TRANSEURO ENERGY

Management's Discussion & Analysis

For the Years Ended December 31, 2011 and 2010

(Expressed in Canadian Dollars)

MANAGEMENT'S DISCUSSION AND ANALYSIS

This Managements' Discussion and Analysis ("MD&A") of financial results and related data of Transeuro Energy Corp. ("Transeuro" or the "Company") is reported in Canadian dollars and has been prepared in accordance with International Financial Reporting Standard 1, "First-time Adoption of International Financial Reporting Standards", and with International Accounting Standard 34 "Interim Financial Reporting", as issued by the International Accounting Standards Board. Previously, the Company prepared its Annual Consolidated Financial Statements in accordance with Canadian generally accepted accounting principles ("GAAP"). To the extent which may be appropriate, this MD&A should be read in conjunction with the audited consolidated financial statements for the years ended December 31, 2011 and 2010.

The commentary is as of April 25, 2012. The reader should be aware that historical results are not necessarily indicative of future performance.

In conformity with Canadian Securities Administrator's National Instrument ("NI") NI 51-101 "Standards of Disclosure for Oil and Gas Activities", natural gas volumes have been converted to equivalent barrels of oil ("boe") using a conversion ratio of six thousand cubic feet ("mcf") of natural gas to one boe. This ratio is based on an energy equivalency conversion method primarily applicable at the burner tip and does not represent a value equivalency at the wellhead. Readers are cautioned that boe may be misleading, particularly if used in isolation.

Forward Looking Statements

This MD&A contains forward-looking statements. Management's assessment of future plans and operations, capital expenditures, methods of financing capital expenditures and the ability to fund financial liabilities, expected commodity prices and the impact on Transeuro, future operating costs, future transportation costs, expected change in royalty rates, interest rates and the timing of and impact of accounting policies may constitute forward-looking statements under applicable securities laws and necessarily involve risks including, without limitation to, statements with respect to the Company's development potential and program; the acquisition of interests in a licences in Ukraine or other areas; the Company's ability to raise required capital, the future price of oil and gas; the continuing impact of the change of management; the estimation of oil and gas reserves; conclusions of economic evaluation; the realization of mineral reserve estimates; the timing and amount of estimated future production; costs of production; capital expenditures; success of exploration activities; currency exchange rates; potential and stability of foreign jurisdictions; government relations and regulation; and environmental risks. Generally, forward-looking information can be identified by the use of forward-looking terminology such as "plans", "expects" or "does not expect", "is expected", "budget", "scheduled", "estimates", "forecasts", "intends", "anticipates" or "does not anticipate", or "believes", or variations of such words and phrases or statements that certain actions, events or results "may", "could", "would", "might" or "will be taken", "occur" or "be achieved". Forward-looking information is based on the opinions and estimates of management as of the date such statements are made. Estimates regarding the potential of the Company's properties are based on the Company's understanding of regional geology and neighboring properties and the stability and continued development in areas of operation. Capital and operating cost estimates are based on terms of the various license agreements, extensive research of the Company, proposed budgets and programs, recent estimates of exploration/development costs and other factors that are set out herein. Production estimates are based on past experience and plans and production schedules that have been developed by the Company's personnel and independent consultants. Forward-looking information is subject to known and unknown risks, uncertainties and other factors that may cause the actual results, level of activity, performance or achievements of the Company to be materially different from those expressed or implied by such forward-looking statements, including but not limited to risks related to: unexpected events and delays during exploration, development and construction; revocation of government approvals and contracts; timing and availability of external financing on acceptable terms; actual results of exploration activities; changes in project parameters as plans continue to be refined; future prices of oil and gas; failure of plant, equipment or processes to operate as anticipated; accidents, labour disputes; risks inherent in foreign operations and other risks of the oil and gas industry. Although management of Transeuro has attempted to identify important factors that could cause actual results to differ materially from those contained in forward-looking information, there may be other factors that cause results not to be as anticipated, estimated or intended. There can be no assurance that such information 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. Readers are cautioned that the foregoing list of factors is not exhaustive. Additional information on these and other factors that could affect the Company's operations and financial results are included in reports on file with Canadian securities regulatory authorities and may be accessed through the SEDAR website (www.sedar.com), or at the Company's website (www.transeuroenergy.com). Furthermore, the forward looking statements contained in this document are made as at the date of this document and the Company does not undertake any obligation to update publicly or to revise any of the included forward looking statements, whether as a result of new information, future events or otherwise, except as may be required by applicable securities laws.

Non-IFRS Measurements

Transeuro evaluates performance based on some measurements that are not defined by IFRS. These measurements include cash flow from operations and netback.

The MD&A contains the term ”cash flow from operations” (“cash flow”), which should not be considered an alternative to, or more meaningful than, “cash flow from operating activities” as determined in accordance with IFRS and previously Canadian GAAP as an indicator of the Company’s financial performance. Transeuro’s determination of cash flow from operations may not be comparable to that reported by other companies. The reconciliation between net earnings and cash flow from operations can be found in the statements of cash flows in the financial statements. The Company evaluates its performance based on net income and cash flow from operations. The Company considers cash flow from operations to be a key measure as it demonstrates the Company’s ability to generate the cash necessary to repay debt and to fund future growth through capital investment. Cash flow from operations per share is calculated using the diluted weighted average number of shares for the period.

Operating netback is used by the Company as an indicator of performance. Operating netback has no standardized meaning defined by IFRS and therefore may not be comparable with the calculation of similar measures by other companies. Operating netback is determined by deducting royalties, transportation, gathering and processing fees as well as operating expenses from sales revenue. The Company uses this as a key measure relating to its Beaver River operations in Canada.

DESCRIPTION OF BUSINESS

Transeuro Energy Corp is a publicly traded company and is listed on the TSX Venture Exchange and Oslo Axess under the symbol “TSU”. The company was incorporated in British Columbia and is extra provincially registered in Alberta. Transeuro’s head office is located at Suite 2800 – 350 7th Ave SW, Calgary, AB, Canada, T2P 3N9. Transeuro is involved in the acquisition of petroleum and natural gas rights, the exploration for, and development and production of crude oil, condensate and natural gas.

OPERATIONAL UPDATE

<u>Ukraine</u>

The Company continues its preparations to conduct its hydraulic fracturing operations on the Karl-101 well and rig operations have been completed on schedule. The 8 packers and 5 'FracPorts' have been successfully installed across the C12, C13, C14, C15 and C16 intervals from 3100--3500 meters in depth. 3½ inch tubing has been run and the Christmas tree re-installed in preparation for the arrival of the frack pumps and associated equipment.

The Company has commenced the mobilization of chemicals, proppant and equipment that will be collected at a staging point in Romania prior to import into Ukraine and actual fracking is anticipated in early May. No further down hole intervention is required before the pumping operations. The intention is to create individual hydraulic "propped" fractures in each of the 5 reservoir intervals, using up to approximately 1,000 m^3 of water and placing a total of 300 tons of synthetic proppant into the reservoirs. These reservoir intervals flowed a cumulative stable rate of 16,000 m^3/day and condensate during testing in 2011. Third party independent report estimates Mean Gas in Place in these horizons of the Karlavskoye field at 472 Bcf.

Upon completion of the frack, the Company is targeting initial flow rates in the range of 10 mmcf/d (280,000 m^3/day) and to commence production into the adjacent pipeline shortly thereafter at a sales rate around 5 mmcf/d (140,000 m^3/d). The Company then intends to commence development of the Karlavskoye field using the strategy of vertical wells with multiple stacked hydraulic fractures. Results from the final test conducted in 2011 also suggest the Karlavskoye field may be substantially larger than previously reported.

Canada

During the first three months of 2012, the Beaver River field in Northern British Columbia has produced 6,826,900 m^3 of gas, an average of 75,021 m^3 per day or 2.64 mmcf/d. The Company has completed the compressor upgrades and is producing from all three wells. Production for the third and fourth quarters of 2011 was 2.11mmcf/d and 2.56 mmcf/d, respectively. Forecasted production is anticipated to decline steadily during 2012, until a forward program of well intervention commences and new wells are available for production. The forward program is subject to the Company securing additional funding and anticipates work over operations in 4 wells: A-2, A-6, A-8 and B-3.

Papua New Guinea

In March 2012, the Company announced that it had closed a transaction with Eaglewood Energy Inc. ("Eaglewood"), to release the Company's back-in option for 10% of Eaglewood's licenses in Papua New Guinea, in exchange for a cash settlement from Eaglewood of USD $800,000.

OVERVIEW

Transeuro is involved in the acquisition of petroleum and natural gas rights, the exploration for, and development and production of, crude oil, condensate and natural gas. Transeuro's principal assets and operations are located in Northern British Columbia, Canada and the Crimea Peninsula of Ukraine. The Company is listed on the TSX Venture Exchange as well as on the Oslo Axess under the trading symbol "TSU".

Ukraine

The Karlavskoye license, subject to any extensions, expires on July 14, 2014. The Krasnapolianskoye license, subject to any extensions, expires on November 21, 2012. The Povorotnoye license received an extension renewal for a period of 5 years to May 14, 2016 (previously license expired on May 14, 2011).

Subsequent to year end, the Company completed the transaction to farm out an 85% interest in East Crimea BV, the holding company that holds the title to the 'Joint Activity Agreement" to develop the Povorotnoye gas field in East Crimea. Honoratus Investments Ltd ("Honoratus"), a subsidiary of Golden State Resources Ltd (ASX:GDN) (www.goldenstate.com.au) will drill well one to a depth of around 4000m, commencing before the end of June 2012 and if a commercial discovery is declared, to put the well into production. Honoratus will then drill a second development well, commencing before May 15th 2016. Transeuro has received from Honoratus the non-refundable first staged payment of $500,000 due on completing the transaction. The next payment of $500,000 is due on spudding of well one and the last payment of $500,000 on the commencement of testing operations on well one.

The Company's three licenses in the Ukraine may not be retained if the financial commitments required under the license agreements, which may be amended by mutual agreement, are not fulfilled (see Risk Factors).

Fekete Associates Inc. ("Fekete") has evaluated the oil and natural gas reserves attributable to the Company's oil and gas properties in the Ukraine as at December 31, 2010. In the Fekete reports, there are contingent resources reported for Ukraine. Contingent resources are defined as those quantities of oil and gas estimated on a given date to be potentially recoverable from known accumulations but has not yet established commerciality.

A tabulated aggregate of the Low, Median and High Discovered Resource volumes and the assigned Undeveloped Reserves of the Ukraine properties are shown below. Data was obtained from the Report on Oil and Gas Information NI 51-101 dated December 31, 2010 prepared by Fekete.

		GROSS (100%) DISCOVERED RESOURCE (*Note 2*) IN PLACE VOLUMES		GROSS (100%) UNDEVELOPED RESERVES	
Field	**Aggregate Probability (*Note 1*)**	**Natural Gas**	**Oil**	**Natural Gas**	**NPV disc. (*Note 3*) @ 10%**
		(MMSCF)	(MSTB)	(MMSCF)	$U.S.
Karlavskoye	Low	160,402	-	-	-
	Median	424,920	-	-	-
	High	854,235	-	-	-
	Mean	472,280	-	-	-
Krasnapolianskoye	Low	1,726	-	1,219	1,586
	Median	2,690	-	1,924	2,268
	High	3,790	-	2,763	2,931
	Mean	2,725	-	-	-
Povorotnoye	Low	51,145	-	-	-
	Median	96,597	-	-	-
	High	155,545	-	-	-
	Mean	100,723	-	-	-
AGGREGATE	Low	213,273	-	1,219	1,586
	Median	524,207	-	1,924	2,268
	High	1,013,570	-	2,763	2,931
	Mean	575,728	-	-	-

***Note 1*: Resource Probability**

- Low estimate represents P90 value. There is a 90% Probability that a greater or equal quantity may be present and a 10% probability that a lesser quantity may be present.
- Median estimate represents P50 value. There is a 50% probability that a greater or equal quantity may be present and a 50% probability that a lesser quantity may be present.
- High estimate represents P10 value. There is a 10% probability that a greater or equal quantity may be present and a 90% probability that a lesser quantity may be present.
- Mean is an arithmetic of the Low, Median and High values.

***Note 2*: Gross (100%) Discovered Resource**

Gross discovered resource are those total (100%) quantities of oil and gas estimated on a given date to be contained in known accumulation, but have yet to establish commerciality.

***Note 3*: Gross (100%) Reserves** are assigned under P10 (Possible) reserves category.

The Company's December 31, 2010 NI 51-101 reports can be accessed on SEDAR at www.sedar.com.

Canada

Following the acquisition of 100% of the Beaver River field in June 2011, the Company completed a 2 phase project to install compression on the wells to increase production. A wellhead compressor for the A-2 well was commissioned during the period and work to install a more powerful boost compressor for all 3 wells was put into operation.

The Company completed an independent third party reserve and resource report on the field. The following table summarizes certain information contained in the independent reserves and resources evaluation report prepared by Fekete.

Gas Reserves

	2011 Company Interest Reserves before Royalty	
Reserve Category	**Gas (BCF)**	**BOE (MSTB)**
Proved Developed Producing	1.74	0.29
Total Proved (P1)	12	2
Proved Plus Probable Developed Producing	2.52	0.42
Total Proved Plus Probable (P2)	14.16	2.24

Contingent Gas Reserves

	2011 Company Interest Resource		
	Low Estimate (BCF)	**Best Estimate (BCF)**	**High Estimate (BCF)**
Upper Besa River	9	16	24
Lower Besa River	47	68	95
Nahanni (A-8 Well)	6	10	14
Total Contingent Resouce	62	94	133

Discovered Gas Resouces

	2011 Company Interest Resource		
	Low Estimate (BCF)	**Best Estimate (BCF)**	**High Estimate (BCF)**
Upper Besa River	3,094	4,291	5,921
Lower Besa River	3,339	4,095	50,006
Nahanni (A-8 Well)	1,500	2,000	2,500
Total Contingent Resouce	7,933	10,386	58,427

Papua New Guinea

In March 2012, the Company announced that it had closed a transaction with Eaglewood to release the Company's back-in option for 10% of Eaglewood's licenses in Papua New Guinea, in exchange for a cash settlement from Eaglewood of USD $800,000.

As at December 31, 2010, the Company held 371,430 common shares of Eaglewood. During the year ended December 31, 2011, the Company sold its remaining 371,430 Eaglewood common shares for aggregate net proceeds of $267,430.

Armenia

No operations were performed during the period. The Company has a rig and other camp equipment which is being stored at a warehouse in Yerevan while discussions continue on either the future use or the disposition of the assets.

Selected Annual Information

The following selected annual information is extracted from audited annual financial statements.

($, except per share amounts)	Years ended December 31, 2011	December 31, 2010	December 31, 2009 (Canadian GAAP)
Revenue and other income	**1,892,135**	709,883	1,256,439
Royalties, Operating and Transportation, gathering and processing costs	**2,207,780**	1,457,417	747,599
Cash flow from operations	**(4,268,957)**	(4,022,815)	(1,047,452)
Cash used in operating activities	**(2,009,060)**	(2,567,696)	(4,854,511)
Net income	**488,142**	2,066,277	18,603,348
Per share - basic and diluted	**0.01**	0.03	0.07
Comprehensive income/(loss)	**1,722,262**	(12,225,270)	30,953,644
Capital expenditures - exploration and evaluation assets	**(11,962,199)**	(3,576,510)	(2,300,782)
Total assets	**43,396,523**	22,392,805	43,224,045
Working capital (deficiency)	**(396,043)**	(4,093,276)	8,529,465

BUSINESS COMBINATION

On June 1, 2011, the Company completed a Share Purchase Agreement (the "Agreement") where it effectively acquired the remaining 50% working interest in the Beaver River field from Questerre Energy Corporation ("Questerre Energy") by acquiring a 100% interest in Questerre Beaver River Inc. ("Questerre BR"). The Company issued 40 million common shares (8 million post consolidation) to Questerre Energy as consideration for the acquisition and as settlement of outstanding operating debts of approximately $5.9 million. Following the Agreement, the Company owns 100% of the Beaver River field.

The purchase price consisted of 40 million shares, with a fair value of $0.07 per share, which was the trading price of the shares on the date that the Company obtained control of the assets. The consolidated financial statements include the results of the Beaver River field as to 50% for the period up to June 1, 2011 and 100% for the seven month period from the acquisition date. The purchase price allocation is as follows:

Net assets acquired	**June 1, 2011**
Cash	**$ 125,986**
Accounts receivable and other current assets	**146,511**
Inventory	**331,757**
Exploration and evaluation assets	**6,250,000**
Property and equipment	**1,975,000**
Forgiven payables by Questerre	**5,907,521**
Accounts payable and other liabilities	**(300,024)**
Asset retirment obligation	**(2,993,338)**
Total net assets acquired	**$ 11,443,413**

Consideration		June 1, 2011
Shares issued	$	2,800,000
Release of reclamation deposit		2,085,813
Total consideration	$	4,885,813

		June 1, 2011
Total consideration	$	4,885,813
Less: Total net assets acquired		(11,443,413)
Gain on acquisition	$	(6,557,600)

RESULTS OF OPERATIONS

The following discussion and analysis of the Company's financial results of its operations should be read in conjunction with the Company's consolidated financial statements and related notes for the same period.

	Year ended December 31,			
		2011		2010
Natural gas sales	$	1,739,071	$	683,389
Other income		153,064		26,494
Royalties		(128,749)		(22,495)
Transportation, gathering and processing		(540,445)		(174,711)
Operating expense		(1,538,586)		(1,260,211)
General and administrative		(3,722,023)		(2,146,553)
Finance costs		(306,281)		(675,831)
Foreign exchange gain/(loss) - realized		74,991		(452,898)
Cash from operations before changes in non-cash working capital		(4,268,958)		(4,022,815)
Non-cash items				
Depreciation		(333,249)		(321,825)
Stock-based compensation		(575,638)		(380,992)
Finance costs		(501,084)		(770,965)
Impairment of asset held for sale		(826,733)		-
Impairment of oil and gas assets		-		(168,659)
Gain on available for sale financial assets		145,383		7,810,446
Foreign exchange gain - unrealized		290,821		1,547,322
Gain on acquisition		6,557,600		-
Net loss	$	488,142	$	3,692,512
Income tax expense		-		(1,626,235)
Net loss after tax		-		2,066,277
Other comprehensive income/loss		1,234,120		(14,291,547)
Comprehensive income/(loss)	$	1,722,261	$	(12,225,270)

Natural gas revenue

All natural gas revenue recorded by the Company for the years ended December 31, 2011 and 2010 relates to production from the Company's Beaver River operations in Canada.

	2011				
	Q1	Q2	Q3	Q4	Total
Gas production (mcf)	33,883	75,552	194,354	235,160	538,949
Average Realized Price ($/mcf)	3.42	3.73	3.29	2.99	3.23
Revenue ($)	115,805	282,038	639,502	701,726	1,739,071

	2010				
	Q1	Q2	Q3	Q4	Total
Gas production (mcf)	35,343	42,837	71,879	34,142	184,201
Average Realized Price ($/mcf)	4.94	3.71	3.27	3.36	3.71
Revenue ($)	174,524	159,024	235,144	114,697	683,389

Total natural gas production revenue for the year ended December 31, 2011 totalled $1,739,071 (2010 - $683,389). During the second quarter of 2011 the Company acquired Questerre BR and with it the remaining 50% interest in the Beaver River property to become the sole owner. The gas production volume increased significantly in the third and fourth quarter of 2011 due to the acquisition which accounted for 50% of the increase, to reflect the 100% interest compared to the 50% interest previously recorded, as well as due to additional work completed on the facilities to lower the flowing pressure of the wells by installing a wellhead compressor for the A-2 well and a more powerful boost compressor for all 3 wells. Revenue did not increase proportionally with the increase production due to decreasing prices as can be seen in the charts above.

Royalties

The Company pays Crown Royalties and Gross Overriding Royalties in relation to its Beaver River assets in Canada. Royalties payable are based on calculation using both sales price and volumes produced during each production month. During the year ended December 31, 2011 the Company incurred royalties of $128,749 (2010- $22,495). The increase is due to the acquisition of the remaining 50% of the Beaver River assets and due to increased production and sales revenue.

Transportation, gathering and processing

Transportation, gathering and processing costs all relate to the Beaver River property in Canada. The Company incurred fees of $540,445 for the year ended December 31, 2011 (2010 - $174,711). The increase in due to the increase in production volume in 2011 compared to 2010.

Operating Expenses

Operating expenses incurred all relate to the Beaver River property in Canada. Operating expenses for the year ended December 31, 2011 totalled $1,538,586 (2010 – $1,260,211). The increase relates the additional 50% interest acquired by the Company on June 1, 2011, offset by the Company's efforts to reduce operating costs and to create operating efficiencies.

Operating Netback

	Years ended December 31,	
	2011	2010
Natural Gas Revenue	**$ 1,739,071**	$ 683,389
Less:		
Royalties	**(128,749)**	(22,495)
Transportation, gathering and processing	**(540,445)**	(174,711)
Operating expenses	**(1,538,586)**	(1,260,211)
Operating Netback	**$ (468,709)**	$ (774,028)
Gas production (mcf)	**538,949**	184,201
Operating Netback per mcf ($/mcf)	**$ (0.87)**	$ (4.20)

Based on fourth quarter netback results and forecasted 2012 results, the Company has calculated its break even realized gas price to be approximately $3.00/mcf, assuming consistent gas production of 2.55 mmcf/d. The proposed forward plan for work over operations in four wells (A-2, A-6, A-8, B-3) are expected to increase production, which will decrease the per unit cost, If the planned work overs are completed the Company anticipates its break-even realized gas price to be between approximately $2.00 -$2.50/mcf.

General and administrative

The Company's general and administrative expenses for the year ended December 31, 2011 totalled $3,722,023 (2010 - $2,146,553). A breakdown of general and administrative expenses for the year ended December 31, 2011 and 2010 are as follows.

	Year ended December 31,	
	2011	2010
Salaries, consulting fees and employee expenses	**$ 538,951**	$ 429,856
Officer and director fees	**597,598**	672,428
Travel, accommodation and conferences	**198,315**	204,551
Office, rent, computer and supplies	**211,342**	408,181
Audit, tax and legal	**1,180,887**	194,115
Insurance	**294,577**	57,193
Filing, transfer agent and stock exchange fees	**590,195**	131,768
Website, advertising and investor relations	**110,158**	48,461
	$ 3,722,023	$ 2,146,553

The expenses are higher than the prior year largely due to increased corporate activity in the period, including the transition to IFRS as well as costs associated with the rights offering which are categorized with audit, tax and legal expenses as well as filing, transfer agent and stock exchange fees.

Finance Costs

A breakdown of finance costs incurred in the current year compared to the prior is as follows:

	Year ended December 31,			
	2011		2010	
Accretion on asset retirement obligation	**$**	**87,717**	$	59,841
Interest expense on bond		**260,826**		-
Interest on convertible debenture		**-**		626,870
Interest accrued on payable to Questerre		**413,367**		711,124
Interest on short term loan from Questerre		**32,630**		-
Bank charges and other interest expense		**12,825**		48,961
	$	**807,365**	$	1,446,796

Interest accrued on the payable to Questerre was forgiven with the amount payable. See discussion on Business Combinations.

Foreign exchange

Foreign exchange gain of $365,810 (2010 – gain of $1,094,425) was recognized through profit and loss. The foreign exchange gain is primarily the result of movement between the Ukrainian Hryvnian and US Dollar exchange to the Canadian dollar during the year.

Net income

The Company's net income for year ended December 31, 2011 was $488,142 (2010 – $2,066,277)) or $0.01 (2010 – $0.03) per share - basic and diluted. The number of shares used to calculate the basic and diluted net income per share for the year ended December 31, 2011 includes the weighted average number of Transeuro's common shares outstanding of 90,978,847 (December 31, 2010 –77,283,530). The average market value of Transeuro's common shares for purposes of calculating the dilutive effect of stock options and warrants was based on quoted market prices for the period that the options and warrants were outstanding. For the year ended December 31, 2011, 3,566,576 options and 5,058,800 warrants were excluded from calculating dilutive loss per share as they were anti-dilutive (December 31, 2010 4,285,362 warrants and 3,506,576 options). The share data discussed above has been adjusted for the share consolidation completed on August 8, 2011.

Capital expenditures

Capital expenditures on exploration and evaluation assets for the year ended December 31, 2011 totaled $11,962,199 (2010 – $3,576,510). Of the total $11,660,748 was incurred in the Ukraine (Karlavskoye 101) during the period, as the Company capitalized general and administration costs as well as the costs of completing drilling and commencing testing on the Karlavskoye 101 well. The remaining additions relate to items capitalized in association with the Beaver River property in Canada. The Company expects that capital expenditures will continue to remain elevated through 2012 as operations progress, notably the hydraulic fracturing of the Karlavskoye 101 well and the anticipated (subject to funding) forward programme at Beaver River.

Commitments and Contingencies

Ukraine

The Company's three licenses in Ukraine may not be retained if the financial commitments required under the license agreements, which may be amended by mutual agreement, are not fulfilled. Due to the lack of funds available, the Company may not be able to meet its financial commitments. If the Company is unsuccessful in keeping its licenses in good standing or is impacted by other factors beyond the control of the Company, this would adversely impact operations in Ukraine or result in the impairment of the oil and gas properties in the future; such impairment would be material.

On September 24, 2009, the Company signed a final and binding agreement with Rohol-Aufsuchungs Aktiengesellschaft ("RAG") to settle a dispute pertaining to RAG's notice of withdrawal from the joint venture company "Scythian Energy BV" ("Scythian"). Under the terms of the agreement, RAG retains an option to acquire 12.5% of the shares of Scythian for $nil until such time as USD $70 million is invested in the Ukraine assets. The option is backed by a pledge by the Company on 12.5% of Scythian shares in favor of RAG.

Karlavskoye

The Karlavskoye license expires, subject to any extensions, on July 14, 2014 and under the terms of the JAA, the Company is required to drill one exploration well and commence a 3D seismic survey and other exploration and development operations in 2012. The minimum expenditure related to these commitments is approximately $20 million. Additional commitments in 2013 and 2014 for a further exploration well and the balance of the 3D seismic are approximately $19 million are required under the license.

The parties to the JAA and the government authorities have agreed the 2012 programme, which consists of tying in the wells on Karlavskoye and Krasnapolianskoye licenses and to build a gas plant to support both field developments with a minimum budget of $2 million. Discussions are ongoing concerning the timing of the second well and 3D seismic.

Krasnapolianskoye

The Krasnapolianskoye license expires, subject to any extensions, on November 21, 2012. Under the terms of the license, the Company is required to complete certain exploration and development activities in 2012, with a minimum financial commitment of approximately $50,000. Refer to discussion under the Karlavskoye section above for additional details about 2012 commitments/programme.

Povorotnoye

The Povorotnoye license expires, subject to any extensions, on May 14, 2016. Under the terms of the license extension, the license requires commencing in 2012 the drilling and testing of one well for minimum investment of $12.5 million and commencing a seismic programme of $5 million and other exploration and development procedures. The Company completed a farm-out of this license subsequent to year end (see Subsequent Events section), and as such, these commitments will be subject to the terms of the farm-out in 2012.

Papua New Guinea

As at December 31, 2012 the Company held a 10% property back-in right whereby, after Eaglewood has drilled and tested three exploration wells on several of its licenses, the Company may elect to acquire a 10% working interest in the licenses by paying to Eaglewood an amount equal to 10% of the exploration and development costs incurred up to that date with respect to the licenses and agreeing, on a go forward basis, to pay 10% of the exploration and development costs incurred after that date. Subsequent to year-end, the Company disposed of its back in right for USD $800,000 (Subsequent Events section).

Office Rent

The Company has two leases for office space in Canada. One lease relates to the Vancouver office, which expires on February 29, 2012 and will be closed following the lease termination. The second lease, which was amended and extended in January 2012, relates to the Calgary office and expires on December 31, 2012. The total remaining minimum lease payments under the Vancouver and Calgary leases are $14,285 and $72,360, respectively.

The Company also has two leases in the Ukraine one is for office space and the second is a warehouse which expires December 31, 2012 and July 31, 2012 respectively. The total minimum lease payments and estimated operating costs remaining for these facilities is approximately $60,000.

SUMMARY OF QUARTERLY RESULTS

The following information is derived from the Company's unaudited quarterly consolidated financial statements for the past eight quarters.

($, except per share amounts)	Dec-11	Sep-11	Jun-11	Mar-11	Dec-10	Sep-10	Jun-10	Mar-10
Natural Gas sales and other income	855,451	825,789	135,149	75,746	36,809	240,840	379,879	52,355
Cash flow used in operations	(4,268,957)	1,006,037	2,382,227	(563,519)	(4,022,815)	(432,122)	(677,808)	(708,833)
Funds (used in) from operations	(2,009,060)	(161,416)	843,214	822,316	(2,567,696)	1,478,180	(1,740,768)	(711,676)
Net Income/(loss)	(8,887)	(1,569,835)	3,120,422	(1,053,558)	2,066,277	(7,927,436)	(9,905,355)	1,044,383
Per share - basic and diluted	(0.00)	(0.02)	0.04	(0.01)	0.03	(0.10)	(0.13)	0.01
Total assets	43,396,523	38,247,553	36,219,188	24,459,757	22,392,805	21,741,027	24,480,026	34,524,902

There were material variations in the results of several of the quarters presented above:

a) In the quarter ended December 31, 2010, the Company sold 3,641,000 Eaglewood shares and recorded a gain on disposal of $10,703,060.

b) In the quarter ended June 30, 2011, the Company recorded a revaluation of it Beaver River property that resulted in a gain of $3,873,981.

c) In the quarter ended December 31, 2011 the Company made adjustments to purchase price allocation relating to the acquisition of Questerre Beaver River. The adjustment increased the gain recorded on acquisition and as a result increased net income for the quarter.

LIQUIDITY AND CAPITAL RESOURCES

Working capital

As at December 31, 2011, the Company had a working capital deficit of $396,042 (December 31, 2010 - $4,093,276).

Cash

As at December 31, 2011, the Company had cash of $3,896,335 (December 31, 2010 – $2,246,960). Management of cash balances is conducted in-house based on investment guidelines approved by the Board, which generally specify that investments, if any, of surplus cash be made in conservative money market instruments that bear and carry a low degree of risk. Some examples of instruments approved by the Company are treasury bills, money market funds, bank guaranteed investment certificates and bankers' acceptance notes. The objective of these investments is to preserve funds for the advancement of the Company's properties. The Company's cash and cash equivalents are invested in business accounts with major financial institutions, are available on demand for the Company's programs, and are not held in any asset backed commercial paper investments.

Requirement of additional equity financing

As at December 31, 2011, the Company had a working capital deficit balance of $396,043 and an accumulated deficit of $147,849,842.

Furthermore, the investment commitments required in order to keep the licenses on the property in Ukraine in good standing and fund additional commitments are significant.

The ability of the Company to continue as a going concern and ultimately to recover its investment in its oil and gas properties and to attain profitable operations is dependent on its ability to raise additional debt or equity, secure new or additional partners and farm-outs for its projects, dispose of redundant fixed assets, keep its licenses in good-standing and resume profitable production from the Beaver River property. The Board and management are attempting to address each of these issues and to limit the Company's spending in order to minimize costs. Management has negotiated changes to the Ukraine oil and gas licenses in the past, including extensions and amendments to their expenditure commitments, in order to keep the licenses in good standing. However, the successful outcome of management's activities cannot be assured because they are contingent on future matters.

Capital Resources

As at December 31, 2011, Transeuro 316,702,258 common shares outstanding, 3,566,576 stock options and 5,058,800 common share purchase warrants outstanding. The outstanding stock options have a weighted average exercise price of $0.91 per share and the common share purchase warrants have a weighted average exercise price of $0.21. Accordingly, the Company would receive $4,288,760 if these options and warrants were exercised in full. The exercise of these options and warrants is at the discretion of the holders. There is no assurance that any of these options or warrants will be exercised. As at the date of this report the company had 316,702,258 common shares outstanding, 19,358,677 stock options and 5,058,800 common share purchase warrants outstanding.

On September 28, 2011 the Company announced that share purchase warrants issued as part of the January 2011 private placement have been re priced and extended to October 13, 2012. Of the warrants extended 104,720 were owned by insiders, these warrants were extended but not re priced. The re-priced warrants include a forced exercise provision stating if the closing price for the Company's shares is $0.27 or greater for a period of 10 consecutive trading days, then the warrants will expire on the 37th day following the 10th trading day

In December 2011, the Company successfully completed a rights issue, under which 224,999,993 common shares were issued at $0.06/per share, resulting in gross proceeds of $13,500,000. This amount includes shares that were paid in kind to Questerre to settle a $2.0 million loan owed and repaid during the year, see Finance Costs for interest payments made to Questerre relating to the loan.

The Company received funds from a short term loan note of $2,548,300 (NOK 14.5 million) under a bond financing with Norsk Tillitsmann ASA as arranged by Fondsfinans ASA. The bond matured on December 30, 2011 and was repaid with the proceeds of the rights issue discussed above. The loan bore interest at available market rates of 2% per month, with no participation by Company insiders

The Company completed a private placement of 5,058,800 units* on January 13, 2011 at $0.425 per unit* with each unit consisting of one common share and one full warrant, exercisable at a price of $0.50* for a period of 15 months. Gross proceeds were $2,149,990, of which $1,451,202 was received during the year ended December 31, 2010. The gross proceeds were split between share capital and contributed surplus based on the fair value attached to the warrants. The warrants have been valued at $890,204 based on the Black-Scholes model which utilizes the following assumptions: expected dividend yield of nil, expected stock price volatility of 143%, and risk-free interest rate of 1.67%, expected life of warrants of 1.25 years. *(* adjusted for share consolidation)*

The Company has access to a $500,000 credit facility from Questerre Energy, which would be secured by the Beaver River assets should the facility be drawn upon.

Off-Balance Sheet Arrangements

The Company had no off-balance sheet arrangements during the period.

SUBSEQUENT EVENTS

Papua New Guinea back in right
Subsequent to year end the Company announced that it had closed a transaction with Eaglewood to release the Company's back-in option for 10% of Eaglewood's licenses in Papua New Guinea, in exchange for a cash settlement from Eaglewood of USD $800,000.

East Crimea BV Farm-out
Subsequent to December 31, 2011, the Company completed the previously announced transaction to farm out an 85% interest in East Crimea BV to Honoratus, a subsidiary of Golden State Resources Ltd (ASX:GDN). East Crimea BV is the holding company that holds title to the Joint Activity Agreement to develop the Povorotnoye gas field in East Crimea.

Under the terms of the farm out, Honoratus will drill well one to a depth of approximately 4,000 meters, commencing before the end of June 2012 and if a commercial discovery is declared, to put the well into production. Honoratus will then drill a second development well, commencing before May 15th 2016. Honoratus is solely responsible for the costs associated with the drilling of the two wells noted and the acquisition seismic on the licenses, subsequent to which the costs will revert to the ownership interest.

The Company received USD $350,000 from Honoratus in 2011, representing the initial payment under the farm-out. A further payment of up to Euro 30,000 will be paid by Honoratus to cover costs incurred related to the transfer of ownership in East Crimea BV and is expected to be received in 2012.

Subsequent to December 31, 2011, Honoratus made the first staged payment of USD $500,000, which was due on completing the transaction. A second payment of USD$500,000 is due on spudding of well one and a final payment of USD $500,000 on the commencement of testing operations on well one.

OUTLOOK

Transeuro expect to continue in the near term to focus on completion of the Karl-101 frack and commence development of the Karlavskoye field using the strategy of vertical wells with multiple stacked hydraulic fractures. The Company's forecasted production for the Beaver River field is anticipated to decline steadily during 2012, until a forward program of well intervention commences and new wells are available for production. The forward program is subject to the Company securing additional funding and anticipates work over operations in 4 wells: A-2, A-6, A-8 and B-3.

Transactions with Related Parties

Related party transactions not disclosed elsewhere in this report are as follows:

During the year ended December 31, 2011, the Company incurred professional and consulting fees totaling $591,006 (year ended December 31, 2010 – $705,950) to directors and officers or companies controlled by directors and officers, of which $57,680 remains payable as at December 31, 2011 (2010 – $103,638).

Transeuro shared its office premises with another company that had a common former director. Transeuro was reimbursed from the related company for their proportional share of the expenses and charges. During the year ended December 31, 2011, the Company received $9,000 (2010 - $nil) of rental income. As at December 31, 2011, there were no net accounts receivable from this company (2010 - $nil). All of the above transactions are in the normal course of operations and are measured at the exchange amount equaling the consideration established and agreed to by the related parties.

The above transactions occurred in the normal course of operations, are measured at the exchange amount, which is the amount of consideration established and agreed to by the parties.

Other MD&A Requirements

Additional information relating to the Company, including the most recent Company filings, can be located on the Company's website at www.transeuroenergy.com or on the SEDAR website at www.sedar.com.

Additional Disclosure for Venture Issuers Without Significant Revenue

For additional disclosures concerning the Company's general and administrative expenses and a breakdown of the oil and gas property costs, please refer to the Company's Consolidated Statements of Operations and Comprehensive Income and note disclosures contained in its consolidated financial statements for the year ended December 31, 2011 which are available on the Company's website at www.transeuroenergy.com or on the SEDAR website at www.sedar.com. The Company does not have any capitalized or expensed research and development costs or any deferred development costs for the period ended December 31, 2011.

Risk Factors

The Company faces numerous risks associated with participating in the oil and gas industry domestically and internationally. Some of the risks that the Company is exposed to are considered to be specific to Transeuro while other are faced by all that are in the industry. The risks below are risks identified by management and may not describe all potential risks associated with the Company's business.

Global Financial Crisis

Recent market events and conditions, including disruptions in the international credit markets and other financial systems and the deterioration of global economic conditions, have caused significant volatility in commodity prices. These conditions caused a loss of confidence in the broader U.S. and global credit and financial markets and resulting in the collapse of, and government intervention in, major banks, financial institutions and insurers and creating a climate of greater volatility, less liquidity, widening of credit spreads, a lack of price transparency, increased credit losses and tighter credit conditions. Notwithstanding various actions by governments, concerns about the general condition of the capital markets, financial instruments, banks, investment banks, insurers and other financial institutions caused the broader credit markets to further deteriorate and stock markets to decline substantially. These factors have negatively impacted company valuations and will impact the performance of the global economy going forward. Commodity prices are expected to remain volatile for the near future as a result of market uncertainties over the supply and demand of these commodities due to the current state of the world economies, OPEC actions and the ongoing global credit and liquidity concerns.

Exploration and Reserve Risk

Exploration, appraisal and development of oil and gas reserves are speculative and involve a significant degree of risk. There is no guarantee that exploration or appraisal of the properties in which Transeuro holds rights will lead to a commercial discovery or, if there is a commercial discovery, that Transeuro will be able to realize such reserves as intended. Few properties that are explored are ultimately developed into new reserves. If at any stage Transeuro is precluded from pursuing its exploration or development programs, or such programs are otherwise not continued, Transeuro's business, financial condition and/or results of operations and, accordingly, the trading price of its common shares, is likely to be materially adversely affected.

Title to Properties/Licences

No legal opinion as to the title of the properties in which Transeuro holds an interest has been obtained. As a result, no assurance can be given that title defects do not exist. If a title defect does exist it is possible that Transeuro may lose all or a portion of its interest in properties to which the title defects relates. The Company's three licences in the Ukraine may not be retained should the financial commitments required under the licence agreements not be made.

Economic, Political and Legal Risk

Transeuro's operations are in foreign jurisdictions where there may be a number of risks over which it will have no control. These risks may include risks relating to economic, social or political instability or change, terrorism, hyperinflation, currency non-convertibility or instability and changes of laws affecting foreign ownership, government participation, taxation, working conditions, rates of exchange, exchange control, exploration licensing and petroleum export licensing and export duties as well as government control over domestic oil and gas pricing. Some of the jurisdictions in which Transeuro operates may have less developed legal systems that jurisdictions with more established economies which may result in risk such as (i) effective legal redress in the courts of such jurisdictions, whether in respect of a breach of law or regulation or in an ownership dispute, being more difficult to obtain; (ii) a higher degree of discretion on the part of governmental authorities; (iii) the lack of judicial or administrative guidance on interpreting applicable rules and regulations; (iv) inconsistencies or conflicts between and within various laws, regulations, decrees, orders and resolutions; or (v) relative inexperience of the judiciary and courts in such matters. There can be no assurance that joint ventures, licences, licence applications or other legal arrangements will not be adversely affected by the actions, including the adoption of new legislation, of government authorities or others and the effectiveness of and enforcement of such arrangements in these jurisdictions cannot be assured.

Results to Date and Additional Requirement for Capital

Transeuro will need to raise additional capital in the future to fund the work commitments on the properties. The future of Transeuro is dependent upon its ability to raise the required funding in the form of equity, debt, joint ventures, farm outs or a combination thereof. Transeuro has limited debt capacity and therefore its exploration activities are expected to be financed through equity or third party joint ventures. There is no assurance that additional financing will be available on terms acceptable to Transeuro. Failure to obtain additional financing on a timely basis could cause Transeuro to forfeit its interest in some or all of the properties and reduce or terminate its operations. Any additional equity financing may be dilutive to shareholders and debt financing, if available, may involve restrictions on financing and operating activities.

Drilling and Operating Risks

Exploration and development activities may be delayed or adversely affected by factors outside the control of Transeuro. These include adverse climatic and geographic conditions, labour disputes, the performance of joint venture or farm-in partners on whom Transeuro may be or may become reliant, compliance with governmental requirements, shortage or delays in installing and commissioning plant and equipment or import or customs delays. Drilling may involve unprofitable efforts, not only with respect to dry wells, but also with respect to wells, which, though yielding some oil or gas, are not sufficiently productive to justify commercial development or cover operating and other costs.

Market Risk

In the event of successful development of oil and gas reserves, the marketing of Transeuro's prospective production of oil and gas from such reserves will be dependent on market fluctuations and the availability of processing and refining facilities and transportation infrastructure, including access to ports, shipping facilities, pipelines and pipeline capacity at economic tariff rates over which Transeuro may have limited or no control. The right to export oil and gas may depend on obtaining licences and quotas, the granting of which may be at the discretion of the relevant regulatory authorities. There may be delays in obtaining such licences and quotas leading to the income receivable by Transeuro being adversely affected, and it is possible that from time to time export licences may be refused.

Reliance on Strategic Relationships

In conducting its business, Transeuro will rely on continuing existing strategic relationships and forming new ones with other entities in the oil and gas industry, such as joint venture parties and farm-in partners, and also certain regulatory and governmental departments. While Transeuro has no reason to believe otherwise, there can be no assurance that its existing relationships will continue to be maintained or that new ones will be successfully formed and Transeuro could be materially adversely affected by changes to such relationships or difficulties in forming new ones.

Competition

A number of other oil and gas companies operate, and are allowed to bid for exploration and production licences and other services, in the countries in which Transeuro operates, thereby providing competition to Transeuro. Larger, foreign-owned companies, in particular, may have access to greater resources than Transeuro, may be more successful in the recruitment and retention of qualified employees, and may conduct their own refining and petroleum marketing operations, which may give them a competitive advantage.

Environmental Regulation

As Transeuro is involved in oil and gas exploration, it is subject to extensive environmental and safety legislation and this legislation may change in a manner that may require stricter or additional standards than those now in effect, a heightened degree of responsibility for companies and their directors and employees and more stringent enforcement of existing laws and regulations. There may also be unforeseen environmental liabilities resulting from oil and gas activities which may be costly to remedy. The extent of potential liability, if any, for the costs of abatement of environmental hazards cannot be accurately determined and, consequently, no assurances can be given that the costs of implementing environmental measures or meeting any liabilities in the future will not be material to Transeuro or affect its business or operations.

Volatility of Prices of Oil and Gas

The demand for, and price of, oil and gas is highly dependent on a variety of factors, including international supply and demand, the level of consumer demand, weather conditions, the price and availability of alternative fuels, actions taken by governments and international cartels, and global economic and political developments. Geographic location and a lack of infrastructure may also result in any oil and gas produced being sold at a discount to world market prices for oil and gas. International oil prices have fluctuated widely in recent years and may continue to fluctuate significantly in the future. A material decline in the price of oil and gas may have a material adverse effect on Transeuro's business, financial condition, ability to pay dividends and results of operations. The performance of an oil and gas exploration and production company's share price may, but will not necessarily, exhibit a correlation with the price of oil and gas.

Dependence on Key Personnel

Transeuro has a small management team and the loss of a key individual or its inability to attract suitably qualified personnel in the future could materially and adversely affect Transeuro's business. Difficulties may also be experienced in certain jurisdictions in employing and retaining qualified personnel who are willing to work in such jurisdictions.

Additional risks

Please refer to Section 2-Risk Factors of the prospectus dated November 4, 2011 for additional detail of other risk factors faced by the Company.

SIGNIFICANT ACCOUNTING POLICIES

The Company has undergone significant accounting policy changes that relate to the transition from Canadian GAAP to IFRS. Please see discussions included in Note 26 to the audited consolidated financial statements for the year ended December 31, 2011 for detailed reconciliations and discussions surrounding the Company's significant accounting policies.

APPLICATION OF CRITICAL ACCOUNTING POLICIES

Transeuro's accounting policies are disclosed on Note 3 of the December 31, 2011 audited consolidated financial statements. Selected accounting polices require that management to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenues and expenses. These accounting policies are discussed below and are included to aid the reader in assessing the critical accounting policies and practices of the Company and the likelihood of materially different results being reported.

Transeuro's management reviews its estimates regularly. The following assessment of significant accounting policies and associated estimates is not meant to be exhaustive.

Property, plant and equipment

The carrying value of PP&E assets is reviewed at each reporting date for indicators that the carrying value of an asset or cash-generating unit may not be recoverable. If indicators of impairment exist, the recoverable amount of the asset or cash generating unit is estimated. If the carrying value of the asset or cash-generating unit exceeds the recoverable amount, the asset or cash-generating unit is written down with an impairment recognized in net earnings.

Exploration and evaluation

Exploration and evaluation assets are assessed for impairment if:

(i) sufficient data exists to determine technical feasibility and commercial viability, and
(ii) facts and circumstances suggest that the carrying amount exceeds the recoverable amount.

For purposes of impairment testing, exploration and evaluation assets are allocated to cash-generating units .

The technical feasibility and commercial viability of extracting a oil and gas resources is considered to be determinable when proven reserves are determined to exist. Upon determination of proven reserves, intangible exploration and evaluation assets attributable to those reserves are first tested for impairment and then reclassified from exploration and evaluation assets to a separate category within tangible assets referred to as oil and natural gas development and production assets.

Asset retirement obligations

The Company records a liability for the fair value of legal obligations associated with the decommissioning of long-lived tangible assets in the period in which they are incurred, normally when the asset is purchased or developed. On recognition of the liability there is a corresponding increase in the carrying amount of the related asset known as the asset retirement cost, which is depleted on a unit-of-production basis over the life of the reserves. The liability is adjusted each reporting period to reflect the passage of time using the risk-free rate, with the interest charged to earnings, and for revisions to the estimated future cash flows or changes in discount rate. Actual costs incurred upon settlement of the obligations are charged against the liability.

Stock based compensation

The Company has issued options to acquire common shares to directors, officers, employees and consultants of the Company. These options are accounted for using the fair-value method which estimates the value of the options at the date of the grant using the Black-Scholes option pricing model. The fair value thus established is recognized as compensation expense over the vesting period of the options with an equivalent increase to contributed surplus. Awards which have vested and exercised are equity settled. A forfeiture rate is estimated on the grant date and is subsequently adjusted to reflect the actual number of options that vest.

Income Taxes

The Company uses the liability method of accounting for income taxes. Under the liability method of tax allocation, deferred income taxes are determined based on the differences between the financial reporting and tax bases of assets and liabilities. These income tax assets and liabilities are measured using the substantively enacted tax rates in which the income tax assets or liabilities are expected to be settled or realized. Tax on income/loss in interim periods is accrued using an annual expected effective tax rate. Deferred tax assets are recognized only to the extent that it is possible that those deferred income tax assets will be realized.

New accounting standards and amendments issued but not yet adopted:

On November 12, 2009, the IASB issued IFRS 9 Financial Instruments to replace IAS 39 Financial Instruments: Recognition and Measurement. As at January 1, 2015 Transeuro will be required to adopt IFRS 9. IFRS 9 introduces a new classification and measurement regime for financial assets within its scope. Transeuro does not expect the adoption of this standard to impact the Company significantly.

In May 2011, the IASB issued the following standards which have not yet been adopted by the Company:

Consolidated Financial Statements (IFRS 10), Joint Arrangements (IFRS 11), Disclosure of Interests in Other Entities (IFRS 12), Separate Financial Statements (IAS 27), Fair Value Measurement (IFRS 13) and amended IAS 28 Investments in Associates and Joint Ventures. Each of the new standards is effective for annual periods beginning on or after January 1, 2013 with early adoption permitted. The Company has not yet begun the process of assessing the impact that the new and amended standards will have on its financial statements or whether to early adopt any of the new requirements.

The following is a brief summary of the new and amended standards:

IFRS 9, Financial Instruments, addresses classification and measurement of financial assets. It replaces the multiple category and measurement models in IAS 39, Financial Instruments – Recognition and Measurement, for debt instruments with a new mixed measurement model having only two categories: amortized cost and fair value through profit or loss. IFRS 9 also replaces the models for measuring equity instruments. Such instruments are either recognized at fair value through profit or loss or at fair value through other comprehensive income. Requirements for financial liabilities were added to IFRS 9 in October 2010, which largely carried forward existing requirements under IAS 39 except that fair value changes due to credit risk for liabilities designated at fair value through profit or loss are generally recorded in other comprehensive income.

IFRS 10, Consolidation, requires an entity to consolidate an investee when it is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Under existing IFRS, consolidation is required when an entity has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. IFRS 10 replaces SIC-12, Consolidation – Special Purpose Entities, and parts of IAS 27, Consolidated and Separate Financial Statements.

IFRS 11, Joint Arrangements, requires a venture to classify its interest in a joint arrangement as a joint venture or joint operation. Joint ventures will be accounted for using the equity method whereas for a joint operation the venture will recognize its share of the assets, liabilities, revenues and expenses of the joint operation. Under existing IFRS, entities have the choice to proportionately consolidate or equity account for interests in joint ventures. IFRS 11 supersedes IAS 31, Interests in Joint Ventures, and SIC-13, Jointly Controlled Entities – Non-monetary Contributions by Ventures.

IFRS 12, Disclosure of Interests in Other Entities, establishes disclosure requirements for interests in other entities, such as joint arrangements, associates, special purpose vehicles and off balance sheet vehicles. The standard carries forward existing disclosures and also introduces significant additional disclosure requirements that address the nature of and risks associated with an entity's interests in other entities.

IFRS 13, Fair Value Measurement, is a comprehensive standard for fair value measurement and disclosure requirements for use across all IFRS standards. The new standard clarifies that fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. It also establishes disclosures about fair value measurement. Under existing IFRS, guidance on measuring and disclosing fair value is dispersed among the specific standards requiring fair value measurements.

AS 27, Separate Financial Statements, addresses accounting for subsidiaries, jointly controlled entities and associates in nonconsolidated financial statements. IAS 28, Investments in Associates and Joint Ventures, has been amended to include joint ventures in its scope and to address changes in IFRS 10-13.

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