Kulczyk Oil Ventures Inc.
Management's Discussion and Analysis
For the three and nine months ended September 30, 2010 and 2009
(US$, unless otherwise stated)

This Management's Discussion and Analysis ("**MD&A**") dated November 10, 2010 is provided by the management of Kulczyk Oil Ventures Inc. ("**Kulczyk Oil**", or the "**Company**") and should be read in conjunction with the unaudited interim consolidated financial statements as at, and for the three and nine month periods ended September 30, 2010 and 2009. A description of significant accounting policies used by the Company in the preparation of its consolidated financial statements is presented in note 4 to the interim consolidated financial statements. Critical accounting estimates used by the Company in the preparation of its interim consolidated financial statements are set forth below in "Critical accounting estimates". In accordance with a resolution of the Board of Directors, the financial year of the Company commences on January 1 and ends on December 31 of each year.

Overview

Kulczyk Oil is an international oil and gas exploration and production company with management offices in Calgary, Alberta, Canada and in Dubai, United Arab Emirates. The Company has demonstrated its ability to source, negotiate and conclude agreements for exploration, development and production opportunities, and to partially finance the expenditure commitments pursuant to these agreements via farm-out arrangements. Management intends to continue following this successful business model in developing future opportunities while it continues to develop existing oil and gas assets. Kulczyk Oil is the successor to Loon Energy Inc. ("**Loon**") in accordance with a Plan of Arrangement under the *Business Corporations Act* (Alberta) that was approved on December 9, 2008 (the "**Arrangement**"). Additional information relating to Loon, including interim consolidated financial statements and MD&A for the referenced periods, and upon which this MD&A for Kulczyk Oil is based, can be accessed at www.kulczykoilventures.com or www.sedar.com.

KOV has one direct wholly-owned subsidiary, Kulczyk Oil Ventures Limited ("**KOV Cyprus**"), three indirect wholly-owned subsidiaries, Kulczyk Oil Brunei Limited **("KOV Brunei")**, Loon Latakia Limited **("Loon Latakia")** and KOV Borneo Limited ("**KOV Borneo**") and a 70% owned subsidiary, Loon Ukraine Holding Limited ("**Loon Ukraine**"). KOV Cyprus also holds a 35% interest in Mauritania International Petroleum Inc. ("**MIPI**") and a 50% non-controlling interest in Triton Petroleum Pte. Ltd ("**Triton Petroleum**").

- In Ukraine, Loon Ukraine has an effective net interest of 70% in 4 natural gas and gas condensate fields, 4 gas distribution stations, a drilling rig, and over 20 kilometres of main gas pipelines connected to the Ukrainian gas transportation infrastructure.
- In Brunei, the Company holds:
  - a 40% working interest in the Brunei Block L production sharing agreement which gives KOV Brunei and the other parties thereto the right to explore for and, upon fulfillment of certain conditions, the right to produce oil and gas from Block L, a 2,220 square kilometre (550,000 acre) area covering certain onshore and offshore areas; and
  - a 36% working interest in the Brunei Block M production sharing agreement which gives KOV Borneo and the other parties thereto the right to explore for and, upon fulfillment of certain conditions, the right to produce oil and gas from Block M, a 3,011 square kilometre (744,000 acre) area covering certain onshore areas of Brunei to the south of Block L.
- In Syria, Loon Latakia holds a participating interest of 100% in the Syria Block 9 production sharing contract which provides the right to explore for and, upon fulfillment of certain conditions, to produce oil and gas from Block 9, a 10,032 square kilometre (2.48 million acre) area in northwest Syria. The Company has agreements to assign an aggregate of 55% in ownership interests to third parties which are subject to the approval of Syrian authorities, and which, if approved, would leave the Company with a remaining effective interest of 45% in Syria Block 9.

Initial Public Offering – Warsaw Stock Exchange

The Company announced on November 23, 2009 that it intended to raise new equity on the Warsaw Stock Exchange by way of an initial public offering (the "**Offering**"). Kulczyk Oil submitted a prospectus to the Polish Financial Supervision Authority on November 18, 2009 for approval, made an application for listing on the Warsaw Stock Exchange ("**WSE**") and proceeded with an initial public offering ("**IPO**") of shares. Both the listing on the WSE and the IPO were completed in May 2010. The Company issued 166,394,000 shares at PLN 1.89 per share (US$0.56 per share) on May 20, 2010 resulting in gross proceeds of PLN 314,484,660 (approximately US$93 million). The shares began trading on the WSE on May 25, 2010.

KUB-Gas Acquisition

On November 10, 2009, Kulczyk Oil entered into two Sale and Purchase Agreements with Gastek LLC ("**Gastek**"), a private company registered in California, USA, under which the Company agreed to acquire an effective 70% ownership in the statutory charter capital of KUB-Gas LLC ("**KUB-Gas**"), a Ukrainian company then wholly-owned by Gastek with natural gas producing assets and various service assets, together with a 1,000 horsepower drilling rig for a purchase price of $45 million. A deposit of $1.35 million was paid to Gastek upon the signing of the acquisition agreement and a further deposit of $1.4 million was paid on April 28, 2010. The balance of $42.25 million, less certain adjustments was paid by the Company to Gastek on June 11, 2010, upon the closing of the transaction. Prior to closing, Kulczyk Oil and Gastek restructured the ownership of KUB-Gas such that Loon Ukraine, a private company registered in Cyprus, would hold 100% of the shares of KUB-Gas and 100% of the drilling rig. The Company owns 70% of Loon Ukraine and Gastek owns the remaining 30%. The total acquisition costs incurred were $2.8 million of which $1,372,200 were incurred during the nine month period ended September 30, 2010.

Acquisition of Triton Hydrocarbons (Pty) Ltd. ("Triton Hydrocarbons")

On October 23, 2009, the Company announced that it had acquired all of the issued and outstanding shares of Triton Hydrocarbons, a private Australian company, in exchange for newly issued common shares. The Triton Hydrocarbons acquisition was deemed to be effective September 15, 2009, which is the date that the outcome of the proposed transaction became certain. The principal asset of Triton Hydrocarbons was its 36% interest in Brunei Block M, an onshore area of Brunei approximately 3,011 square kilometres (744,000 acres) in area. The block lies immediately to the south of the Kulczyk Oil's existing Block L and expands the interests of the Company to cover most of onshore Brunei. By acquiring Triton Hydrocarbons, the Company also acquired 35% of the issued shares of MIPI, which holds a 100% interest in four contiguous exploration blocks located offshore Mauritania. In addition, the Company indirectly holds 50% of the issued shares of Triton Petroleum, the sole asset of which is currently a 20% beneficial interest in the production sharing agreement covering Block 9 in Syria to be assigned to Triton Petroleum by the Company subject to obtaining the consent of the Syrian government. Triton Petroleum is led by the former management of Triton Hydrocarbons, who are pursuing international exploration and development opportunities in the oil and gas industry.

As consideration for the transaction, the former shareholders of Triton Hydrocarbons received an aggregate of 75,065,944 common shares of Kulczyk Oil (being 5.491 Kulczyk Oil shares for each ordinary share of Triton Hydrocarbons) and 50% of the shares of Triton Petroleum. Upon the closing of the transaction, the Company issued a $10,010,000 convertible debenture to TGEM Asia LP, Tiedemann Global Emerging Markets LP and Tiedemann Global Emerging Markets QP LP (collectively, "**TIG**") in exchange for the $10,010,000 in convertible notes which TIG previously held in Triton Hydrocarbons.

Certain aspects of the post-acquisition restructuring for the Triton Hydrocarbons acquisition were recorded in 2009 and the remainder was recorded in 2010.

Convertible Debenture

On September 9, 2009, the Company and Kulczyk Investments S.A. ("**KI**"), the Company's majority shareholder, finalized arrangements for KI to provide Kulczyk Oil with up to $8 million in additional funding to enable the Company to meet its financial commitments prior to the closing of the Offer. In connection with those arrangements, Kulczyk Oil issued an unsecured convertible debenture for a principal amount of up to $8 million to KI, maturing on August 31, 2010. Interest under the debenture was payable at a rate of 7.16% per annum, and was compounded semi-annually. Effective November 9, 2009, the debenture was amended to increase the principal amount available to $11 million from $8 million; all other terms and conditions remain unchanged. On January 10, 2010, the debenture was further amended by increasing the principle amount available to $20 million from $11 million; all other terms and conditions remain unchanged.

On March 25, 2010, the Company had drawn $20 million under the terms of the convertible debenture. On May 25, 2010, the first day the Company's shares traded on the Warsaw Stock Exchange, the parties to the debenture agreement agreed to the conversion of approximately $14.4 million of principal outstanding under the debenture to 25.0 million shares. On July 8, 2010, the remaining principal outstanding of approximately $4.6 million was converted to 10,086,842 shares and the interest accrued to the conversion date was paid in cash.

Basis of Presentation

The interim consolidated financial statements of Kulczyk Oil have been prepared by management in accordance with IFRS and are reported in US dollars.

The interim consolidated financial statements include the net assets and operations associated with the Company's principal resource properties located in Ukraine, Brunei and Syria and its various investments, which include the shares of Triton Petroleum, Jura Energy Corporation ("**Jura**") and Karl Thomson Holdings Limited.

As the determination of certain assets, liabilities, revenues and expenses is dependent upon future events, the preparation of the interim consolidated financial statements requires the use of estimates and assumptions. In the opinion of management, the Company's interim consolidated financial statements have been properly prepared within reasonable limits of materiality and within the framework of the significant accounting policies outlined in the interim consolidated financial statements.

Forward-looking statements

This MD&A contains forward-looking statements. Readers are advised that any forward-looking statements contained in this MD&A are expressly qualified by the cautionary statements contained within the forward-looking statement section near the end of this document.

Non-IFRS Measures

The financial information presented in this MD&A has been prepared in accordance with IFRS except for the terms "netback" and "working capital" which are not recognized measures under IFRS and do not have standardized meanings prescribed by IFRS. These non-IFRS measure are presented for information purposes only and should not be considered an alternative to, or more meaningful than information presented in accordance with IFRS. Management believes netback and working capital may be useful supplemental measures as they are used by the Company to measure operating performance and to evaluate the timing and amount of capital required to fund future operations. The Company's method of calculating these measures may differ from those of other companies and, accordingly, they may not be comparable to measures used by other companies.

Kulczyk Oil calculates these non-IFRS measures as follows:

	Nine months ended September 30, 2010	Year ended December 31, 2009
Oil and gas revenue	$ 4,571,555	$ -
Royalty expense	(743,869)	-
Production costs	(772,035)	-
Netback	$ 3,055,651	$ -
	As at September 30, 2010	**As at December 31, 2009**
Current assets	$ 31,101,233	$ 1,811,989
Current liabilities	13,984,166	11,810,856
Working capital (deficiency)	$ 17,117,067	$ (9,998,867)

Operations Overview

UKRAINE

Update

On June 11, 2010, Kulczyk Oil completed the acquisition of 70% ownership interest in KUB-Gas, a Ukrainian registered company with 100% ownership interest in 3 exploration licenses and 1 production license, plus processing facilities and various well servicing assets. Included in the acquisition, but separate from the ownership of KUB-Gas shares, is a 70% interest in a 1,000 horsepower drilling rig built in Canada in 2007.

Since acquiring KUB-Gas in June 2010:

- Production has averaged 5,198 mcf per day (70% net 3,640 mcf/day). Current production as of November 8, 2010 is approximately 5,822 mcf per day (70% net = 4,075 mcf/day) of natural gas and approximately 94 barrels of condensate per day (70% net = 66 bbls/day).
- The M-19 exploration well, in the Makeeyskoye field, was drilled to a total depth of 2,060 metres encountering several potential gas bearing reservoirs. Testing of the M-19 well is scheduled for late November, 2010.
- The O-7 well, in the Olgovskoye field, was drilled to a depth of 2,520 metres. Wireline logging and evaluation identified more than 150 metres of gas pay across 38 reservoir zones. The well was flowed during the testing phase at rates of up to 2,400 mcf/ day with more than 50 barrels per day of condensate. Starting in the first week of November 2010, the well was choked back to be produced conservatively at a rate of approximately 1,500 mcf/ day with expected condensate production of approximately 30 bpd.

Production license	**Issue date**	**Prolongation date**	**Expiry date**
Vergunskoye field	27 September 2006	-	27 September 2026
Exploration licences			
Makeevskoye field	18 May 2001	11 August 2009	11 August 2014
Krutogorivskoye field	16 July 2004	11 August 2009	11 August 2014
Olgovskoye field	31 May 2006	11 August 2009	11 August 2014

BRUNEI - BLOCK L

Background

On August 28, 2006 KOV Brunei, formerly Loon Brunei Limited, a wholly-owned subsidiary of Kulczyk Oil, and QAF Brunei Sdn. Bhd. ("**QAF**") (collectively, together with assignees, referred to as the "**Contractor**") signed a Production Sharing Agreement ("**Block L PSA**") with Brunei National Petroleum Company Sendirian Berhad ("**PetroleumBRUNEI**"). The Block L PSA granted QAF and KOV Brunei the right to explore for and produce oil and gas from Block L. Block L comprises approximately 2,220 square kilometres which includes both onshore and shallow offshore areas of northern Brunei.

On April 23, 2007, KOV Brunei signed an Option Agreement with Nations Petroleum (SE Asia) Limited ("**Nations**"), pursuant to which Nations was granted the option to acquire a 50% interest in the Block L PSA, in exchange for consideration consisting of a) reimbursing KOV Brunei for approximately $1.4 million of previously incurred costs, and b) agreeing to fund 100% of the Phase 1 work program required by the Block L PSA to a maximum expenditure of approximately $21.7 million. On January 28, 2008, Nations gave notice of its exercise of the option and by deed of assignment dated May 23, 2008 was assigned a 50% working interest in Block L. As part of the approval of the assignment, the Contractor agreed to spend $4.5 million on work in addition to that specified in the Block L PSA for Phase 1. Consequently the Contractor's work commitment for Phase 1 under the Block L PSA consists of reprocessing all existing seismic data (to the extent that it is capable of being reprocessed), acquiring 350 km^2 of 3D seismic, drilling 2 wells, each to a minimum depth of 2,000 metres and conducting $4.5 million of additional work, which additional work is to be agreed with PetroleumBRUNEI. The consequent minimum expenditure requirement specified in the Block L PSA for the Phase 1 exploration period increased from $20.5 million to $25.0 million.

On December 23, 2009, AED Oil Limited ("**AED**") announced that it had entered into a binding agreement to acquire Nations', resulting in AED acquiring Nation's 50% operating interest in Brunei Block L. On January 25, 2010, AED announced that they had received written approval from PetroleumBRUNEI for the change in control of Nations to AED.

The Brunei Block L PSA provides for an exploration period of six years from the date of the Brunei Block L PSA divided into two phases, Phase 1 and Phase 2, each of which was initially for a period of three years. In October 2008, a formal request was submitted to PetroleumBRUNEI for an extension of the term of Phase 1 by one year to August 27, 2010 with a corresponding decrease of one year to Phase 2. An amendment to the PSA providing for the extension to Phase 1 was approved by the parties on September 18, 2009.

Update

As at September 30, 2010, all existing seismic data has been reprocessed and the 3D seismic obligation for Phase 1 has been fulfilled. On December 8, 2009 two exploration well sites were chosen and the first exploratory well, Lukut-1, commenced drilling on May 1, 2010. The well reached its targeted depth of 2,150 metres on May 31, 2010 and continued drilling to 2,336 metres after the joint venture partners decided to deepen the well to assess a deeper zone. Drilling of the second well, Lempuyang-1 commenced on July 16, 2010, and has reached its targeted depth of 3,220 metres. Both Lukut-1 and Lempuyang-1 encountered hydrocarbon shows and testing of both wells is presently anticipated to commence towards the end of Q4 2010 or early in Q1 2011. The joint venture partnership initiated an airborne gravity and aeromagnetic survey in the third quarter of 2010.

As at September 30, 2010, approximately $54.4 million in expenditures have been incurred by the Contractor in meeting its work commitments. Pursuant to the Option Agreement, AED funded 100% of the first $21.7 million in Phase 1 costs incurred. The Company funded 50% of all expenditures between $21.7 million and $25 million and is funding 40% of all expenditures thereafter. As at September 30, 2010, the Company has spent $16.0 million for its share of expenditures on Block L. Phase 1 is now complete and the Company believes that the Contractor has exceeded its obligations with respect to work commitments and minimum spend requirements.

In August 2010, the Company and its joint venture partners elected to proceed with the Phase 2 exploration period. The minimum work obligations for Phase 2 include (i) acquire and process not less than 500 km of onshore 2D seismic data and 500 km of offshore 2D seismic data, (ii) acquire and process not less than 150 km^2 of offshore 3D seismic data and (iii) drill at least two onshore exploration wells, each to a minimum depth of 2,020 metres. The Block L joint venture parties are required to spend a minimum of $16 million during Phase 2. Phase 2 continues until August 27, 2012.

BRUNEI - BLOCK M

Background

The Company acquired a 36% interest in the Brunei Block M Production Sharing Agreement ("**Block M PSA**") effective September 15, 2009 through the acquisition of Triton Hydrocarbons. The principal asset of Triton Hydrocarbons was its interest in Block M, which covers an onshore area of Brunei approximately 3,011 square kilometres (744,000 acres) in area and which is immediately south of the Company's interest in Block L. The Company assumed responsibility for the funding of Triton Hydrocarbon's working interest share of capital expenditure commitments in accordance with the Block M PSA, which for 2010, includes the drilling of two and possibly three wells.

The Block M Exploration period is 6 years from the date of the Block M PSA, August 27, 2006, and is divided into Phase 1 and Phase 2 which may run concurrently. The Company and its partners in Block M must perform the following minimum work obligations by the expiry of Phase 1 on August 27, 2011: (i) re-process at least 1,378 kilometres of seismic data to the extent that the data is capable of being reprocessed; (ii) acquire and process not less than 200 kilometres of 2D seismic data; (iii) acquire and process not less than 200 km^2 of 3D seismic data; and (iv) drill at least two wells, each to a minimum depth of 1,150 metres. Pursuant to an extension agreement, the Company and its partners in Block M must drill an additional well to a minimum depth of 2,000 metres in Phase 1. The work commitments for the Block M parties require a minimum expenditure of US$12.525 million during Phase 1.

Before January 27, 2011, the Company and its partners must decide whether or not to elect to move to Phase 2, which would require a minimum work commitment to be completed by August 27, 2012 of: (i) acquiring and processing not less than 80 kilometres of 2D seismic data; and (ii) drilling at least three wells, each to a minimum depth of 1,150 metres. The work commitments for Block M parties require a minimum expenditure of US$7.325 million during Phase 2. The Company's share of the minimum spend is $2.637 million plus an obligation under a farm-in agreement to fund an additional 4% ($293,000) towards a partner's share of expenditures.

Update

The acquisition of 140 kilometres of 2D seismic data and 82 km^2 of 3D seismic data remains outstanding for the Phase 1 seismic commitments. The Company announced on July 15, 2010 that field operations have commenced for a 136 km^2 3D seismic survey in the northern part of Block M. On August 26, 2010 the first exploratory well, Mawar-1, commenced drilling and reached its targeted depth of 1,292 metres. On September 27, 2010 the second exploratory well, Markisa-1, commenced drilling and reached its targeted depth of 1,300 metres on October 12, 2010. Both Marwar-1 and Markisa-1 encountered hydrocarbon shows and testing of both wells is presently anticipated to commence in Q1 2011. As at September 30, 2010, approximately $35.3 million in expenditures have been incurred by the Contractor in meeting its work commitments. Since acquiring Triton Hydrocarbons, the Company has spent $7.5 million.

SYRIA

Background

Loon Latakia Limited, an indirect wholly-owned subsidiary of Kulczyk Oil holds a 100% participating interest in a Contract for the Exploration, Development, and Production of Petroleum ("**PSC**") between the Government of the Syrian Arab Republic, Syrian Petroleum Company ("**SPC**") and the Company which became effective on November 29, 2007. This agreement gives the Company the right to explore for and produce oil and gas from Block 9, a 10,032 square kilometre block in northwestern Syria. As part of the consideration for purchasing Triton Hydrocarbons, the Company transferred a 20% beneficial interest in Block 9 to Triton Petroleum and is seeking the consent of the Syrian government for this transfer. The Company has also agreed to assign a 5% interest in Block 9 to an unrelated party.

Under the terms of the PSC, the Company has a first phase exploration period of four years during which it has committed to reprocess all existing seismic data on Block 9, acquire 600 kilometres of 2D seismic and drill two exploration wells during the first four year exploration period. The Company has received approval from SPC to replace the 2D seismic acquisition commitments with the acquisition of 350 km^2 of 3D seismic. The exploration period can be extended for up to nine years, in phases by performing additional work on an agreed basis.

Update

By a Farm-out agreement dated September 1, 2010, the Company agreed to assign a 30% ownership in Syria Block 9 to Mena Hydrocarbons (Syria) Ltd ("**Mena**") effective as of June 17, 2010. The transfer of the 30% ownership interest to Mena is subject to the approval of Syrian authorities, and until such approval is received, Mena will retain an economic interest in Syria Block 9 equivalent to a 30% ownership interest. In the event that approval of the Syrian authorities is not obtained by February 15, 2011, the farm-out agreement may be terminated at the request of either party, and any payments made by Mena returned. As consideration, Mena agreed to pay: (i) 30% of historical costs incurred by the Company to June 1, 2010, being $3,131,520, (ii) 30% of the value of the bank guarantee outstanding at June 17, 2010, being $2,027,472 and (iii) pay 60% of the authorized drilling costs of the first exploratory well.

The farm-out agreement was amended by an agreement dated October 14, 2010 to change the payment dates specified in the farm-out agreement such that an initial payment of $1.0 million was made on October 14, 2010 with the remaining cash consideration due for reimbursement of historical costs and funding of the bank guarantee due by January 31, 2011 at the latest.

The aggregate effect of the disposition of a 20% ownership interest to Triton Petroleum, the assignment of 5% to an unrelated 3rd party and the Mena farm-out of a 30% interest leaves the Company with an effective interest in Block 9 of 45%.

The Company initially posted a guarantee in the amount of $7.5 million, an amount which represents the minimum exploration expenditure level specified in the PSC, with the amount of the guarantee reduced to $6.76 million in November 2009 to recognize the fulfillment of specified work commitments. The farm-out agreement pursuant to which Mena agreed to fund 30% of the bank guarantee reduced the Company's share of the bank guarantee to $4.7 million as at September 30, 2010, with the amount of the bank guarantee due from Mena reflected as an accounts receivable.

The Company has received approval from SPC to convert the 2D seismic acquisition commitment to a 350 kilometre^2 3D acquisition program. The seismic acquisition program was completed in the second quarter of 2010 and resulted in the acquisition of a 420 km^2 survey. As at September 30, 2010, the Company has incurred costs of approximately $10.4 million in Syria on Block 9.

SLOVENIA & Other areas

The Company had interests in a project in Slovenia for which there were no plans to invest further capital and accordingly, all amounts related to Slovenia had been written off. The Company then completed the sale of its Slovenia assets to Ascent Resources in August 2010. The sale of these previously written off assets resulted in a gain on the statement of operations of $315,339.

The Company also pursues interests in other countries and the associated pre-exploration costs are expensed until such time as a concession is obtained.

INVESTMENTS

Jura Energy Corporation

The Company has exposure to exploration, development and appraisal programs in Pakistan through its shareholding in Jura Energy Corporation. The Company owns 7.5 million (6.4%) common shares of Jura, the value of which at September 30, 2010 was $152,665 based on the quoted market price of Jura common shares. Two directors of the Company (Tim Elliott and Norm Holton) are directors of Jura. Paul Rose is the Chief Financial Officer of both companies.

Karl Thomson Holdings Ltd

With the purchase of Triton Hydrocarbons effective September 15, 2009, the Company acquired Triton Hydrocarbons's investment in common shares of Karl Thomson Holdings Ltd. – a company whose shares are traded on the Hong Kong Stock Exchange. The Company's investment in these shares is treated as financial assets at fair value through profit & loss. As at September 30, 2010, the quoted market value of the investment was $238,969.

Triton Petroleum Pte Ltd

With the purchase of Triton Hydrocarbons effective September 15, 2009, the Company acquired Triton Hydrocarbons's investment in common shares of Triton Petroleum – a private company incorporated in Singapore. The Company's 50% investment in these shares is treated as an equity accounted investment. As at September 30, 2010, the net carrying amount of the investment was $1,331,873.

Selected quarterly information

	Three months ended September 30, 2010	Three months ended September 30, 2009	Nine months ended September 30, 2010	Nine months ended September 30, 2009
Gas sales volume Ukraine (mcf/day)	4,959	-	5,198	-
Gas revenues net of royalties	$ 2,827,824	$ -	$ 3,827,686	$ -
General and administrative	$ (3,004,770)	$ (2,126,714)	$ (7,132,727)	$ (3,908,835)
Stock based compensation	$ (857,086)	$ (27,552)	$ (3,085,915)	$ (78,289)
Interest and accretion	$ (565,291)	$ (145,512)	$ (3,629,725)	$ (145,982)
Net loss	$ (3,726,698)	$ (3,873,578)	$ (15,478,255)	$ (5,700,023)
Net loss per share - basic and diluted	$ (0.01)	$ (0.03)	$ (0.05)	$ (0.04)
Weighted average number of shares	400,002,984	137,664,617	292,830,976	129,550,107
Net cash used in operating activities	$ (2,344,168)	$ (4,166,053)	$ (9,458,880)	$ (7,460,035)
Net cash provided by financing activities	$ 358,629	$ 1,295,052	$ 100,044,589	$ 1,295,052
Net cash used in investing activities	$ (8,250,798)	$ (48,522)	$ (66,790,237)	$ (886,847)

	As at September 30, 2010	As at December 31, 2009
Total current assets	$ 31,101,233	$ 1,811,989
Total non-current assets	$ 169,399,206	$ 83,424,460
Total assets	$ 200,500,439	$ 85,236,449
Total current liabilities	$ 13,984,166	$ 11,810,856
Total non-current liabilities	$ 6,076,303	$ 7,487,455
Total share capital	$ 192,232,629	$ 84,727,754
Total equity	$ 180,439,970	$ 65,938,138

Other than as disclosed below, the Company is unaware of any trends, uncertainties, demands or commitments that could have a material effect on the Company's prospects. For the period from January 1, 2010 to June 11, 2010, all of the Company's oil and natural gas projects were in the exploration, appraisal and development phases. Accordingly, for this period, the Company did not have any production or production revenues from these assets. On June 11, 2010, the Company acquired 70% of KUB-Gas which has production and receives production revenue in Ukraine. The Company's non-Ukraine activities continue to be exploration and appraisal activities. The key factor impacting the Company's revenues from the natural gas production associated with the KUB-Gas assets are the domestic gas price within Ukraine, which are set by a Ukraine state regulatory agency (National Electricity Regulatory Commission of Ukraine) by reference to, and generally follow the Russian imported gas price. The prices for Russian gas have been increasing over the past three years from $3.66 per Mcf in 2007 to $8.61 per Mcf currently. The key factor impacting the Company's finance income and expenditures for the period ended September 30, 2010 is the low interest rates earned on the Company's surplus cash balances on deposit and the consequent reduction in interest revenues earned compared to prior fiscal periods.

The Company's commitments are all in the ordinary course of business and include the work commitments for Brunei Block L, Brunei Block M, Ukraine and Syria Block 9.

Oil and Gas Revenue, Royalty expenses and Production costs

	Three months ended September 30, 2010	Three months ended September 30, 2009	Nine months ended September 30, 2010	Nine months ended September 30, 2009
Sales volumes (mcf/day)	4,959	-	5,198	-
Days in period	92	-	122	-
Sales volumes (mcf)	456,228	-	634,156	-
Price ($/mcf)	$ 7.40	$ -	$ 7.21	$ -
Gas revenue	$ 3,373,836	$ -	$ 4,571,555	$ -
Royalty expense	(546,012)	-	(743,869)	-
Royalty as a % of revenue	*16%*	-	*16%*	-
Production costs	(583,653)	-	(772,035)	-
Production costs per mcf	*1.28*	-	*1.22*	-
Netback	2,244,171	-	3,055,651	-
Non-controlling interest (30%)	(673,251)	-	(916,695)	-
KOV interest	$ 1,570,920	$ -	$ 2,138,956	$ -

As a result of closing the KUB-Gas acquisition on June 11, 2010, the Company has revenue from gas sales from its Ukraine assets. The Company consolidates 100% of KUB-Gas, and as such the 30% non-controlling interest is recorded as a reduction to net income. Since the date of the acquisition , the gross gas sales were approximately 5,198 Mcf per day (100% KUB-Gas interest) and the price received was approximately $7.21 per Mcf. Royalties as a percentage of revenue were 16%. Production costs were $1.22 per Mcf.

General and Administrative

General and administrative ("**G&A**") costs for the three months ended September 30, 2010 were $3,004,770 compared to $2,126,714 for the three months ended September 30, 2009. The increase for the quarter was due primarily to the inclusion of $700,000 of KUB-Gas G&A. For the nine months ended September 30, 2010 G&A costs were $7,132,727 compared to $3,908,835 for the respective 2009 comparative period. The nine month increase was partially due to $1.0 million in bonuses paid to executives in June 2010, approximately $0.7 million of salaries and related benefits incurred in 2010 for the former Triton Hydrocarbons management and $0.8 million of KUB G&A. The Company has increased its staff and related office costs in 2010 as a result of increased operational activity on the two Brunei Blocks acquired and Block 9 in Syria. Travel for the nine months ended is higher due to the IPO on the Warsaw stock exchange. There is also an increase in costs related to being listed on the Warsaw stock exchange.

Acquisition Costs

In connection with the Triton Hydrocarbons acquisition, for the three and nine months ended September 30, 2010 the Company incurred $nil and $197,828 of costs that are recognized in the statement of operations. The Company's interim consolidated statement of operations reflects the expenses of Triton Hydrocarbons starting September 15, 2009, the date the acquisition was completed.

In connection with the KUB-Gas acquisition, for the nine months ended September 30, 2010 the Company incurred $1,372,200, of costs that are recognised in the statement of operations. These costs include internal technical salaries and external costs to manage KUB-Gas, and paid directly by Kulczyk during the period from November 2009, the date the purchase and sale agreement was entered into, to June 2010, the date the acquisition closed. The Company's interim consolidated statement of operations reflects the revenues and expenses of KUB-Gas starting June 11, 2010, the date the acquisition was completed.

Stock based compensation

Stock based compensation for the three and nine months ended September 30, 2010 was $857,086 and $3,085,915 respectively. The expense is due to the change in the stock option plan, the additional grants that occurred in November 2009 and the additional grants that occurred in May 2010.

Impairment

The impairment in the nine month ended period end was due to the write-off of the Company's Slovenia assets.

Depletion and Depreciation (D&D)

For the three and nine months period ended September 30, 2010, D&D increased to $1,569,680 and $2,289,795 respectively compared to $49,161 and $74,895 in the respective comparative periods of 2009 due to the KUB-Gas acquisition on June 11, 2010. D&D in 2009 consisted only of deprecation on office assets.

The Company's exploration and evaluation assets in Brunei and Syria are in the exploration and evaluation stage; exploration and evaluation assets in Ukraine consist of expenditures incurred on wells for which technical feasibility and commercial viability has yet to be completed. Exploration and evaluation assets are not subject to depletion and depreciation. Capitalized costs of the Company's exploration and evaluation assets are as follows:

	As at September 30, 2010	As at December 31, 2009
Brunei		
Block L	$ 16,231,644	$ 6,442,524
Block M	69,868,794	63,058,794
Total Brunei	86,100,438	69,501,318
Syria, Block 9	4,874,363	3,178,360
Ukraine, KUB-Gas	8,300,053	-
	$ 99,274,854	$ 72,679,678

Interest and other income

Interest and other income for the three and nine month periods ended September 30, 2010 were $(27,589) and $99,319 respectively compared to $4,657 and $31,826 for the respective periods in 2009. The increase in 2010 is due to the closing of the IPO in May 2010 resulting in higher balances of cash on hand and available for investment during 2010.

Interest expense and accretion

The issuance of convertible debentures in the latter half of 2009 and early 2010 has resulted in interest expense of $565,291 and $3,629,725 being recorded in the three and nine month periods ended September 30, 2010, respectively. Interest expense for the three and nine month periods ended September 30, 2010 includes $394,202 and $2,591,809, respectively, which represents the non-cash accretion of the value allocated to the equity component of the convertible debentures.

Loss for the period

The loss was $15,478,255 for the nine month period ended September 30, 2010 as compared to a loss of $5,700,023 for the same period in 2009. The loss was $3,726,698 for three month period ended September 30, 2010 compared to a net loss of $3,873,578 for the same period in 2009. The increase in the net loss for the nine month period ended September 30, 2010 is a result of the acquisition costs relating to the acquisition of Triton Hydrocarbons and KUB-Gas, interest expense on the convertible debentures, bonuses paid to executives and stock based compensation expense.

Total assets

Total assets as at September 30, 2010 were $200,500,439, compared to $85,236,449 as at December 31, 2009. The majority of the increase is due to increase in the cash as a result of the IPO and the assets acquired with the KUB-Gas acquisition.

Significant Factors Affecting the Company's Results of Operations

The Company's activities to date have focused on the evaluation of various exploration projects including the acquisition of the prospects in Brunei and Syria, all of which are in the pre-production phase and thus have yet to generate any production revenues or incur any operating expenses. The Company also expended considerable effort in evaluating and then completing the acquisition of Triton Hydrocarbons and KUB-Gas, as well as completing the IPO. The Company has generated interest revenue from funds held on deposit, and the amount of such revenue has been affected by the funds resulting from the IPO in May 2010.

General and administrative expenses incurred by the Company are generally expensed and are incurred to provide support for the evaluation and exploration activities described above. The Company expensed acquisition costs incurred in relation to the acquisition of Triton Hydrocarbons and the acquisition of KUB-Gas.

Significant Changes in the Company's Financial or Trading Positions

In May 2010, the Company closed the initial public offering on the Warsaw Stock Exchange (net proceeds of approximately $87.5 million) and converted $20.5 million of the debenture facility with KI into 35 million common shares.

The acquisition of KUB-Gas closed on June 11, 2010 whereby by the Company paid $44.2 million for a 70% share of KUB-Gas plus a drilling rig. The acquisition is treated for accounting purposes as a business combination with an effective date of June 11, 2010, and accordingly, the Company's Statement of Operations reflects the revenue and expenses of KUB-Gas from June 11, 2010 onwards. The accounting treatment of the acquisition of KUB-Gas is described in note 13 to the Company's September 30, 2010 interim consolidated financial statements.

The acquisition of Triton Hydrocarbons closed during the 2009 financial year, and is treated for accounting purposes as a purchase transaction with an effective date of September 15, 2009, and accordingly, the Company's Statement of Operations reflects the activities and operations of Triton Hydrocarbons and its subsidiaries from September 15, 2009 onwards. Triton Hydrocarbons is in the exploration and evaluation phase and has no production revenue. The accounting treatment of the acquisition of Triton Hydrocarbons is described in note 14 to the Company's September 30 interim consolidated financial statements.

Since the end of September 30, 2010, the last financial period for which either audited financial information or interim financial information have been published, there has been no significant changes in the financial and trading position of the Company.

Significant Market Trends

For the foreseeable future, the Company will be conducting exploration activities that will require services such as seismic acquisition programs and exploratory drilling. The market for the provision of such services in Ukraine, Brunei and Syria is relatively limited, with the consequence that these services may be secured at a cost that does not reflect a market where such services are more broadly available, and therefore more competitively priced. This is particularly true for Syria, where the economic sanctions imposed by the United States have reduced the number of international service companies that provide their services within Syria.

Summary of Quarterly Data

The following table sets forth selected quarterly financial information for the most recent eight financial quarters prepared under IFRS since January 1, 2009. Periods prior to January 1, 2009 are presented in accordance with Canadian GAAP.

	Q3 2010	Q2 2010	Q1 2010	Q4 2009
Loss for the period	$ (3,726,698)	$ (7,616,467)	$ (4,135,090)	$ (6,495,852)
Per share - basic and diluted	$ (0.01)	$ (0.03)	$ (0.02)	$ (0.04)

	Q3 2009	Q2 2009	Q1 2009	(Canadian GAAP) Q4 2008
Loss for the period	$ (3,873,578)	$ (912,044)	$ (914,401)	$ (6,084,650)
Per share - basic and diluted	$ (0.03)	$ (0.01)	$ (0.01)	$ (0.07)

The loss for Q3 2010 includes the final payments for the KUB-Gas acquisition and IPO listing.

The net loss for Q2 2010 included acquisition costs associated with KUB-Gas and Triton Hydrocarbons of $387,710, interest on the convertible debentures of $1,561,470 which was consistent with Q1 2010, stock based compensation of $1,698,804 which increased $1,168,779 from Q1 2010 due to the issuance of stock options in May 2010, foreign exchange losses of $1,336,937 which increased $1,233,164 from Q1 2010 due to the IPO proceeds being received in Polish Zlotys, and increased general and administration expense of $1,114,901 from Q1 2010 due to bonuses paid and KUB-Gas general and administrative costs included since June 11, 2010.

The net loss for Q1 2010 included acquisition costs associated with KUB-Gas and Triton Hydrocarbons of $732,318, interest on the convertible debentures of $1,502,964, stock based compensation of $530,025, foreign exchange losses of $103,773 and increased general and administration expense that relating to the purchase of Triton Hydrocarbons.

The net loss for Q4 2009 was higher than for Q3 2009 due to acquisition costs associated with KUB-Gas and Triton Hydrocarbons, interest on the convertible debentures, increased stock based compensation and increased general and administration expense that came along with the purchase of Triton Hydrocarbons.

The net loss for Q3 2009 was higher than Q2 2009 and Q1 2009 due to the acquisition costs associated with KUB-Gas and Triton Hydrocarbons, IPO costs and the interest expense on the convertible debenture.

In Q4 2008, the Company reclassified the unrealized loss of $7,968,130 on the investment in Jura shares from accumulated other comprehensive loss to the statement of operations. This was due to the overall negative market conditions and the sustained downward trend of the Jura stock price.

Capital Expenditures

During the nine month period ended September 30, 2010, the Company incurred $19,790,692 of exploration and evaluation expenditures. Of this amount:

- $2,263,179 related to costs incurred on Loon Latakia's working interest in Syria Block 9 primarily on seismic acquisition program and environmental impact assessment;
- $9,752,305 related to costs incurred on the Company's 40% working interest in Brunei on Block L primarily for drilling Lukut-1 and Lempuyang-1;
- $5,069,671 related to costs incurred on the Company's 36% working interest in Brunei on Block M for drilling costs of the Marwar-1 well and pre-drilling costs for Markisa-1;
- $1,716,927 related to costs incurred by KUB-Gas in Ukraine primarily for drilling the M-19 well; and
- $993,963 related to working capital changes related to exploration and evaluation assets.

During the nine month period ended September 30, 2010, the Company incurred $1,498,404 of property and equipment expenditures consisted of:

- $1,718,000 of oil and gas property expenditures in Ukraine; and
- $229,650 on office assets in Canada, Syria and Brunei.

Pursuant to the Triton Hydrocarbons acquisition agreements, the Company contributed $3,000,000 to Triton Petroleum after the IPO closed. The contribution was completed in June 2010 and 50% was allocated to the investment in Triton Petroleum and 50% was allocated to the Block M exploration and evaluation costs that were acquired as part of the Triton Hydrocarbons acquisition.

Debt and Convertible Debt

KI Convertible Debenture

	Face Value	Liability Component	Equity Component
Balance January 1, 2009	$ -	$ -	$ -
Issued	8,000,000	6,761,128	1,238,872
Related deferred tax effect	-	-	(346,883)
Accretion	-	511,101	-
Balance December 31, 2009	8,000,000	7,272,229	891,989
Issued	12,000,000	11,310,346	689,654
Converted	(20,000,000)	(20,000,000)	(1,388,537)
Related deferred tax effect	-	-	(193,106)
Accretion	-	1,417,425	-
Balance September 30, 2010	$ -	$ -	$ -

On September 9, 2009, the Company and KI finalized arrangements for KI to provide Kulczyk Oil with up to $8 million in funding to enable the Company to meet its financial commitments prior to the closing of the Offering. In connection with such arrangements, Kulczyk Oil issued an unsecured convertible debenture for a principal amount of up to $8 million to KI, scheduled to mature on August 31, 2010. Interest under the debenture was payable at a rate of 7.16% per annum, and was compounded semi-annually. Effective November 9, 2009, the debenture was amended to increase the principal amount available to $11 million from $8 million; all other terms and conditions remain unchanged. Effective January 10, 2010, the debenture was amended to increase the principal amount available to $20 million from $11 million; all other terms and conditions remain unchanged.

As at March 31, 2010, the Company had drawn the entire $20 million available under the terms of the convertible debenture. Of the $20 million outstanding under the debenture agreement, approximately $14.4 million was converted to 25 million common shares in June 2010. In July 2010, the remaining principal outstanding of approximately $5.6 million was converted to 10,086,842 shares and the interest accrued to the conversion date of $616,857 was paid in cash.

TIG Convertible Debenture

	Face Value	Liability Component	Equity Component
Balance January 1, 2009	$ -	$ -	$ -
Issued	10,010,000	7,010,000	3,000,000
Related deferred tax effect	-	-	(840,000)
Accretion	-	461,208	-
Balance December 31, 2009	10,010,000	7,471,208	2,160,000
Accretion	-	1,174,374	-
Balance September 30, 2010	$ 10,010,000	$ 8,645,582	$ 2,160,000
Accrued interest for the nine months ended September 30, 2010	$ -	$ 545,660	$ -

As consideration for the Triton Hydrocarbons acquisition, the former shareholders of Triton Hydrocarbons received an aggregate of 75,065,944 common shares of Kulczyk Oil (being 5.491 Kulczyk Oil shares for each ordinary share of Triton Hydrocarbons,) and 50% of the shares of Triton Petroleum. Upon the closing of the transaction, the Company issued the $10,010,000 TIG convertible secured debenture in exchange for the $10,010,000 in convertible notes which TIG previously held in Triton Hydrocarbons.

This convertible debenture is secured by a floating charge on all of the Company's present and after-acquired property bears interest at a rate of 7.16% which is compounded semi-annually and matures on August 12, 2011. The debenture is convertible to Kulczyk Oil common shares at $0.5767 per share. In September 2010, the Company paid $717,000 of interest in cash to the debenture holders.

Share Data

The Company is authorized to issue an unlimited number of common shares of which 391,885,549 common shares and 35,124,000 options to purchase common shares were outstanding as at September 30, 2010. As at November 10, 2010, 401,503,330 common shares were outstanding.

The Company is also authorized to issue an unlimited number of preferred shares. The Company issued 13,670,723 Series A Preferred Shares to former Triton Hydrocarbons shareholders in connection with the Triton Hydrocarbons Acquisition. All of the post acquisition re-structuring steps were completed in the second quarter of 2010, which resulted in all of the Series A Preferred Shares being redeemed and cancelled in exchange for 50% of the shares of Triton Petroleum.

The Company completed the IPO on May 22, 2010 which resulted in an additional 166,394,000 common shares being issued for gross proceeds of PLN 314,484,660 at PLN 1.89 per share (approximately $93 million at $0.56 per share). The Company's shares were listed for trading on the Warsaw Stock Exchange on May 25, 2010. In connection with the initial public offering, and in accordance with the underwriting agreement, an investment banker/broker retained 15% of the IPO funds for a period of 30 days from the first day of trading to be used for market stabilization transactions conducted in accordance with European Union regulations. Approximately 1.2 million Kulczyk Oil shares were purchased and were returned to the Company's treasury and cancelled. Unexpended IPO funds have been returned to the Company.
On May 25, 2010, the first day the Company's shares were traded on the Warsaw Stock Exchange, the parties to the KI debenture agreement agreed to convert approximately $14.4 million of principal outstanding under the debenture to 25.0 million shares. In July 2010, the remaining principal outstanding of approximately $5.6 million was converted into 10,086,842 shares and the interest accrued to the conversion date was paid in cash.

On September 30, 2010, 750,000 options were exercised at $0.12.

Summary of common shares outstanding:

	Number of Shares
Balance, January 1, 2009	125,425,605
Issued pursuant to acquisition of Triton	75,065,944
Balance, December 31, 2009	200,491,549
Issued pursuant to the Offering	166,394,000
Issued pursuant to the convertible debenture	25,000,000
Repurchased pursuant to stabilization activities	(1,219,061)
Balance, June 30, 2010	390,666,488
Issued pursuant to the exercise of option agreements resulting in the issuance of 750,000 common shares at $0.12 per share	750,000
Issued pursuant to the convertible debenture	10,086,842
Balance, September 30, 2010	401,503,330

KI's ownership at September 30, 2010 and November 10, 2010 was approximately 49.9% of the total number of Kulczyk Oil Shares issued and outstanding.

Other than the 75,065,944 shares and 13,670,723 Series A Preferred Shares issued to Triton Hydrocarbons shareholders in connection with the Triton Hydrocarbons Acquisition, none of the shares or Series A Preferred Shares issued by the Company in its last three financial years have been paid for with assets other than cash. There have been no in-kind contributions to the Company's share capital. The Series A Preferred Shares did not entitle their holders to a vote.

The following table summarizes information about common share purchase options outstanding and exercisable at September 30, 2010:

Options outstanding			Options exercisable	
Exercise price (US$)	*Options*	*Contractual life remaining, years (weighted average)*	*Options*	Exercise price (US$)
$ 0.16	700,000	0.3	700,000	$ 0.16
$ 0.19	100,000	0.3	100,000	$ 0.19
$ 0.53	500,000	0.8	500,000	$ 0.53
$ 0.73	1,930,000	1.1	1,930,000	$ 0.73
$ 0.73	2,460,000	1.8	2,460,000	$ 0.73
$ 0.42	475,000	3.0	475,000	$ 0.42
$ 0.49	75,000	3.4	75,000	$ 0.49
$ 0.47	1,660,000	3.6	1,660,000	$ 0.47
$ 0.54	210,000	0.3	210,000	$ 0.54
$ 0.69	11,180,000	4.0	3,726,667	$ 0.69
$ 0.62	15,834,000	4.7	5,278,000	$ 0.62
$ 0.63	35,124,000	3.8	17,114,667	$ 0.43 [1]

[1] The exercise price listed is the weighted average of all exercisable options

In the second quarter of 2010, the Company granted 15,834,000 share purchase options with an exercise price of US$0.62

per share to certain directors, officers, employees and consultants of Kulczyk Oil. These share purchase options have a five year term and will vest one-third immediately, and one-third per year on the anniversary of the grant date.

As at the date of issuing this report, the following are changes to executives and officers shares owned and options granted since December 31, 2009:

Name of Director/Executive Officer/Key Person	Options granted	Options exercised	Shares purchased
Jan J. Kulczyk (1)	510,000		117,097,424
Timothy M Elliott	3,000,000	300,000	783,870
Norman W. Holton	2,850,000	300,000	622,581
Manaj Narender Madnani	510,000		322,581
Michael A. McVea	-		50,000
Dariusz Mioduski	510,000		-
Jock M. Graham	2,850,000		322,581
Edwin A. Beaman	480,000	50,000	131,102
Paul H. Rose	510,000		243,307
Trent A. Rehill	1,020,000		170,315
Wayne H. Park	600,000		-
Jakub Korczak	900,000		-
Chris Flynn	1,020,000		-
	14,760,000	650,000	119,743,761

(1) Held through KI, of which Dr. Kulczyk is one of the ultimate beneficial owners. KI also converted $20 million in debentures into 35,086,842 shares during the current year.

Financial Instruments

The Company as part of its operations carries a number of financial instruments including cash and short-term deposits, restricted cash, accounts receivable, investments, accounts payable and accrued liabilities and convertible debentures. The Company is exposed to the following risks related to its financial assets and liabilities:

Interest rate risk

The Company maintains its cash and cash equivalents and restricted cash in instruments that are redeemable at any time without penalty, thereby reducing its exposure to interest rate fluctuations thereon. Interest rate risks on the Company's obligations are not considered material because the costs on the convertible debentures are fixed.

Credit risk

The Company's cash and cash equivalents and restricted cash are held with major financial institutions. Management monitors credit risk by reviewing the credit quality of the financial institutions that hold the cash, cash equivalents and restricted cash.

Accounts receivable as at September 30, 2010 include $4.2 million due from MENA with the balance of accounts receivable consisting predominately of receivables from joint venture partners that are anticipated to be applied against future capital expenditures. In addition, the Company has receivables pertaining to the sales of its production in Ukraine, commodity taxes recoverable from the federal government of Canada and interest earned on restricted cash deposits for which credit risk is assessed as being low.

In Ukraine, credit evaluations are performed on customers requiring credit over a certain amount. The Company does not require collateral in respect of financial assets. Management believes that the Company's exposure to the Ukrainian credit risk is not significant, as the gas sold under contract is paid for at the beginning of each month and therefore prior to the gas being delivered to the customer.

Management has no formal credit policy in place for customers outside the Ukraine and the exposure to credit risk is approved and monitored on an ongoing basis individually for all significant customers.

The maximum exposure to credit risk is represented by the carrying amount of each financial asset in the balance sheet.

Market risk

The Company is exposed to risks arising from fluctuations in currency exchange rates between the Canadian dollar, Australian dollar, Polish zloty, Ukraine Hryvnia and the United States dollar. At December 31, 2009, the Company's primary currency exposure related to Canadian dollar denominated working capital and cash balances. At September 30, 2010 the Company's primary currency exposure related to Canadian dollar ("CDN"), Ukraine Hryvnia ("UAH") and Polish Zloty ("PLN").

	September 30, 2010			December 31, 2009
	CDN	UAH	PLN	CDN
Cash and cash equivalents	$ 204,161	$ 1,017,123	$ 1,034,767	$ 105,340
Accounts receivable	109,642	253,996	-	147,199
Prepaid expenses and other current assets	-	235,789	-	39,000
Accounts payable and accrued liabilities	(2,081,392)	(1,354,394)	(116,832)	(137,805)
Net foreign exchange exposure	$ (1,767,589)	$ 152,514	$ 917,935	$ 153,734
Foreign exchange rate to USD	$ 1.0290	$ 8.0408	$ 0.3506	$ 1.0510

For the nine months ended September 30, 2010 and 2009, based on the net foreign exchange exposure at the end of the period, if the Canadian dollar had strengthened or weakened by 10% compared to the U.S. dollar and all other variables were held constant, the after tax net loss would have decreased or increased by approximately $177,000 respectively. For the nine months ended September 30, 2010 and 2009, based on the net foreign exchange exposure at the end of the period, if the Polish Zloty had strengthened or weakened by 10% compared to the U.S. dollar and all other variables were held constant, the after tax net loss would have decreased or increased by approximately $92,000, respectively. Earnings are not impacted by fluctuations in the Ukraine Hryvnia as translation gains and losses are included in other comprehensive income/(loss).

For the nine months ended September 30, 2010, if the value of Jura Energy Corporation shares had been 10% higher, the impact would have been a $15,267 (September 30, 2009 - $21,350) reduction in the loss recorded in the statement of operations. If the share price had been 10% lower, the same amount would have increased the net loss.

For the nine months ended September 30, 2010, if the value of Karl Thompson shares had been 10% higher, the impact would have been a $23,897 (September 30, 2009 - $17,356) reduction in the loss recorded in the statement of operations. If the share price had been 10% lower, the same amount would have increased the net loss.

Fair value

The carrying value of the Company's financial assets and liabilities, except for its investments in Jura Energy Corporation and Karl Thomson Holdings Ltd. and the convertible debentures, approximate their fair values due to their demand nature or because of their relatively short term to maturity. The investments in Jura and Karl Thomson Holdings Ltd are recorded at fair value based on the quoted market prices for the shares. The fair value of the convertible debentures approximate their carrying value, including the value attributed to the equity components thereof, at September 30, 2010 due to the proximity of the issuance date to the end of the period.

Related Party Transactions

The Company provides financial and accounting services pursuant to a shared services agreement to Jura, a public company in which the Company owns 6.4% of the outstanding common shares. For the three months ended September 30, 2010, the Company charged fees and associated costs totalling $23,945. For the nine months ended September 30, 2010, the Company charged fees and associated costs to Jura totalling $71,837 to Jura. At September 30, 2010, $nil (September 30, 2009 – $nil) was due from Jura and included in accounts receivable on the consolidated balance sheet. Prior to November 2009 Jura provided those services to the Company. For the three months ended September 30, 2009, the fees charged by Jura totalled $58,153. For the nine months ended September 30, 2009, the fees charged by Jura totalled $112,595 and at December 31, 2009 the Company owed $13,121 to Jura. Two directors of the Company, Timothy M. Elliott and Norman W. Holton, are directors of Jura and Paul H. Rose, Chief Financial Officer of the Company is also the Chief Financial Officer of Jura.

Nemmoco Petroleum Corporation ("**Nemmoco**"), a private company of which 37.5% is owned by Timothy M. Elliott, an officer and director of the Company, provides certain personnel and general, accounting and administrative services to the Company at its offices in Dubai on a cost sharing basis. For the nine months ended September 30, 2010, the fees totalled $392,274 (September 30, 2009: $257,400). There were no amounts due to Nemmoco in relation to these administrative services at September 30, 2010 or December 31, 2009.

The Company remains legally responsible for a guarantee issued in August 2007 (the "**Loon Guarantee**") to the Government of Peru regarding the granting of a license contract to a former subsidiary company, Loon Peru Limited. Loon Energy Corporation ("**Loon Energy**"), the parent Company of Loon Peru Limited, has begun the process to replace the Loon Guarantee. This process requires the formal approval of the Government of Peru which has not yet been obtained.

Loon Energy and the Company have entered into an indemnification agreement in respect of the Loon Guarantee. Loon Energy announced on October 25, 2010 that it will not proceed to the second exploration stage and therefore the maximum liability to the Company that may arise from the Loon Guarantee is based on the minimum work obligation for the first exploration phase. The first exploration minimum work program has been completed and the Company does not have a material exposure to the guarantee.

Loon Energy has no employees, and management and administrative services are provided by the management and staff of Kulczyk Oil. For the three months ended September 30, 2010, these fees totalled $2,895. for the nine months ended September 30, 2010, these fees totalled $8,686. At September 30, 2010, Loon Energy owed $nil (December 31, 2009 – $ nil) to Kulczyk Oil for these services. Certain expenditures of Loon Energy are paid for by Kulczyk Oil and as at September 30, 2010 Loon Energy owed $nil (December 31, 2009 – $28,382) for these costs. Kulczyk Oil and Loon Energy are related as they have common directors and officers and the same principal shareholder.

The Company paid a $450,000 fee to KI for its assistance with the KUB-Gas acquisition.

The above related party transactions were at exchange amounts agreed to by both parties which approximate fair value.

Liquidity and Capital Resources

The Company monitors its liquidity position regularly to assess whether it has funds necessary to complete planned exploration commitments on its petroleum and natural gas properties or that viable options are available to fund such commitments from new equity issuances or alternative sources of financing such as farm-out agreements. However, as an exploration company at an early stage of development without sufficient internally generated cash flow to completely fund the Company's exploration and development projects, there are inherent liquidity risks, including the possibility that additional financing may not be available to the Company, or that actual exploration expenditures may exceed those planned. Accordingly operating cash flow has historically, and continues to be negative, and consists of expenses incurred in the normal course of the Company's ongoing operating activities. Economic factors affecting the Company's cash flow required for operations and for investments in accordance with the Company's consolidated statement of cash flows include fluctuations in foreign currency exchange rates. To date, the Company has raised equity funds denominated in Canadian dollars and Polish Zlotys, however exploration expenditures are incurred primarily in United States dollars, and therefore currency exchange rates have an ongoing impact on the Company's cash flows. Fluctuations in foreign currency exchange rates between United States dollars and Canadian dollars and the Polish Zloty resulted in a realized foreign exchange loss of $546,311 for the nine month period ended September 30, 2010. The Company also has debt consisting of one convertible debenture, however the interest rates on the debenture is fixed and will therefore not be affected by changes in prevailing rates.

Alternatives available to the Company to manage its liquidity risk include deferring planned capital expenditures that exceed amounts required by work programmes to retain concession licences, farm out arrangements and seeking new equity capital.

The Company had working capital of $17,117,067 at September 30, 2010 (December 31, 2009: deficiency of $9,998,867) with an additional $4.7 million posted as cash security for a bank guarantee related to Syria (December 31, 2009: $6.8 million). Included in the working capital at September 30, 2010 is the balance outstanding under the KI debenture of $nil million (December 31, 2009: $7.3 million) and the TIG debenture of $8.6 million. IFRS requires the balance of the TIG convertible debenture outstanding at September 30, 2010 to be included in current liabilities, as upon maturity, assuming the debt is not converted to common shares, the holder has the option to elect settlement in cash or conversion to common shares. On July 8, 2010, the remaining principal outstanding of the KI debenture of approximately $5.6 million was converted to 10,082,842 shares and the interest accrued to the conversion date was paid in cash.

On an ongoing basis, the Company may utilize various sources of funding to finance its capital expenditure program: internally generated funds, farm-out arrangements, debt where appropriate, new equity issues if available on favourable terms, and asset sales. The Company's capital and operating expenditures incurred to date have been funded predominantly through issuances of equity, and more recently, through debt provided by convertible debentures and the Mena farm-out agreement. Future borrowing requirements will be assessed on an ongoing basis, however the Company, as of September 30, 2010, has no plans to increase long-term indebtedness. When financing corporate acquisitions, the Company may also assume certain future liabilities. Equity funds raised by the Company are transferred to operating subsidiaries to fund operating activities and capital expenditures when required; there have been no legal or economic restrictions experienced by the Company to date for such cash transfers. There are no restrictions on the use of the Company's capital resources that could materially affect, directly or indirectly, its operations or activities, and the Company has no covenants to debt agreements which could restrict its operations or activities.

KOV's investment policy for cash that is surplus to immediate requirements is premised on security and the preservation of capital, and accordingly is to invest such funds in instruments issued by major chartered banks that are rated "triple A", or its equivalent by independent rating agencies.

Working Capital Statement

The Company has consolidated working capital of $17,117,067 as at September 30, 2010.

The Company believes that its cash resources at September 30, 2010 may not be sufficient to finance current operations and planned capital spending anticipated for the next twelve months, and therefore additional funding may be required. The Company's current capital planning contemplates the pursuit of additional farm-out opportunities to raise cash and reduce capital expenditure requirements, debt facilities, and the raising of further equity in 2011 depending on market conditions.

The Company's strategic plans from the date of commencement of activities in the international oil and gas business have been to rely on regular injections of new equity to fund its operations and capital expenditure programs. The Company has successfully raised new equity when required in the past, and intends to raise new equity in the future. When additional cash is required, further equity raising alternatives will be pursued. To bridge the period of time until new equity funds are raised, such measures as the reduction or deferral of currently planned capital expenditures and/or asset sales may be evaluated and implemented as required.

Commitments

Brunei Block L

The Brunei Block L PSA provides for an exploration period of six years from the date of the Brunei Block L PSA divided into two phases, Phase 1 and Phase 2, each of which was initially for a period of three years. In October 2008, a formal request was submitted to PetroleumBRUNEI for an extension of the term of Phase 1 by one year to August 27, 2010 with a corresponding decrease of one year to Phase 2. An amendment to the PSA dated July 16, 2009 providing for the extension to Phase 1 was then executed by all parties.

The work commitment for Phase 1 under the Block L PSA consists of reprocessing all existing seismic data (to the extent that it is capable of being reprocessed), acquiring 350 km^2 of 3D seismic, drilling 2 wells each to a depth of at least 2000 metres and conducting $4.5 million of additional work, which is to be agreed with PetroleumBRUNEI. The consequent minimum expenditure requirement specified in the PSA for the Phase 1 exploration period increased from $20.5 million to $25.0 million.

In August 2010, the Company and its joint venture partners elected to proceed with the Phase 2 exploration period. The minimum work obligations for Phase 2 include (i) acquire and process not less than 500 km of onshore 2D seismic data and 500 km of offshore 2D seismic data, (ii) acquire and process not less than 150 km^2 of offshore 3D seismic data and (iii) drill at least two onshore exploration wells, each to a minimum depth of 2,020 metres. The Block L joint venture parties are required to spend a minimum of $16 million during Phase 2. Phase 2 continues until August 27, 2012.

As at September 30, 2010, all existing seismic data has been reprocessed and the 3D seismic obligation for Phase 1 has been fulfilled. On December 8, 2009 two exploration well sites were chosen and the first exploratory well, Lukut-1, commenced drilling on May 1, 2010. The well reached its targeted depth of 2,150 metres on May 31, 2010 and continued drilling to 2,336 metres after the joint venture partners decided to deepen the well to assess a deeper zone. Drilling of the second Block L well, Lempuyang-1, commenced on July 16, 2010, and has reached its targeted depth of 3,220 metres. Both Lukut-1 and Lempuyang-1 encountered hydrocarbons and testing of both wells is expected to commence in late Q4 2010 or early Q1 2011. The amount of future capital expenditures cannot be determined at present as it will depend on the results of the testing. The joint venture partnership has initiated an airborne gravity and aeromagnetic survey in the third quarter of 2010.

As at September 30, 2010, approximately $44.8 million in expenditures have been incurred by the Contractor in meeting its work commitments, and pursuant to the Option Agreement, AED funded 100% of the first $21.7 million in Phase 1 costs incurred. The Company funded 50% of all expenditures between $21.7 million and $25 million and is funding 40% of all expenditures thereafter. As at September 30, 2010, the Company has spent $16.0 million for its share of expenditures on Block L.

Pursuant to an agreement reached to settle a legal challenge to the Company's title under the PSA, the Company agreed to pay a maximum of $3.5 million out of 10% of its share of profit oil as defined in the Brunei PSA which has not been accrued in these financial statements.

Brunei Block M

The Block M Exploration period is 6 years from the date of the Brunei Block M PSA, August 27, 2006, and is divided into Phase 1 (five years) and Phase 2 (two years) which may run concurrently. The Company and its partners in Block M must perform the following minimum work obligations by the expiry of Phase 1: (i) re-process at least 1,378 kilometres of seismic data to the extent that the data is capable of being reprocessed; (ii) acquire and process not less than 200 kilometres of 2D seismic data; (iii) acquire and process not less than 200 km^2 of 3D seismic data; and (iv) drill at least two wells, each to a minimum depth of 1,150 metres. Pursuant to an extension agreement, the Company and its partners in Block M must drill an additional well to a minimum depth of 2,000 metres in Phase 1. The work commitments for Block M parties require a minimum expenditure of US$12.525 million during Phase 1.

On August 26, 2010 the first exploratory well, Mawar-1, commenced drilling and reached its targeted depth of 1,292 metres. On September 27, 2010 the Markisa-1 well commenced drilling and reached its targeted depth of 1,300 metres on October 12, 2010. Both Mawar-1 and Markisa-1 encountered hydrocarbons and testing of both wells is expected to commence in Q1 2011. The amount of future capital expenditures cannot be determined at present as it will depend on the results of the testing. The 2010 work program is currently budgeted at $38.3 million of which the Company's share would be $13.8 million.

The acquisition of 140 kilometres of 2D seismic data and 82 $kilometres^2$ of 3D seismic data remains outstanding for the Phase 1 seismic commitments. The Company announced on July 15, 2010 that field operations have commenced for a 136 $kilometres^2$ 3D seismic survey in the northern part of Block M. As at September 30, 2010, approximately $30.2 million in expenditures have been incurred by the Contractor in meeting its work commitments. Since acquiring Triton Hydrocarbons, the Company has spent $4.4 million.

Before January 27, 2011, the Company and its partners must decide whether or not to elect to move to Phase 2, which would require a minimum work commitment to be completed by August 27, 2012 of: (i) acquiring and processing not less than 80 kilometres of 2D seismic data; and (ii) drilling at least three wells, each to a minimum depth of 1,150 metres. The work commitments for Block M parties require a minimum expenditure of US$7.325 million during Phase 2. The Company's share of the minimum spend is $2.637 million plus an obligation under a farm-in agreement to fund an additional 4% ($293,000) towards a partner's share of expenditures.

Syria

Under the terms of the Block 9 PSC, the Company has a first phase exploration period of four years during which it has committed to acquire and process 600 line km of 2D seismic and drill two exploration wells. The Syrian Petroleum Corporation ('**SPC**') has confirmed its agreement to the Company's request to replace the 2D seismic acquisition commitment with the acquisition of 350 km^2 of 3D seismic which was shot during the first nine months of 2010. Management presently expects to expend up to $12.6 million during 2010 to complete the acquisition, processing and interpretation of 3D seismic data. The Company expects that drilling of the first of two exploratory wells will commence in the first half of 2011, and will finalize the expenditures that may be required therefore once potential well locations and depths are selected based on evaluation of the seismic program.

In connection with the Triton Hydrocarbons acquisition, and as part of the consideration payable, Kulczyk Oil also agreed to cause Loon Latakia to hold a 20% beneficial interest in Syria Block 9 for Triton Petroleum and will submit a request to the Syrian government for its consent to assign such interest to Triton Petroleum. On September 1, 2010 the Company agreed to assign a 30% ownership in Syria Block 9 to Mena as part of the farm-out agreement. The Company's share of work commitments funding is now 50% through Loon Latakia.

The 2010 work program is currently budgeted at $22.3 million of which the Company's share would be $11.2 million. The seismic acquisition program was completed in the second quarter of 2010. As at September 30, 2010, the Company has incurred costs of approximately $7.8 million in Syria on Block 9.

Ukraine

The Company has an obligation to make certain capital expenditures to comply with the Ukrainian exploration license requirements. Under these license maintenance commitments the Company is required to commit seismic, geophysical, exploratory drilling works on licensed fields according to the capital expenditure programmes. Although these commitments are not binding and may be modified based on results of exploration works, the Company's potential capital expenditures relating to qualifying activities on gas and gas condensate fields may reach $36.3 million (UAH 291,200 thousand) during 2010 to 2014. Justified deviation from the capital expenditures committed is permitted and should be agreed with the licensor, while failure to commit exploration works and substantiate the different capital expenditure schedule may result in termination of the license.

Office Space

The Company has a lease agreement for office space in Calgary, Canada which expires on October 31, 2014. The commitment is approximately $125,000 per year for the term of the lease.

Forward Looking Statements

This MD&A contains forward-looking statements. These statements relate to future events or future performance of the Company. When used in this MD&A, the words "may", "would", "could", "will", "intend", "plan", "anticipate", "believe", "estimate", "predict", "seek", "propose", "expect", "potential", "continue", and similar expressions, are intended to identify forward-looking statements. These statements involve known and unknown risks, uncertainties, and other factors that may cause actual results or events to differ materially from those anticipated in such forward-looking statements. Such statements reflect the Company's current views with respect to certain events, and are subject to certain risks, uncertainties and assumptions. Many factors could cause the Company's actual results, performance, or achievements to vary from those described in this MD&A. Should one or more of these risks or uncertainties materialize, or should assumptions underlying forward-looking statements prove incorrect, actual results may vary materially from those described in this MD&A as intended, planned, anticipated, believed, estimated, or expected.

Specific forward-looking statements in this MD&A, among others, include statements pertaining to the following:

- factors upon which the Company will decide whether or not to undertake a specific course of action;
- world-wide supply and demand for petroleum products;
- expectations regarding the Company's ability to raise capital;
- treatment under governmental regulatory regimes; and
- commodity prices.

With respect to forward-looking statements in this MD&A, the Company has made assumptions, regarding, among other things:

- the impact of increasing competition;
- the ability of partners to satisfy their obligations;
- the Company's ability to obtain additional financing on satisfactory terms;
- the Company's ability to attract and retain qualified personnel; and
- the Company's ability to realize the anticipated benefits of the Triton Hydrocarbons and KUB-Gas acquisitions;

The Company's actual results could differ materially from those anticipated in these forward-looking statements as a result of the risk factors set forth below and elsewhere in this MD&A:

- general economic conditions;
- volatility in global market prices for oil and natural gas;
- competition;
- liabilities and risks, including environmental liability and risks, inherent in oil and gas operations;
- the availability of capital; and
- alternatives to and changing demand for petroleum products.

Furthermore, statements relating to "reserves" or "resources" are deemed to be forward-looking statements, as they involve the implied assessment, based on certain estimates and assumptions, that the resources and reserves described can be profitable in the future.

The forward–looking statements contained in this MD&A are expressly qualified in their entirety by this cautionary statement. These statements speak only as of the date of this MD&A.

Critical Accounting Estimates

The preparation of financial statements in conformity with IFRS requires management to make judgements, estimates and assumption that affect the application of accounting policies and the reporting amounts of assets, liabilities, income and expenses. Actual results could differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in any future periods affected.

Information about significant areas of estimation uncertainty and critical judgements in applying accounting policies that have the most significant effect on the amounts recognized in the interim consolidated financial statements is included in the following notes to those interim consolidated financial statements:

- Note 12 – valuation of exploration and evaluation assets
- Note 13 and 14 – acquisitions
- Note 16 – convertible debentures; allocation of proceeds between debt and equity
- Note 18 – measurement of share based payments

- Note 23 – deferred taxes

Change in Accounting Policies

International Financial Reporting Standards

Management of Kulczyk Oil determined that it would be beneficial to the shareholders and users of the Company's financial statements to early adopt IFRS effective January 1, 2010. The main benefits from adoption of IFRS in 2010 include:

- Considerable resources were expended to identify differences between Canadian GAAP and IFRS in the Polish IPO prospectus. Early adoption of IFRS would eliminate the confusion that Canadian GAAP creates in our principal trading market;
- The Company has a significant shareholder base in Europe that are focused on IFRS – early conversion would benefit these users;
- Canadian GAAP is not well known internationally as compared to IFRS and with the Company's focus on international markets, conversion to IFRS will benefit the Company and its users; and
- Equity financings are being completed in markets that have or are in the process of converting to IFRS therefore completion of IFRS financial statements will assist in the equity offering process.

As required by the Canadian Securities Administrators, the Company made a formal application to early adopt IFRS effective January 1, 2010. The early adoption application was granted May 19, 2010. The Company has early adopted IFRS on January 1, 2010 with a transition date of January 1, 2009. Under IFRS 1 'First time Adoption of International Financial Reporting Standards', the IFRS are applied retrospectively at the transition date with adjustments to assets and liabilities as stated under GAAP generally included in retained earnings.

IFRS employs a conceptual framework that is similar to Canadian GAAP. While the adoption of IFRS has not changed the actual cash flows of the Company, the adoption has resulted in significant changes to the reported financial position and results of operations of the Company. The key areas impacted at adoption and during 2009 are summarized below.

Impact at Adoption

IFRS adoption election for oil and gas entities – management applied the IFRS 1 election whereby property, plant and equipment ("PP&E") was allocated to exploration and evaluation assets ("E&E") and development assets (those assets included in cash generating units) based on their carrying amount under Canadian GAAP as at January 1, 2009. As the Company's oil and gas assets did not have any proven or probable reserves as at December 31, 2008, the impact of IFRS on PP&E was limited to the impairment of pre-acquisition costs. These adjustments reduced PP&E and increased the deficit by approximately $0.6 million as at January 1, 2009.

An IFRS 1 election was also applied to the cumulative balance of foreign currency translation differences the Company had recorded as part of accumulated other comprehensive loss as at December 31, 2008. IFRS 1 allows management to elect to deem these differences to be zero as at January 1, 2009 and reclassify amounts recorded at the transition date to retained earnings. This election resulted in accumulated other comprehensive loss being reduced by the entire $2.1 million balance as at December 31, 2008. The deficit increased by $2.1 million.

The impact of IFRS on stock based compensation expense for outstanding stock options was not significant due to the majority of options being vested as at December 31, 2008.

There were no other significant adjustments to the January 1, 2009 opening IFRS balance sheet.

Impact on fiscal 2009 financial results

Property, plant and equipment – the carrying value of Company's undeveloped properties were considered E&E assets under IFRS. IFRS permits an entity to elect the level at which E&E assets will be tested for impairment while in the E&E

stage. E&E assets can be tested for impairment at a granular level or aggregated up to the level of an operating segment. Management has determined it will continue to assess E&E assets under IFRS at the same level as under Canadian GAAP. Under Canadian GAAP, the Company assesses its undeveloped properties for impairment at the level of an oil and gas concession (i.e. Brunei Block M, Brunei Block L and Syria Block 9). Due to the pre-production stage of the oil and gas assets no significant differences arose between the carrying value of PP&E during 2009 under Canadian GAAP versus IFRS, except for the impact on the acquisition of Triton Hydrocarbons as discussed below.

In September 2009 the Company acquired 100% of the shares of Triton Hydrocarbons. In accordance with Canadian GAAP the acquisition resulted in the recognition of a future income tax liability of $66,200,080 with a corresponding increase to PP&E at the date of the acquisition. This acquisition does not meet the definition of a business under IFRS 3 and is accounted for as an asset acquisition versus a business combination. Under IFRS, when assets are acquired in other than a business combination, future income tax liabilities on the acquired assets are not recognized. Therefore under IFRS, the Company did not recognize the $66,200,080 future income tax liability recorded under Canadian GAAP on the Triton Hydrocarbons acquisition. Under IFRS a corresponding decrease in PP&E was recorded.

Convertible debentures – IFRS and Canadian GAAP have a similar methodology for accounting for convertible debentures (i.e. split the convertible debenture between its debt and equity components). However, under IFRS a deferred tax liability arises on the equity component. Therefore, the Company recognized a $1,186,884 deferred tax liability on the issuance of convertible debentures with a corresponding reduction to the equity component. The Company then recognized a reduction in the valuation allowances and a corresponding deferred tax recovery in net income.

Impact on the three and nine month periods ended September 30, 2009 financial results

Property, plant and equipment – the carrying value of Company's undeveloped properties were considered E&E assets under IFRS. IFRS permits an entity to elect the level at which E&E assets will be tested for impairment while in the E&E stage. E&E assets can be tested for impairment at a granular level or aggregated up to the level of an operating segment. Management has determined it will continue to assess E&E assets under IFRS at the same level as under Canadian GAAP. Under Canadian GAAP, the Company assesses its undeveloped properties for impairment at the level of an oil and gas concession (i.e. Brunei Block M, Brunei Block L and Syria Block 9). Due to the pre-exploration stage of certain oil and gas assets, pre-acquisition costs of $nil in the three months ended September 30, 2009 and $0.3 million in the nine months ended September 30, 2009 reduced PP&E and increased general and administrative expenses.

Investments – the change in the fair value of the Company's investment in Jura were reclassified from other comprehensive to the net loss resulting in the net loss increasing in the three months ended September 30, 2009 by $0.3 million and decreasing the net loss in nine months ended September 30, 2009 by approximately $0.1 million.

Disclosure Controls and Procedures, and Internal Controls over Financial Reporting

The preparation of this MD&A is supported by a set of disclosure controls and procedures as at September 30, 2010. Disclosure controls and procedures ("**DC&P**") and internal controls over financial reporting ("**ICFR**") have been designed to provide reasonable assurance that material information required to be disclosed by the Company is accumulated, appropriately processed and communicated to the Company's management to allow timely decisions regarding and preparation of required disclosures. The Company's design of DC&P and ICFR presently excludes controls, policies and procedures for KUB-Gas, as the acquisition of KUB-Gas closed less than 365 days from the end of the current financial period. Current securities policies in Canada require that management of the Company certifies that it has assessed the effectiveness of the Company's disclosure controls and procedures at every interim and annual period.

The Company's Chief Executive Officer and Chief Financial Officer believe that the Company's DC&P and ICFR provide a reasonable level of assurance that they are effective, however they do not expect that the DC&P and ICFR will prevent all errors and/or fraud. Management has concluded that the DC&P and ICFR as at September 30, 2010 were effective in ensuring that all material information required to be filed had been provided to it in a timely manner, and that the information was recorded, processed and reported within the time period necessary to prepare the filings. The board of directors, through its Audit Committee, is responsible for ensuring that management fulfils its responsibilities for financial reporting and internal control. The Audit Committee meets at least annually with the Company's external auditors to review accounting, internal control, financial reporting, and audit matters.

Approval

The Company's Board of Directors has approved the disclosure contained within this MD&A.

Additional Information

Additional information regarding Kulczyk Oil and its business and operations is available at **www.sedar.com**. Information is also accessible on the Company's website at **www.kulczykoilventures.com**. Copies of the information can also be obtained by contacting the Company at Kulczyk Oil Ventures Inc., 1170, 700 – 4th Avenue S.W., Calgary, Alberta T2P 3J4 (Phone: +1 403 264-8877) or by e-mail at **ryaniw@kulczykoil.com**.