INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE THREE MONTHS ENDED

MARCH 31, 2012 AND 2011

TRANSEURO ENERGY

INTERIM CONDENSED CONSOLIDATED BALANCE SHEETS

($ Canadian)		**March 31, 2012** *(unaudited)*		December 31, 2011 *(unaudited)*
ASSETS				
Current				
Cash	**$**	**1,222,604**	$	3,896,335
Accounts receivable		**511,305**		435,329
Prepaid expenses and deposits		**170,645**		237,700
Assets held for sale (Note 3)		**964,733**		207,651
Inventory		**142,026**		162,027
		3,011,313		4,939,042
Long-term				
Reclamation deposits		**574,900**		574,900
Exploration and evaluation assets (Note 5)		**29,370,430**		30,260,574
Property, plant and equipment		**7,073,395**		7,622,008
Investment in associate (Note 4)		**1,128,529**		-
		38,147,254		38,457,482
	$	**41,158,567**	$	43,396,524
LIABILITIES				
Current				
Accounts payable and accrued liabilities	**$**	**4,900,010**	$	5,335,085
		4,900,010		5,335,085
Long-term				
Asset retirement obligations		**6,709,095**		6,679,135
	$	**11,609,105**	$	12,014,220
SHAREHOLDERS' EQUITY				
Share capital (Note 6)		**163,227,360**		163,227,360
Contributed surplus (Note 6)		**22,127,170**		21,564,548
Warrants (Note 6)		**890,204**		890,204
Deficit		**(149,249,878)**		(147,849,842)
Accumulated other comprehensive income		**(7,445,394)**		(6,449,966)
		29,549,462		31,382,304
Basis of Presentation and Going Concern (Note 2)				
Subsequent Events (Note 13)				
	$	**41,158,567**	$	43,396,524

Approved on behalf of the board of directors

"David Worrall" — David Worrall, Director

"Pedro Paulo" — Pedro Paulo, Director

See accompanying notes to the interim condensed consolidated financial statements

TRANSEURO ENERGY

INTERIM CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE (LOSS)/ INCOME

($ Canadian)	**Three months ended March 31, 2012 *(unaudited)***	Three months ended March 31, 2011 *(unaudited)*
Revenue		
Natural gas sales	**$ 501,477**	$ 75,746
Other income	**174,487**	-
Royalties	**(18,781)**	(9,322)
	657,183	66,424
Expenses		
Transportation, gathering and processing	**271,493**	33,360
Operating expenses (Note 7)	**587,063**	174,884
Depreciation and depletion	**314,346**	59,511
Stock-based compensation (Note 6)	**562,622**	211,389
General and administrative (Note 8)	**867,112**	688,324
Finance costs	**110,653**	250,654
Gain on sale (Note 9)	**(802,166)**	(145,383)
Loss on sale of investment in subsidiary (Note 4)	**477,312**	-
Foreign exchange gain	**(331,216)**	(152,357)
	2,057,219	1,120,382
Net loss	**(1,400,036)**	(1,053,958)
Other comprehensive (loss)/income		
Foreign currency translation	**(995,428)**	1,282,808
Realized gain on available for sale financial assets recognized in income	**-**	(145,383)
Comprehensive (loss)/income	**$ (2,395,464)**	$ 83,467
Basic and diluted net loss per share	**$ (0.00)**	$ (0.01)
Weighted average number of common shares outstanding, basic and diluted (Note 10)	316,702,258	82,381,957

See accompanying notes to the interim condensed consolidated financial statements

TRANSEURO ENERGY

INTERIM CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY

($ Canadian)	**Period ended March 31, 2012 *(unaudited)***	Period ended March 31, 2011 *(unaudited)*
Common Shares		
Balance, beginning of period	**$ 163,227,360**	$ 146,047,511
Private placement, net of issuance costs	**-**	1,259,608
Warrants exercised	**-**	1,359,112
Balance, end of period	**$ 163,227,360**	$ 148,666,231
Warrants		
Balance, beginning of period	**$ 890,204**	$ 721,015
Exercise of warrants	**-**	(331,337)
Granted private placement	**-**	890,204
Expired	**-**	(370,581)
Balance, end of period	**$ 890,204**	$ 909,301
Contributed Surplus		
Balance, beginning of period	**$ 21,564,548**	$ 20,618,329
Share-based compensation	**562,622**	211,389
Expiry of warrants	**-**	370,581
Balance, end of period	**$ 22,127,170**	$ 21,200,299
Accumulated other comprehensive income/(loss)		
Balance, beginning of period	**$ (6,449,966)**	$ (2,263,895)
Foreign currency translation	**(995,428)**	1,282,808
Realized gain on available for sale financial assets	**-**	(145,383)
Balance, end of period	**$ (7,445,394)**	$ (1,126,470)
Deficit		
Balance, beginning of period	**$ (147,849,842)**	$ (155,893,094)
Net loss	**(1,400,036)**	(1,053,958)
Balance, end of period	**$ (149,249,878)**	$ (156,947,052)

See accompanying notes to the interim condensed consolidated financial statements

TRANSEURO ENERGY

INTERIM CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

($ Canadian)	**Three months ended March 31, 2012 (unaudited)**	Three months ended March 31, 2011 (unaudited)
Cash (used in) provided by:		
Operating activities:		
Net loss	**$ (1,400,036)**	$ (1,053,958)
Non cash items:		
Depreciation and depletion	**314,346**	59,511
Stock-based compensation (Note 6)	**562,622**	211,389
Unrealized foreign exchange gain	**(207,320)**	12,948
Finance costs	**88,751**	250,654
Loss on sale of subsidiary (Note 4)	**477,312**	-
Gain on sale (Note 9)	**(802,166)**	(145,383)
Cash from operations before changes in non-cash working capital	**(966,491)**	(664,839)
Change in non-cash working capital (Note 11)	**(123,109)**	344,285
	(1,089,600)	(320,554)
Financing activities:		
Common shares issued	**-**	698,610
Warrants exercised	**-**	1,014,827
	-	1,713,437
Investing activities:		
Additions of exploration and evaluation assets (Note 5)	**(2,347,596)**	(4,525,830)
Additions of property, plant and equipment	**(132,551)**	(781)
Work commitments recovered	**-**	51,029
Proceeds from sale of subsidiary (Note 4)	**494,825**	-
Proceeds from sale (Note 9)	**802,166**	267,430
Net change in non-cash working capital (Note 11)	**(405,378)**	1,041,550
	(1,588,534)	(3,166,602)
Decrease in cash	**(2,678,134)**	(1,773,719)
Net effect of foreign exchange on cash held in foreign currencies	**4,403**	-
Cash, beginning of period	**3,896,335**	2,246,960
Cash, end of period	**$ 1,222,604**	$ 473,241

Supplemental cash flow information:		
Interest paid	**-**	-
Income taxes paid	**15,105**	-

See accompanying notes to the interim condensed consolidated financial statements

1. REPORTING ENTITY

Transeuro Energy Corp. (the “Company” or “Transeuro”) 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 Colombia 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.

These interim condensed consolidated financial statements include Transeuro Energy Corp. and its wholly-owned subsidiaries Grey Creek Petroleum Limited Inc., Indusmin Energy Corporation, Mattson Holdings Ltd., Transeuro Beaver River Inc. (formerly Questerre Beaver River), Team Energy LLC, Scythian Energy B.V., Samartian Energy B.V., South Crimea Energy B.V., West Crimea Energy B.V., Ammonite B.V., Indusmin LLC, and Ammonite LLC.

2. BASIS OF PRESENTATION AND GOING CONCERN

These interim condensed consolidated financial statements for the period ended March 31, 2012 have been prepared under with International Financial Reporting Standards (“IFRS”) in accordance with IAS 34 – Interim Financial Reporting as issued by the International Accounting Standards Board (“IASB”). These interim condensed consolidated financial statements do not contain all disclosures required for full annual financial statements and should be read in conjunction with the audited consolidated financial statements as at and for the year ended December 31, 2011.

The accounting policies and fair value determination applied by the Company for these interim condensed consolidated financial statements are the same as those disclosed and applied by the Company as discussed in Note 3 of the audited consolidated financial statements as at and for the year ended December 31, 2011.

The interim condensed consolidated financial statements were authorized for issue by the Board of Directors (the “Board”) on May 30, 2012.

a. Basis of measurement

The interim condensed consolidated financial statements have been prepared on the historical cost basis except for available for sale, investment in associate and held for trading financial assets which are measured at fair value with changes in fair value recorded in earnings.

b. Functional and presentation currency

These interim condensed consolidated financial statements are presented in Canadian dollars. The functional currency of the Canadian parent company is the Canadian dollar. The functional currency of foreign subsidiaries includes the Euro (“EUR”), Armenian Dram, U.S. dollar (“USD”) and Ukraine Hryvna (“UAH”).

c. Use of estimates and judgments

The preparation of the interim condensed consolidated financial statements requires management to make judgments, estimates and assumptions that affect the application of accounting policies regarding certain types of assets, liabilities, revenues and expenses in the preparation of the interim condensed consolidated financial statements. Actual results could differ from those estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the year in which the estimates are revised and in any future years affected. Information about significant areas of estimation uncertainty and critical judgments in applying accounting policies that have the most significant effect on the amounts recognized in the interim condensed consolidated financial statements is included the notes to the interim condensed consolidated financial statements.

d. Going concern

Management has made the necessary estimates and assumptions regarding certain types of assets, liabilities, revenues and expenses in the preparation of the interim condensed consolidated financial statements. Actual results could differ from those estimates.

These interim condensed consolidated financial statements have been prepared in accordance with IFRS on a going concern basis, which contemplates the realization of assets and the payment of liabilities in the ordinary course of business. Should the Company be unable to continue as a going concern, it may be unable to realize the carrying value of its assets and to meet its liabilities as they become due. Transeuro is a development stage enterprise that participates in oil and gas projects located in emerging markets, including the Ukraine. To date, Transeuro has not found proven reserves internationally. Oil and gas exploration, development and production activities in emerging markets, are subject to significant uncertainties which may adversely affect the Company's operations. Uncertainties include, but are not limited to, the risk of war, terrorism, expropriation, nationalization, renegotiation or nullification of existing or future concessions and contracts, the imposition of international sanctions, a change in crude oil or natural gas pricing policies, a change in taxation policies, and the imposition of currency controls. These uncertainties, all of which are beyond the Company's control, could have a material adverse effect on Transeuro's business, prospects and results of operations. In addition, if legal disputes arise related to oil and gas concessions acquired by the Company, Transeuro could be subject to the jurisdiction of courts other than those of Canada. The Company's recourse may be limited in the event of a breach by a government or government authority of an agreement governing a concession in which Transeuro acquires an interest. The Company may require licenses or permits from various governmental authorities to carry out future exploration, development and production activities. There can be no assurance that the Company will be able to obtain all necessary licenses and permits when required.

The Company has operating assets in Canada that in 2012 and 2011 generated negative operating cash flow. For the period ended March 31, 2012 the Company had net loss of $1,400,036 and used cash of $1,089,600 for operating activities. Consequently, the Company's ability to continue as a going concern is dependent on the Company's ability to obtain additional financing (Note 13) if, as and when required, and, ultimately, the attainment of profitable operations.

Management's assessment of the Company, based on its current cash flow forecast and financial model, is that there is significant doubt as to whether it is a going concern because of the following factors:

a) The minimum work commitments and financial obligations (Note 12) required under the various licenses raises doubt over the Company's ability to fund its commitments as they come due.
b) As at March 31, 2012, the Company has cash of $1,222,604, which will cover short-term expenditures, but are unlikely to cover the cash flow needs of 2012.

Management's plans for addressing the above factors are as follows:

a) Subsequent to the period end (Note 13) the Company closed a convertible bond for an amount of NOK 60 million and secured two additional facilities with Yorkville Advisors LLP ("Yorkville"), for $5 million in debt and NOK 100 million under a voluntary, electable share purchase agreement, giving the Company access to funds to ensure available funding for the next twelve months.
b) As a development stage exploration company, Transeuro will continue its efforts to seek appropriate financing initiatives to meet its obligations that benefit the Company and its shareholders. Among the alternatives, the Company will assess the relative cost/benefit of additional issuance of shares from treasury, financing alternatives or farm-out opportunities.
c) During the second half of 2011, management has implemented a series of operational changes on its Beaver River (Canadian) assets, which have improved operating efficiency. Management believes that these changes will improve the operating cash flow in 2012, but will remain highly dependent on future gas prices and production levels.
d) The Company is in the process of completing the sale of its assets held for sale in Armenia (Note 3), which is anticipated to bring in proceeds in 2012.

These interim condensed consolidated financial statements do not give effect to adjustments that would be necessary and could be material to the carrying values and classifications of assets and liabilities should the Company be unable to continue as a going concern.

3. ASSETS HELD FOR SALE

During 2011, the Board approved the decision to export the Company's drilling rig from Armenia and to negotiate a sale. The carrying value of the rig was removed from Property Plant and Equipment and classified as assets held for sale. The Company accepted an offer to purchase the rig in December 2011 but was subsequently unable to meet the export timeline. The Company is still in the process of transporting the rig and associated equipment out of Armenia and to negotiate a further sales contract. The Company recorded an impairment on the asset held for sale as at the year ended December 31, 2011 of $826,733 to reflect the estimated net proceeds that will be received after transporting the rig and closing the sale. The increase in assets held for sale is due to export costs capitalized that were incurred during the period ended March 31, 2012. No further impairment has been recorded as proceeds are expected to exceed the carrying value together with any future export costs.

The amount recorded is subject to change based on changes in the expected net realizable value due to export and associated costs. As a part of the sale contract, the purchaser advanced the Company USD $150,000 to co-ordinate the transportation of the rig and associated equipment. This advance balance is included on the Condensed Consolidated Balance Sheet with Accounts Payable and Accrued Liabilities. High Arctic Energy Services Inc. is entitled to receive 50% of the net proceeds arising from the sale of the asset, the Company has accounted for the net book value accordingly to its 50% interest.

4. INVESTMENT IN ASSOCIATE

During the period ended March 31, 2012, the Company completed a transaction to sell 85% of its interest in East Crimea BV. 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 sale, the purchaser 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. The purchaser will then drill a second development well, commencing before May 15th 2016. The purchaser 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 the purchaser in 2011, representing the initial payment under the sale. Up to a further USD $150,000 will be paid by the purchaser to cover costs incurred relating to the transfer of ownership in East Crimea BV. The loss recorded by the Company of $477,312 is the based on proceeds received, the de-recognition of 85% of the net assets prior to sale, and the recognition of $1,128,529 as the fair value of the investment. Fair value of this investment will be evaluated at each interim period for changes, any changes in the value will recorded to the statement of comprehensive income/loss.

During the period ended March 31, 2012 the purchaser made the first staged payment of USD $500,000 on completion of 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. Should these contingent payments be received they will be offset against the loss recorded on disposition.

5. EXPLORATION AND EVALUATION ASSETS

	Ukraine	Canada	Total
Balance at January 1, 2011	$ 14,542,596	$ -	$ 14,542,596
Acquired on buisness combination	-	6,250,000	6,250,000
Additions	11,660,748	301,451	11,962,199
Change in estimate of asset retirement obligation	132,763	652,784	785,547
Transfer to property, plant and equipment	-	(4,270,235)	(4,270,235)
Foreign currency translation	990,467	-	990,467
Balance at December 31, 2011	$ 27,326,574	$ 2,934,000	$ 30,260,574
Additions	2,346,814	782	2,347,596
Sale of investment in subsidiary (Note 4)	(3,123,525)	-	(3,123,525)
Change in estimate of asset retirement obligation	-	(57,466)	(57,466)
Foreign currency translation	(56,749)	-	(56,749)
Balance at March 31, 2012	**$** 26,493,114	$ 2,877,316	**$ 29,370,430**

6. SHARE CAPITAL

a) Authorized

Unlimited number of common shares, without par value

b) Common shares issued

	Number of shares		Amount
Balance January 1, 2011	77,283,530	$	146,047,511
Private placement - common shares	5,058,800		2,149,990
Fair value of warrants issued	-		(890,204)
Exercise of warrants	1,359,935		1,014,827
Ascribed value of warrants exercised	-		350,434
Issued on business combination	8,000,000		2,800,000
Rights offering	224,999,993		13,500,000
Share issue costs	-		(1,745,198)
Balance at March 31, 2012 and December 31, 2011	**316,702,258**	**$**	**163,227,360**

c) Warrants

A summary of activity and outstanding warrants as at March 31, 2012 is as follows:

	Number of warrants		Amount
Balance January 1, 2011	4,285,362	$	721,015
Exercise of warrants	(1,359,949)		(350,434)
Granted, private placement	5,058,800		890,204
Expired	(2,925,413)		(370,581)
Balance at March 31, 2012 and December 31, 2011	**5,058,800**	**$**	**890,204**

Details of the warrants outstanding as at March 31, 2012 are as follows:

Expiry date		Exercise price	Number of warrants		Fair Value of warrants
October 13, 2012	$	0.20	4,954,080	$	871,776
October 13, 2012	$	0.50	104,720		18,428
	$	**0.21**	**5,058,800**	**$**	**890,204**

d) Stock-based compensation

The Company has granted options for the purchase of common shares to its directors, officers, and employees. The aggregate number of shares that may be issuable pursuant to options granted under the Stock Option Plan will not exceed 10% of the issued common shares of the Company at the date of grant. No more than 5% of the issued shares of the Company may be granted to any one optionee. The options are non-transferable and non-assignable and may be granted for a term not exceeding ten years and will be determined by the Board on each grant date. The exercise price of the options may not be less than the greater of $0.10 and the market price, subject to all applicable regulatory requirements.

The following table depicts the stock option transactions during the period:

	Number of stock options	Weighted average exercise price
Balance January 1, 2011	3,506,576	$ 0.90
Granted	60,000	1.38
Balance December 31, 2011	3,566,576	$ 0.91
Granted	17,387,500	0.10
Expired/forfeited	(2,320,223)	(0.63)
Balance at March 31, 2012	**18,633,853**	**$ 0.19**

The fair value of the options granted in 2012 was determined using the Black-Scholes option pricing model and the following weighted average assumptions: expected dividend yield of 0%, expected volatility of 155.9%, risk-free interest rate of 1.36%, forfeiture rate of 5%, and an expected life of 5 years. Terms for vesting rules are approved by the Board of Directors on each grant and 2012 and 2011 options were granted with vesting terms of one quarter on grant and in three equal portions on the following 6, 12 and 18 months.

During the period ended March 31, 2012, the Company recorded $562,622 related to stock based compensation (March 31, 2011 - $211,389).

As at March 31, 2012, the following stock options are outstanding:

Exercise Price	Options Outstanding	Remaining Life (Years)	Options Exercisable
$1.25	1,123,109	3.59	935,609
$0.50	998,244	3.69	810,744
$0.10	16,512,500	4.95	4,128,125
$0.19	**18,633,853**	**4.80**	**5,874,478**

e) Contributed surplus

	Amount
Balance Janaury 1, 2011	$ 20,618,329
Stock-based compensation	575,638
Expired warrants	370,581
Balance at December 31, 2011	$ 21,564,548
Stock-based compensation	562,622
Balance March 31, 2012	**$ 22,127,170**

7. OPERATING EXPENSES

	Period ended March 31,	
	2012	2011
Salaries, consulting fees and employee expenses	**$ 259,055**	$ 100,368
Equipment repairs, maintenance and rentals	**137,809**	18,784
Travel, camp groceries and supplies	**42,098**	19,684
Fluids, chemicals and fuel	**108,329**	34,614
Taxes, levies, licenses and permits	**28,964**	846
Misc	**10,808**	588
	$ 587,063	$ 174,884

Operating expenses relate entirely to the Beaver River operations in Canada. On June 1, 2011 the Company acquired an additional 50% interest in the property becoming the sole owner. Prior to June 1, 2011 the Company had a 50% interest and as such the comparatives above reflect different ownership percentages.

8. GENERAL AND ADMINISTRATIVE EXPENSES

The breakdown of significant cost categories in general and administrative expense is as follows:

	Period ended March 31,	
	2012	2011
Salaries, consulting fees and employee expenses	**$ 174,033**	$ 157,238
Officer and director fees	**139,189**	170,433
Travel, accommodation and conferences	**65,818**	44,551
Office, rent, computer and supplies	**67,912**	123,002
Audit, tax and legal	**243,560**	19,357
Insurance	**29,739**	55,044
Filing, transfer agent and stock exchange fees	**94,961**	91,460
Website, advertising and investor relations	**36,795**	27,239
Taxes	**15,105**	-
	$ 867,112	$ 688,324

9. GAIN ON SALE

Papua New Guinea back in right

During the period ended the Company closed a transaction with Eaglewood to cancel 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. The Company had a nil carrying value and as such proceeds and gain on sale are equal.

During the period ended March 31, 2011 the Company sold its remaining 371,430 Eaglewood common shares for aggregate proceeds of $267,430 resulting in a realized gain of $145,383.

10. NET INCOME/LOSS PER SHARE

The number of shares used to calculate the basic and diluted net income per share for the period ended March 31, 2012 includes the weighted average number of Transeuro's common shares outstanding of 316,702,258 (March 31, 2011 – 82,381,957). For the period ended March 31, 2012, 19,774,076 options and 5,058,800 warrants were excluded from calculating dilutive loss per share as they were anti-dilutive (March 31, 2011 - 7,400,960 warrants and 3,476,576 options).

11. SUPPLEMENTAL CASH FLOW INFORMATION

The following table details the changes in non-cash working capital:

		March 31, 2012		March 31, 2011
Changes in non-cash working capital				
Accounts receivable	**$**	**(75,976)**	$	(10,914)
Prepaid expenses and deposits		**67,055**		(132,419)
Accounts payable and accrued liabilities		**(435,075)**		1,529,168
Foreign exchange		**(84,491)**		-
	$	**(528,487)**	$	1,385,835
Operating activities	**$**	**(123,109)**	$	344,285
Investing activities		**(405,378)**		1,041,550
	$	**(528,487)**	$	1,385,835

12. 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 (Note 2).

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 license, 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 Joint Activity Agreement ("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 costs to be determined. 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 sale of 85% of the holding Company related to this license during the period, and as such, these commitments will be subject to the terms of the sale agreement in 2012 and beyond.

Office Rent

As at March 31, 2012 the Company has one lease for office space in Canada. This lease relates to the Calgary office and expires on December 31, 2012. The total remaining minimum lease payments under this lease $54,270.

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 $43,000.

13. SUBSEQUENT EVENTS

On May 22, 2012 the Company closed a NOK 60 million (approximately CAD $10.4 million) secured convertible bond. The final terms of the secured convertible bond are annual interest at 12% and a conversion price at NOK 0.85 (approximately CAD $0.146). The bond is secured against the shares of Transeuro Beaver River Inc, the Company subsidiary holding title to 50% of the Beaver River field in British Columbia, Canada.

The Company has finalized a further facility with Yorkville including a Loan Agreement for up to CAD $5.0 million, and a Share Purchase Agreement (SPA) for up to NOK 100 million (approximately CAD $17.2 million). Under the terms of the Loan Agreement, Transeuro can receive up to CAD $5.0 million over a period of 24 months, which shall be advanced in tranches of CAD $1.0 million with repayment over 12 months. The loan will be unsecured and pay annual interest at 10%. The Company has drawn the first instalment of the Loan Agreement in the amount of CAD $1.0 million and has issued 1 million, one year share purchase warrants with the exercise price of CAD $0.168 to Yorkville.

Pursuant to the proposed terms of the SPA, the Company has the discretion to withdraw funds in tranches up to a total of NOK 100 million over a period of 36 months. At the request of the Company Yorkville will, subject to a number of conditions as set out in the SPA, be obligated to purchase ordinary shares at a discount of 5% to the average of the lowest volume weighted average share price of the Company during four consecutive 10 day forward pricing period. Alternatively the Company may elect a backward pricing period whereby Yorkville will purchase shares at a 10% discount to the lowest volume weighted average share price of the Company during a 5 day backward pricing period. The Company will prepare and file a Shelf Prospectus in Canada to facilitate the issuance of new shares under the SPA and will announce each individual drawdown.

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