-	-	(2,680)	(2,363)	(2,680)	(2,363)
Property, plant and equipment and intangible assets	-	-	(661)	(1,410)	(661)	(1,410)
Promissory notes issued	-	-	-	(210)	-	(210)
Trade and other receivables	7	3	-	-	7	3
Other current assets	-	-	(21)	(5)	(21)	(5)
Advances received	9	93	-	-	9	93
Inventories	2	62	-	-	2	62
Finance leases	1,326	1,959	-	-	1,326	1,959
Decommissioning provision	25	44	-	-	25	44
Employee benefits	12	10	-	-	12	10
Other current liabilities	-	45	(1)	-	(1)	45
Finance lease liability, recognised in equity	-	-	(52)	-	(52)	-
Deferred tax assets (liabilities)	1,441	2,221	(3,415)	(3,988)	(1,974)	(1,767)

Movements in recognised deferred tax assets and liabilities during the years ended 31 December 2009 and 2008 are as follows:

(in thousands of Canadian dollars)	2009	2008
Deferred tax movements		
-expense recognised in statement of comprehensive income	689	292
-expense recognised in equity	57	146
-income recognised in equity	(193)	-
	553	438

29 Disposal of SPE

In 2009, the Group management initiated a plan for restructuring of First Drilling Company LLC whereby all its key assets, contracts as well as all employees were transferred to Kub-Gas LLC during 2009. First Drilling Company LLC was declared bankrupt by Court decision dated 12 November 2009 and liquidated on 28 January 2010. As at the date of declaring the SPE bankrupt, its assets and liabilities are deconsolidated.

The carrying value of disposed assets and liabilities were as follows:

(in thousands of Canadian dollars)	**Carrying amounts at the date of disposal**
Non-current liabilities	
Deferred tax liability	175
Current Liabilities	
Current portion of long-term loans and borrowings	2,241
Short-term loans and borrowings	145
Promissory notes issued	68
Trade accounts payable	228
	2,682
Total net liabilities at the date of disposal	2,857

The net loss of the SPE before the disposal date included in the Group's net profit comprises CAD 1,909 thousand.

Taking into account that in substance the derecognition of SPE's assets and liabilities constitute transactions with the participant, the effect of deconsolidation amounting to CAD 2,812 thousand is recognized in equity.

30 Financial risk management

(a) Overview

The Company has exposure to the following risks from its use of financial instruments:

- credit risk
- liquidity risk
- market risk

This note presents information about the Company's exposure to each of these risks, the Company's objectives, policies and processes for managing and measuring risk, and the management of capital.

The Management has overall responsibility for the establishment and oversight of the risk management framework.

The risk management policies are established to identify and analyse the risks faced by theCompany , to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Company's activities.

(b) Credit risk

Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligation, and arises principally from the receivables from customers.

(i) Trade and other receivables

Credit evaluations are performed on all customers, other than related parties, requiring credit over a certain amount. The Group does not require collateral in respect of financial assets. Management believes that the Group exposure to the credit risk is not material to the overall business of the Group.

Management has no formal credit policy in place for customers and the exposure to credit risk is approved and monitored on an ongoing basis individually for all significant customers.

The Group establishes a provision for impairment that represents its estimate of incurred losses in respect of trade and other receivables and investments. The main components of this provision are a specific loss component that relates to individually significant exposures, and a collective loss component established for groups of similar assets in respect of losses that have been incurred but not yet identified. The collective loss provision is determined based on historical data of payment statistics for similar financial assets.

The maximum exposure to credit risk is represented by the carrying amount of each financial asset in the consolidated statement of financial position. No periods are presented after 31 December 2009 as Kub-Gas is no longer consolidated with Gastek after this date.

(in thousands of Canadian dollars)	2009	2008
Trade and other receivables	221	188
Cash and cash equivalents	927	647
	1,148	835

The maximum exposure to credit risk for trade and other receivables as at 31 December by type of customer is:

(in thousands of Canadian dollars)	2009	2008
End users	168	111
Traders	53	77
	221	188

Impairment losses

The aging of trade and other receivables as at 31 December is:

(in thousands of Canadian dollars)	2009		2008	
	Gross	Net	Gross	Net
Not past due	6	6	1	1
Past due 0-30 days	214	214	143	171
Past due 31-120 days	1	1	14	16
Past due 120-365 days	1	-	-	-
More than one year	104	-	102	-
	326	221	260	188

Guarantees

The Company's policy is not to provide financial guarantees. At 31 December 2009 and 2008 no guarantees are outstanding.

(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, as far as possible, there will always be sufficient liquidity to meet liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Company's reputation.

The Company ensures that it has sufficient cash on demand to meet expected operational expenses, including the servicing of financial obligations. This excludes the potential impact of extreme circumstances that cannot reasonably be predicted, such as natural disasters.

The contractual maturities of non-derivative financial liabilities including interest payments are noted below. No periods are presented after 31 December 2009 as Kub-Gas is no longer consolidated with Gastek after this date.

30 September 2011 (unaudited)		Contractual cash flows		
(in thousands of Canadian dollars)	Carrying amount	Total	Less than one year	From one to two years
Trade accounts payable	**8**	**8**	**8**	**-**
	8	**8**	**8**	**-**

31 December 2010		Contractual cash flows		
(in thousands of Canadian dollars)	Carrying amount	Total	Less than one year	From one to two years
Trade accounts payable	8	8	8	-
	8	8	8	-

31 December 2009		Contractual cash flows		
(in thousands of Canadian dollars)	Carrying amount	Total	Less than one year	From one to two years
Loans and borrowings	7,983	7,983	2,536	5,447
Trade accounts payable	113	113	113	-
Other current liabilities	1,768	1,768	1,768	-
Finance lease liability	5,599	5,599	2,827	2,772
	15,463	15,463	7,244	8,219

31 December 2008		Contractual cash flows		
(in thousands of Canadian dollars)	Carrying amount	Total	Less than one year	From one to two years
Loans and borrowings	13,993	13,993	7,223	6,770
Trade accounts payable	1,004	1,004	1,004	-
Other current liabilities	319	319	319	-
Finance lease liability	8,534	8,534	4,875	3,659
Promissory notes issued	413	413	413	-
	24,263	24,263	13,834	10,429

(d) Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and equity prices will affect income or the value of holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return on risk.

(i) Foreign currency risk

The Company's primary business operation and risk are related to activities of the Group. The Group is exposed to foreign currency risk on finance lease payments and borrowings that are denominated in a currency other than Ukrainian hryvnias. The currency giving rise to this risk is the USD. Ukrainian legislation restricts the Group's ability to hedge its exposure to foreign currency risk, and, accordingly, the Group does not hedge its exposure to foreign exchange risk.

The Company has the following foreign-currency denominated financial assets and liabilities (all denominated in USD). No periods are presented after 31 December 2009 as Kub-Gas is no longer consolidated with Gastek after this date.

(in thousands of Canadian dollars)	2009	2008
Loans and borrowings	1,030	1,359
Finance lease liability	5,599	8,533
	6,629	9,892

A 10 percent weakening of the Ukrainian hryvnia against US dollar at 31 December would have decreased equity and net profit (loss) by the amounts shown below. This analysis assumes that all other variables, in particular interest rates, remain constant. The analysis is performed on the same basis for 2009 and 2008.

	Loss	
(in thousands of Canadian dollars)	2009	2008
USD	548	983

A 10 percent strengthening of the Ukrainian hryvnia against the USD at 31 December would have had the equal but opposite effect to the amounts shown above, on the basis that all other variables remain constant.

(ii) Interest rate risk

Changes in interest rates impact primarily loans and borrowings. Management does not have a formal policy of determining how much of the Company's exposure should be hedged using interest rate hedges. Management borrows at fixed rates in USD and UAH. At the time of issuing new debt management uses its judgment to decide whether it believes that the interest rate is in line with the market. Refer to note 11 for information about maturity dates and effective interest rates of loans and borrowings. Re-pricing for fixed rate financial instruments occurs at the maturity of fixed rate financial instruments. The Company does not have floating rate financial instruments as at 31 December 2009 and 2008.

(iii) Concentration of risks

During the years ended 31 December 2009 and 2008, the Group had the following concentration of transactions and balances with counterparties, as noted below. No periods are presented after 31 December 2009 as Kub-Gas is no longer consolidated with Gastek after this date.

(in thousands of Canadian dollars)	2009	% of total transactions/ balances	2008	% of total transactions/ balances
Velma LLC				
Sales of gas condensate	605	3.4%	1,339	7.4%
Trade receviables	2	0.7%	11	5.8%
Nefteservice LLC				
Purchase of materials and other services	-	0.0%	1,244	5.1%
Trade payables	-	0.0%	693	40.7%
Drillcon Inc.				
Payment of lease charges	3,539	100.0%	4,211	100.0%
Finance lease liability	5,599	100.0%	8,533	100.0%

The Company has been selling all its gas condensate produced to Velma LLC during the reporting periods. During the year ended 31 December 2009 and 2008, the Group has significant concentration of transactions with its related party, Drillcon Inc., in respect of lease of the drilling rig (refer to Note 13).

(e) Fair values

The estimated fair values of the financial assets and liabilities have been determined using available market information and appropriate valuation methodologies. However, considerable judgment is required in interpreting market data to produce the estimated fair values. Accordingly, the estimates are not necessarily indicative of the amounts that could be realised in a current market exchange. The use of different market assumptions and/or estimation methodologies may have a material effect on the estimated fair values.

The estimated fair values of financial assets and liabilities are determined using market prices for actively traded financial assets and discounted cash flow and other appropriate valuation methodologies, at year-end, and are not indicative of the fair value of those instruments at the date these consolidated financial statements are prepared or distributed. These estimates do not reflect any premium or discount that could result from offering for sale at one time the Company's entire holdings of a particular financial instrument. Fair value estimates are based on judgments regarding future expected cash flows, current economic conditions, risk characteristics of various financial instruments and other factors.

Fair value estimates are based on existing financial instruments without attempting to estimate the value of anticipated future business and the value of assets and liabilities not considered financial instruments. In addition, tax ramifications related to the realisation of the unrealised gains and losses can have an effect on fair value estimates and have not been considered.

The fair values of finance lease liability, together with the carrying amounts shown in the consolidated statement of financial position, are noted below. No periods are presented after 31 December 2009 as Kub-Gas is no longer consolidated with Gastek after this date.

	31 December 2009		31 December 2008	
(in thousands of Canadian dollars)	Carying amount	Fair Value	Carying amount	Fair Value
Short-term finance liability	2,341	2,454	3,398	4,430
Long-term finance lease liability	2,965	3,108	4,439	5,787
Unpaid due	293	294	697	696
	5,599	5,856	8,534	10,913

The fair value of the lease liability is determined using a weighted average discount rate of 10.6% in December 2009 (31 December 2008: 13.6%), which is based on market rates for similar financing at reporting dates. For all other financial assets and liabilities the carrying value is estimated to approximate the fair value as at 31 December 2009 and 2008.

(i) Capital management

The Company's objectives when managing capital are to safeguard the Company's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital. Historically, the Company has not been declaring and paying dividends to shareholders and has been financed by shareholders' loans and through the finance lease with respect to the drilling rig.

The Group has to comply with the statutory requirement to maintain positive net assets as at the end of the calendar year as required by the Civil Code. The Group was in compliance with this requirement throughout 2009 and 2008. The Group did not have to comply with any other externally imposed capital requirements throughout 2009 and 2008.

31 Commitments and contingencies

(a) Decommissioning provision

The Group determines the amount of decommissioning provision for all its wells located in all gas and gas condensate fields as the field works starts. Decommissioning expenditure will be incurred by the Group at the end of the operating life of certain of the Group's facilities and properties. The ultimate decommissioning costs are uncertain and cost estimates can vary in response to many factors including changes to relevant legal requirements, emergence of new restoration techniques or experience at other production sites. The expected timing and amount of expenditure can also change, for example in response to changes in reserves or changes in laws and regulations or their interpretation. As a result, there could be significant adjustments to the provisions established which would affect future financial results.

(b) Environmental commitments

The Group has been operating in the oil and gas industry in Ukraine for approximately 10 years. The normal activities of the Group may have a negative impact on the environment. The enforcement of environmental regulations in Ukraine is evolving and the enforcement stance of government authorities is continually being reconsidered. The Group periodically evaluates its obligations under environmental regulations. As obligations are determined, they are recognised immediately in the consolidated financial statements if no current or future benefit is discernible. Expenditures, which extend the life of the related property or mitigate or prevent future environmental contamination, are capitalised.

(c) Current licenses for usage of gas fields

The current licenses of the Group for usage of gas fields expire between 2014 and 2026. Management believes that the Group will be able to receive new licenses to use the existing gas fields after 2014-2026. However, given significant uncertainties in the Ukrainian legal and regulatory environment the Group might not be able to obtain the necessary licenses to continue operating gas fields after 2014-2026. In this case the Group would not be able to extract gas from these fields and sell it to its customers, and the effect on the consolidated financial statements could be significant.

(d) Capital commitments

As at 31 December 2010, 2009 and 2008, the Company did not have any capital commitments.

(e) License maintenance commitments

The Group has an obligation to comply with exploration license requirements representing capital expenditure programmes. Under these license maintenance commitments the Group is required to commit seismic, geophysical, exploratory drilling works on licensed fields according to the capital expenditure programmes. Although these commitments are not binding and may be modified based on results of exploration works, the Group’s potential capital expenditures relating to qualifying activities on gas and gas condensate fields may reach approximately CAD 3750 thousand during 2009-2014. Justified deviation from the capital expenditures committed is permitted and should be agreed with the licensor, while failure to commit exploration works and substantiate the different capital expenditure schedule may result in termination of the license. The Group management does not expect any problems with compliance with initial and/or modified license maintenance commitments.

(f) Social commitments

The Group makes contributions to mandatory and voluntary social programs. The Group’s social assets, as well as local social programs, benefit the community at large and are not normally restricted to the Group’s employees.

(g) Insurance

The Group does not have full coverage for its facilities, business interruption, or third party liability in respect of property or environmental damage arising from accidents on Group property or relating to Group operations. However, a part of the Group’s property, plant and equipment and third party liabilities are covered by insurance policies from a number of the Ukrainian insurance companies. As at 31 December 2009, the Group had an insurance policy for its property, plant and equipment with an insured amount of CAD 13,572 thousand covering the risks of property damage, fire or environmental damage arising from accidents (31 December 2008: 7,141 thousand).

Although there is a risk that the loss or destruction of certain assets could have a material adverse effect on the Group’s operations and financial position, a portion of it is covered by insurance policies.

(h) Litigation

The Company is involved in various legal proceedings in the ordinary course of business. Management believes that the result of any such actions will not have a material effect on the financial condition or results of operations.

(i) Taxation contingencies

The Group performs most of its operations in Ukraine and therefore within the jurisdiction of the Ukrainian tax authorities. The Ukrainian tax system can be characterised by numerous taxes and frequently changing legislation which may be applied retroactively, open to wide interpretation and in some cases are conflicting. Instances of inconsistent opinions between local, regional, and national tax authorities and the Ministry of Finance are not unusual. Tax declarations are subject to review and investigation by a number of authorities that are enacted by law to impose severe fines and penalties and interest charges. These facts create tax risks substantially more significant than typically found in countries with more developed systems.

Management believes that it has adequately provided for tax liabilities based on its interpretation of tax legislation. However, the interpretations of the relevant authorities could differ and the effect on these consolidated financial statements, if the authorities were successful in enforcing their interpretations, could be significant. No provisions for potential tax assessments have been made in these consolidated financial statements.

32 Related party transactions-

Related parties comprise shareholders, key management personnel of the Company and the Group and their close family members, companies that are controlled or significantly influenced by shareholders and companies associated with the shareholders of these companies.

(a) Transactions with management

Compensation to key management personnel is made in the form of short-term employee benefits.

	Five-month period May 31	Year ended December 31	
(in thousands of Canadian dollars)	**2010**	2009	2008
Salaries and related charges	**1,414**	803	511
Bonuses	**-**	174	-
Compensation through the lease of vehicles	**-**	36	32
	1,414	1,013	543

EXHIBIT "G"
PRO FORMA CONSOLIDATED FINANCIAL STATEMENTS OF THE RESULTING ISSUER

Cub Energy Inc. (Formerly 3P International Energy Corp.)
Unaudited Pro Forma Consolidated Statement of Financial Position
As at December 31, 2011
(Expressed in Canadian dollars)

	Cub Energy Inc. as at December 31, 2011	Gastek LLC as at September 30, 2011	Note 5	Adjustments	Pro Forma Consolidated
	$	$		$	$
Assets					
Current assets					
Cash	5,023,564	6,250,000	(g)	1,796,338	
			(h)	(1,600,000)	
			(j)	6,000	11,475,902
Trade and other receivables	295,883	-			295,883
Inventories	47,000	-			47,000
Prepaid expenses	39,196	-			39,196
	5,405,643	6,250,000		202,338	11,857,981
Property, plant and equipment	21,206,078	-			21,206,078
Equity investment	-	22,659,000			22,659,000
Loan to Loon	-	39,000			39,000
Goodwill	-	-	(f)	13,230,884	13,230,884
	26,611,721	28,948,000		13,433,222	68,992,943
Liabilities					
Current liabilities					
Trade and other payables	562,297	8,000			570,297
Dividend payable	-	6,245,000			6,245,000
	562,297	6,253,000		-	6,815,297
Long-term liabilities					
Provisions	40,000	-			40,000
Deferred income tax liability	4,701,378	-			4,701,378
	5,303,675	6,253,000		-	11,556,675
Shareholders' Equity					
Share capital	26,401,207	-	(a)	(26,401,207)	
			(f)	32,874,157	
			(g)	1,796,338	
			(i)	650,000	
			(j)	6,547	35,327,042
Contributed surplus	3,092,835	-	(d)	(3,092,835)	
			(f)	606,644	606,644
Warrants	760,145	-	(c)	(760,145)	
			(f)	1,058,130	
			(j)	(547)	1,057,583
Accumulated foreign currency translation	(19,726)	(48,000)	(e)	19,726	(48,000)
Retained earnings (deficit)	(8,926,415)	22,743,000	(b)	8,926,415	
			(h)	(1,600,000)	
			(i)	(650,000)	20,493,000
	21,308,046	22,695,000		13,433,222	57,436,268
	26,611,721	28,948,000		13,433,222	68,992,943

Cub Energy Inc. (Formerly 3P International Energy Corp.)
Unaudited Pro Forma Consolidated Statement of Comprehensive Loss
For the year ended June 30, 2011
(Expressed in Canadian dollars)

	Cub Energy Inc.	Gastek LLC	Note 5	Adjustments	Pro Forma Consolidated
	$	$		$	$
Expenses					
General and administrative	2,856,766	1,106,833		-	3,963,599
Acquisition costs		-	(h)	1,600,000	
			(i)	650,000	2,250,000
Exploration and evaluation expense	1,644,698	-		-	1,644,698
Share-based payments	1,454,814	-		-	1,454,814
Income from equity investment	-	(1,192,167)		-	(1,192,167)
	5,956,278	(85,333)		2,250,000	8,120,945
	(5,956,278)	85,333		(2,250,000)	(8,120,945)
Net other income (expense)	-	(44,500)		-	(44,500)
Net finance income (loss)	(457,033)	(103,000)		-	(560,033)
Net loss for the period before income taxes	(6,413,311)	(62,167)		(2,250,000)	(8,725,478)
Income taxes	-	-		-	-
Net loss for the period	(6,413,311)	(62,167)		(2,250,000)	(8,725,478)
Other comprehensive income					
Exchange gain on translating to presentation currency	-	1,453,167		-	1,453,167
Total comprehensive loss for the period	(6,413,311)	1,391,000		(2,250,000)	(7,272,311)
Weighted average number of shares					209,050,433
Loss per share					(0.04)

Cub Energy Inc. (Formerly 3P International Energy Corp.)
Unaudited Pro Forma Consolidated Statement of Comprehensive Loss
For the three months ended December 31, 2011
(Expressed in Canadian dollars)

	Cub Energy Inc.	Gastek LLC	Note 5	Adjustments	Pro Forma Consolidated
	$	$		$	$
Revenue	492,000	-		-	492,000
Cost of sales	202,000	-		-	202,000
Gross profit	290,000	-		-	290,000
Expenses					
General and administrative	676,744	327,667		-	1,004,411
Acquisition costs	231,500	-	(h)	1,600,000	
			(i)	650,000	2,481,500
Depletion and depreciation	71,205	-		-	71,205
Share-based payments	322,156	-		-	322,156
Income from equity investment	-	(638,333)		-	(638,333)
	1,301,605	(310,666)		2,250,000	3,240,939
	(1,011,605)	310,666		(2,250,000)	(2,950,939)
Net finance income (loss)	(13,463)	25,000		-	11,537
Net loss for the period before income taxes	(1,025,068)	335,666		(2,250,000)	(2,939,402)
Income taxes	(69,000)	-		-	(69,000)
Net loss for the period	(1,094,068)	335,666		(2,250,000)	(3,008,402)
Other comprehensive income					
Exchange gain on translating to presentation currency	46,520	764,333		-	810,853
Total comprehensive loss for the period	(1,047,548)	1,099,999		(2,250,000)	(2,197,549)
Weighted average number of shares					209,050,433
Loss per share					(0.01)

1. Basis of presentation

The unaudited pro forma consolidated statement of financial position of Cub Energy Inc. (the "Company") as at December 31, 2011, has been prepared by management based on historical financial statements prepared in accordance with International Financial Reporting Standards ("IFRS"), for illustrative purposes only, after giving effect to the proposed transaction between the Company and Gastek LLC ("Gastek") on the basis of the assumptions and adjustments described herein.

The unaudited pro forma consolidated statement of financial position has been derived from:

(a) the unaudited consolidated statement of financial position of the Company as at December 31, 2011; and

(b) the unaudited statement of financial position of Gastek as at September 30, 2011.

The unaudited pro forma consolidated statement of comprehensive loss for the year ended June 30, 2011, has been derived from:

(a) the consolidated statement of comprehensive loss of the Company for the 3 month period ended December 31, 2011, specifically note 4, Explanation of Transition to IFRS and the reconciliation of the statement of comprehensive income for the year ended June 30, 2011; and

(b) the unaudited statement of comprehensive loss of Gastek for the 12 month period from July 1, 2010 to June 30, 2011.

The unaudited pro forma consolidated statement of comprehensive loss for the three months ended December 31, 2011, has been derived from:

(a) the unaudited consolidated statement of comprehensive loss of the Company for the 3 month period ended December 31, 2011; and

(b) the unaudited statement of comprehensive loss of Gastek for the 3 month period ended September 30, 2011.

It is management's opinion that the unaudited pro forma consolidated financial statements include all adjustments necessary for the fair presentation, in all material respects, of the transactions described in Notes 3 and 4 in accordance with IFRS, including IAS 34, applied on a basis consistent with Gastek's accounting policies. The unaudited consolidated pro forma financial statements are not necessarily indicative of the results that would have occurred if the combination had actually occurred on the dates assumed herein.

The unaudited pro forma consolidated financial statements should be read in conjunction with the historical financial statements and notes thereto of the Company and Gastek, included elsewhere in this Filing Statement.

Unless otherwise noted, the pro forma consolidated unaudited financial statements and the accompanying notes are presented in Canadian Dollars.

2. Significant accounting policies

The unaudited pro forma consolidated financial statements have been compiled using the significant accounting policies, as set out in the audited financial statements of Gastek as at December 31, 2010. Management has determined that no material pro forma adjustments are necessary to conform the Company's accounting policies to the accounting policies used by Gastek in the preparation of these pro forma financial statements.

3. The transaction

a) On January 26, 2012, the Company and Gastek entered into a Securities Exchange Agreement, whereby the Company will acquire all of the issued and outstanding common shares and stock options of Gastek in exchange for 123,278,089 common shares of the Company (approximately 59% of the resulting issuer) at a deemed price of $0.40 per common share.

b) Upon completion of the transaction, the former shareholders of Gastek will become the controlling shareholders of the Company. This type of share exchange, referred to as a reverse acquisition ("RTO"), deems Gastek to be the acquirer for accounting purposes.

The acquisition is subject to various approvals including regulatory and shareholder approval.

(Expressed in Canadian dollars)

4. Accounting for the RTO

The transaction has been accounted for in accordance with IFRS 3 "*Business Combinations*", since the Company's operations constitute a business, which results in the following:

- Gastek is deemed to be the acquirer and the Company the aquiree for accounting purposes (the Company is deemed to be acquired by Gastek);
- accordingly, Gastek's balances are accounted for at cost and the Company is accounted for at fair value;
- the capital structure recognized in the unaudited pro forma consolidated financial statements will be that of the Company, but the dollar amount of the issued share capital will be that of Gastek, plus any shares issued by the Company prior to or as part of the transaction.

5. Pro forma assumptions and adjustments

The unaudited pro forma consolidated statement of financial position reflects the following assumptions and adjustments:

To give effect to the reverse acquisition of the Company by Gastek

(a) A reduction in share capital of $26,401,207 to eliminate the Company's historical share capital.

(b) An adjustment of $8,926,415 to eliminate the Company's historical deficit.

(c) An adjustment of $760,145 to eliminate the Company's warrants.

(d) An adjustment of $3,092,835 to eliminate the Company's contributed surplus.

(e) An adjustment of ($19,726) to eliminate the Company's accumulated foreign currency translation.

(f) Purchase price/consideration transferred by Gastek to acquire 60% shareholding in the Company has been computed as follows:

Number of shares to be issued, had Gastek been the reporting issuer: 123,278,089 shares / 60% x 40%	82,185,393
Value per share	$ 0.40
Share consideration	32,874,157
Warrants consideration	1,058,130
Stock option consideration	606,644
Total Consideration	$ 34,538,930
Fair value of net assets acquired:	
Cash	5,023,564
Trade and other receivables	295,883
Inventories	47,000
Prepaid expenses	39,196
Property, plant and equipment	21,206,078
Trade and other payables	(562,297)
Provisions	(40,000)
Deferred income tax liability	(4,701,378)
	21,308,046
Remaining balance allocated to goodwill	13,230,884

The identified assets, liabilities, and unallocated purchase price above are a result of management's best estimates and assumptions after taking into account all relevant information available. The Company plans to conduct studies and analysis of the acquired assets and liabilities before finalizing the purchase price allocation.

(Expressed in Canadian dollars)

(g) An increase in cash of $1,796,338 and a corresponding increase in the Company's share capital of $1,796,338 to reflect the satisfaction of the escrow release conditions leading to the conversion of the 4,490,844 subscription receipts to common shares.

(h) A decrease in cash and cash equivalents and an increase in deficit to reflect estimated transaction fees for the reverse acquisition of $1,600,000.

(i) An increase in share capital of $650,000 and a corresponding increase in deficit to represent the 1,625,000 common shares issued as success fees related to the reverse takeover transaction at a price of $0.40 per common share.

(j) An increase in share capital of $6,547, an increase in cash of $6,000 and a decrease in warrants of $547 representing the exercise of 20,000 warrants during the period from December 31, 2011 to February 15, 2012.

6. Pro forma share capital

	Number	Amount
The Company's common shares outstanding - December 31, 2011	79,636,500	$ 26,401,207
Common shares issued to Gastek's shareholders (note 3(a))	123,278,089	-
RTO adjustment - the Company's common shares (note 5(a))	-	(26,401,207)
Consideration transferred to shareholders of the Company (note 5(f))	-	32,874,157
Shares to be issued pursuant to the subscription receipts (note 5(g))	4,490,844	1,796,338
Common shares issued as success fees related to reverse takeover (note 5(i))	1,625,000	650,000
Common shares issued as a result of warrants being exercised (note 5(j))	20,000	6,547
Pro forma share capital - December 31, 2011	209,050,433	$ 35,327,042

7. Pro forma contributed surplus

	Amount
The Company's contributed surplus - December 31, 2011	$ 3,092,835
Gastek's contributed surplus - September 30, 2011	-
Elimination of the Company's contributed surplus (note 5(d))	(3,092,835)
Issuance of replacement stock options to the Company's option holders (note 5(f))	606,644
Pro forma reserve - December 31, 2011	$ 606,644

(Expressed in Canadian dollars)

8. Pro forma warrants

	Number	Amount
The Company's warrants - December 31, 2011	11,840,016	$ 760,145
Elimination of the Company's warrants (note 5(c))	(11,840,016)	(760,145)
Issuance of replacement warrants to the Company's warrant holders (note 5(f))	11,840,016	1,058,130
Exercise of warrants (note 5(j))	(20,000)	(547)
Pro forma warrants - December 31, 2011	11,820,016	$ 1,057,583

(1) 200,350 of the warrants are convertible into one common share and one share purchase warrant exercisable at $0.70.

9. Pro forma stock options

	Expiry date	Number outstanding	Number vested		Exercise price
Replacement options issued:	22/09/2015	440,000	440,000		0.31
	06/10/2015	809,451	809,451	(1)	0.40
	28/10/2015	225,000	225,000		0.67
	21/12/2015	450,000	225,000		0.87
	14/02/2016	100,000	37,500		0.85
	10/03/2016	300,000	112,500		0.76
	18/04/2016	350,000	87,500		0.64
	18/04/2016	300,000	150,000		0.75
	16/05/2016	250,000	-		0.65
	22/06/2016	150,000	150,000		0.43
	12/07/2016	600,000	75,000		0.40
	08/09/2016	1,000,000	125,000		0.50
	02/12/2016	2,250,000	-		0.45
Pro forma stock options - December 31, 2011		7,224,451	2,436,951		$ 0.52

(1) the number of options outstanding and vested reflects the cancellation of 500,000 options during the period January 1, 2012 to February 15, 2012

10. Pro forma retained earnings (deficit)

	Amount
The Company's deficit - December 31, 2011	$ (8,926,415)
Gastek's retained earnings - September 30, 2011	22,743,000
Elimination of the Company's deficit (note 5(b))	8,926,415
Additional transaction costs (note 5(h))	(1,600,000)
Additional transaction costs (note 5(i))	(650,000)
Pro forma retained earnings - December 31, 2011	$ 20,493,000

11. Basis of calculation for basic and diluted earnings per share

Pro forma basic and diluted earnings (loss) per share are calculated based upon the weighted average number of common shares that would have been outstanding assuming that any shares issued under note 5 would have been outstanding for the period presented.

EXHIBIT “H”
FAIRNESS OPINION

February 15, 2012

Board of Directors
CUB Energy Inc.
50 Richmond Street East
Suite 101
Toronto, Ontario M5C 1N7

To the Board of Directors:

Cormark Securities Inc. ("Cormark Securities") understands that CUB Energy Inc. ("CUB" or the "Company") has entered into a share exchange agreement dated January 26, 2012 (the "Agreement") with Gastek LLC ("Gastek") providing for, among other things and subject to certain conditions, the acquisition by CUB of all of the issued and outstanding units of Gastek (the "Gastek Units") (the "Offer").

Under the terms of the Offer, Cormark Securities understands:

(a) the consideration (the "Consideration") offered to Pelicourt Limited, Gastek's sole owner of Gastek Units ("Gastek Unitholders") will be 123,278,089 common shares of CUB ("CUB Shares");

(b) if Gastek has indebtedness outstanding immediately before completion of the Offer, the exchange ratio will be adjusted so that the number of CUB Shares issued will be reduced to offset the amount of Gastek's indebtedness;

(c) the Offer will be a reverse takeover of CUB under TSX Venture Exchange policies; and

(d) the completion of the Offer will be conditional upon, among other things, approval of the Offer by the holders of a majority of the outstanding CUB Shares ("CUB Shareholders") and obtaining all required governmental and regulatory approvals and/or expiration of regulatory waiting periods (including approval of the Ukraine Anti-Monopoly Committee), on terms and conditions acceptable to Gastek and CUB, each acting reasonably.

The specific terms and conditions of, and other matters related to, the Offer may be more fully described in a filing statement (the "Filing Statement") to be mailed to CUB Shareholders in connection with the Offer.

The Company has retained Cormark Securities to provide financial advice and assistance to the Company in connection with the Offer, including the preparation and delivery to the Board of Directors of Cormark Securities' opinion as to the fairness of the Consideration to be paid pursuant to the Offer, from a financial point of view, to CUB shareholders (the "Fairness Opinion").

CORMARK SECURITIES' ENGAGEMENT

Cormark Securities was initially engaged pursuant to a letter agreement dated October 19, 2011 (the "Engagement Agreement") with respect to acting as financial advisor to the Company in connection with the examination of the Offer. Pursuant to the terms of the Engagement Agreement, Cormark Securities is to be paid a fee for its services as financial advisor, including the delivery of the Fairness Opinion, and that all such fees are contingent on the completion of the Offer. In addition, Cormark Securities is to be reimbursed for its reasonable out-of-pocket expenses and is to be indemnified by the Company, in certain circumstances, against certain expenses, losses, claims, actions, damages and liabilities incurred in connection with the provision of its services under the Engagement Agreement.

CREDENTIALS OF CORMARK SECURITIES

Cormark Securities is an independent Canadian investment dealer providing investment research, equity sales and trading and investment banking services to a broad range of institutions and corporations. Cormark Securities has participated in a significant number of transactions involving public and private companies and income funds and has extensive experience in preparing fairness opinions.

The Fairness Opinion expressed herein represents the opinion of Cormark Securities and its form and content have been approved for release by a committee of its directors and officers, each of whom are experienced in merger, acquisition, divestiture, fairness opinion and capital market matters.

RELATIONSHIP WITH INTERESTED PARTIES

Neither Cormark Securities, nor any of its affiliates, is an insider, associate or affiliate (as those terms are defined in the *Securities Act* (Ontario)) of CUB, Gastek or any of their respective associates or affiliates (collectively, the "Interested Parties").

As of the date of this Fairness Opinion, Cormark Securities has not been engaged to provide any financial advisory services nor has it participated in any financings involving CUB, Gastek or any of their respective affiliates or associates, within the past two years, other than services provided pursuant to the Engagement Agreement.

There are no understandings, agreements or commitments between Cormark Securities and CUB, Gastek or any other Interested Party, with respect to any future business dealings. Cormark Securities may, in the future, in the ordinary course of its business, perform financial advisory or investment banking services for CUB, Gastek or any other Interested Party.

Cormark Securities acts as a securities trader and dealer, both as principal and agent, in major financial markets and, as such, may have had, may have and may in the future have long or short positions in securities of CUB or other Interested Parties and, from time to time, may have executed or may execute transactions on behalf of such companies or clients for which it may have received or may receive compensation. As an investment dealer, Cormark Securities conducts research on securities and may, in the ordinary course of business, provide research reports and investment advice to its clients on investment matters, including with respect to CUB, Gastek or the Offer.

SCOPE OF REVIEW

In connection with this Fairness Opinion, Cormark Securities has reviewed and relied upon (without verifying or attempting to verify independently the completeness or accuracy thereof) or carried out, among other things, the following:

(a) The non-binding preliminary term sheet between CUB and Gastek dated October 31, 2011;

(b) the Agreement dated January 26, 2012 (including the representations and warranties of CUB and Gastek therein);

(c) the independent evaluation of the oil and gas reserves of Kub-Gas LLC prepared by RPS Energy as at July 31, 2011;

(d) the independent evaluation of the oil and gas reserves of CUB prepared by Sproule International Limited as at April 30, 2011;

(e) the audited consolidated financial statements of Kub-Gas LLC for the year ended December 31, 2010 and December 31, 2009;

(f) the unaudited financial statements of Kub-Gas LLC for the quarters ended September 30, 2011 and June 30, 2011;

(g) the unaudited interim financial statements of Gastek for the quarter ended September 30, 2011;

(h) the audited consolidated financial statements of CUB for the years ended June 30, 2011 and June 30, 2010;

(i) the management discussion and analysis of CUB for the years ended June 30, 2011 and June 30, 2010;

(j) the unaudited financial statements of CUB for the quarters ended March 31, 2011, December 31, 2010 and September 30, 2010;

(k) the management information circulars for CUB in connection with the annual meeting of CUB Shareholders held in each of 2011 and 2010;

(l) all other public filings submitted by CUB to the securities commissions or similar regulatory authorities in Canada which are available on the System for Electronic Document Analysis and Retrieval ("SEDAR") since January 1, 2010;

(m) certain discussions with and confidential information made available by Gastek concerning the business, operations, assets, liabilities and prospects of Gastek;

(n) certain discussions with and confidential information made available by CUB concerning the business, operations, assets, liabilities and prospects of CUB;

(o) corporate presentations by the management of CUB and Gastek concerning their respective assets and business plans;

(p) meetings and discussions with the Board of Directors of CUB;

(q) a certificate dated February 15, 2012 as to certain factual matters and the completeness and accuracy of the information upon which this Fairness Opinion is based, addressed to us and provided by senior officers of CUB;

(r) the current oil and gas price forecasts of independent reservoir engineering firms;

(s) the current prices of oil and gas futures contracts;

(t) public information (including corporate presentations and information prepared by industry research analysts) related to the business, operations, financial performance and trading history of Gastek, CUB and such other selected oil and gas companies as we considered relevant;

(u) public information with respect to precedent transactions of a comparable nature which we considered relevant; and

(v) such other information, made such other investigations, prepared such other analyses and had such other discussions as we considered appropriate in the circumstances.

Cormark Securities has not, to the best of its knowledge, been denied access by the Company or Gastek to any information requested by Cormark Securities.

PRIOR VALUATIONS

The Company has represented to Cormark Securities that, among other things, it has no knowledge of any other prior valuations or appraisals (as defined in MI 61-101) of the Company or its material assets or its securities in the past twenty-four month period.

ASSUMPTIONS AND LIMITATIONS

Cormark Securities has not been asked to prepare and has not prepared a formal valuation of CUB or Gastek or any of their respective securities or assets, and the Fairness Opinion should not be construed as such. Cormark Securities has, however, conducted such analyses as it considered necessary in the circumstances. In addition, the Fairness Opinion is not, and should not be construed as, advice as to the price at which the CUB Shares or Gastek Units may trade at any future date. Cormark Securities was similarly not engaged to review any legal, tax or accounting aspects of the Offer. Cormark Securities has relied upon, without independent verification or investigation, the assessment by the Company and its legal, tax, regulatory and accounting advisors with respect to legal, tax, regulatory and accounting matters. In addition, the Fairness Opinion does not address the relative merits of the Offer as compared to any other transaction involving the Company, the prospects or likelihood of any alternative transaction or any other possible transaction involving the Company, its assets or its securities.

With the approval of the Board of Directors and as is provided for in the Engagement Agreement, Cormark Securities has relied upon the completeness, accuracy and fair presentation of all of the financial and other information, data, advice, opinions and representations obtained by it from public sources or provided to it by or on behalf of the Company or Gastek and their respective directors, officers, agents and advisors or otherwise (collectively, the "Information") and Cormark Securities has assumed that the Information did not omit to state any material fact or any fact necessary to be stated to make that Information not misleading. The Fairness Opinion is conditional upon the completeness, accuracy and fair presentation of such Information including as to the absence of any undisclosed material change. Subject to the exercise of professional judgment and except as expressly described herein, Cormark Securities has not attempted to independently verify or investigate the completeness, accuracy or fair presentation of any of the Information.

With respect to financial and operating forecasts, projections, estimates and/or budgets provided to Cormark Securities and used in the analyses supporting the Fairness Opinion, Cormark Securities has noted that projecting future results of any company is inherently subject to uncertainty. Cormark Securities has assumed that such forecasts, projections, estimates and/or budgets were reasonably prepared consistent with industry practice on a basis reflecting the best currently available assumptions, estimates and judgments of management of the Company or Gastek as to the future financial performance of the Company or Gastek, respectively, and are (or were at the time and continue to be) reasonable in the circumstances. In rendering the Fairness Opinion, Cormark Securities expresses no view as to the reasonableness of such forecasts, projections, estimates and/or budgets or the assumptions on which they are based.

Senior officers of the Company have represented to Cormark Securities in a certificate delivered as of the date hereof, among other things, that:

(a) to the best of their knowledge, information and belief the Information provided orally by, or in the presence of, an officer of the Company or in writing by the Company or any of its subsidiaries (as such term is defined in the *Securities Act* (Ontario)) or their respective agents to Cormark Securities relating to the Company, or any of its subsidiaries or the Offer for the purpose of preparing the Fairness Opinion (as defined in the Engagement Letter) was, to the extent such Information did not constitute a forecast, projection, estimate or budget, at the date the Information was provided to Cormark Securities, complete, true and correct in all material respects, and did not contain any untrue statement of a material fact in respect of the Company, its subsidiaries or the Offer and did not omit to state a material fact in respect of the Company, its subsidiaries or the Offer necessary to make the Information (taken as a whole) not misleading in light of the circumstances under which the Information was made or provided (except to the extent that any such Information has been superseded by Information subsequently delivered to Cormark Securities);

(b) to the best of their knowledge, information and belief since the dates on which the Information was provided to Cormark Securities, except as disclosed in writing to Cormark Securities or in a public filing with securities regulatory authorities, there has been no material change, financial or otherwise, in the financial condition, assets, liabilities (contingent or otherwise), business, operations or prospects of the Company and its subsidiaries (taken as a whole) and no material change has occurred in the Information or any part thereof which would, to their knowledge, have or which would reasonably be expected to have a material effect on the Fairness Opinion;

(c) to the best of their knowledge, information and belief after due inquiry, there are no independent appraisals or valuations or material non-independent appraisals or valuations relating to the Company or any of its subsidiaries or any of their respective material assets or liabilities which have been prepared as of a date within the two years preceding the date hereof and which have not been provided to Cormark Securities;

(d) since the dates on which the Information was provided to Cormark Securities, no material transaction has been entered into by the Company, or any of its subsidiaries or contemplated by the Company, or any of its subsidiaries except for transactions that have been disclosed to Cormark Securities or generally disclosed;

(e) the assumptions contained in any forecasts, projections or budgets prepared and provided by the Company to Cormark Securities were reasonable as of the date thereof; and

(f) except as disclosed to Cormark Securities in the Information or otherwise, to the best of their knowledge, there are no actions, suits, proceedings or inquiries pending or threatened against or affecting the Company or its affiliates, at law or in equity or before or by any federal, provincial, municipal or other governmental department, commission, board, bureau, agency or instrumentality which in any way materially affect the Company or the value of any of its securities.

In its analyses and in preparing the Fairness Opinion, Cormark Securities has made numerous assumptions with respect to expected industry performance, general business and economic conditions and other matters, many of which are beyond the control of Cormark Securities or any party involved in the Offer. Cormark Securities has also assumed that the disclosure provided or incorporated by reference in the Filing Statement, and any other documents in connection with the Offer, will be accurate in all material respects and will comply with the requirements of all applicable laws, that all of the conditions required to implement the Offer will be met, that the procedures being followed to implement the Offer are valid and effective, and that the Filing Statement will be distributed to CUB Shareholders in accordance with applicable laws.

The Fairness Opinion is rendered on the basis of securities markets, economic, financial and general business conditions prevailing as at the date hereof and the condition and prospects, financial and otherwise, of the Company and its affiliates, and Gastek and its affiliates, as they were reflected in the Information and as they have been represented to Cormark Securities in discussions with management of the Company and Gastek.

The Fairness Opinion is not to be reproduced, disseminated, quoted from or referred to (in whole or in part) without the express prior written consent of Cormark Securities. Cormark Securities hereby consents to the reference to Cormark Securities and the description of, reference to and reproduction of the Fairness Opinion in the Filing Statement prepared in connection with the Offer for delivery to CUB Shareholders and filing with the securities commissions or similar regulatory authorities in each relevant province and territory of Canada.

Cormark Securities believes that the Fairness Opinion must be considered and reviewed as a whole and that selecting portions of the analyses or factors considered by Cormark Securities, without considering all the analyses and factors together, could create a misleading view of the process underlying the Fairness Opinion. The preparation of a fairness opinion is a complex process and is not necessarily amenable to partial analysis or summary description. Any attempt to do so could lead to undue emphasis on any particular factor or analysis. The Fairness Opinion is not to be construed as a recommendation to any CUB Shareholder as to whether to approve the Offer.

The Fairness Opinion is given as of the date hereof and Cormark Securities disclaims any undertaking or obligation to advise any person of any change in any fact or matter affecting the Fairness Opinion which may come or be brought to Cormark Securities' attention after the date hereof. Without limiting the foregoing, in the event that there is any material change in any fact or matter affecting the Fairness Opinion after the date hereof, Cormark Securities reserves the right to change, modify or withdraw the Fairness Opinion.

FAIRNESS OPINION

Based upon and subject to the foregoing, Cormark Securities is of the opinion that, as at of the date hereof and subject to the review of final documentation, the Consideration to be paid pursuant to the Offer is fair, from a financial point of view, to the CUB Shareholders.

Yours very truly,

Cormark Securities Inc.

CORMARK SECURITIES INC.

EXHIBIT “I”

STATEMENT OF RESERVES DATA AND OTHER OIL AND GAS DATA

GASTEK LLC

STATEMENT OF RESERVES DATA AND OTHER OIL AND GAS INFORMATION

EFFECTIVE JULY 31, 2011

PREPARED ON DECEMBER 12, 2011

Filed pursuant to Canadian Administrators National Instrument 51-101
Standards of Disclosure for Oil and Gas Activities

The Company

This Statement of Reserves Data and Other Oil and Gas Information relates to oil and gas interests held by KUB-Gas LLC. KUB-Gas LLC is owned 100% by Loon Ukraine Holding Limited which in turn is owned 30% by Gastek LLC and 70% by Kulczyk Oil Ventures Inc.. The Reserves quoted are based on the 30% owned by Gastek LLC (**the "Company"**). KUB-Gas LLC, Kulczyk Oil Ventures Inc. and Gastek LLC are collectively referred to as the "Partnership".

Conventions and Conversions

Unless otherwise indicated, references herein to "$" or "dollars" are to United States dollars. All financial information herein has been presented in United States dollars in accordance with United Kingdom accounting standards. The Ukrainian currency is the hryvna or "UAH", the exchange rate used is 8.0 UAH per US$ for all years from 2011 onwards.

Abbreviations

Oil and Natural Gas Liquids

bbl	Barrel
bbls	Barrels
Mbbl	thousand bbls
bbl/d	bbls per day
NGL	natural gas liquids

Natural Gas

Mcf	thousand cubic feet
MMcf	million cubic feet
Mcfpd	thousand cubic feet per day

Other

BOE	barrel of oil equivalent of natural gas and crude oil on the basis of 1 bbl of crude oil for 6 Mcf of natural gas
BOE/d	barrel of oil equivalent per day
McfGE/d	a thousand cubic feet of gas equivalent per day
kPa	kilopascal
MBOE	1,000 barrels of oil equivalent
McfGE	1,000 cubic feet of gas equivalent
VAT	Value added tax

Conversion

The following table sets forth certain standard conversions from Standard Imperial Units to the International System of Units (or metric units).

To Convert From	To	Multiple By
Mcf	cubic metres	28.17399(1)
cubic metres	cubic feet	35.49373(1)
barrels	cubic metres	0.15891
cubic metres	bbls oil	6.29010
feet	metres	0.3048
miles	kilometres	1.609344
acres	hectares	0.4046856

Note:

(1) The Canadian Oil and Gas Evaluation Handbook Vol. 1 assumes standard conditions of pressure base at 101.325 kPaa and 15°C which yields a conversion rate of 35.49373. Ukrainian standards assume 100 kPaa and 20°C which yields a conversion rate of 34.43211 for cubic metres to cubic feet and 29.04266 for Mcf to cubic metres.

STATEMENT OF RESERVES DATA AND OTHER OIL AND GAS INFORMATION

Notes and Definitions

The determination of oil and gas reserves involves the preparation of estimates that have an inherent degree of associated uncertainty. Categories of proved, probable and possible reserves have been established to reflect the level of these uncertainties and to provide an indication of the probability of recovery.

The estimation and classification of reserves requires the application of professional judgment combined with geological and engineering knowledge to assess whether or not specific reserves classification criteria have been satisfied. Knowledge of concepts including uncertainty and risk, probability and statistics, and deterministic and probabilistic estimation methods is required to properly use and apply reserves definitions.

"**Reserves**" are estimated remaining quantities of oil and natural gas and related substances anticipated to be recoverable from known accumulations, from a given date forward, based on: (a) analysis of drilling, geological, geophysical, and engineering data; (b) the use of established technology; and (c) specified economic conditions, which are generally accepted as being reasonable and shall be disclosed. Reserves are classified according to the degree of certainty associated with the estimates.

"**Proved reserves"** are those reserves that can be estimated with a high degree of certainty to be recoverable. It is likely that the actual remaining quantities recovered will exceed the estimated proved reserves.

"**Developed Producing reserves"** are those reserves that are expected to be recovered from completion intervals open at the time of the estimate. These reserves may be currently producing or, if shut-in, they must have previously been on production, and the date of resumption of production must be known with reasonable certainty.

"**Developed Non-Producing reserves"** are those reserves that either have not been on production, or have previously been on production, but are shut-in, and the date of resumption of production is unknown.

"**Undeveloped reserves"** are those reserves expected to be recovered from known accumulations where a significant expenditure (e.g., when compared to the cost of drilling a well) is required to render them capable of production. They must fully meet the requirements of the reserves classification (proved, probable, possible) to which they are assigned. In multi-well pools, it may be appropriate to allocate total pool reserves between the developed and undeveloped categories or to sub-divide the developed reserves for the pool between developed producing and developed non-producing. This allocation should be based on the estimator's assessment as to the reserves that will be recovered from specific wells, facilities and completion intervals in the pool and their respective development and production status.

"**Probable reserves"** are those additional reserves that are less certain to be recovered than proved reserves. It is equally likely that the actual remaining quantities recovered will be greater or less than the sum of the estimated proved + probable reserves.

The following terms, used in the preparation of the RPS Report (as defined herein) and this document, have the following meanings:

"**crude oil"** or **"oil**" means a mixture that consists mainly of pentanes and heavier hydrocarbons, which may contain sulphur and other non-hydrocarbon compounds, that is recoverable at a well from an underground reservoir and that is liquid at the conditions under which its volume is measured or estimated. It does not include solution gas or natural gas liquids.

“**development costs**” means costs incurred to obtain access to reserves and to provide facilities for extracting, treating, gathering and storing the oil and gas from the reserves. More specifically, development costs, including applicable operating costs of support equipment and facilities and other costs of development activities, are costs incurred to:

(a) gain access to and prepare well locations for drilling, including surveying well locations for the purpose of determining specific development drilling sites, clearing ground, draining, road building, and relocating public roads, gas lines and power lines, to the extent necessary in developing the reserves;

(b) drill and equip development wells, development type stratigraphic test wells and service wells, including the costs of platforms and of well equipment such as casing, tubing, pumping equipment and the wellhead assembly;

(c) acquire, construct and install production facilities such as flow lines, separators, treaters, heaters, manifolds, measuring devices and production storage tanks, natural gas cycling and processing plants, and central utility and waste disposal systems; and

(d) provide improved recovery systems.

“**development well**” means a well drilled inside the established limits of an oil or gas reservoir, or in close proximity to the edge of the reservoir, to the depth of a stratigraphic horizon known to be productive.

“**exploration costs**” means costs incurred in identifying areas that may warrant examination and in examining specific areas that are considered to have prospects that may contain oil and gas reserves, including costs of drilling exploratory wells and exploratory type stratigraphic test wells. Exploration costs may be incurred both before acquiring the related property (sometimes referred to in part as “prospecting costs”) and after acquiring the property. Exploration costs, which include applicable operating costs of support equipment and facilities and other costs of exploration activities, are:

(a) costs of topographical, geochemical, geological and geophysical studies, rights of access to properties to conduct those studies, and salaries and other expenses of geologists, geophysical crews and others conducting those studies (collectively sometimes referred to as “geological and geophysical costs”);

(b) costs of carrying and retaining unproved properties, such as delay rentals, taxes (other than income and capital taxes) on properties, legal costs for title defence, and the maintenance of land and lease records;

(c) dry hole contributions and bottom hole contributions;

(d) costs of drilling and equipping exploratory wells; and

(e) costs of drilling exploratory type stratigraphic test wells.

“**exploratory well**” means a well that is not a development well, a service well or a stratigraphic test well.

“**field**” means an area consisting of a single reservoir or multiple reservoirs all grouped on or related to the same individual geological structural feature and/or stratigraphic condition. There may be two or more reservoirs in a field that are separated vertically by intervening impervious strata or laterally by local geologic barriers, or both. Reservoirs that are associated by being in overlapping or adjacent fields may be treated as a single or common operational field. The geological terms “structural feature” and “stratigraphic condition” are intended to denote localized geological features, in contrast to broader terms such as “basin”, “trend”, “play” or “area of interest”.

"**forecast prices and costs**" means future prices and costs that are:

(a) generally accepted as being a reasonable outlook of the future;

(b) if, and only to the extent that, there are fixed or presently determinable future prices or costs to which KUB-Gas (and by part-ownership therefore, Gastek) is legally bound by a contractual or other obligation to supply a physical product, including those for an extension period of a contract that is likely to be extended, those prices or costs rather than the prices and costs referred to in paragraph (a).

"**future income tax expenses**" means future income tax expenses estimated (generally, year-by-year):

(a) making appropriate allocations of estimated unclaimed costs and losses carried forward for tax purposes, between oil and gas activities and other business activities;

(b) without deducting estimated future costs (for example, royalties) that are not deductible in computing taxable income;

(c) taking into account estimated tax credits and allowances; and

(d) applying to the future pre-tax net cash flows relating to Gastek's oil and gas activities the appropriate year-end statutory tax rates, taking into account future tax rates already legislated.

"**future net revenue**" means the estimated net amount to be received with respect to the development and production of reserves (including synthetic oil, coal bed methane and other non-conventional reserves) estimated using constant prices and costs or forecast prices and costs.

"**gross**" means:

(a) in relation to Gastek's interest in production or reserves its "company gross reserves", which are its working interest (operating or non-operating) share before deduction of royalties and without including any royalty interests of Gastek;

(b) in relation to wells, the total number of wells in which Gastek has an interest; and

(c) in relation to properties, the total area of properties in which Gastek has an interest.

"**natural gas**" means the lighter hydrocarbons and associated non-hydrocarbon substances occurring naturally in an underground reservoir, which under atmospheric conditions are essentially gases but which may contain natural gas liquids. Natural gas can exist in a reservoir either dissolved in crude oil (solution gas) or in a gaseous phase (associated gas or non-associated gas). Non-hydrocarbon substances may include hydrogen sulphide, carbon dioxide and nitrogen.

"**natural gas liquids**" means those hydrocarbon components that can be recovered from natural gas as liquids including, but not limited to, ethane, propane, butanes, pentanes plus, condensate and small quantities of non-hydrocarbons.

"**net**" means

(a) in relation to Gastek's interest in production or reserves, its working interest (operating or non-operating) share after deduction of royalty obligations, plus its royalty interests in production or reserves;

(b) in relation to Gastek's interest in wells, the number of wells obtained by aggregating Gastek's working interest in each of its gross wells; and

(c) in relation to Gastek's interest in a property, the total area in which Gastek has an interest multiplied by the working interest owned by Gastek.

"**non-associated gas**" means an accumulation of natural gas in a reservoir where there is no crude oil.

"**operating costs**" or "**production costs**" means costs incurred to operate and maintain wells and related equipment and facilities, including applicable operating costs of support equipment and facilities and other costs of operating and maintaining those wells and related equipment and facilities.

"**production**" means recovering, gathering, treating, field or plant processing (for example, processing gas to extract natural gas liquids) and field storage of oil and gas.

"**property**" includes:

(a) fee ownership or a lease, concession, agreement, permit, licence or other interest representing the right to extract oil or gas subject to such terms as may be imposed by the conveyance of that interest;

(b) royalty interests, production payments payable in oil or gas, and other non-operating interests in properties operated by others; and

(c) an agreement with a foreign government or authority under which KUB-Gas (and by part-ownership therefore, Gastek) participates in the operation of properties or otherwise serves as "producer" of the underlying reserves (in contrast to being an independent purchaser, broker, dealer or importer).

A property does not include supply agreements, or contracts that represent a right to purchase, rather than extract, oil or gas.

"**property acquisition costs**" means costs incurred to acquire a property (directly by purchase or lease, or indirectly by acquiring another corporate entity with an interest in the property), including:

(a) costs of lease bonuses and options to purchase or lease a property;

(b) the portion of the costs applicable to hydrocarbons when land including rights to hydrocarbons is purchased in fee; and

(c) brokers' fees, recording and registration fees, legal costs and other costs incurred in acquiring properties.

"**proved property**" means a property or part of a property to which reserves have been specifically attributed.

"**reservoir**" means a porous and permeable underground formation containing a natural accumulation of producible oil or gas that is confined by impermeable rock or water barriers and is individual and separate from other reservoirs.

"**service well**" means a well drilled or completed for the purpose of supporting production in an existing field. Wells in this class are drilled for the following specific purposes: gas injection (natural gas, propane, butane or flue gas), water injection, steam injection, air injection, salt-water disposal, water supply for injection, observation, or injection for combustion.

"**solution gas**" means natural gas dissolved in crude oil.

"**stratigraphic test well**" means a drilling effort, geologically directed, to obtain information pertaining to a specific geologic condition. Ordinarily, such wells are drilled without the intention of being completed for hydrocarbon production. They include wells for the purpose of core tests and all types of expendable holes related to hydrocarbon exploration. Stratigraphic test wells are classified as (a) "exploratory type" if not drilled into a proved property; or (b) "development type", if drilled into a proved property. Development type stratigraphic wells are also referred to as "evaluation wells".

"**support equipment and facilities**" means equipment and facilities used in oil and gas activities, including seismic equipment, drilling equipment, construction and grading equipment, vehicles, repair shops, warehouses, supply points, camps, and division, district or field offices.

"**unproved property**" means a property or part of a property to which no reserves have been specifically attributed.

"**well abandonment costs**" means costs of abandoning a well (net of salvage value) and of disconnecting the well from the surface gathering system. They do not include costs of abandoning the gathering system or reclaiming the wellsite.

Date of Statement and Statement Information

This Statement of Reserves Data and Other Oil and Gas Information (the "Statement") is dated December 12, 2011, and was prepared December 12, 2011. The effective date of the information provided in the Statement is July 31, 2011 (unless otherwise indicated).

All of the Company's Reserves herein reported were evaluated in accordance with Canadian Securities Administrators National Instrument 51-101 – Standards of Disclosure for Oil & Gas Activities ("NI 51-101"). The Company retained RPS Energy Consultants Limited ("RPS") via an arrangement with Kulczyk Oil Ventures Inc. who originally commissioned the work, to prepare an independent evaluation of the Company's oil and gas interests, all of which are located in Ukraine. RPS evaluated the Company's Proved plus Probable plus Possible Reserves in their report dated December 12, 2011 (the "RPS Report").

In the course of the evaluation, the Partnership provided RPS personnel with basic information which included land data, well information, geological information, reservoir studies, estimates of on-stream dates, contract information, current hydrocarbon product prices, operating cost data, capital budget forecasts, financial data and future operating plans. The extent and character of ownership and accuracy of all factual data supplied for the independent evaluation, from all sources, has been accepted as represented. RPS reserves the right to review all calculations referred to or included in this Statement and to revise the estimates in light of erroneous data supplied or information existing but not made available which becomes known subsequent to the preparation of this Statement.

The accuracy of any Reserves and production estimate is a function of the quality and quantity of available data and of engineering interpretation and judgement. While Proved plus Probable plus Possible Reserves and production estimates presented herein are considered reasonable, the estimates should be accepted with the understanding that reservoir performance subsequent to the date of the estimate may justify revision, either upward or downward.

Revenue projections presented in this Statement are based in part on forecasts of market prices, currency exchange rates, inflation, market demand and government policy, which are subject to many uncertainties and may, in future, differ materially from the forecasts utilised herein.

The following cautionary statements apply to each of the following tables.

1. Estimates of future net revenue used in calculating discounted and undiscounted net present values (NPV) do not represent fair market value.

2. Due to the effects of aggregation, estimates of proved plus probable reserves and future net revenues for individual properties may not reflect the same confidence level as estimates of proved plus probable reserves and future net revenues for all properties.

3. The aggregate of the exploration and development costs incurred in the most recent financial year and the change during that year in estimated future development costs generally will not reflect total finding and development costs related to proved plus probable reserve additions for that year.

The following tables, based on the RPS Report, summarize the NGLs and natural gas Proved plus Probable plus Possible Reserves attributable to natural gas interests of Gastek and the present value of future net revenue for such Reserves using forecast price assumptions and costs. All evaluations of future net production revenue set forth in the tables are stated prior to the provision for income taxes, but after mineral extraction taxes, direct lifting costs, normal allocated overhead and future investments.

Other assumptions and qualifications relating to costs, prices for future production and other matters are included in the RPS Report. There is no assurance that the future price, cost, and timing of forecasted expenditure assumptions used in the RPS Report will prove accurate and variances could be material. The recovery and reserve estimates of NGLs and natural gas Proved plus Probable plus Possible Reserves provided herein are estimates only and there is no guarantee that the estimated Reserves will be recovered. Actual NGLs and natural gas Proved plus Probable plus Possible Reserves may be greater than or less than the estimates provided herein.

Disclosure of Reserves Data

Gastek, through KUB-Gas LLC, currently holds permits for geological survey and pilot production of natural gas, condensate and oil at Makeevskoye, North Makeevskoye, Olgovskoye and Krutogorovskoye and a permit for production of natural gas and helium (depths under 1,000 metres) at Vergunskoye.

KUB-Gas Assets

The KUB-Gas Assets consist of 100% working interests in five license areas, Vergunskoye, Olgovskoye, Makeevskoye, Krutogorovskoye and the North Makeevskoye area in the Lugansk region of eastern Ukraine. The five license areas are collectively called the "**Ukrainian Licenses**". The Ukrainian Licenses are situated in the northeastern part of Ukraine in the Dnieper-Donets Basin and Pripyat Graben. The area accounts for 90% of the natural gas production of Ukraine and is well served by transport infrastructure.

Vergunskoye, Olgovskoye, Makeevskoye and Krutogorovskoye all have Reserves attributed. North Makeevskoye is likely to be assigned Prospective Resources and has no Reserves attributed to it at this time.

A summary of the aggregated Reserves, Net Present Values of future net revenue, total future net revenue (undiscounted), future net revenue by product group, summary of pricing and inflation rates, future development costs and 2011 production estimates as of July 31, 2011 is presented as Tables 1 to 7 below.

Future Development Costs

The funding for future development costs will initial be funded by a combination of debt drawn from Kub-Gas' existing credit facility and the cash flow generated from the sale of gas and condensate.
The sources of funding are not expected to impact the economics of the development plan.

Description of Production Facilities

Gas and Condensate Gathering Facilities

Vergunskoye

Wells V-51, V-71, V-200 and V-201 are connected individually to the gas treatment facilities via 89mm diameter, 6mm tubing thickness pipelines. Recently, compressors have been installed at the well heads of V-200 and V-201 to reduce the tubing head pressures in order to increase gas production. The average production rate for well V-200 in August 2010 (6.5Mm^3/d) had almost doubled to 12Mm^3/d in September 2010, similarly, the average production rate of well V-201 has increased by about 30% within the same period; these increments have been attributed to the installation of surface compressors. However, the observed increase in production rate was followed by a rapid decline and is currently approaching pre-compression levels.
After treatment, gas is exported through a 159mm diameter, 6mm tubing thickness pipeline to the gas-distribution station Lugansk with pressure 1.0 to 1.2 MPa. The current operating parameters of the active wells Vergunskoye Field as at 31st July 2011 are shown in the Table below:

Current Operating Parameters of wells (Vergunskoye)

Well	**Qg (MMscf/d)**	**Tubing Head Pressure (Psia)**
V-51	0.25	290
V-71	0.15	406
V-200	0.29	58
V-201	0.28	73

Olgovskoye

The gas treatment facilities at Olgovskoye appear to be reasonably modern and in excellent condition. Olg-3, Olg-4 and Olg-5 are individually connected to the gas treatment facility plant by 89mm diameter pipelines with 6mm tubing thickness.
Gas input is monitored before it is cleaned and cooled at the Olgovskoye facility and condensate is separated out. The gas is then transported 18.8km to the Makeevskoye gas treatment facility via a 159mm diameter, 6mm wall thickness pipeline where it is collected. Gas from the Olgovskoye and Makeevskoye fields is exported to the national infrastructure at Makeevskoye via a 219mm pipeline at a pressure of 1.4 to 1.6 MPa and it is at Makeevskoye that the quantities of sales gas are monitored and recorded. Condensate from Olgovskoye is also transported via a 57mm diameter, 3mm wall thickness pipe to Makeevskoye where it is sold and collected by truck.

Makeevskoy

Wells Mak-1, Mak-2 and Mak-12 are individually connected to the Makeevskoye gas treatment facilities by 89mm diameter, 6mm tubing thickness flowlines, where the gas is cleaned, cooled and separated before it is exported to the national infrastructure via a 219mm pipeline at a pressure of 1.4 to 1.6 MPa, along with gas from Olgovskoye field. The condensate from both fields is collected at Makeevskoye where it is sold and collected by truck. The current operating parameters of the current producing wells in Makeevskoye field as at July 31st 2011 are shown in the Table bellow:

Current Operating Parameters for the Makeevskoye Wells

Well	Qg (MMscf/d)	Tubing Head Pressure (Psia)
Mak-1 (M-4)	0.08	319
Mak-2 (M-3)	0.68	335
Mak-3 (M-1)	5.05	1,653

Krutogorovskoye

A 300 Mm^3/d gas treatment facility, similar to that at Olgovskoye, has been constructed. After the gas is processed it connects directly to the State pipeline infrastructure near the village of Raevka via a 2.5 km, 159mm diameter pipeline northeast from the Kr-1 well. As usual the range of recoverable resources dictates the number of wells that would be required and we note that although we have only included the two existing wells in the development thus far, additional wells or fracking of existing, sidetracked or new horizontal wells could increase the flow rates significantly and produce the expected reserves in a much shorter period. The current operating parameters of the current producing wells in Krutogorovskoye field as at 31st July 2011 are shown in the Table below

Current Operating Parameters of the Krutogorovskoye wells

Well	Qg (MMscf/d)	Tubing Head Pressure (Psia)
Kr-1 (B-9)	0.30	638
Kr-3 (B-9)	0.27	638

Production Estimates

Ukraine
Gas and Condensate Production Estimate for first year's production

Year	Reserve Class	Olgovskoye		Vergunskoye		Makeevskoye		Krutogorovskoye	
		MMcf	Mbbl	MMcf	Mbbl	MMcf	Mbbl	MMcf	Mbbl
2012	Proved	1164.7	8.4	147.4	0	458.3	1.6	73.9	0.1
2012	Probable	457.1	3.6	9.8	0	45.4	0.2	13	0
2012	**Proved Plus Probable**	**1621.8**	**12.0**	**157.2**	**0**	**503.7**	**1.80**	**86.9**	**0.1**

Reserves Data – Forecast Prices and Costs

TABLE 1

SUMMARY OF GAS AND GAS LIQUIDS RESERVES
as of July 31, 2011
FORECAST PRICES AND COSTS (30% WORKING INTEREST)

	RESERVES			
	NATURAL GAS		NATURAL GAS LIQUIDS	
RESERVES CATEGORY	**Gross (MMcf)**	**Net (MMcf)**	**Gross (Mbbl)**	**Net (Mbbl)**
PROVED				
Developed Producing	3647.13	2940.12	13.32	5.28
Developed Non-Producing	3431.88	2771.55	33.03	13.17
Undeveloped	5206.95	4245.99	55.98	22.44
TOTAL PROVED	**12285.93**	**9957.66**	**102.36**	**40.92**
PROBABLE	5956.41	4857.3	49.89	19.98
TOTAL PROVED PLUS PROBABLE	**18242.34**	**14814.96**	**152.25**	**60.9**
POSSIBLE	7199.85	5884.95	54.42	21.81
TOTAL PROVED PLUS PROBABLE PLUS POSSIBLE	**25442.19**	**20699.94**	**206.67**	**82.68**
Note: Gross Reserves are for Gastek's 30% WI, Net Reserves are after royalties				

TABLE 2

SUMMARY OF AGGREGATE NET PRESENT VALUES OF FUTURE NET REVENUE
as of July 31, 2011
FORECAST PRICES AND COSTS (30% WORKING INTEREST)

	BEFORE INCOME TAXES DISCOUNTED AT (% / YEAR)					AFTER INCOME TAXES DISCOUNTED AT (% / YEAR)					UNIT VALUE BEFORE INCOME TAX DISCOUNTED AT 10% / YEAR
	0	5	10	15	20	0	5	10	15	20	
RESERVES CATEGORY	MM$	MM$	MM$	MM$	MM$	MM$	MM$	MM$	MM$	MM$	($/McfGE)
PROVED											
Developed Producing	16.59	14.1	12.3	10.95	9.9	13.86	11.7	10.11	8.91	7.98	4.14
Developed Non-Producing	19.2	16.5	14.37	12.66	11.25	15.9	13.62	11.79	10.35	9.15	5.04
Undeveloped	28.5	22.59	18.18	14.85	12.27	23.7	18.66	14.94	12.09	9.9	4.15
TOTAL PROVED	64.29	53.22	44.88	38.46	33.42	53.49	43.98	36.84	31.35	27.03	4.40
PROBABLE	33	26.34	21.42	17.7	14.85	27.54	21.9	17.7	14.55	12.12	4.30
TOTAL PROVED PLUS PROBABLE	97.26	79.56	66.3	56.16	48.27	81.03	65.85	54.54	45.9	39.15	4.37
POSSIBLE	40.89	30.96	24.18	19.41	15.93	33.87	25.71	20.01	15.99	13.05	4.02
TOTAL PROVED PLUS PROBABLE PLUS POSSIBLE	138.15	110.52	90.48	75.57	64.2	114.9	91.56	74.55	61.86	52.2	4.27

Notes:
(1) The unit values are based on net reserve volumes
(2) All values are presented in United States dollars
(3) All values are presented on a 30% working interest basis

TABLE 3

TOTAL FUTURE NET REVENUE (UNDISCOUNTED) as of July 31, 2011 FORECAST PRICES AND COSTS (30% WORKING INTEREST)

RESERVES CATEGORY	Revenue	Royalties	Operating Costs	Exploration and Development Costs	Abandonment and Reclamation Costs	Future Net Revenue Before Income Taxes	Income Taxes	Future Net Revenue After Income Taxes
	MM$	MM$	MM$	MM$	MM$	MM$	MM$	MM$
PROVED								
Developed Producing	34.98	7.2	8.16	2.7	0.36	16.59	2.73	13.86
Developed Non-Producing	34.14	7.62	4.5	2.52	0.3	19.2	3.3	15.9
Undeveloped	53.43	11.64	6.81	5.76	0.72	28.5	4.77	23.7
TOTAL PROVED	122.55	26.46	19.5	10.95	1.38	64.29	10.8	53.49
PROBABLE	61.17	12.87	8.61	5.91	0.81	33	5.43	27.54
TOTAL PROVED PLUS PROBABLE	183.72	39.33	28.11	16.86	2.19	97.26	16.23	81.03
POSSIBLE	76.92	15.78	13.08	5.79	1.38	40.89	7.02	33.87
TOTAL PROVED PLUS PROBABLE PLUS POSSIBLE	260.67	55.11	41.16	22.65	3.57	138.15	23.25	114.9

Notes:

(1) All values are presented in United States dollars
(2) All values are presented on a 30% working interest basis
(3) Operating costs include taxes other than on income

TABLE 4

FUTURE NET REVENUE
BY PRODUCTION GROUP
as of July 31, 2011
FORECAST PRICES AND COSTS (30% WORKING INTEREST)

RESERVES CATEGORY	PRODUCTION GROUP	FUTURE NET REVENUE BEFORE INCOME TAXES (discounted at 10% / year) ($MM)	UNIT VALUE ($ / Mcf for Natural Gas) ($ / bbl for Condensate) ($ / McfGE for Total Hydrocarbon)
Proved Reserves	Condensate	1.11	27.49
	Natural Gas	43.74	4.39
	Total Hydrocarbon	**44.88**	**4.40**
Proved Plus Probable Reserves	Condensate	1.77	29.00
	Natural Gas	64.53	4.36
	Total Hydrocarbon	**66.3**	**4.37**
Proved Plus Probable Plus Possible Reserves	Condensate	2.49	30.04
	Natural Gas	87.99	4.25
	Total Hydrocarbon	**90.48**	**4.27**

Notes
(1) Unit values are based on reserves volumes net of royalties
(2) All values are presented in United States dollars
(3) All values are presented on a 30% working interest basis

TABLE 5

SUMMARY OF PRICING AND INFLATION RATE ASSUMPTIONS
as of July 31, 2011
FORECAST PRICES AND COSTS

Year	Brent	Partnership Condensate (excl. VAT)	Imported Russian Gas at Ukrainian border (excl. VAT)	Partnership Gas (excl. VAT)	US$ Price Inflation Rate	US$ Cost Inflation Rate	Exchange Rate Hryvnia per $
	$ / bbl	$ / bbl	$ / Mcf	$ / Mcf	% / Year	% / Year	x.x
Aug-Dec 2011	119.28	83.77	9.42	8.62	2.0%	2.0%	8.00
2012	115.12	80.85	9.36	8.80	2.0%	2.0%	8.00
2013	114.12	80.14	9.28	8.98	2.0%	2.0%	8.00
2014	110.08	79.28	8.95	9.16	2.0%	2.0%	8.00
2015	108.06	77.83	8.79	9.34	2.0%	2.0%	8.00
2016	107.05	77.10	8.71	9.53	2.0%	2.0%	8.00
2017	107.05	77.10	8.71	9.72	2.0%	2.0%	8.00
2018	107.05	77.10	8.71	9.91	2.0%	2.0%	8.00
2019	107.05	77.10	8.71	10.11	2.0%	2.0%	8.00
2020	110.09	79.29	8.95	10.31	2.0%	2.0%	8.00
2021	113.62	81.84	9.24	10.52	2.0%	2.0%	8.00
2022	117.16	84.38	9.53	10.73	2.0%	2.0%	8.00
2023	120.69	86.93	9.81	10.94	2.0%	2.0%	8.00
2024	123.73	89.12	10.06	11.16	2.0%	2.0%	8.00
2025	126.25	90.93	10.27	11.39	2.0%	2.0%	8.00
2026	129.14	93.01	10.50	11.61	2.0%	2.0%	8.00
2027	131.72	94.87	10.71	11.85	2.0%	2.0%	8.00
2028	134.36	96.78	10.93	12.08	2.0%	2.0%	8.00
2029	137.05	98.71	11.14	12.33	2.0%	2.0%	8.00
2030	139.79	100.69	11.37	12.57	2.0%	2.0%	8.00
2031	142.59	102.70	11.59	12.82	2.0%	2.0%	8.00
2032	145.45	104.76	11.83	13.08	2.0%	2.0%	8.00
2033	148.36	106.85	12.06	13.34	2.0%	2.0%	8.00
2034	151.32	108.99	12.31	13.61	2.0%	2.0%	8.00
2035	154.35	111.17	12.55	13.88	2.0%	2.0%	8.00

Notes:

(1) Forecasts are from RPS Energy

(2) All "$" values are presented in inflated United States dollars

TABLE 6

FUTURE DEVELOPMENT COSTS
As of July 31, 2011
FORECAST PRICES AND COSTS
(30% Working Basis)

Year	Proved Reserves $ MM	Proved plus Probable Reserves $ MM	Proved plus Probable plus Possible Reserves $ MM
Aug - Dec 2011	2.46	3.80	5.09
2012	4.99	7.70	10.35
2013	1.66	2.53	3.40
2014	0.78	1.19	1.61
2015	0.95	1.47	1.98
2016	0.05	0.09	0.12
2017	0.05	0.09	0.12
2018	-	-	-
2019	-	-	-
2020	-	-	-
2021	-	-	-
2022	-	-	-
2023	-	-	-
2024	-	-	-
2025	-	-	-
2026	-	-	-
2027	-	-	-
2028	-	-	-
2029	-	-	-
2030	-	-	-
2031	-	-	-
2032	-	-	-
2033	-	-	-
2034	-	-	-
2035	-	-	-
Total	10.95	16.86	22.65
Total discounted at 10%	9.69	14.91	20.01

TABLE 7

2011 PRODUCTION ESTIMATES

Estimates made as of July 31, 2011
for the full 2011 calendar year.

FORECAST PRICES AND COSTS
(30% Working Interest Basis)

2011 Annual Production Estimates

	Natural Gas		Condensate	
	Gross	**Net**	**Gross**	**Net**
	MMcf	MMcf	Mbbl	Mbbl
Proved	953.82	747.51	5.79	2.27
Proved Plus Probable	1047.40	820.85	6.39	2.50
Proved Plus Probable Plus Possible	1140.97	894.18	6.98	2.73

Reconciliations of Changes in Reserves and Future Net Revenue

The RPS Report is the first independent Reserves evaluation of Gastek's NGL and natural gas Reserves and future net revenue. As such, Gastek is unable to provide a reconciliation of the changes in its Reserves for a period prior to the RPS Report.

Undeveloped Reserves

The Undeveloped Reserves reported above are based on the Partnership's most recently communicated development plan as at 31st July 2011 that schedules a further 5 wells between August 2011 and December 2012 which will be initially completed in the deeper productive zones. The drilling will be followed by a number of re-completions in shallower zones between April 2013 and December 2016. The precise schedule of the shallower re-completions will depend on the decline performance of the original deeper completions. It is likely that further drilling targets will be confirmed and added to the Undeveloped Reserves with time but only the planned wells are included at this time.

Properties with No Attributed Reserves

The North Makeevskoye licence currently has no Reserves attributed to it. The licence is situated in Ukraine adjacent to the Company's Makeevskoye licence and covers a gross area of 46,962 acres in which Gastek has a 30% working interest. The licence was granted on 29st December 2010 and has a 5 year term. The licence is an exploration licence similar to the Makeevskoye and Olgovskoye licences and allows for long-term testing to produce up to 10% of the total recoverable volumes estimated at the time of testing. The licence can be preferentially converted to a full production licence after commerciality has been demonstrated by long-term testing. Work and cost commitments include:

I. Fulfilment of the conditions established by

(1) the State Service for Protection of Environment in the Lugansk Region as of 7th November 2010 No. 9700 (ecology card No. 1235), and

(2) the State Committee of Ukraine for Industrial Safety, Labour Protection and Mining Supervision as of 3rd November 2010 No. 1/05-7.12/8121

II. Mandatory provision of geological information obtained in the course of exploration of the licence area to the State Research & Production Company Geoinform Ukraine within three months after receiving exploration survey report

III. Full and timely payment of all taxes, including mandatory payment for geological survey) to the State Budget according to the local law in force

VI. Mandatory fulfilment of the volumes and terms as determined in the Work Programme for the North Makeevskoye field

V. To re-register form 3-gr with Geoinform Ukraine during one month after receiving the license

VI. To file annual reports on exploration and pilot production according to form 6-gr to Geoinform Ukraine

Forward Contracts

The Company has not entered into any forward contracts.

Drilling Activity

The partnership has drilled 4 wells within the Olgovskoye licence in 2011 as at July 31st. Drilling activity is planned to continue on Olgovskoye and Makeevskoye for the foreseeable future. Further drilling is expected on Krutogorovskoye after further geological studies. No further drilling is currently planned on Vergunskoye at this time.

Additional Information Concerning Abandonment and Reclamation Costs

Estimates of abandonment and reclamation costs were provided by RPS as estimated in the RPS Report. The costs were estimated based on 10% of the future Capex associated with the Reserves for all fields. All these costs were included in the RPS Report and deducted when determining future net revenue.

Taxes

Table 8 below shows a summary of the 2011 fiscal regime.

TABLE 8

SUMMARY OF FISCAL REGIME as of July 31, 2011

Corporate level taxes		
VAT Rate	20 % in 2011- 2013; 17% thereafter	
Corporate Profits Tax	25% in 1Q 2011; 23% for the rest of 2011; 21% in 2012; 19% in 2013; and 16% thereafter	
Natural Gas		
Levy	**Levied in**	**Calculation**
Geological Tax	Abolished as of 1 January 2011	
Rental Payment (Royalty)	UAH per 1000 m^3	237 x Ukraine-Russia border price of gas (incl. VAT) in US$ per Mm^3 / 179.5
Subsoil Tax	UAH per 1000 m^3	37.78
Condensate		
Levy	**Levied in**	**Calculation**
Geological Tax	Abolished as of 1 January 2011	
Rental payment (Royalty)	UAH per tonne	2,141.9 x K, where K = the US$ price of Urals cude oil / 560, if K >= 1; otherwise, K = 1
Subsoil Tax	UAH per tonne	147.63

<u>Costs Incurred</u>

Capex incurred between January 1 and July 31 is shown in the table below as the Partnership and Gastek share (100% and 30%)

Licence	Partnership Capex	Gastek share of Capex
Olgovskoye	$21,680,000	$6,503,870
Makeevskoye	$5,376,000	$1,612,910
Krutogorovskoye	$1,232,000	$369,490
Vergunskoye	$0	$0
TOTAL	$28,287,590	$8,486.280

Opex incurred between January 1 and July 31 is shown in the table below as the Partnership and Gastek share (100% and 30%)

Licence	Partnership Opex	Gastek share of Opex
Olgovskoye	$760,000	$228,000
Makeevskoye	$460,000	$138,000
Krutogorovskoye	$150,000	$45,000
Vergunskoye	$320,000	$96,000
TOTAL	$1,690,000	$507,000

<u>Exploration and Development Activities</u>

The Company participated in four wells between January 1 and July 31, 2011.

Olgovskoye			
2011 Exploration Wells		2011 Development (Gas) Wells	
Gross Wells	Net Wells	Gross Wells	Net Wells
0	0	4	1.2

<u>Production History</u>

The following tables disclose, on a quarterly basis for the first half of 2011, the Partnership's average daily production volume, prior to royalties, and the prices received for each product type.

Average Daily Production Volume

	Three Months Ended		
	Mar. 31, 2011	30-Jun-11	Average
Natural gas (Mcf/d)	6,115	6,081	6,098
Light and Medium Crude Oil (Bbl/d)	-	-	-
NGL (Bbls/d)	51	48	49
Total (McfGE/d)	6,421	6,369	6,392

Prices Received (including VAT) – NGLs and Natural Gas

	Three Months Ended		
	Mar. 31, 2011	30-Jun-11	Average
Prices Received ($/Bbl)	109.06	132.68	120.87
Prices Received ($/Mcf)	9.59	10.16	9.87

Prices Received (excluding VAT) – NGLs and Natural Gas

	Three Months Ended		
	Mar. 31, 2011	30-Jun-11	Average
Prices Received ($/Bbl)	90.88	110.56	100.72
Prices Received ($/Mcf)	7.97	8.44	8.21

Netback Calculation

	USD/MCF	
Netback Calculation for Gas	1Q11	2Q11
Gas Pricing		
Government set average price (incl VAT)	9.59	10.16
Net gas price (net of VAT)	7.97	8.44
Royalty	(0.83)	(0.83)
Monthly royalty coefficient	1.47	1.65
Royalty	(1.22)	(1.37)
Resource payment	(0.13)	(0.13)
Netback (excluding opex)	6.62	6.94
Field Opex	(1.42)	(1.54)
Field netback after opex	5.19	5.40

Netback Calculation for Condensate	USD/BBL	
	1Q11	2Q11
Condensate Pricing		
Government t set average price (incl VAT)	109.06	132.68
Net condensate price (net of VAT)	90.88	110.56
Royalty	(33.47)	(33.47)
Monthly royalty coefficient	1.45	1.62
Royalty	(48.41)	(54.35)
Resource payment	(2.31)	(2.31)
Netback (excluding opex)	40.16	53.91
Field Opex	(0.68)	(0.82)
Field netback after opex	39.49	53.09

EXHIBIT "J"
REPORT OF INDEPENDENT QUALIFIED RESERVES EVALUATOR

RPS

38 Station Street, Subiaco, WA 6008 • PO Box 465, Subiaco 6904, Western Australia
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The Directors
Gastek LLC
1000, Fourth Street, No. 785
San Raphael
California 94901
U.S.A.

Project Ref: UCV02172

14 December 2011

Dear Sirs,

REPORT ON RESERVES DATA

BY

INDEPENDENT QUALIFIED RESERVES EVALUATOR OR AUDITOR

To the Board of Directors of Gastek LLC (the "Company"):

1. We have evaluated the Company's reserves data as at 31 July 2011. The reserves data are estimates of proved reserves and probable reserves and related future net revenue as at 31 July 2011, estimated using forecast prices and costs.

2. The reserves data are the responsibility of the Company's management. Our responsibility is to express an opinion on the reserves data based on our evaluation. We carried out our evaluation in accordance with standards set out in the Canadian Oil and Gas Evaluation Handbook (the "COGE Handbook") prepared jointly by the Society of Petroleum Evaluation Engineers (Calgary Chapter) and the Canadian Institute of Mining, Metallurgy & Petroleum (Petroleum Society).

3. Those standards require that we plan and perform an evaluation to obtain reasonable assurance as to whether the reserves data are free of material misstatement. An evaluation also includes assessing whether the reserves data are in accordance with principles and definitions presented in the COGE Handbook.

4. The following table sets forth the estimated future net revenue (before deduction of income taxes) attributed to proved plus probable reserves, estimated using forecast prices and costs and calculated using a discount rate of 10 percent, included in the reserves data of the Company evaluated by us for the period ended 31 July 2011, and identifies the respective portions thereof that we have evaluated and reported on to the Company's board of directors:

RPS

Independent Qualified Reserves Evaluator or Auditor	Description and Preparation Date of Evaluation Report	Location of Reserves (Country or Foreign Geographic Area)	**Net Present Value of Future Net Revenue** (before income taxes, 10% discount rate) **US$ Million**			
			Audited	**Evaluated**	**Reviewed**	**Total**
RPS Energy	Estimation of Natural Gas Reserves, Vergunskoye, Olgovskoye, Makeevskoye and Krutogorovskoye License Interests, Ukraine, Based on Forecast prices and Costs, as of July 31, 2011.	Ukraine		66.3		66.3

5. In our opinion, the reserves data respectively evaluated by us have, in all material respects, been determined and are in accordance with the COGE Handbook, consistently applied. We express no opinion on the reserves data that we reviewed but did not audit or evaluate.

6. We have no responsibility to update our reports referred to in paragraph 4 for events and circumstances occurring after their respective preparation dates.

7. Because the reserves data are based on judgements regarding future events, actual results will vary and the variations may be material.

Executed as to our report referred to above:

Yours Faithfully

"*David R. Guise*"

David R. Guise, P. Eng.
Managing Director – Consulting (Perth Office)

RPS Energy, Perth, Western Australia, Australia, 14th December 2011.

EXHIBIT “K”

REPORT OF MANAGEMENT ON OIL AND GAS DISCLOSURE

GASTEK LLC

REPORT OF MANAGEMENT AND DIRECTORS ON RESERVES DATA AND OTHER INFORMATION

Management of Gastek LLC (the "Company") are responsible for the preparation and disclosure of information with respect to the Company's oil and gas activities in accordance with securities regulatory requirements. This information includes reserves data which are estimates of proved reserves and probable reserves and related future net revenue as at July 31, 2011, estimated using forecast prices and costs.

An independent qualified reserves evaluator has evaluated and reviewed the Company's reserves data. The report of the independent qualified reserves evaluator will be filed with securities regulatory authorities concurrently with this report.

The board of directors of the Company has

(a) reviewed the Company's procedures for providing information to the independent qualified reserves evaluator;

(b) met with the independent qualified reserves evaluator to determine whether any restrictions affected the ability of the independent qualified reserves evaluator to report without reservation; and

(c) reviewed the reserves data with management and the independent qualified reserves evaluator.

The board of directors has reviewed the Company's procedures for assembling and reporting other information associated with oil and gas activities and has reviewed that information with management. The board of directors has approved

(a) the content and filing with securities regulatory authorities of Form 51-101F1 containing reserves data and other oil and gas information;

(b) the filing of Form 51-101F2 which is the report of the independent qualified reserves evaluator on the reserves data; and

(c) the content and filing of this report.

Because the reserves data are based on judgements regarding future events, actual results will vary and the variations may be material. However, any variations should be consistent with the fact that reserves are categorized according to the probability of their recovery.

(signed)"Mikhail Afendikov"
Mikhail Afendikov
Chief Executive Officer

(signed) "*Valentin Bortnik*"
Valentin Bortnik
Director

(signed)" Andreas Tserni"
Andreas Tserni
Director

December 16, 2011