GREENFIELDS PETROLEUM
CORPORATION

Consolidated Financial Statements

For the years ended
December 31, 2014 and 2013

Calvetti Ferguson
Advising beyond Accounting

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INDEPENDENT AUDITORS' REPORT

To the Shareholders of Greenfields Petroleum Corporation

We have audited the accompanying consolidated financial statements of Greenfields Petroleum Corporation and Subsidiaries ("Greenfields") which comprise the consolidated statements of financial position as of December 31, 2014 and 2013, and the statements of net loss, comprehensive loss, changes in equity, and cash flows for the years then ended, and notes, comprising a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board, and for such internal control as Management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

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

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

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

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Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the consolidated financial position of Greenfields as at December 31, 2014 and 2013, and the results of its consolidated operations and its consolidated cash flows for the years then ended in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board.

Emphasis of Matters

Without qualifying our opinion, we draw attention to Note 2 in the consolidated financial statements which indicates the existence of material uncertainties that cast significant doubt about the Company's ability to continue as a going concern.

As discussed in Note 1 to the financial statements, on January 1, 2013, Greenfields changed its accounting for its interest in a joint venture from proportionately consolidated to the equity method of accounting. This was required under IFRS 11, "Joint Arrangements", issued on May 12, 2011, which replaces IAS 31, "Interest in Joint Ventures". The standard is effective for annual periods beginning on or after January 1, 2013 with retrospective application from the date of earliest period presented which is January 1, 2012.

Calvetti Ferguson

Calvetti Ferguson
Certified Public Accountants
Houston, Texas
April 30, 2015

GREENFIELDS PETROLEUM CORPORATION
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
US$000's

	Notes	As at December 31, 2014	As at December 31, 2013
Assets			
Current Assets			
Cash and cash equivalents		736	3,068
Accounts receivable related party	5	1,763	367
Short term loans receivable related party	6	20,040	-
Other receivables		20	11
Prepaid expenses and deposits	7	493	701
		23,052	4,147
Non-Current Assets			
Investment in joint venture	8	59,105	45,084
Property and equipment		35	106
		82,192	49,337
Liabilities and Equity			
Current Liabilities			
Accounts payable and accrued liabilities	9	2,062	2,413
Short term loan	10	22,456	-
		24,518	2,413
Non-current Liabilities			
Long term loan	11	19,466	2,739
Convertible Debentures	12	16,713	18,284
		36,179	21,023
Shareholders' Equity	13		
Common shares		20	20
Paid in capital		74,912	72,410
Share-based payments reserve	14	5,263	4,847
Deficit		(58,700)	(51,376)
Total Shareholders' Equity		21,495	25,901
(Basis of presentation and going concern – Note 2 and Commitments and contingencies – Note 19)		82,192	49,337

The accompanying notes are an integral part of these consolidated financial statements

(signed) "John W. Harkins"
John W. Harkins
Director

(signed) "Gerald F. Clark"
Gerald F. Clark
Director

GREENFIELDS PETROLEUM CORPORATION
CONSOLIDATED STATEMENTS OF NET LOSS
US$000's except per share amounts

	Years Ended December 31,	
	2014	2013
Revenues		
Management service fees	2,044	2,432
Expenses		
Administrative	7,471	8,091
Depreciation and amortization	71	96
	7,542	8,187
Loss from operating activities	(5,498)	(5,755)
Gain on sale of investments	(16)	-
Income on investment in joint venture *(Note 8)*	(3,270)	(2,428)
Dividends, interest and other income *(Note 15)*	(1,608)	(46)
Interest expense *(Note 15)*	9,462	3,265
Foreign exchange gains	(1,497)	(1,252)
Change in fair value of derivative liability *(Note 12)*	(1,245)	(2,016)
Loss before income taxes	(7,324)	(3,278)
Net Loss	(7,324)	(3,278)
Per share		
Net loss per share, basic and diluted *(Note 13)*	($0.37)	($0.19)

CONSOLIDATED STATEMENTS OF COMPREHENSIVE LOSS
US$000's

	Years Ended December 31,	
	2014	2013
Net Loss	(7,324)	(3,278)
Loss arising from revaluation of available for sale financial assets during the year	-	(11)
Total comprehensive loss	(7,324)	(3,289)

The accompanying notes are an integral part of these consolidated financial statements

GREENFIELDS PETROLEUM CORPORATION
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
US$000's

	Years Ended December 31, 2014	2013
Common shares *(Note 13)*		
Balance, beginning of year	20	16
Issuance of common shares	-	4
Balance, end of year	20	20
Paid in capital		
Balance, beginning of year	72,410	61,519
Shares issued pursuant to private &public placements	-	8,975
Repurchase of common shares	(160)	(92)
Shares issued - long term loan	1,625	1,873
Share issue costs	-	(366)
Share-based payments	1,037	501
Balance, end of year	74,912	72,410
Share-based payments reserve *(Note 14)*		
Balance, beginning of year	4,847	4,337
Share-based payments	416	510
Balance, end of year	5,263	4,847
Deficit		
Balance, beginning of year	(51,376)	(48,098)
Net loss	(7,324)	(3,278)
Balance, end of year	(58,700)	(51,376)
Accumulated Other Comprehensive Income		
Balance, beginning of year	-	11
Unrealized gain on short term investments	-	(11)
Balance, end of year	-	-
Total Shareholders' Equity	21,495	25,901

The accompanying notes are an integral part of these consolidated financial statements

GREENFIELDS PETROLEUM CORPORATION
CONSOLIDATED STATEMENTS OF CASH FLOWS
US$000's

	Years Ended December 31,	
	2014	2013
Operating Activities		
Loss before income taxes	(7,324)	(3,278)
Items not affecting cash:		
Share-based compensation *(Note 14)*	1,453	1,011
Depreciation and amortization	71	96
Income on investment in joint venture *(Note 8)*	(3,270)	(2,428)
Dividends, interest and other income *(Note 15)*	(1,608)	(35)
Interest expense *(Note 15)*	9,462	3,265
Unrealized foreign exchange gains	(1,493)	(1,223)
Gains from changes in fair value of derivative liability *(Note 12)*	(1,245)	(2,016)
Cash used in operating activities before changes in non-cash working capital	(3,954)	(4,608)
Change in non-cash operating working capital *(Note 16)*	(2,098)	3,748
Cash Used in Operating Activities	(6,052)	(860)
Financing Activities		
Proceeds from issue of common shares, net of agent fees	-	8,978
Deferred share issue costs	-	(366)
Proceeds from long term loan, net of structuring fees *(Note 10)*	19,500	4,875
Long term loan transaction costs	(245)	(437)
Proceeds from long term loan *(Note 11)*	18,492	-
Cash interest paid on convertible debentures and loans	(4,646)	(2,124)
Repurchase of common shares	(160)	(92)
Change in non-cash working capital *(Note 16)*	-	69
Cash From Financing Activities	32,941	10,903
Investing Activities		
Property and equipment	-	(7)
Investment in joint venture *(Note 8)*	(10,752)	(21,145)
Short term loans to related party *(Note 10)*	(18,432)	-
Short term investments	-	1,693
Cash interest received	-	32
Dividends from equity investment	-	19
Cash Used in Investing activities	(29,184)	(19,408)
Effect of exchange rates on changes on cash	(37)	29
Decrease in Cash and Cash Equivalents	(2,332)	(9,336)
Cash and Cash Equivalents, beginning of year	3,068	12,404
Cash and Cash Equivalents, end of year	736	3,068

The accompanying notes are an integral part of these consolidated financial statements

1. INCORPORATION AND NATURE OF OPERATIONS

Greenfields Petroleum Corporation ("**Greenfields**" or the "**Company**"), incorporated in the Cayman Islands, is a junior oil and natural gas exploration and development corporation focused on the development and production of proven oil and gas reserves principally in the Republic of Azerbaijan ("**Azerbaijan**"). The head office of the Company is located at 211 Highland Cross Drive, Suite 227, Houston, Texas, 77073, U.S.A., and the registered office is located at 190 Elgin Avenue, George Town, Grand Cayman, KY1-9005, Cayman Islands. The Company's common shares and convertible debentures are listed on Toronto's TSX – Venture Exchange ("**TSX-V**") under the trading symbols "GNF" and "GNF.DB", respectively.

The Company owns 33.33% interest in Bahar Energy Limited ("**Bahar Energy**"), a joint venture that on December 22, 2009 entered into an Exploration, Rehabilitation, Development and Production Sharing Agreement (the "**ERDPSA**") with the State Oil Company of Azerbaijan ("**SOCAR**") and its affiliate SOCAR Oil Affiliate ("**SOA**") in respect of the offshore block known as the Bahar Project ("**Bahar Project**"), which consists of the Contract Rehabilitation Area ("**Contract Rehabilitation Area**") including the Bahar Gas Field and the Gum Deniz Oil Field and the Exploration Area ("**Exploration Area**"). Bahar Energy has an 80% participating interest and SOA has a 20% participating interest in the ERDPSA (together the "**Contractors** or **Contractor Parties**"). Bahar Energy formed Bahar Energy Operating Company Limited ("**BEOC**") for the purpose of acting as Operator of the Bahar Project on behalf of the Contractor Parties under the ERDPSA.

On April 27, 2010, the Azerbaijan Parliament, also referred to as Milli Mejlis, ratified the ERDPSA with SOCAR and its affiliate SOA. On September 29, 2010, the Company was notified by SOCAR that all conditions precedent to the ERDPSA were satisfied and the ERDPSA became effective on October 1, 2010.

Upon assuming control of operations on October 1, 2010, Bahar Energy was required to complete and submit to SOCAR within 90 days the draft rehabilitation and production plan for the Bahar and Gum Deniz fields. The plan, referred to as the "Rehabilitation and Production Programme", was submitted to SOCAR in late December 2010. Under the ERDPSA, Bahar Energy will have the obligation to achieve, not later than three (3) years from the date of SOCAR's approval of the "Rehabilitation and Production Programme", an average daily rate of petroleum production from the contract rehabilitation area during ninety (90) consecutive days of 150% of the average 2008 production rates ("**Target Production Rate 1**", or "**TPR1**") or 6,944 barrels of oil equivalent per day **(**"**boe**", "**boe/d**"**)**. Meeting TPR1 will result in the realization of the full 25 year term of the agreement for the Contract Rehabilitation Area. If Bahar Energy fails to meet the TPR1 within the three year timeframe, SOCAR shall have the right to terminate the ERDPSA in relation to the Contract Rehabilitation Area at their option. Approval of the "Rehabilitation and Production Programme" was received from SOCAR on June 22, 2011 establishing the start date for the three year period in which the production rate target must be met.

In addition to the TPR1 production levels for continuance of the ERDPSA for the 25 year term, Bahar Energy is obligated to carry SOA's 20% share of expenditures in the rehabilitation area until production rates are two times the 2008 production rates, or the equivalent of 9,259 boe/d ("**Target Production Rate 2**" or "**TPR2**"), at which time SOA becomes fully responsible for funding their share of expenditures. The SOA carry for the rehabilitation area is reimbursed out of SOA's share of entitlement petroleum or revenues currently produced from the rehabilitation area. Any unrecovered balance is carried forward from one period to the next.

On January 31, 2014, BEOC informed SOCAR that they had maintained an average rate of 7,081 boe/d for the previous 92 consecutive days meeting the TPR1 requirement in accordance with the ERDPSA. This production milestone has been acknowledged by SOCAR with official notice still pending that will trigger the $2 million bonus obligation of BEL ($667 thousand net to the Company). Meeting the TPR1 requirement secures for the Contractor Parties in the ERDPSA the rights under the ERDPSA to the full twenty-five (25) year development and production period.

On April 17, 2014, BEOC informed SOCAR that the TPR2 requirement under the ERDPSA was achieved on March 31, 2014. With that obligation met, SOA, with a 20% interest in the Bahar project, was obligated to begin paying its share of project costs April 1, 2014. SOA's carry balance, which totaled approximately $35.0 million at the end of first quarter of 2014, continues to be reimbursed out of SOA's share of entitlement petroleum revenues allocated to cost recovery from the Rehabilitation Area. As of December 31, 2014 SOA has not met its obligation to fund the 20% share of the Bahar project expenditures from the April 1, 2014 effective date.

For the first three years of the ERDPSA, 5% of the production (referred to as "**Compensatory Production**") is delivered to SOCAR. In year four, the percentage increases to 10% of production until the cumulative Compensatory Production delivered equals a specified target amount for oil and for natural gas, calculated separately.

Operating Environment of the Company

The Republic of Azerbaijan displays certain characteristics of an emerging market, and, as such the operations of Bahar Energy are exposed to various levels of political, legal, and other risks and uncertainties including fluctuation in currency exchange rates, high rates of inflation, corruption, changes in taxation policies, changing political condition, currency controls and governmental regulations that favor the awarding of contracts to local contractors. The future economic direction of the country is largely dependent upon the effectiveness of economic, financial and monetary measures undertaken by the government, together with tax, legal, regulatory and political developments. Management is unable to predict all developments which could have an impact on the Azerbaijani economy and consequently what effect, if any, they could have on the future financial position of the Company. Management believes it is taking all the necessary measures to support the sustainability and development of the Company's business.

2. BASIS OF PRESENTATION AND GOING CONCERN

These consolidated financial statements have been prepared in accordance with *International Financial Reporting Standards ("**IFRS**")* as issued by the *International Accounting Standards Board ("**IASB**")*. The consolidated financial statements have been prepared on the historical cost basis except for derivative financial instruments (convertible debentures) and share-based compensation transactions which are measured at fair value as discussed in *Note 3 – Significant Accounting Policies*. The presentation and functional currency of the Company is the United States ("**U.S.**") dollar and all values are presented in thousands of U.S. dollars except where otherwise indicated.

These consolidated financial statements provide comparative information in respect of the previous period. In addition, the Company presents an additional statement of financial position at the beginning of the earliest period presented when there is a retrospective application of an accounting policy, a retrospective restatement, or a reclassification of items in financial statements, which have a material impact on the Company.

These consolidated financial statements were approved for issue by the Audit Committee of the Company's Board of Directors on April 29, 2015.

The Company's joint venture is producing, developing and exploring oil and gas properties which require extensive capital investments. The recovery of the Company's investment in the joint venture is dependent upon the joint venture's ability to complete the development of properties which includes meeting the related financing requirements. For the year ended December 31, 2014 the Company incurred a loss of $7.3 million (December 31, 2013 - $3.3 million) and has an accumulated deficit of $58.7 million as at the same date. In addition, the Company had a negative working capital balance of approximately $1.5 million as at December 31, 2014. Consequently, the Company's ability to continue as a going concern is dependent on management's ability to obtain additional funding, to collect amounts due the Company from third parties, to meet ongoing debt obligations and to ultimately achieve profitable operations. The Company plans to raise funds through collection of amounts due the Company and potential equity or debt placement over the next several months to meet its commitments and obligations. However, there are no assurances the Company will collect amounts it is owed or be able to obtain additional financing or issue equity that will be on favorable terms.

Currently, the Company is in discussions for a short-term bridge loan ($2 to $3 million) to be offset against the expected collection of receivable from Baghlan Group Limited ("**BGL**") (approximately $24 million at April 30, 2015). This loan would be used to ensure that the Company's near term interest payments would be serviced on time. These funds would be in addition to the $1.3 million due the Company at April 30, 2015 from BEOC for services and seconded personnel costs.

Without access to additional funding in 2015 or the resolution of items noted below, there is significant doubt that the Company will be able to continue as a going concern due to, but not limited to following items if they continue unresolved:

- Two of the participants in the Bahar project representing 73% ownership in the ERDPSA have failed to fund their share. As a result, the Company has been required to address the funding shortfalls from SOA and the project funding deficiencies for the BGL interest in BEL. TPR2 was met on March 31, 2014, thus obligating SOCAR to begin funding SOA's twenty percent (20%) share of BEOC cash calls beginning in April 2014. SOCAR, however, has not funded such amounts. SOCAR has advised they are waiting to understand the future partnership relationship within Bahar Energy before providing funding for SOA's share of the Bahar project. To date, the working capital of the Company and BEL's share of Bahar project revenues have been used to fund approximately $12.8 million of the cash calls on behalf of SOA, with that amount continuing to grow in 2015. We are expecting the unfunded 2014 and 2015 share for SOA's 20 percent interest to be repaid to Bahar Energy starting in Q3 2015. Although the Bahar project created positive cash flows for Bahar Energy during 2014, all available cash was used to fund the unfunded cash calls of SOA.

- The Company has also provided Default Loans to Bahar Energy to cover unfunded shareholder loans from BGL. According to a default notice sent by BNP Paribas, Baghlan Group FCZO (the parent company of BGL) is in default for non-payment of outstanding interest and principal (since December 2013) on a $150 million loan involving Limited Partner Notes. BNP Paribas is foreclosing on the Baghlan security, which includes BGL's interest in Bahar Energy, and appointed a receiver in December 2014. The receiver is in the process of selling BGL, and expressions of interest were due to be received in April 2015. The receivers are working with SOCAR to identify a qualified replacement to participate in Bahar Energy and the Bahar PSA. The company has been advised that a new owner of BGL will be in place by the end of Q2 2015. Resolution of the BGL ownership in BEL should result in the collection of the Default Loan receivables from BGL by the Company.

- The Company plans to refinance its existing $25 million senior secured loan maturing at the end of 2015 with another loan facility to extend the tenor of the debt with the potential of increasing the loan amount and reducing interest costs. The Company will explore opportunities for a reserves based lending facility.

The outcome of these matters cannot be predicted at this time. These consolidated financial statements do not give effect to adjustments that would be necessary to the carrying values and classifications of assets and liabilities should the Company be unable to continue as a going concern.

3. SIGNIFICANT ACCOUNTING POLICIES

Basis of consolidation

The consolidated financial statements comprise the financial statements of the Company's subsidiaries and the results of the Company's investment in a joint venture as at December 31, 2014.

Subsidiaries are entities controlled by the Company. The Company controls an entity when the Company is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Company and they are deconsolidated from the date that such control ceases. When the Company ceases to have control any retained interest in the entity is re-measured to its fair value at the date when control is lost, with the change in carrying amount recognized in profit or loss. The fair value is the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate, joint venture or financial asset. In addition, any amounts previously recognized in other comprehensive income in respect of that entity are accounted for as if the Company had directly disposed of the related assets or liabilities. This may mean that amounts previously recognized in other comprehensive income are reclassified to profit or loss.

Inter-company balances and transactions, and any unrealized income and expenses arising from inter-company transactions, are eliminated upon consolidation. Investments in companies in which the Company does not maintain significant influence or joint control are accounted for on the cost basis.

The Company records its share of assets and liabilities associated with joint operations while joint ventures are equity accounted. Under the equity method of accounting:

- Initial investments are recognized at cost. Cost is the fair value of the consideration paid by the Company.
- The Company's share of post-acquisition profits or losses is recognized in profit or loss and its share of post-acquisition other comprehensive income is recognized in other comprehensive income (loss).
- The post-acquisition movements including additional funding via cash calls, related interest financing charges and distributions received are adjusted against the Company's carrying amount of the investments.
- When the Company's share of losses in the jointly controlled entity equals or exceeds its interest in the investment, including any other unsecured receivables, the Company does not recognize further losses, unless it has incurred legal or constructive obligations or made payments on behalf of the jointly controlled entity. If the jointly controlled entity subsequently reports profits, the Company resumes recognition of its share of those profits only after its share of the profits equals the share of losses not recognized.
- Unrealized gains on transactions between the Company and the jointly controlled entity are eliminated to the extent of the Company's interest in the jointly controlled entity. Unrealized losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred.

Cash and cash equivalents

Cash and cash equivalents include bank deposits and money market investment accounts with maturities of three months or less when purchased.

Accounts receivable

Accounts receivable are recorded based on the Company's revenue recognition policy. The allowance for doubtful accounts provides for specific doubtful receivables, as well as general counterparty credit risk evaluated using observable market information and internal assessments.

Exploration and evaluation costs ("E&E")

Oil and gas exploration, development and production costs are accounted for using the modified successful efforts method. As such, pre-license costs, geological and geophysical costs, lease rentals of undeveloped properties and dry hole and bottom hole contributions are charged to expense when incurred.

All other E&E costs are capitalized, including the cost of acquiring unproved properties and the costs associated with drilling exploratory wells. When recoverable reserves are determined, the relevant expenditure is tested for potential impairment and then transferred to property and equipment. However, if recoverable reserves have not been established, the capitalized costs are charged to expense after the conclusion of appraisal activities. Exploration well costs for which sufficient reserves have been found to justify commercial production will continue to be capitalized as long as sufficient progress is being made to assess the reserves and economic viability of the well and/or related project. When this is no longer the case, the costs are written off.

Property and equipment ("P&E")

P&E is stated at cost less accumulated depletion, depreciation and accumulated impairment losses and includes the costs of transfers of commercially viable and technically feasible E&E assets, oil and gas development and production assets and other assets. The initial cost of an asset comprises its purchase price or construction cost, any costs directly attributable to bringing the asset into operation, the initial estimate of the decommissioning liability and capitalized borrowing costs for qualifying assets. Major replacements are capitalized if it is probable that future economic benefits associated with the item will flow to the Company and the replaced asset is derecognized. Repair and maintenance costs are charged as an expense when incurred.

Depletion, depreciation and amortization ("DD&A")

Capitalized costs of oil and gas properties are depleted using the unit of production method; acquisition costs of properties are amortized over the Company's best estimate of recoverable reserves. For purposes of these calculations, production and reserves of natural gas are converted to barrels on an energy equivalent basis at a ratio of six thousand cubic feet of natural gas for one barrel of oil. To the extent significant development costs are incurred in connection with undeveloped reserves, such costs are excluded from depletion until the reserves are developed and the assets are ready for their intended use.

The Company's other assets consist mainly of leasehold improvements, computers, software, furniture and fixtures, and support equipment not directly related to oil and gas properties. For these assets depreciation methods and rates have been selected so as to amortize the net cost of each asset over its expected useful life to its estimated residual value.

Intangible Assets

Intangible assets are stated as the amount initially paid, less accumulated amortization and accumulated impairment losses. Following initial recognition, the intangible asset is amortized based on usage or the straight-line method over the term of the agreement. The Company does not have any intangible assets with an indefinite life that would be not subject to amortization. Internally generated intangible assets are not capitalized and the expenditure is reflected in the consolidated statement of income or loss in the year in which the expenditure is incurred.

Financial assets

The Company assesses at each balance sheet date whether there is any objective evidence that a financial asset is impaired except those reported at fair value through profit or loss. If evidence exists, the measurement of impairment depends on the type of financial asset under review.

The impairments of unquoted equity instruments that are not carried at fair value because their fair value cannot be reliably measured, are measured as the difference between the original carrying amount of the financial asset and the present value of estimated future cash flows discounted at the current market rate of return for similar financial assets (if lower); this impairment loss cannot be reversed.

The impairments of assets carried at amortized cost are measured as the difference between the assets carrying amount and the present value of future cash flows discounted at the original effective interest rate. These impairment losses can be reversed if the decrease in impairment can be related objectively to an event occurring after the impairment was recognized.

Non-financial assets

Non-financial assets are assessed for indications of impairment or reversals of previous impairments at the end of each reporting period. If any indication of impairments exists, the recoverable amount of the assets is estimated and, if the carrying amount exceeds the recoverable amount, an impairment loss is recognized for the difference. An asset's recoverable amount is the higher of its fair value less costs to sell and its value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less cost to sell, recent market transactions are taken into account, if available. If no transactions can be identified, an appropriate valuation model is used.

Impairment is measured for individual assets unless the asset does not generate separately identifiable cash inflows, in which case it is measured for the Cash Generating Unit ("**CGU**") that the asset belongs to. A CGU is the smallest identifiable group of assets that generates cash inflows that are largely independent of the cash inflows from other assets or groups of assets.

E&E assets are tested for impairment when indicators of impairment exist or when technical feasibility and commercial viability are established and the assets are reclassified to P&E. E&E assets are allocated to related CGUs when they are assessed for impairment. E&E assets that are determined not to be technically feasible and commercially viable are charged to profit or loss.

A previously recognized impairment loss (on assets other than goodwill) is reversed to the extent that the events or circumstances that triggered the original impairment have changed. The reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, or exceed the carrying amount that would have been determined, net of DD&A, had no impairment loss been recognized for the asset in prior years.

Share-based payments

Share-based payment costs attributed to all share options granted to employees, directors and service providers are measured at fair value at the date of grant using the Black-Scholes option pricing model and expensed over the vesting period with a corresponding increase to employee benefits reserve. Upon exercise of stock options, the consideration received, together with the amount previously recognized in share-based payments reserve, is recorded as an increase to common stock and paid in capital.

Income taxes

Income tax is recognized through profit or loss except to the extent that it relates to items recognized directly in shareholders' equity, in which case the income tax is recognized directly in shareholders' equity. The Company uses the liability method to account for income taxes. Under this method, deferred income taxes are based on the difference between assets and liabilities reported for financial accounting purposes from those reported for income tax. Deferred income tax assets and liabilities are measured using the substantively enacted tax rates expected to apply to taxable income in the years in which the temporary differences are expected to be recovered or settled. Deferred income tax assets are recognized to the extent future recovery is probable. Deferred tax assets are reduced to the extent that it is no longer probable that sufficient taxable income will be available to allow all or part of the asset to be recovered due to the uncertainty of timing or to the extent that other events not directly controlled by the Company must occur to allow future asset recovery. Deferred tax assets and tax liabilities are offset to the extent there is a legal right to settle on a net basis.

Revenue recognition

Management service fees represent revenue for administrative, operational and technical support provided at cost to Bahar Energy and a legal entity in which the Company has an equity investment. Such support is provided either through third parties or the Secondment of Company employees to BEOC. The management fees are recognized on a monthly basis when earned and when ultimate collection is reasonably assured. Interest income is recognized as earned, over the term of the investment.

Decommissioning liabilities

A provision is recognized if, as a result of a past event, the Company has a present legal or constructive obligation that can be estimated reliably and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax risk-free rate that reflects the current market assessment of the time value of money and the risks specific to the liability. When the Company's activities give rise to dismantling, decommissioning and site remediation costs as a consequence of retiring tangible long-life assets such as producing well sites and facilities, a provision is made for the estimated cost of site restoration and capitalized in the relevant asset category. The amount recognized is the estimated cost of decommissioning, discounted to its present value. Changes in the estimated timing or costs of decommissioning, or in the discount rate, are recognized prospectively by recording an adjustment to the decommissioning obligation, and a corresponding adjustment to the properties. The unwinding of the discount on the decommissioning cost is included as a finance cost.

Leases

The Company classifies leases entered into as either finance or operating leases. Leases that transfer substantially all of the benefits and risks of ownership to the Company are accounted for as finance leases, which are capitalized and are amortized on a straight-line basis over the period of expected use.

Rental payments under operating leases are expensed as incurred.

Per share amounts

Basic per share amounts are calculated using the weighted average number of common shares outstanding during the period. Diluted per share amounts are calculated based on the treasury stock method, which assumes that any proceeds obtained on the exercise of in-the-money stock options would be used to purchase common shares at the average market price during the period.

Financial instruments

Financial instruments are measured at fair value on initial recognition of the instrument, into one of the following five categories:

- fair value through profit or loss ("**FVTPL**")
- loans and receivables
- held-to-maturity investments
- available for-sale financial assets or
- other financial liabilities

Subsequent measurement of financial instruments is based on their initial classification. Financial assets and financial liabilities are either classified as FVTPL or "designated at fair value through profit or loss" and are measured at fair value and changes in fair value are recognized in profit or loss. Available-for-sale financial instruments are measured at fair value with changes in fair value recorded in other comprehensive income until the instrument is derecognized or impaired. The remaining categories of financial instruments are measured at amortized cost using the effective interest rate method.

Transaction costs related to financial assets and liabilities at fair value through profit or loss are recognized in profit or loss when incurred transaction costs are added to the fair value of the all other financial instruments on initial recognition.

Derivative instruments are carried at fair value and reported as assets when they have a positive fair value and as liabilities when they have a negative fair value. Derivatives may be embedded in other financial instruments or contractual arrangements. Derivatives embedded in other instruments are valued as separate derivatives when their economic characteristics and risks are not clearly and closely related to those of the host contract, the terms of the embedded derivative are the same as those of a free standing derivative and the combined contract is not held for trading. When the Company is unable to measure the fair value of the embedded derivative separately, the combined contract is treated as a financial asset or liability that is FVTPL and measured at fair value with changes therein recognized in profit or loss.

Convertible Debentures

On issuance the convertible debentures are recognized in accordance to its components into a financial liability and an equity conversion feature. The debentures represent a liability in its entirety, as the conversion feature does not meet the fixed-for-fixed requirement for equity classification due to instruments being denominated in Canadian dollars while the functional currency of the Company is the U.S. dollars, the convertible feature is required to be fair valued at each statement of financial position date using an options pricing model with changes in fair value (including the foreign exchange impact) recognized in profit or loss.

Foreign currency translation

Items included in the financial statements of each of the Company's entities are measured using the currency of the primary economic environment in which the entity operates (the functional currency). The Company and its subsidiaries, joint ventures and partnerships have a U.S. dollar functional currency. Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation when items are re-measured. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognized in profit or loss, except when deferred in other comprehensive income as qualifying cash flow hedges and qualifying net investment hedges.

Borrowing Costs

Borrowing costs that are directly attributable to the acquisition or construction of an asset that necessarily takes a substantial period of time to get ready for its intended use are capitalized as part of the cost of that asset. Borrowing costs are capitalized by applying interest rates attributable to the project being financed and includes both general and specific borrowings. Interests rates applied from general borrowings are computed using the weighted average borrowing rate for the period.

Critical judgments, estimation uncertainty and assumptions

The preparation of the Company's consolidated financial statements requires management to make judgments, estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities as at the date of the consolidated statement of financial position as well as the reported amounts of revenues and expenses during the years presented. Estimates are subject to measurement uncertainty and changes in such estimates in future periods could require a material change in the financial statements. Accordingly, actual results may differ from the estimated amounts as future confirming events occur. Significant judgments and estimates made by management in the preparation of these consolidated financial statements are as follows:

*a) Cash generating units ("**CGU**")*

The determination of cash generating units requires the Company to identify the lowest grouping of integrated assets that generate cash inflows which are largely independent of the cash inflows of other assets or group of assets. The classification of assets into CGUs requires significant judgement and interpretation with respect to shared infrastructure, geographical proximity, similar exposure to market risk and materiality. Accordingly, the Company has grouped its share of the Bahar Energy operating results from oil and gas activities under the ERDPSA into a single cash generating unit.

The company exerts influence, as a jointly controlling partner, in the preparation of ERDPSA budgets and work plans. In addition, through separate forecast calculations, impairment assessments are carried out for this CGU based on ERDPSA's cash flow forecasts calculated based on independently determined proven and probable reserves.

b) Functional currency

The determination of the Company's functional currency requires an assessment of the currency influencing their operating regulatory environment in the countries the Company operates in, sales prices for goods and services, operating costs, sources of financing and the currency in which receipts from operating activities are usually retained. The Company's operations in connection with the Bahar Project in Azerbaijan are influenced by the ERDPSA requirements that annual budgets, petroleum tax reporting and settlements as well as accounting records are to be maintained and reported to local government authorities in U.S. dollars. This is also the currency influencing the funding provided by partners, the sales agreements for oil and natural gas, major operating expenditures and the majority of working capital maintained by the Bahar Project. Based on these factors, the Company has maintained the U.S. dollar as the functional currency.

c) Joint arrangements

Judgment is required to determine when the Company has joint control over an arrangement, which requires an assessment of the relevant activities and when the decisions in relation to those activities require unanimous consent. Judgment is also required to classify a joint arrangement. Classifying the arrangement requires the Company to assess their rights and obligations arising from the arrangement including whether the arrangement is structured through a separate vehicle, in which case, judgment is also required to assess the rights and obligations arising from the legal form of the separate vehicle, terms of the contractual arrangement and other relevant facts and circumstances. This assessment often requires significant judgment, and a different conclusion on joint control and whether the arrangement is a joint operation or a joint venture, may materially impact the accounting.

The Company owns 33.33% interest in Bahar Energy, an entity governed by its Articles of Association and the Bahar Shareholders Agreement ("**BSA**") which includes basic formation and governance provisions. The BSA was created so that all shareholders participate equally in the decision making process and related approvals associated with the Bahar Project. Unanimous consent of the shareholders is required for any resolution to be passed except in the situations disclosed in *Note 8 -* "*Investment in Joint Venture*". Based on these facts and circumstances, the Company determined that the BSA represents a joint arrangement structured through Bahar Energy, a separate entity whose legal existence creates separation between the jointly controlling parties in the arrangement and the assets and liabilities of Bahar Energy. Consequently, Bahar Energy satisfies the definition of a *Joint Venture* pursuant to which the Company has contractually agreed to the sharing of control and thus representing a joint venturer under the arrangement. Therefore, the Company's 33.33% interest in Bahar Energy would have to be disclosed as a Joint Venture and accounted for using the equity method.

d) Decommissioning liabilities

Should the Company have contractual obligations to incur decommissioning costs at the end of the operating life of certain facilities and properties, provisions will be established. A provision is recognised when an obligation (legal or constructive) exists to remove and remediate as a consequence of the decommissioning of facilities and properties. The interpretation of contracts and regulations is required by management as to what constitutes removal and remediation and significant judgment is also required to determine whether the Company has the obligation to estimate and recognize a provision to account for future decommissioning costs.

In accordance with the ERDPSA, title to fixed and moveable assets employed by the Contractor Parties is to be transferred to SOCAR upon the earlier of: a) the end of the Calendar Quarter following the cost recovery of Capital Costs, or b) the termination of the ERDPSA (regardless of cost recovery). Notwithstanding this requirement, the Contractor Parties do have the obligation to contribute to an Abandonment Fund (the "**Fund**") for the retirement of assets managed under the agreement.

With respect to the Contract Rehabilitation Area, the funding obligation will begin on July 1, 2021 based on a predetermined formula accruing on each BOE produced after July 1, 2021. The Contractor Party's obligation is limited to a contribution of up to 15% of the cumulative capital costs incurred during the term of the ERDPSA. In relation to the Contract Exploration Area, no contribution to the Fund will be required until there has been a commercial discovery and cumulative production from this contract area reaches

50% of the recoverable reserves identified in the development plan. At that time, the same funding procedures noted for the Contract Rehabilitation Area will be employed.

At the termination of the ERDPSA, or earlier if the Contractor Parties elect to abandon a fixed asset, SOCAR must elect whether it wishes to take ownership of the asset, or have the Contractor Parties abandon the same. If SOCAR elects to take ownership of the asset, the Contractor Parties have no further liability of any kind with regard to the asset. If SOCAR does not elect to take ownership of the asset, an appropriate portion of the Fund will be transferred to the Contractor Parties for the purpose of abandoning the asset. If upon termination of the ERDPSA, if there are not sufficient amounts in the Fund for the Contractor Parties to abandon the assets for which they are responsible, the Contractor Parties are required to expend all of the amounts in the Fund, but thereafter may cease abandonment operations and have no further abandonment obligations or liabilities.

Based on these facts and circumstances, Bahar Energy will record expenses associated with contributions to the Fund as they become contractually due. Since this financial obligation only requires making systematic cash deposits into the Fund, which are then reimbursed through cost recovery under the ERDPSA, no decommissioning provisions will be recorded.

e) *Exploration and evaluation ("**E&E**")*

The application of the Company's accounting policy for E&E expenditures requires judgment to determine whether future economic benefits are likely from commercial exploitation of hydrocarbon reserves or whether activities have reached a stage which permits a reasonable assessment of the existence of recoverable reserves. The Bahar Project relates to mature oil and natural gas producing areas in Azerbaijan, underdeveloped during the Soviet era, over which new investments are required to increase production and enhance recovery of existing reserves. To date, Bahar Energy E&E expenditures have been related to pre-license costs, geological and geophysical expenditures, and lease rentals of undeveloped properties. No potential oil or natural gas resources have been identified through these efforts and therefore the Company has expensed all costs incurred as E&E expenditures.

f) Fair value measurement

The Company measures the fair value of financial instruments at each statement of financial position date. See *Note 20* – "*Financial Instruments and Financial Risk Management*" for fair values of financial instruments measured at amortized cost. The Company uses valuation techniques and makes judgments to determine how relevant and sufficient data should be in measuring fair value. Changes in estimates and assumptions could affect the reported fair value. When applicable, further information about the assumptions made in determining fair values is disclosed in the notes specific to that asset or liability.

The recoverable amounts of the Company's CGUs have been determined based on the higher of value-in use calculations and fair values less cost to sell. The fair value of the Company's investment in the Bahar Project is estimated based on the net present value of proved plus probable reserves using a pre-tax discount rate of 10% as determined by independent qualified reserves evaluators.

g) Deferred taxes

Judgment is required to determine whether the Company will recognize deferred tax assets in the statement of financial position. Deferred tax assets, including those arising from unutilized tax losses, require assessment of the likelihood that the Company will generate sufficient taxable income in future periods, in order to utilize recognized deferred tax assets. In addition, future changes in tax laws could limit the ability of the Company to obtain tax deductions in future periods. Assumptions about the generation of future taxable income depend on the Company's estimates of future earnings from its ownership in Bahar Energy. The Bahar Project, in the early rehabilitation and development stage, requires significant development funding and re-investment of operating cash flows for the foreseeable future. Earnings from the Bahar project are not taxable to the Company until Bahar Energy declares dividends from the surplus funds generated from the ERDPSA. Before Bahar Energy can declare dividends, shareholders loans must be repaid with accumulated interest, which will be returned to the Company non-taxable. With much of the early funds returned from Bahar Energy being non-taxable as loan repayments, the Company's potential taxable dividends horizon is beyond that normally allowed under IFRS for recognition of deferred tax assets. Accordingly, in 2011 the Company elected to derecognize its accumulated deferred tax asset, but will continue to reassess the unrecognized deferred tax asset at the end of each reporting period. *See Note 17 –* "*Deferred Income Taxes*".

4. CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

On January 1, 2014, the Company adopted the following new IFRS standards and amendments in accordance with the transitional provisions of each standard. The adoption of these standards did not have a material impact on the Company's consolidated financial statements. A brief description of each new standard follows below:

IAS 32 "Financial Instruments: Presentation"

In December 2011 the IASB issued amendments to IAS 32 to address inconsistencies when applying the offsetting criteria outlined in this standard. These amendments clarify the criteria required to be met in order to permit the offsetting of financial assets and financial liabilities. The adoption of this standard had no impact on the amounts recorded in these consolidated financial statements for the periods reported.

IFRIC 21 "Levies"

In May 2013 the IASB issued IFRIC 21 which was developed by the IFRS Interpretations Committee ("**IFRIC**"). IFRIC 21 *Levies* provides guidance on accounting for levies in accordance with the requirements of IAS 37 *Provisions, Contingent Liabilities and Contingent Assets*. This Interpretation is effective for annual periods commencing on or after January 1, 2014 and is applied retrospectively. IFRIC 21 defines a levy as an outflow of resources embodying economic benefits that is imposed by governments on entities in accordance with legislation (i.e., laws and/or regulations). IFRIC 21 confirms that an entity recognizes a liability for a levy when, and only when, the triggering event specified in the legislation occurs. An entity does not recognize a liability at an earlier date, even if it has no realistic opportunity to avoid the triggering event. The adoption of this standard had no impact on the amounts recorded in these consolidated financial statements for the periods reported.

The Company has also reviewed the following new and revised accounting pronouncements that have been issued but are not yet effective as of December 31, 2014.

IFRS 9 "Financial Instruments"

On July 24, 2014 the IASB issued the final version of IFRS 9 Financial Instruments ("IFRS 9 (2014)"), bringing together the classification and measurement, impairment and hedge accounting phases of the IASB's project to replace IAS 39 *Financial Instruments: Recognition and Measurement* and all previous versions of IFRS 9. The standard is effective for annual periods beginning on or after January 1 2018, with early application permitted. Retrospective application will be required however, transition reliefs are provided (including no restatement of comparative period information). The Company is in the process of assessing the impact of adopting this standard.

IFRS 15 "Revenue From Contracts With Customers"

In May 2014, the IASB published IFRS 15 "Revenue from Contracts with Customers," to replace IAS 18 *Revenue*, which establishes principles for reporting useful information to users of financial statements about the nature, amount, timing and uncertainty of revenue and cash flows arising from an entity's contracts with customers. The standard is effective for annual periods beginning on January 1, 2017, with required retrospective application and early adoption permitted. The Company is currently evaluating the impact of adopting this new standard.

5. RELATED PARTY TRANSACTIONS

Receivables from related party

At December 31, 2014, the Company had a balance of $1.8 million (December 31, 2013 - $0.4 million) in accounts receivable due from BEOC. Balances due are attributable to work performed under BEOC approved "Affiliate Service Orders" ("**ASO**") and Personnel Secondment Agreements. Management does not believe balances due pose collection risk as these charges are associated with amounts invoiced in the normal course of business.

For the year ended December 31, 2014 the Company recorded $2.0 million (December 31, 2013 - $2.4 million) in management service fees for management, administrative and technical services performed at cost for BEOC in the normal course of business under ASO's and Personnel Secondment Agreements noted above.

Compensation of key management personnel

The Company's key management personnel include directors to the board and executive officers. Compensation paid in accordance with the Company's compensation committee guidelines consists of the following:

US$000's	December 31, 2014	December 31, 2013
Short-term benefits	2,573	2,213
Share-based payments	1,418	959
Termination benefits	-	326
	3,991	3,498

The 2013 compensation includes severance settled in common shares and cash paid to the Chief Operating Officer and Co-founder of the Company who retired on June 30, 2013. The retired executive continues to serve as a Director of the Company.

6. SHORT TERM LOANS RECEIVABLE RELATED PARTY

Funding the Default of Baghlan Energy Limited

At December 31, 2014 the Company had funded $18.4 million to enable Greenfields Petroleum International Company Ltd. ("**GPIC**"), a wholly-owned subsidiary of the Company, to cover defaulted funding obligations of BGL, the other shareholder of Bahar Energy. With the funding of the defaulted obligations, GPIC provides protection for the interest of Bahar Energy in the ERDPSA and ensures the Bahar project has adequate working capital to fund the capital program. All of Greenfields transaction costs, financing costs and principal balance due resulting from the acquisition and use of loan facility funds are subject to reimbursement when the default loan obligations are paid to Bahar Energy by BGL or their replacement as a shareholder in Bahar Energy. On February 6, 2015 GPIC funded an additional $2.3 million to address additional funding defaults by BGL. *See Note 22 – "Subsequent Events"*

At December 31, 2014, the Company had a $20.0 million loan receivable balance with Bahar Energy inclusive of balance of $1.6 million ($nil - 2013) consisting of financing costs and interest.

7. PREPAID EXPENSES AND DEPOSITS

At December 31, 2014, the Company had prepaid expenses and deposits of $0.5 million (December 31, 2013 - $0.7 million). The current balance includes $0.4 million in deferred long term loan structuring fees which will be recognized as an expense over the term of the respective loan.

8. INVESTMENT IN JOINT VENTURE

The Company owns 33.33% interest in Bahar Energy, a joint venture that on December 22, 2009 entered into an ERDPSA with SOCAR and SOA in respect of the offshore block known as the Bahar Project, which consists of the Bahar gas field, the Gum Deniz oil field and the Bahar Exploration area. Bahar Energy has an 80% participating interest and SOA has a 20% participating interest in the ERDPSA. Bahar Energy formed BEOC for the purpose of acting as Operator of the Bahar Project on behalf of the Contractor Parties under the ERDPSA.

Continuity of Investment in Joint Venture

US$000's	Investment in Joint Venture
At January 1, 2013	21,510
Funding	21,145
Share of Income from Joint Venture	2,428
At December 31, 2013	45,083
Funding	10,752
Share of Income from Joint Venture	3,270
At December 31, 2014	59,105

Bahar Energy, formed for the sole purpose of acquiring the rights to the ERDPSA, is a limited liability entity incorporated in the Jebel Ali Free Zone ("**JAFZA**") in Dubai, United Arab Emirates. Bahar Energy is currently owned 2/3 by Baghlan Group Limited and 1/3 by Greenfields Petroleum International Company Limited. Bahar Energy is governed by its Articles of Association and BSA. The registered office of Bahar Energy is LOB 15-514, P.O. Box 17870, Dubai, United Arab Emirates.

In accordance with the IFRS 11 guidance, the Company determined that the BSA represents a joint arrangement structured through Bahar Energy, a separate vehicle and entity in its own right, whose legal form creates a separation between the jointly controlling parties in the arrangement and the assets and liabilities of said vehicle. Bahar Energy meets the definition of a joint venture in which the Company has contractually agreed sharing of control therefore representing a joint venturer in the arrangement.

The BSA requires that all resolutions put to a vote of the shareholders be approved by unanimous vote. Similarly, all resolutions put to a vote of the directors must be approved by unanimous vote, except in the following instances:

(a) If the board cannot reach a unanimous decision to approve an annual work program and budget consistent with the obligations of the ERDPSA, then the proposal capable of satisfying the minimum work and production obligations for the calendar year in question that receives the highest percentage vote shall be deemed approved by the board as the annual work program and budget.

(b) If the board cannot reach a unanimous decision regarding dividends, then the proposal receiving the highest percentage vote will prevail.

Bahar Energy funding needs are primarily covered by entitlement revenues, equity contributions and shareholders' loans. To the extent that additional funds are required, the Bahar Energy shareholders have entered into the Common Terms Agreement ("**CTA**") pursuant to which each shareholder agrees to grant Bahar Energy a credit facility to be made available by way of annual loan agreements up to a specific amount based on the annual work plan approved by the directors. Future cash flows from operations under the ERDPSA would be used to repay the loans.

Defaulting Shareholder

Should a shareholder fail to execute a loan agreement or fail to make a required loan funding payment, the other shareholders by additional loan agreement will fund the amount that would otherwise be due from the defaulting shareholder. Any existing loan balance of a defaulting shareholder will be considered a "last in" loan and only repaid after all amounts outstanding from other funding shareholders are repaid in full. The defaulting shareholder will also temporarily lose voting rights on the Bahar Energy board and as a shareholder. At any time the defaulting shareholder may remedy the default by payment of any loan amounts due with interest. Once remedied, the shareholder's position in loan payment rights and board and shareholder voting rights are restored.

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The following tables summarize the financial information of the Joint Venture and reconcile the financial information to the carrying amount of the Company's interest in the Joint Venture.

Bahar Energy Limited
Consolidated Statement of Financial Position as at
US$000's

Assets	December 31, 2014	December 31, 2013
Current Assets		
Cash and cash equivalents	2,994	1,404
Trade receivables	14,392	16,085
Other receivable	9,679	198
Advances for operating activities	849	2,466
Inventories	2,106	6,355
	30,020	26,508
Non-Current Assets		
Restricted cash [1]	7,489	6,865
Advances for capital equipment	393	471
Property and equipment	158,800	141,659
	196,702	175,503
Liabilities and Equity		
Current Liabilities		
Accounts payable and accrued liabilities	6,049	38,974
Payables to related parties	10,303	7,810
Short term notes payable	20,039	-
	36,391	46,784
Net Assets	160,311	128,719
Company's share of net assets (33.33%)	53,431	42,901
Timing differences in Joint Venture funding	5,674	2,182
Carrying amount of Investment in Joint Venture	59,105	45,083

[1] Includes funds held for related party and not available for operations at December 31, 2014 and December 31, 2013.

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Bahar Energy Limited
Consolidated Statement of Income (Loss)
US$000's except per share amounts

	Year Ended December 30,	
	2014	2013
Revenues		
Petroleum and natural gas	65,451	82,892
Transportation and storage fees	4,191	4,815
	69,642	87,707
Expenses		
Operating & administrative	46,964	70,809
Depreciation and amortization	12,868	9,610
	59,832	80,419
Net Income	9,810	7,288
Company's Share of Joint Venture Income	3,270	2,429

9. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

US$000's	December 31, 2014	December 31, 2013
Trade accounts payable	45	195
Accrued liabilities	2,018	2,218
	2,063	2,413

10. SHORT TERM LOAN

On November 25, 2013 the Company secured a $25 million loan facility ("**Loan**") through an arm's length third party (the "**Lender**"). Pursuant to the terms of the loan agreement (the "**Loan Agreement**") among the Lender, the Company, Greenfields Petroleum Holdings Ltd. and Greenfields Petroleum International Company Ltd., as guarantors ("**Guarantors**"), the Company is entitled to draw up to an aggregate of $25 million in tranches based upon the achievement of certain operational milestones.

The Loan is subject to a cash structuring fee of 2.5% payable on each tranche advanced in accordance with the Loan Agreement. The amounts drawn bear interest rates between 15% and 20% and mature on December 31, 2015. The Loan is secured by first priority liens on the existing and future assets of the Company and the Guarantors. Also in consideration of the Loan, the Company has agreed to issue to the Lender common shares of the Company as bonus shares (the "**Bonus Shares**") which will be subject to resale restrictions expiring four months from the date of issuance. At December 31, 2014 the Company had drawn available advances of $25 million ($24.375 million net of 2.5% cash structuring fees) of the secured Loan and recorded transaction costs of $0.7 million. In addition, the Company issued 1,200,627 Bonus Shares to the Lender with a value of $3.5 million. The transaction costs and the value of Bonus Shares will be accreted over the life of the loan. See also *Note 14 – Share Based Payments.*

US$000's	December 31, 2014	December 31, 2013
Loan facility	25,000	25,000
Unused portion of loan facility	-	(20,000)
Total loans drawn down	25,000	5,000
Unamortized debt issue costs	(2,544)	(2,261)
Carrying value of short term loan (1)	**22,456**	**2,739**

(1) The loan was initially classified as long term in 2013 and throughout 2014, but has been reclassified to short term as at December 31, 2014 as it matures within the next twelve months on December 31, 2015.

11. LONG TERM LOAN

On July 2, 2014 the Company announced the June 27, 2014 closing of a $21 million loan facility (the "**Loan**") with an arm's length third party and proceeded to drawdown the total of $18.5 million on the Loan at December 31, 2014. Pursuant to the terms of the Loan, the Company is entitled to draw up to an aggregate of $21 million as needed for the purposes of funding obligations under the Bahar Energy Limited shareholders agreement to meet the capital needs of the Bahar Project. The Loan incurred a 0.15% commitment fee and bears interest at a rate of 12% per annum accrued and compounded quarterly. The Loan and accrued interest mature on June 30, 2018.

At December 31, 2014, the Company had a Long Term Loan balance of $19.5 million, including $1.0 million of accrued interest expense ($nil – 2013).

12. CONVERTIBLE DEBENTURES

On May 30, 2012 the Company issued CAD$23.7 million of convertible unsecured subordinated debentures (the "**Debentures**") for equivalent proceeds of USD$22.9 million. The Debentures pay a 9.0% annual rate of interest from the date of issue with interest payable semi-annually in arrears on May 31 and November 30 of each year starting on November 30, 2012 and will mature and be repayable on May 31, 2017 (the "**Maturity Date**").

Each CAD$1,000 Debenture principal amount can be convertible, at the option of the holder, at any time prior to the close of business on the earlier of the business day immediately preceding the Maturity Date and, if applicable, the last business day immediately preceding the date fixed for redemption, into approximately 117 common shares of the Company. The redemption ratio results from a conversion price (the "**Conversion Price**") of CAD$8.55 per common share of the Company.

The Debentures cannot be redeemed by the Company prior to May 31, 2015. On or after June 1, 2015 and prior to the Maturity Date, the Debentures can be redeemed by the Company, in whole or in part, from time to time, at a price equal to the principal amount thereof, plus accrued and unpaid interest, at the Company's sole option provided that the common share current market price on the date on which notice of redemption is given is not less than 125% of the Conversion Price (CAD$8.55) or CAD$10.69 per common share of the Company. The Company has the option to satisfy its obligations to repay the principal amount of the Debentures upon redemption or at maturity by issuing and delivering that number of freely tradable common shares obtained by dividing the principal amount of the Debentures by 95% of the common share current market price on the date fixed for redemption or maturity, as the case may be.

The following table summarizes the liability and derivative liability components of the convertible debentures:

	Financial Statement Components			
US$000's	Liability	Derivative Liability [1]	Carrying Value	Principal Amount
Balance December 31, 2013	**16,952**	**1,332**	**18,284**	**22,307**
Accretion	1,194	-	1,194	
Change in fair value of derivative	-	(1,245)	(1,245)	
Foreign exchange (gain)loss	(1,463)	(58)	(1,521)	(1,855)
Balance December 31, 2014	**16,683**	**29**	**16,712**	**20,452**

[1] On May 30, 2012 the Company issued CAD$23.725 million convertible debentures, equivalent to approximately USD$22.9 million as described above. The balance of the liability and derivative liability are net of transaction costs of approximately USD$1.6 million; USD$1.2 million was allocated to the liability and USD$0.4 million related to the derivative liability was expensed.

The liability portion of the Debentures is measured at amortized cost and accreted up to the principal balance at maturity using an effective interest rate of 18.8 percent. The accretion and the interest paid are expensed as interest expense in the consolidated statement of net loss. The derivative financial liability is measured at fair value through profit or loss, with adjustments recorded in "changes in fair value of derivative liability". The fair value of the derivative financial liability is determined using a Binomial valuation model with the following assumptions:

	December 31, 2014	December 31, 2013
Market price per common share – CAD$	1.00	3.30
Conversion price per common share – CAD$	8.55	8.55
Risk-free interest rate range	1.00%	1.35%
Expected life – years	2.42	3.42
Expected volatility	60.19%	56%
Shares issuable at conversion	2,775,825	2,775,825

13. SHAREHOLDERS' EQUITY

Authorized Share Capital

Authorized share capital of the Company consists of 49,900,000 common shares and 100,000 preferred shares, each at U.S. $.001 par value.

Common Shares

Each common share carries equal voting rights, is non-preferential and participates evenly in the event of a dividend payment or in the winding up of the Company.

Preferred Shares

The Company's Board of Directors may issue Preferred Shares at any time and from time to time in one or more series. The Board has the authority to issue Preferred Shares in series and determine the price, number, designation, rights, privileges, restrictions and conditions, including dividend rights, conversion rights, and rights with respect to the distribution of assets in the event of the dissolution or winding up of the Company and preferential rights, of each series without further vote or action by shareholders.

There were no preferred shares issued and outstanding at December 31, 2014 and December 31, 2013.

Common shares continuity schedule:

Outstanding common shares *US$000's, except for share amounts*	Number of Common Shares	Amount
As at December 31, 2013	19,147,409	72,430
Shares issued per loan consideration	548,165	1,625
Shares awarded	410,000	977
Amortization of restricted share awards	-	60
Repurchase of common shares	(56,597)	(160)
As at December 31, 2014	20,048,977	74,932

Reconciliation of cumulative issued and outstanding shares		
	December 31, 2014	December 31, 2013
Issued	20,158,125	19,199,960
Shares acquired by Company	(120,181)	(63,584)
Shares issued from treasury	11,033	11,033
Total Outstanding	20,048,977	19,147,409

Per Share Information

Per share loss		
US$000's, except for per share amounts	December 31, 2014	December 31, 2013
Weighted average number of common shares outstanding	19,955,065	17,116,110
Net loss	(7,324)	(3,278)
Basic and diluted loss per share	($0.37)	($0.19)

The average market value of the Company's common shares used for purposes of calculating the dilutive effect of share options and convertible debentures is based on quoted market prices for the periods that the equity instruments were outstanding. For the year ended December 31, 2014, the 1,796,250 options

(December 31, 2013 – 1,825,000 options) and 2,775,825 shares issuable for conversion of debentures were excluded from calculating dilutive earnings per share as they were anti-dilutive.

Common shares issued in consideration of long term loan costs

Pursuant to the terms of the Loan Agreement, the Company agreed to issue to the Lender common shares of the Company as bonus shares which will be subject to resale restrictions expiring four months from the date of issuance. At December 31, 2014 the Company had issued a total of 1,200,627 bonus shares to the Lender at an average price of CAD$3.11 (USD$2.92) per common share.

Acquisition of common shares

In February 2014 the Company acquired 3,265 common shares at fair market value of CAD$3.35 per share (February 2013 – 15,509 at fair market value of CAD$5.00) from certain employees as a result of share grants vesting. The Share Grants Agreement provides the opportunity to employees to pay cash or sell to the Company the number of shares equal to their statutory withholding tax due at vesting date in order to reimburse the Company for remitting the employees' withholding tax obligation to the U.S. Internal Revenue Service.

At December 31, 2014 and December 31, 2013 the Company did not hold any common shares in treasury.

14. SHARE BASED PAYMENTS

	Year Ended December 31,	
US$000's	2014	2013
Share options	416	460
Share awards	1,037	537
Shareholder settled transactions	-	50
Total share settled	1,453	1,047
Restricted cash bonus awards – cash settled	(302)	324
Total Share Based Payments	1,151	1,371

The share-based payments recorded by the Company are associated with share options, restricted share awards, shareholder settled transactions and restricted cash bonus awards, the latter being cash settled. Share-based payment expenses for the year ended December 31, 2014 were $1.2 million (December 31, 2013 - $1.4 million).

Share Options

The Company has a stock option plan that governs the granting of options to employees, officers and directors. All options issued by the Company permit the holder to purchase a specific number of common shares of the Company at the stated exercise price. The Company has not issued stock options that permit the recipient to receive a cash payment equal to the appreciated value in lieu of stock. As a provision of the Company's Stock Option Plan, the optionee may make the following election when exercising options at the discretion of the Compensation Committee:

When an optionee incurs a tax liability in connection with an option which is subject to tax withholding *under applicable tax laws and the optionee is obligated to pay the Company the required withholding amount due, the optionee may satisfy the tax withholding obligation in two methods other than payment in cash; (i) by surrendering to the Company common shares that have been owned by the optionee for more than six months on the date of surrender with a market value equal to the withholding tax obligation or (ii) by electing to have the Company withhold from the common shares to be issued upon exercise of the options the number of common shares having a market value equal to the tax amount required to be withheld.*

All tabular amounts are expressed in US$000's unless otherwise stated except for share and per share amounts

The fair value of each stock option granted was estimated on the date of grant using a valuation option pricing model with the following assumptions:

	2014	2013
Risk-free interest rate range	1.23%	1.55%
Expected life	4.0 years	4.0 years
Expected volatility	55%	57%
Expected dividend	-	-
Forfeiture	5.0%	5.6%
Weighted average fair value	$1.27	$1.32

Continuity of Stock Options

	December 31, 2014		December 31, 2013	
	Number of shares underlying options	Average exercise price (CAD$)	Number of shares underlying options	Average exercise price (CAD$)
Outstanding, beginning of year	1,825,000	5.99	1,291,000	7.83
Granted	140,000	3.25	720,000	3.17
Forfeited	(168,750)	4.97	(186,000)	7.84
Outstanding, end of year	1,796,250	5.88	1,825,000	5.99
Exercisable, end of year	1,285,000	6.90	1,030,000	7.74

On May 7, 2014 the Company completed the award of 140,000 share options to officers and employees at an exercise price of CAD$3.25 per common share. These share options vest 25% at date of grant and 25% on each of the first, second and third anniversaries of the grant date.

The exercise prices of the share options ranges from CAD$2.90 to CAD$14.00 per common share with all options expiring on various dates between years 2016 and 2021. With the exception of the June 2012 150,000 share options award and the "**TPR1 Share Options**" granted in October 2013, the share options vest 25% at date of grant and 25% on each of the first, second and third anniversaries of the grant date.

The exercisable options as at December 31, 2014 have remaining contractual lives ranging from 2.1 to 6.4 years.

Share options expenses for the year ended December 31, 2014 were $416 thousand (December 31, 2013 - $460 thousand). The share options expense is offset to the Company's share-based payment reserve.

Restricted Share Awards

On February 1, 2012 a 40,000 restricted share grant was awarded and shares issued by the Company to a new officer. The shares vest 25% at grant date and 25% on the anniversary date thereafter in 2013, 2014 and 2015. The shares were valued at CAD$6.00, the closing price of the Company's share on January 31, 2012, with the 25% vested on grant date included in the Company's share-based payments expense for the quarter. The remaining value of the unvested restricted share grant is amortized over the individual vesting periods. For year ended December 31, 2014, the Company recorded share-based payments expense related to this restricted award of $60 thousand (December 31, 2013 - $64 thousand).

In September and October 2013 the Company authorized the awards of 186,000 and 230,000 restricted shares, respectively, to certain officers and a director of the Company. The awards were contingent to the achievement of TPR1, TPR2, the closing by December 31, 2013 of a debt facility and completion of a downhole study for Bahar and implementation of study recommendations. The shares awarded upon the achievement of each indicated milestone will vest 50% on each July 1, 2014 and 2015. As of December 31, 2014, all but 6,000 contingent share awards have been earned and issued. For the year ended December 31, 2014 the Company recorded share-based payment expense of $1 million (December 31, 2013 - $0.04 million) in relation to the issuance of 410,000 shares at the price of CAD$3.00 per common share.

For the three months and year ended December 31, 2014, the Company has recorded total share-based payment expense for restricted share awards of $0.1 million and $1.0 million, respectively (December 31, 2013 - $50 thousand and $537 thousand, respectively).

Expenses associated with restricted share awards are recorded with an offset to share capital of the Company.

Restricted Cash Bonus Program

In June 2012 the Company established a Restricted Cash Bonus Program consisting of two cash settled incentives awarded in bonus units. The first incentive is the Full Value Based Cash Bonus ("**FVBCB**") with the cash settlement value of a bonus unit equal to the current market price of a common share of the Company on specific vesting dates. The second incentive is the Appreciation Based Cash Bonus ("**ABCB**") which is settled in cash when an awardee makes a call on vested bonus units with the value of the award calculated as the difference between the current market price of a common share of the Company at call date and the original grant price per bonus unit. The program does not grant any entitlement to common shares or other equity interest in the Company.

The FVBCB incentive awards vest in three tranches, 1/3 on each January 1 of the year immediately following the grant date and have a cash settlement on such vesting dates. The fair value of FVBCB awards were estimated considering forfeiture rates of 5% and 10% respectively for the second and third year of the award. The estimated FVBCB liability is amortized over the three year vesting period with each vesting tranche fully amortized at vesting date. The liability is also fair valued at each reporting date with adjustments recorded through profit and loss. The estimated FVBCB liability at December 31, 2014 was $107 thousand.

The ABCB incentive awards vest in four tranches, 25% at grant date and 25% on each January 1 of the year immediately following the grant date. The ABCB awards have a contractual life of five years and were fair valued using the Black-Scholes option pricing model assuming an average risk-free interest rate of 1.09%, two year expected life from its vesting date, average expected volatility of 58% and average forfeiture rate of 13%. The estimated ABCB liability is amortized over the vesting period and fair valued at each reporting date with the same Black-Scholes pricing model with adjustments recorded through profit and loss. The estimated ABCB liability at December 31, 2014 was $9 thousand.

Grant Date	FVBCB Units	ABCB Units	ABCB Units: Grant Price $CAD	Exercisable	Expiration Date	Remaining Contractual Life - Years
June 4, 2012	41,667	145,000	4.80	108,750	June 4, 2017	2.4
Sept. 4, 2012	3,333	10,000	5.65	7,500	Sept. 4, 2017	2.7
Oct. 5, 2012	6,667	30,000	5.63	22,500	Oct. 5, 2017	2.8
Dec. 1, 2012	1,200	3,600	4.80	2,700	Dec. 1, 2017	2.9
Dec. 24, 2012	98,333	177,500	3.50	90,000	Dec. 24, 2018	4.0
	151,200	366,100		231,450		

For year ended December 31, 2014, the Company recorded restricted cash bonus expense of ($302) thousand (December 31, 2013 $324 thousand).

Share-based payments reserve

US$000's	Amount
Balance December 31, 2013	4,847
Stock options share-based payments	483
Forfeitures	(67)
Balance December 31, 2014	5,263

15. OTHER INCOME, DIVIDENDS, INTEREST INCOME AND INTEREST EXPENSE

(US$000's)	Year ended December 31, 2014	2013
Income other	-	(15)
Dividend income	-	(19)
Interest income[(1)]	(1,608)	(12)
Interest expense – convertible debentures [(2)]	3,104	3,131
Interest expense – long term loans [(2)]	6,358	134
	7,854	3,219

(1) Interest income charged to Bahar Energy includes interest expense on long term loan plus approximately $0.6 million in third party professional services incurred to close the Loan Agreement to fund the Baghlan Default Amount.

(2) Interest expense on long term loans includes coupon interest and amortization of transaction costs. Interest expense on convertible debentures includes accretion of debentures, coupon interest and amortization of transaction costs.

16. SUPPLEMENTAL CASH FLOW INFORMATION

Changes in non-cash working capital items related to operating activities:

	Year Ended December 31,	
US$000's	2014	2013
Receivables from related parties	(1,396)	4,034
Other receivable	(3)	189
Prepaid expenses and deposits	207	(582)
Accounts payable and accrued liabilities	(906)	107
	(2,098)	3,748

Changes in non-cash working capital items related to financing activities:

	Year Ended December 31,	
US$000's	2014	2013
Accounts payable and accrued liabilities	-	69
	-	69

Changes in non-cash working capital items related to investing activities:

	Year Ended December 31,	
US$000's	2014	2013
Cash received from Investments	-	33
	-	33

17. DEFERRED INCOME TAXES

The provision for income taxes differs from the result that would have been obtained by applying the U.S. federal income tax rate of 35% to the loss before income taxes. The difference results from the following items:

	Year Ended December 31,	
US$000's	2014	2013
Comprehensive loss before income taxes	(7,324)	(3,289)
U.S. federal corporate income tax rate	35%	35%
Expected income tax (recovery) expense computed at statutory rates	(2,563)	(1,152)
Add (deduct) the tax effect of:		
Non-taxable / deductible items	(1,138)	(844)
Share-based payments	-	(24)

Deferred income tax (recovery) expense per calculation	(3,701)	(2,020)
Derecognition of deferred tax asset for current year	3,701	2,020
Deferred income tax (recovery) expense per statements	-	-
Current year deferred income taxes consists of:		
Current tax (recovery)	(3,871)	(2,898)
Deferred tax (recovery)	170	878
Deferred income tax (recovery) before tax asset derecognition	(3,701)	(2,020)
Deferred tax asset not brought to account	3,701	2,020
Deferred income tax expense (recovery)	-	-

Deferred Income Tax Asset

The components of the Company's unrecognized deferred tax assets arising from temporary differences and loss carryforwards as well as the associated amount of deferred tax recovery or expense recognized in the Company's statements of operations and comprehensive income are as follows:

Continuity of net deferred income tax asset (liability)

US$000's	Recognized in profit or loss	Recognized in equity	Total
As at December 31, 2013	2,020	129	2,149
Derecognition of deferred tax asset	(2,020)	(129)	(2,149)
As at December 31, 2013 after derecognition	-	-	-
Current loss carry-forwards	3,701	61	3,762
As at December 31, 2014	(3,701)	(61)	(3,762)
Derecognition of deferred tax asset	-	-	-
As at December 31, 2014 after derecognition	-	-	-

At December 31, 2014, the Company has cumulative loss carry-forward of approximately $40.1 million that will expire between the years 2030 and 2034. The Company expects to be able to fully utilize these losses and the associated deferred tax asset noted above, but has elected to derecognize the cumulative deferred tax asset until such time recovery and offset against future income can be assured.

18. EXPENSES BY NATURE

US$000's	Year ended December 31, 2014	Year ended December 31, 2013
ADMINISTRATIVE		
Employee wages and benefits	3,288	4,306
Share-based payments	1,452	1,011
Professional service costs	1,338	1,292
Office, travel and other	1,393	1,482
Total expenses by nature	7,471	8,091

19. COMMITMENTS AND CONTINGENCIES

The following is a summary of the Company's contractual obligations and commitments as of December 31, 2014:

US$000's	**2015**	**2016**	**Thereafter**
Operating leases (1)	83	-	-
Short term loan – interest payments (2)	5,384		
Short term loan (2)	25,000		
Long term loan – interest(3)		-	10,928
Long term loan (3)		-	18,493
Debentures – interest payments (4)	1,841	1,841	920
	32,308	1,841	30,341

(1) The Company has extended its lease of office space for its corporate headquarters in the United States through December 2015.

(2) Represents interest on $25 million drawn down of the available $25 million as at December 31, 2014 under the long term Loan Agreement. The loan was initially classified as long term in 2013 and throughout 2014, but has been reclassified to short term as at December 31, 2014 as it matures within the next twelve months on December 31, 2015.

(3) Both long term loan and accrued interest have a maturity date of June 30, 2018

(4) The coupon interest payments are denominated in Canadian Dollars. The USD value of the scheduled interest payments has been calculated at the December 31, 2014 exchange rate of 1.1601 USD/CAD.

The Company had a $10 million loan commitment to Bahar Energy for the funding of the deficit cash flows associated with the 2014 Bahar Annual Work Program and Budget ("**WP&B**"). At December 31, 2014 the Company had funded $8.8 million.

The Company's commitments to fund the Bahar Project are based on the annual WP&B approved by the board of Bahar Energy. Greenfields' management, through their participation at the project Steering Committee, Management Committee and Bahar Energy board of directors, provides significant input and technical guidance to the proposed annual work plan. Proposed budgets are reviewed and approved by the Management Committee (comprised of representatives from Bahar Energy and SOCAR), Bahar Energy board of directors and Greenfields board of directors. Budget approval by Bahar Energy must be unanimous. Failing unanimity on a work program and budget, the proposal capable of satisfying the minimum work and production obligations under the ERDPSA for the calendar year in question that receives the highest percentage vote is deemed approved. Greenfields' President and Chief Executive Officer currently serves as the Bahar Energy representative to the Steering Committee under the ERDPSA and to the Management Committee for BEOC. The latter has the authority under a Joint Operating Agreement to exercise day to day supervision and direction of all matters pertaining to the joint operations.

20. FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT

The Company is exposed to the following risks in respect of certain of the financial instruments held:

a) Credit risk

Credit risk is the risk of financial loss to the Company if counterparty to a financial instrument fails to meet its contractual obligations and arises principally from the Company's receivables from subsidiaries and affiliates for services performed under certain administrative services agreements and from advances made under certain joint venture agreements.

The Company's current accounts receivable balances mainly consist of trade receivables from the Company's share of oil and gas revenue, transportation and storage fees generated under the ERDPSA, receivables from affiliates as result of the funding of administrative expenses and costs in connection with the ERDPSA operations, and management fees for administrative and technical support provided to an entity the Company has an equity interest. The Company historically has not experienced any collection issues with its accounts receivable and all of the balances due are considered by management to be collectable at December 31, 2013. See *Note 5 – Related Party Transactions* (Receivables from related party).

Cash and cash equivalents consist of bank deposits and short term money market investments held in major United States banks. The Company manages the credit exposure related to short term investments by selecting counterparties based on credit rating and monitors all investments to ensure a stable return, avoiding complex investment vehicles with higher risk such as asset-backed commercial paper. Cash held in bank accounts are exposed to the risk of bank failure. That risk is mitigated by keeping accounts in only the largest and most reputable financial institutions.

The Company's maximum exposure to credit risk at the statement of financial position date is as follows:

Credit risk *US$000's*	**December 31, 2014**	**December 31, 2013**
Cash and cash equivalents	736	3,068
Receivables from related parties	1,763	367
Short term loans receivable related parties	20,040	-
Other receivable	20	11
	22,559	3,446

b) Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they become due. The Company's approach to managing liquidity is to ensure, as much as possible, that it will have sufficient liquidity to meet its obligations when due, under both normal and unusual conditions without incurring unacceptable costs, relinquishment of properties or risking harm to the Company's reputation.

The Company prepares annual and interim period capital expenditure budgets, which are regularly monitored and updated as considered necessary to provide current cash flow estimates. The Company also utilizes authorizations for expenditures on projects to further manage capital expenditures. To facilitate the capital expenditure program, the Company may raise debt and capital through the issuance of shares.

The Company's financial liabilities as at December 31, 2014 and December 31, 2013 arose primarily from corporate obligations related to the management of its participation in the Bahar Energy joint venture. Payment terms on the Company's accounts payable and accrued liabilities are typically 30 to 60 days from invoice date and generally do not bear interest.

The following table summarizes the remaining contractual maturities of the Company's financial liabilities:

Liquidity Risk	December 31, 2014				December 31, 2013
US$000's	Within 1 year	Within 1 – 3 years	Over 3 years	Total	Total
Accounts payable and accrued liabilities	710	116	-	826	2,230
Short term loan – interest	5,384	-	-	5,384	2,000
Short term loan	25,000	-	-	25,000	5,000
Long term loan – interest (1)	-	-	10,928	10,928	-
Long term loan (1)	-	-	18,493	18,493	-
Debentures - interest (2)	1,841	2,761	-	4,602	7,027
Debentures	-	20,452	-	20,452	22,307
	32,935	23,329	29,421	85,685	38,564

(1) The long term note payable and associated accrued interest has a maturity date of June 30, 2018.

(2) The coupon interest payments are denominated in Canadian Dollars. The USD value of the scheduled interest payments through maturity of the Debentures has been calculated at the December 31, 2014 exchange rate of 1.1601 USD/CAD. Interest payable with maturity within 1 year includes the accrual of $153 thousand towards the next coupon interest payment due by 05/30/2015.

c) Currency risk

Foreign currency risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate as a result of changes in foreign currency exchange rates. With the exception of coupon interest payments on Canadian dollar denominated convertible debentures, the Company has minimal exposure to foreign currency fluctuations. The majority of the Company's transactions are denominated in the United States dollar, the currency in which the Company holds almost all of its excess cash.

At December 31, 2014 and December 31, 2013 the Company had no forward exchange contracts in place.

d) Commodity price risk

Commodity price risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate as a result of changes in commodity prices. Commodity prices for petroleum and natural gas are affected by the international economy that governs the level of supply and demand.

At December 31, 2014 and December 31, 2013, the Company has no outstanding financial instruments, financial derivatives or physical delivery contracts subject to commodity price risk. Purchases and sales of financial assets are recognized on the settlement date, the date on which the Company receives or delivers the asset.

e) Interest rate risk

Interest rate risk arises from changes in market interest rates that may affect the fair value or future cash flows from the Company's financial assets or liabilities. The Company mitigates its exposure to interest rate changes by holding fixed rate debt.

At December 31, 2014, the sensitivity in net earnings for each one percent change in interest rates is not significant.

Fair value of financial instruments

The fair values of financial instruments as at December 31, 2014 and 2013 are disclosed below by financial instrument category as follows:

		December 31, 2014		December 31, 2013	
US$000's	Level	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Assets at FVTPL					
Cash and cash equivalents	1	736	736	3,068	3,068
Loans and receivables					
Receivables from related party (a)	-	1,763	1,763	367	367
Short term loans receivable related party		20,040	20,040		
Other receivables	-	20	20	11	11
Other financial liabilities					
Accounts payable and accrued liabilities	-	1,946	1,946	1,676	1,676
Short term loan	-	22,456	22,456	2,739	2,739
Long term loan and interest payable		19,466	19,466		
Convertible Debentures	-	16,713	16,713	18,284	18,284
Liabilities at FVTPL					
Share based bonus	2	116	116	737	737
Derivative liability	2	29	29	1,332	1,332

a. Balances consist of receivables from Bahar Energy resulting from amounts invoiced on "Affiliate Service Orders" **(**"**ASO**"), Personnel Secondment Agreements and other direct services provided to BEOC.

Fair Value Hierarchy
Level 1 – Fair value measurement is determined by reference to unadjusted quoted prices in active markets for identical assets or liabilities.
Level 2 – Fair value measurement is based on inputs other than unadjusted quoted prices that are observable, either directly or indirectly.
Level 3 – Fair value measurement using inputs for the asset or liability that are not based on observable market data.

21. CAPITAL STRUCTURE AND MANAGEMENT

The Company considers its capital structure to include common share capital and working capital (a measurement defined as current assets less current liabilities, with current liabilities being as per the number on the face of the consolidated statement of financial position excluding warrants). In order to maintain or adjust the capital structure, the Company may from time to time issue common shares or other securities, sell assets, issue debt or adjust its operating or capital spending to manage current and projected working capital levels. *See Note 2 – Basis of Presentation and Going Concern*.

Composition of the Company's capital structure *US$000's*	December 31, 2014	December 31, 2013
Working Capital	(1,466)	1,734
Loan term loan, convertible debt and shareholders' equity	57,674	46,924
Ratios of working capital to debt and shareholders' equity [(1)]	(3%)	4%

(1) Convertible debt is combined with shareholder's equity due to the Company's right to settle debt by issuing shares.

22. SUBSEQUENT EVENTS

Private Placement

On January 22, 2015, the Company completed a non-brokered private placement of 2,000,000 common shares of the Company at a price of $0.90 ($1.11 CDN) for aggregate gross proceeds of $1.8 million. The common shares are subject to a four month hold period expiring on May 23, 2015.

Draw Down of Additional Default Amounts of Baghlan Energy Limited

On February 6, 2015, the Company drew an additional $2.3 million of the $21 million Loan facility to enable Greenfields Petroleum International Company Ltd. ("**GPIC**"), a wholly-owned subsidiary of the Company, to fund further defaulted obligations of Baghlan, the other shareholder of Bahar Energy Limited. With the additional drawdown of the $2.3 million, total funding by GPIC of Baghlan default obligations is now $20.8 million. By funding Baghlan's defaulted obligations, GPIC provides protection to the interest of Bahar Energy in the ERDPSA and continues to ensure the Bahar Project has adequate working capital for operations. All transaction and financing costs resulting from using loan facility funds are subject to reimbursement by the defaulting partner. *See Defaulting Shareholder paragraph in Note 8 – Investment in Joint Venture.*