GREENFIELDS PETROLEUM CORPORATION

Annual Information Form
Fiscal Year Ended December 31, 2016

Dated: April 28, 2017

Table of Contents

Page

CONVENTIONS

The information in this annual information form ("**Annual Information Form**") is stated as at December 31, 2016, unless otherwise indicated. For an explanation of the capitalized terms and expressions and certain defined terms, please refer to the section of this Annual Information Form titled "Definitions".

ABBREVIATIONS

	Oil and Natural Gas Liquids		**Natural Gas**
bbl	barrel	Mcf	thousand cubic feet
bbl/d	barrels per day	MMcf	million cubic feet
Mbbl	thousands of barrels	Bcf	billion cubic feet
boe	barrels of oil equivalent, including barrels of crude oil and natural gas, unless otherwise indicated	Mcf/d	thousand cubic feet per day
boe/d	barrels of oil equivalent per day		
Mboe	thousand boe		
NGL	natural gas liquids		
MMBtu	million British thermal units		
API	American Petroleum Institute		

CONVERSION

The following table sets forth certain standard conversions from Standard Imperial Units to the International System of Units (or metric units).

To Convert From	To	Multiply By
Mcf	Cubic meters	28.317
Cubic meters	Cubic feet	35.315
Bbls oil	Cubic meters	0.159
Cubic meters	Bbls oil	6.290
Feet	Meters	0.305
Meters	Feet	3.281
Miles	Kilometers	1.609
Kilometers	Miles	0.621
Acres	Hectares	0.405
Hectares	Acres	2.471

Disclosure provided herein in respect of "boe"s may be misleading, particularly if used in isolation. A boe conversion ratio of 6 Mcf:1 Bbl is based on an energy equivalency conversion method primarily applicable at the burner tip and does not represent a value equivalency at the wellhead. Given the value ratio based on the current price of crude oil as compared to natural gas is significantly different from the energy equivalency of 6:1, utilizing a conversion ratio at 6:1 may be misleading as an indication of value.

EXCHANGE RATES

Except as otherwise indicated, all dollar amounts referenced in this Annual Information Form are expressed in United States dollars. The following table sets forth: (i) the rates of exchange for United States dollars expressed in Canadian dollars, in effect at the end of each of the periods indicated; and (ii) the average of exchange rates during such periods, in each case based on the noon rate reported by the Bank of Canada.

	Year Ended December 31, 2016	Year Ended December 31, 2015	Year Ended December 31, 2014
Rate at end of period	1.3427	1.3840	1.1601
Average noon spot rate during period	1.3248	1.2787	1.1045

NOTES ON RESERVES DATA AND OTHER OIL AND GAS INFORMATION

Caution Respecting Reserves Information

The determination of oil and gas reserves involves the preparation of estimates that have an inherent degree of associated uncertainty. Categories of proved, probable and possible reserves have been established to reflect the level of these uncertainties and to provide an indication of the probability of recovery. The estimation and classification of reserves requires the application of professional judgment combined with geological and engineering knowledge to assess whether or not specific reserves classification criteria have been satisfied. Knowledge of concepts including uncertainty and risk, probability and statistics, and deterministic and probabilistic estimation methods is required to properly use and apply reserves definitions.

The recovery and reserve estimates of oil, NGLs and natural gas reserves provided herein are estimates only. Actual reserves may be greater than or less than the estimates provided herein. The estimated future net revenue from the production of the Corporation's anticipated oil, NGLs and natural gas reserves does not represent the fair market value of the Corporation's proposed reserves.

Reserves Categories

"**Reserves**" are estimated remaining quantities of oil and natural gas and related substances anticipated to be recoverable from known accumulations, from a given date forward, based on (a) analysis of drilling, geological, geophysical, and engineering data; (b) the use of established technology; and (c) specified economic conditions, which are generally accepted as being reasonable and shall be disclosed. Reserves are classified according to the degree of certainty associated with the estimates.

"**Proved**" reserves are those reserves that can be estimated with a high degree of certainty to be recoverable. It is likely that the actual remaining quantities recovered will exceed the estimated proved reserves.

"**Developed Producing**" reserves are those reserves that are expected to be recovered from completion intervals open at the time of the estimate. These reserves may be currently producing or, if shut in, they must have previously been on production, and the date of resumption of production must be known with reasonable certainty.

"**Developed Non-Producing**" reserves are those reserves that either have not been on production, or have previously been on production, but are shut in, and the date of resumption of production is unknown.

"**Undeveloped**" reserves are those reserves expected to be recovered from known accumulations where a significant expenditure (e.g., when compared to the cost of drilling a well) is required to render them capable of production. They must fully meet the requirements of the reserves classification (proved, probable) to which they are assigned. In multi well pools, it may be appropriate to allocate total pool reserves between the developed and undeveloped categories or to sub divide the developed reserves for the pool between developed producing and developed non-producing. This allocation should be based on the estimator's assessment as to the reserves that will be recovered from specific wells, facilities and completion intervals in the pool and their respective development and production status.

"**Probable**" reserves are those additional reserves that are less certain to be recovered than proved reserves. It is equally likely that the actual remaining quantities recovered will be greater or less than the sum of the estimated proved + probable reserves.

Levels of Certainty for Reported Reserves

The qualitative certainty levels referred to in the definitions above are applicable to individual reserve entities (which refers to the lowest level at which reserves calculations are performed) and to reported reserves (which refers to the highest level sum of individual entity estimates for which reserves are presented). Reported reserves should target the following levels of certainty under a specific set of economic conditions:

- For proved reserves, at least a 90 percent probability that the quantities actually recovered will equal or exceed the estimation; and

- For proved plus probable reserves, at least a 50 percent probability that the quantities actually recovered will equal or exceed the estimation.

A quantitative measure of the certainty levels pertaining to estimates prepared for the various reserves categories is desirable to provide a clearer understanding of the associated risks and uncertainties. However, the reserves estimates will be prepared using deterministic methods that do not provide a mathematically derived quantitative measure of probability. In principle, there should be no difference between estimates prepared using probabilistic or deterministic methods.

Definitions

Certain terms used in this Annual Information Form in describing reserves and other oil and natural gas information are defined below. Certain other terms and abbreviations used in this Annual Information Form, but not defined or described, are defined in NI 51-101 or the COGE Handbook and, unless the context otherwise requires, shall have the same meanings herein as in NI 51-101 or the COGE Handbook.

"**associated gas**" means the gas cap overlying a crude oil accumulation in a reservoir.

"**conventional natural gas**" means natural gas that has been generated elsewhere and has migrated as a result of hydrodynamic forces and is trapped in discrete accumulations by seals that may be formed by localized structural, depositional or erosional geological features.

"**crude oil**" or "**oil**" means a mixture that consists mainly of pentanes and heavier hydrocarbons, which may contain sulphur and other non-hydrocarbon compounds, that is recoverable at a well from an underground reservoir and that is liquid at the conditions under which its volume is measured or estimated. It does not include solution gas or natural gas liquids.

"**development costs**" means costs incurred to obtain access to reserves and to provide facilities for extracting, treating, gathering and storing the oil and gas from the reserves. More specifically, development costs, including applicable operating costs of support equipment and facilities and other costs of development activities, are costs incurred to:

(a) gain access to and prepare well locations for drilling, including surveying well locations for the purpose of determining specific development drilling sites, clearing ground, draining, road building, and relocating public roads, gas lines and power lines, to the extent necessary in developing the reserves;

(b) drill and equip development wells, development type stratigraphic test wells and service wells, including the costs of platforms and of well equipment such as casing, tubing, pumping equipment and the wellhead assembly;

(c) acquire, construct and install production facilities such as flow lines, separators, treaters, heaters, manifolds, measuring devices and production storage tanks, natural gas cycling and processing plants, and central utility and waste disposal systems; and

(d) provide improved recovery systems.

"**development well**" means a well drilled inside the established limits of an oil or gas reservoir, or in close proximity to the edge of the reservoir, to the depth of a stratigraphic horizon known to be productive.

"**exploration costs**" means costs incurred in identifying areas that may warrant examination and in examining specific areas that are considered to have prospects that may contain oil and gas reserves, including costs of drilling exploratory wells and exploratory type stratigraphic test wells. Exploration costs may be incurred both before acquiring the related property (sometimes referred to in part as "**prospecting costs**") and after acquiring the property. Exploration costs, which include applicable operating costs of support equipment and facilities and other costs of exploration activities, are:

(a) costs of topographical, geochemical, geological and geophysical studies, rights of access to properties to conduct those studies, and salaries and other expenses of geologists, geophysical crews and others conducting those studies (collectively sometimes referred to as "geological and geophysical costs");

(b) costs of carrying and retaining unproved properties, such as delay rentals, taxes (other than income and capital taxes) on properties, legal costs for title defense, and the maintenance of land and lease records;

(c) dry hole contributions and bottom hole contributions;

(d) costs of drilling and equipping exploratory wells; and

(e) costs of drilling exploratory type stratigraphic test wells.

"**exploratory well**" means a well that is not a development well, a service well or a stratigraphic test well.

"**field**" means an area consisting of a single reservoir or multiple reservoirs all grouped on or related to the same individual geological structural feature and/or stratigraphic condition. There may be two or more reservoirs in a field that are separated vertically by intervening impervious strata or laterally by local geologic barriers, or both. Reservoirs that are associated by being in overlapping or adjacent fields may be treated as a single or common operational field. The geological terms "**structural feature**" and "**stratigraphic condition**" are intended to denote localized geological features, in contrast to broader terms such as "**basin**", "**trend**", "**province**", "**play**" or "**area of interest**".

"**future net revenue**" means a forecast of revenue, estimated using forecast prices and costs or constant prices and costs, arising from the anticipated development and production of resources, net of the associated royalties, operating costs, development costs, and abandonment and reclamation costs.

"**gross lease**" means:

(a) in relation to the Corporation's interest in production or reserves, its "company gross lease reserves", are it's working interest (operating or non-operating) marketable share, before deduction of royalties and without including any royalty interests of the Corporation;

(b) in relation to wells, the total number of wells in which the Corporation has an interest; and

(c) in relation to properties, the total area of properties in which the Corporation has an interest.

"**light crude oil**" means crude oil with a relative density greater than 31.1 degrees API gravity.

"**medium crude oil**" means crude oil with a relative density greater than 22.3 degrees API gravity and less than or equal to 31.1 degrees API gravity.

"**natural gas**" means a naturally occurring mixture of hydrocarbon gases and other gases.

"**NGL**" or "**natural gas liquids**" means those hydrocarbon components that can be recovered from natural gas as a liquid including, but not limited to, ethane, propane, butanes, pentanes and condensates.

"**net**" means:

(a) in relation to the Corporation's interest in production or reserves its working interest (operating or non-operating) share after deduction of royalty obligations, plus the Corporation's royalty interests in production or reserves;

(b) in relation to the Corporation's interest in wells, the number of wells obtained by aggregating the Corporation's working interest in each of its gross wells; and

(c) in relation to the Corporation's interest in a property, the total area in which the Corporation has an interest multiplied by the working interest owned by the Corporation.

"**non-associated gas**" means an accumulation of natural gas in a reservoir where there is no crude oil.

"**operating costs**" or "**production costs**" means costs incurred to operate and maintain wells and related equipment and facilities, including applicable operating costs of support equipment and facilities and other costs of operating and maintaining those wells and related equipment and facilities.

“**production**” means recovering, gathering, treating, field or plant processing (for example, processing gas to extract natural gas liquids) and field storage of oil and gas.

“**property**” includes:

(a) fee ownership or a lease, concession, agreement, permit, license or other interest representing the right to extract oil or gas subject to such terms as may be imposed by the conveyance of that interest;

(b) royalty interests, production payments payable in oil or gas, and other non-operating interests in properties operated by others; and

(c) an agreement with a foreign government or authority under which a reporting issuer participates in the operation of properties or otherwise serves as “producer” of the underlying reserves (in contrast to being an independent purchaser, broker, dealer or importer).

A property does not include supply agreements, or contracts that represent a right to purchase, rather than extract, oil or gas.

“**property acquisition costs**” means costs incurred to acquire a property (directly by purchase or lease, or indirectly by acquiring another corporate entity with an interest in the property), including:

(a) costs of lease bonuses and options to purchase or lease a property;

(b) the portion of the costs applicable to hydrocarbons when land including rights to hydrocarbons is purchased in fee;

(c) brokers’ fees, recording and registration fees, legal costs and other costs incurred in acquiring properties.

“**proved property**” means a property or part of a property to which reserves have been specifically attributed.

“**reservoir**” means a porous and permeable underground formation containing a natural accumulation of producible oil or gas that is confined by impermeable rock or water barriers and is individual and separate from other reservoirs.

“**service well**” means a well drilled or completed for the purpose of supporting production in an existing field. Wells in this class are drilled for the following specific purposes: gas injection (natural gas, propane, butane or flue gas), water injection, steam injection, air injection, salt water disposal, water supply for injection, observation, or injection for combustion.

“**solution gas**” means natural gas dissolved in crude oil.

“**stratigraphic test well**” means a drilling effort, geologically directed, to obtain information pertaining to a specific geologic condition. Ordinarily, such wells are drilled without the intention of being completed for hydrocarbon production. They include wells for the purpose of core tests and all types of expendable holes related to hydrocarbon exploration. Stratigraphic test wells are classified as (a) ”**exploratory type**” if not drilled into a proved property; or (b) ”**development type**”, if drilled into a proved property. Development type stratigraphic wells are also referred to as “**evaluation wells**”.

“**support equipment and facilities**” means equipment and facilities used in oil and gas activities, including seismic equipment, drilling equipment, construction and grading equipment, vehicles, repair shops, warehouses, supply points, camps, and division, district or field offices.

“**unproved property**” means a property or part of a property to which no reserves have been specifically attributed.

“**well abandonment costs**” means costs of abandoning a well (net of salvage value) and of disconnecting the well from the surface gathering system. They do not include costs of abandoning the gathering system or reclaiming the wellsite.

CERTAIN DEFINITIONS

Wherever used in this Annual Information Form, unless the context otherwise requires, the following words and phrases shall have the meanings set forth below:

"**Acquisition**" has the meaning ascribed thereto under the heading "*General Development of the Business - Year Ended 2016*";

"**Acquisition Agreement**" means the agreement for the sale and purchase of 66.67% of the issued and paid up shares in Bahar Energy and the shareholder loan receivable dated March 7, 2016 among Baghlan, the liquidator of Baghlan, and GPIC;

"**Additional Loan Agreements**" has the meaning ascribed thereto under the heading "*General Development of the Business – Year Ended 2016*";

"**Additional Loans**" has the meaning ascribed thereto under the heading "*General Development of the Business - Year Ended 2016*";

"**Audit Committee**" means the audit committee of the Board of Directors;

"**Azerbaijan**" means the Republic of Azerbaijan;

"**Baghlan**" means Baghlan Group Ltd., a company incorporated in the British Virgin Islands and a wholly-owned subsidiary of Baghlan FZCO;

"**Baghlan FZCO**" means Baghlan Group FZCO, a company incorporated in the Jebel Ali Free Zone, Dubai, UAE;

"**Bahar Board**" means the board of directors of Bahar Energy;

"**Bahar Energy**" means Bahar Energy Limited, a company incorporated in the Jebel Ali Free Zone, Dubai, UAE, a wholly owned indirect subsidiary of the Corporation;

"**Bahar Gas Field**" means the gas field located in the offshore Caspian Sea area of Azerbaijan that is the subject of the ERDPSA and contains approximately 251 offshore wells;

"**Bahar Gas Sales Agreement**" means the gas sales agreement dated September 24, 2010 effective October 1, 2010, as amended on March 3, 2017, between SOCAR and BEOC, on behalf of the Contractor Parties, in respect of the sales of natural gas from the Bahar Gas Field;

"**Bahar Oil Sales Agreement**" means the oil sales agreement dated September 24, 2010 effective October 1, 2010, between SOCAR and the Contractor Parties in respect of the sales of oil from the Gum Deniz Oil Field;

"**Bahar Shareholders**" means the shareholders of Bahar Energy from time to time, currently GPIC holding 100% of Bahar Energy;

"**Bahar Shareholders' Agreement**" means the investment and shareholders' agreement dated October 21, 2009, as amended, entered into among the shareholders of Bahar Energy;

"**BEOC**" means Bahar Energy Operating Company Limited, a company incorporated in the Jebel Ali Free Zone, Dubai, UAE for the purpose of conducting operations on behalf of the Contractor Parties under the ERDPSA in accordance with the terms of the Joint Operating Agreement, and which is currently owned 100% by Bahar Energy, subject to a 20% interest assignable to SOA pursuant to the ERDPSA;

"**BEOC Shareholders' Agreement**" has the meaning ascribed thereto under the heading "*Narrative Description of the Business – Description of the BEOC Shareholders' Agreement*";

"**Board**" or "**Board of Directors**" means the board of directors of the Corporation;

"**Calvetti**" means Calvetti Ferguson LP;

"**COGE Handbook**" means the Canadian Oil and Gas Evaluation Handbook;

"**Common Shares**" means the common shares in the capital of the Corporation;

"**Contractor Parties**" means, collectively, SOA and Bahar Energy as contractors under the ERDPSA;

“**Corporate Redomestication**” has the meaning ascribed thereto in “*The Corporation*”;

“**Corporation**” or “**GPC**” means Greenfields Petroleum Corporation;

“**Debentureholders**” means holders of Debentures;

“**Debentures**” means the 9.0% convertible unsecured subordinated debentures of the Corporation;

“**ERDPSA**” means the Agreement on the Exploration, Rehabilitation, Development and Production Sharing for the Block including the Bahar Gas Field and Gum Deniz Oil Field in the Azerbaijan Sector of the Caspian Sea, dated December 22, 2009, between Bahar Energy, SOCAR and SOA;

“**Exploration Area**” means the contract exploration area referred to as the Bahar-2 area as specified in the ERDPSA;

“**First Loan**” means the $34 million loan facility made available to the Corporation pursuant to the First Loan Agreement;

“**First Loan Agreement**” means the loan agreement dated November 25, 2013, as amended, between the Corporation and two arm’s length third party lenders, Vitol and I&S, providing for the First Loan;

“**GLJ**” means GLJ Petroleum Consultants Ltd., independent qualified reserves evaluators;

“**GLJ Report**” means the report of GLJ dated April 6, 2017 evaluating the crude oil, natural gas liquids and natural gas reserves of the Corporation as at December 31, 2016;

“**GPIC**” means Greenfields Petroleum International Company Ltd.;

“**Gum Deniz Oil Field**” means the oil field located in the offshore Caspian Sea area of Azerbaijan that is the subject of the ERDPSA;

“**Heaney**” means Heaney Assets Corp.;

“**I&S**” means Ingalls & Snyder, LLC;

“**JLA**” means the joint lifting agreement between Bahar Energy, SOCAR and SOA that governs the sale of petroleum produced in connection with the ERDPSA;

“**Joint Operating Agreement**” means the joint operating agreement for the Bahar Gas Field and the Gum Deniz Oil Field between Bahar Energy, SOA and BEOC entered into for the purpose of regulating operations under the ERDPSA;

“**Loan Restructuring**” has the meaning ascribed thereto under the heading “*General Development of the Business - Year Ended 2016*”;

“**NI 51-101**” means National Instrument 51-101 - *Standards of Disclosure for Oil and Gas Activities*;

“**NI 51-102**” means National Instrument 51-102 - *Continuous Disclosure Obligations*;

“**NI 52-110**” means National Instrument 52-110 - *Audit Committees*;

“**PKF**” means Pannell Kerr Forster of Texas, P.C.;

“**Project**” means the oil and gas activities of the Contractor Parties in the Bahar Gas Field and the Gum Deniz Oil Field pursuant to the ERDPSA;

“**Protocol**” has the meaning ascribed thereto under the heading “*General Development of the Business – Subsequent to Year Ended 2016*”;

“**PSA**” means a production sharing agreement;

“**RAFI**” means RAFI Oil FZE, a company incorporated in the Jebel Ali Free Zone, Dubai, UAE;

“**Rehabilitation Area**” means the rehabilitation area in the Gum Deniz Oil Field and the Bahar Gas Field as specified in the ERDPSA;

“**Restructuring**” has the meaning ascribed thereto under the heading “*General Development of the Business - Year Ended 2016*”;

“**Second Loan**” means the loan facility in the principal amount of $21.0 million made available to the Corporation pursuant to the Second Loan Agreement;

“**Second Loan Agreement**” means the loan agreement dated June 27, 2014 between the Corporation and Heaney providing for the Second Loan;

“**Settlement Agreement**” has the meaning ascribed thereto under the heading “*General Development of the Business - Year Ended 2016*”;

“**SOA**” means SOCAR Oil Affiliate;

“**SOCAR**” means the State Oil Company of the Republic of Azerbaijan;

“**SOFAZ**” means the State Oil Fund of Azerbaijan;

“**Shareholders**” means holders of Common Shares;

“**Target Production Rate 1**” has the meaning ascribed thereto under the heading “*General Development of the Business - Year Ended 2014*”;

“**Target Production Rate 2**” has the meaning ascribed thereto under the heading “*General Development of the Business - Year Ended 2014*”;

“**TSXV**” means the TSX Venture Exchange;

“**UAE**” means the United Arab Emirates;

“**Unit**” means a unit of the Corporation, each such unit consisting of one Common Share and one-half of one Warrant;

“**U.S.A.**” or “**United States**” or “**U.S.**” means the United States of America, its territories and possessions, any state of the United States of America and the District of Columbia;

“**Vitol**” means Vitol Energy (Bermuda) Ltd.; and

“**Warrant**” means a Common Share purchase warrant of the Corporation issued as part of the 2016 financial restructuring as defined under “*General Development of the Business - Year Ended 2016*”.

Certain other terms used herein but not defined herein are defined in NI 51-101 and, unless the context otherwise requires, shall have the same meanings herein as in NI 51-101.

Unless otherwise stated, all dollar amounts herein are in United States dollars, which is the same currency used by the Corporation in preparing its consolidated financial statements.

SPECIAL NOTE REGARDING FORWARD-LOOKING STATEMENTS

All forward-looking statements in this Annual Information Form and in certain documents incorporated by reference herein are based on assumptions and the Corporation’s view of future events which reflect information available at the time the assumption was made. Certain statements contained in this Annual Information Form constitute forward-looking statements. The use of any of the words “anticipate”, “continue”, “estimate”, “expect”, “may”, “will”, “project”, “should”, “believe” and similar expressions are intended to identify forward-looking statements. These statements involve known and unknown risks, uncertainties and other factors that may cause actual results or events to differ materially from those anticipated in such forward-looking statements. Management of the Corporation believes the expectations reflected in those forward-looking statements are reasonable but no assurance can be given that these expectations will prove to be correct and such forward-looking statements included herein should not be unduly relied upon. These statements speak only as of the date hereof or at the date specified in the documents incorporated by reference into this Annual Information Form.

In particular, this Annual Information Form contains forward-looking statements pertaining to the following:

- capital expenditure programs and other expenditures, the allocation of such capital and the timing thereof;
- estimates generally, and the quality and quantity of future revenues derived from the Corporation’s reserves;

- the size of the oil and natural gas reserves of the Corporation and anticipated future cash flows from such reserves;
- performance characteristics of the Corporation's property and assets;
- oil and natural gas production levels;
- planned development of oil and gas properties;
- projections of commodity prices, foreign currency exchange rates and interest rates and costs;
- supply and demand for crude oil and gas;
- expectations regarding the Corporation's ability to raise capital and to continually add reserves through acquisitions, exploration and development;
- schedules and timing of certain projects and the Corporation's strategy for growth;
- treatment under governmental and other regulatory regimes and tax, environmental and other laws;
- treatment of contractual obligations of the Corporation and its joint venture partners;
- schedules and timing of certain projects and the Corporation's strategy for growth;
- the Corporation's future operating and financial results;
- estimated abandonment and reclamation costs and the timing thereof;
- the tax horizon of the Corporation;
- the Corporation's future business strategy with respect to, among other things, greenfields; development plans and redevelopment;
- dependence on personnel; and
- operating risk liability.

With respect to forward looking statements contained in this Annual Information Form, the Corporation has made assumptions regarding:

- oil and natural gas production levels;
- the success of the Corporation's operations and exploration and development activities;
- prevailing weather conditions, commodity prices and exchange rates;
- the availability of labor, services and drilling equipment;
- the availability of capital to fund planned expenditures;
- the ability of the Corporation's partners to consistently fund their share of project expenditures;
- timing and amount of capital expenditures;
- general economic and financial market conditions;
- the success, nature and timing of water flood activities;
- the ability of the Corporation to secure necessary personnel, equipment and services;
- government regulation in the areas of taxation, royalty rates and environmental protection;
- the success of exploration and development activities; and
- the ability of BEOC to successfully market Bahar Energy's oil and natural gas products.

Actual results could differ materially from those anticipated in these forward-looking statements as a result of the risk factors set forth below and elsewhere in this Annual Information Form:

- the Corporation's inability to raise sufficient proceeds in the future given the Corporation's substantial capital requirements;
- the inability of the Corporation to recover costs as contemplated by the Protocol;
- the Corporation's operational dependency on other companies, including SOA;
- a material decline in crude oil prices;
- volatility in market prices for oil and natural gas;
- the Corporation drilling or completing wells that yield uneconomic hydrocarbons reserves;
- the Corporation's inability to obtain drilling and completion services and equipment in sufficient time to meet operational needs;
- uncertainties associated with the Corporation's operations in Azerbaijan, including political and legal framework instability;
- failure to obtain industry partners and other third party consents and approvals, as and when required;
- competition for, *inter alia*, capital, acquisitions of reserves, undeveloped lands and skilled personnel;
- liabilities, risks and potential hazards inherent in oil and natural gas operations;
- uncertainties associated with estimating oil and natural gas reserves;

- inability to secure labor, services or equipment on a timely basis or on favorable terms;
- the Corporation's ability to maintain systems of internal controls;
- unfavorable weather conditions;
- incorrect assessments of the value of acquisitions;
- geological, technical, drilling, completion and processing problems;
- fluctuations in foreign exchange or interest rates and stock market volatility;
- general economic and business conditions;
- a change in the Corporation's business strategy;
- failure to realize the anticipated benefits of acquisitions; and
- the other factors discussed under "*Risk Factors*" herein.

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

Readers are cautioned that the foregoing lists of factors are not exhaustive. The forward-looking statements contained in this Annual Information Form are expressly qualified by this cautionary statement. The Corporation does not undertake any obligations to publicly update or revise any forward-looking statements other than as required under applicable securities law.

THE CORPORATION

The Corporation was formed on November 28, 2007 as "Greenfields Petroleum, Inc." under the laws of the State of Texas. On April 4, 2008, the Corporation was converted pursuant to a Certificate of Conversion to "Greenfields Petroleum LLC", a limited liability company under the laws of the State of Texas. Pursuant to a resolution passed by the board of Greenfields Petroleum LLC on January 8, 2010, the outstanding units of Greenfields Petroleum LLC were split on the basis of 1.5 new units for each outstanding unit. On February 19, 2010, pursuant to a Certificate of Conversion, Greenfields Petroleum LLC was converted to a corporation named "Greenfields Petroleum Corporation" under the laws of the State of Delaware.

On August 18, 2011, the Corporation completed a corporate redomestication from the State of Delaware to the Cayman Islands (the "**Corporate Redomestication**"). The Corporate Redomestication included three primary steps: (i) a merger with a wholly-owned subsidiary incorporated pursuant to the laws of the State of Arizona; (ii) a transfer of domicile procedure under Arizona law and continuation procedure under Cayman Islands law; and (iii) a scheme of arrangement pursuant to sections 86 and 87 of the *Cayman Islands Companies Law* (2010 Revision).

Prior to the Corporate Redomestication, the Common Shares were subject to a one year distribution compliance period and deemed to be "restricted securities" under United States securities laws and were therefore subject to certain restrictions on transfers to U.S. persons ("**Resale Restrictions**"). As such, all certificates evidencing the Common Shares ("**Share Certificates**") bore a restrictive transfer legend and the Corporation's trading symbol on the TSXV contained an ".S" qualifier to alert investors to the existence of the Resale Restrictions. As a result of the Corporate Redomestication, the Corporation qualifies as a "foreign private issuer" for the purposes of the United States securities laws, resulting in no restrictive transfer legend on Share Certificates currently outstanding, the ".S" qualifier not applying to the Common Shares, and the trading symbol of the Corporation and the Common Shares becoming generally freely tradeable by its U.S. shareholders.

The head office of the Corporation is located at Suite 250, 211 Highland Cross Drive, Houston, Texas, 77073, U.S.A., and the registered office is located at 190 Elgin Avenue, George Town, Grand Cayman KY1-9005, Cayman Islands.

INTERCORPORATE RELATIONSHIPS

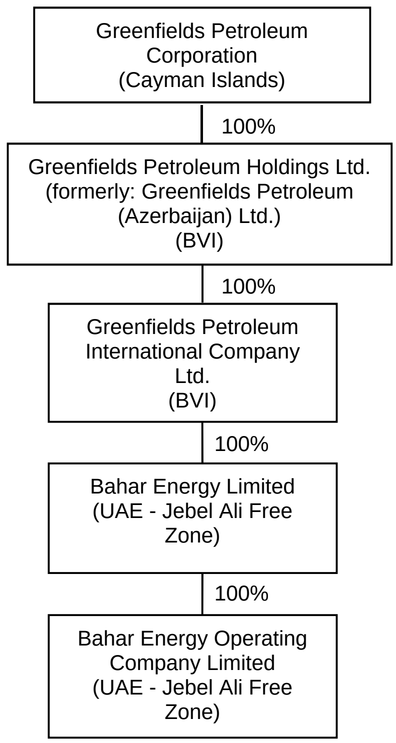
The Corporation's corporate structure parallels its United States and international oil and gas activities.

The Corporation owns 100% of Greenfields Petroleum Holdings Ltd., a British Virgin Islands company, through which it conducts its international oil and gas activities, and whose registered office is located at 56 Administration Drive, Wickhams Cay 1, Road Town, Tortola, British Virgin Islands.

Greenfields Petroleum Holdings Ltd. owns 100% of the outstanding shares of Greenfields Petroleum International Company Ltd. ("**GPIC**"), a British Virgin Islands company, whose registered office is located at 56 Administration

Drive, Wickhams Cay 1, Road Town, Tortola, British Virgin Islands. GPIC owns 100% of the outstanding shares in Bahar Energy, a company formed in the Jebel Ali Free Zone, Dubai, UAE whose registered office is LOB 15 514, P.O. Box 17870, Jebel Ali Free Zone, Dubai, UAE. Bahar Energy is one of the Contractor Parties under the ERDPSA in Azerbaijan and owns an 80% participating interest in the ERDPSA. BEOC is currently owned 100% by Bahar Energy, subject to a 20% interest transferrable to SOA, effective as of October 1, 2010, upon completion of the final legal documentation for the assignment, which has not yet been completed at SOA's election. BEOC is a company formed in the Jebel Ali Free Zone, Dubai, UAE for the purpose of acting as operator under the ERDPSA on behalf of the Contractor Parties, and whose registered office is LOB 15 514, P.O. Box 17870, Jebel Ali Free Zone, Dubai, UAE.

The relationship between the Corporation and its related companies is set forth in the following organizational chart:



GENERAL DEVELOPMENT OF THE BUSINESS

Year Ended 2014

On January 31, 2014, the Contractor Parties to the ERDPSA achieved certain production milestones ("**Target Production Rate 1**") in respect of the Rehabilitation Area in the Bahar Gas Field and the Gum Deniz Oil Field as specified in the ERDPSA.

On March 31, 2014, the Contractor Parties achieved additional production milestones in respect of the Rehabilitation Area ("**Target Production Rate 2**") and, on April 17, 2014, SOA became obligated, pursuant to the ERDPSA, to begin paying its share of project costs. Prior thereto, Bahar Energy had been obligated to carry the costs attributable to SOA's 20% participating interest in respect of operations in the Bahar Gas Field and the Gum Deniz Oil Field, which totaled approximately $40.0 million by the end of the first quarter of 2014.

In 2014, Baghlan failed to fund its share of the costs of Bahar Energy, in the aggregate amount of approximately $22.1 million (the "**Default Amount**"). The Bahar Shareholders' Agreement provided that, in the event of a default by a shareholder of a funding obligation, the other shareholder is required, by additional loan, to provide such funds to Bahar Energy. Accordingly, GPIC was required to pay the Default Amount and Baghlan was deemed to have assigned to GPIC a share of its dividends in Bahar Energy equal to the sum of: (a) the Default Amount; (b) GPIC's cost of funding of the Default Amount; and (c) interest on the Default Amount at a rate of 4% per year computed from and including the date on which the Default Amount was funded by GPIC to the date Baghlan remedies the default.

On June 27, 2014, the Corporation entered into the Second Loan Agreement with Heaney, an arm's length third party lender, providing for the Second Loan in the principal amount of a $21.0 million. The Second Loan was used to satisfy the Default Amount.

Year Ended 2015

On January 22, 2015, the Corporation completed a non-brokered private placement of 2 million Common Shares at a price of $0.90 per Common Share for aggregate gross proceeds of $1.8 million.

On May 27, 2015, the First Loan Agreement was amended to, among other things, increase the First Loan in the amount of $2.0 million to a total of $27.0 million, with such additional funds loaned by I&S through participation in the First Loan Agreement.

In May 2015, SOCAR confirmed that BEOC had achieved Target Production Rate 1 under the ERDPSA on March 31, 2014. As a result, the Contractor Parties to the ERDPSA secured their development and production rights in respect of the Project for a twenty-five year term expiring on September 30, 2035.

In 2015, production in the Gum Deniz Oil Field averaged 1,254 bbl/d and production in the Bahar Gas Field averaged 18.3 MMcf/d.

Year Ended 2016

In 2016, production in the Gum Deniz Oil Field averaged 884 bbl/d and production in the Bahar Gas Field averaged 18.6MMcf/d.

A total of $5.0 million was spent on 20 capital workovers, primarily in the Bahar field where 9 workovers were conducted at a cost of about $3.4 million. Eleven workovers were conducted in Gum Deniz at a cost of about $1.6 million. The 9 workovers in the Bahar field were successful adding about 8.8 MMcfd in new production offsetting declines in other producing wells. Workovers in the Gum Deniz were completed at 50% of budget amounts.

During the year construction activity consisted of:

- 9 platforms in the Bahar fields were refurbished.
- New piles and support structures were installed on the Gum Deniz causeway system.
- 640 meters of high pressure gas lift line were replaced.
- A project was initiated to develop a closed-loop water disposal system to replace the use of water disposal ponds. Project work continues into 2017.
- The heater-treater facility was reconstructed to improve efficiency and to extend its useful life.
- Construction began on a new transformer building scheduled for completion in 2017.

Dynamic reservoir simulation models for Gum Deniz and Bahar were initiated in June 2016 with work still ongoing. Completion is forecast for Q2 2017. The project consists of 3 stages:

> <u>Stage 1</u>: Construction of a 3D geo-cellular model using the Petrel static geo-cellular software package for all flow units in both fields. All geological, geophysical and reservoir paraments were fed into the models. This phase is complete.
>
> <u>Stage 2</u>: Construction of a dynamic simulation model using the Eclipse black oil dynamic simulator for all flow units in Gum Deniz and Bahar. History matches were conducted for all wells and flow units. History matching oil/ gas/condensate/water allocations to flow units was very complicated due to multiple zone comingling and imprecise historical production records, which caused dynamic simulation to be delayed by approximately 2 months.
>
> <u>Stage 3</u>: Forward model depletion scenarios and economic evaluation will be performed to identify optimum depletion scenarios, after which a final report will be prepared for review in Q2 2017.

The goal of this study is to prepare a revised development plan following the acquisition of the modern 3D seismic and the interpretation of that data with the well control and production data to have a more accurate and predictive subsurface model of both fields as well as investigate enhanced recovery in both fields.

On March 7, 2016, GPIC entered into the Acquisition Agreement with Baghlan and the liquidator of Baghlan pursuant to which GPIC agreed to acquire all of Baghlan's right, title and interest in Bahar Energy, being the 66.67% interest not already owned by GPIC (the "**Acquisition**"). In order to: (a) fund the purchase price of the proposed Acquisition; (b) address the cost of servicing and repaying the Corporation's debt; and (c) continue to execute its go-forward operational strategy, the Corporation underwent a series of restructuring transactions during the year ended December 31, 2016 which improved the Corporation's capital structure by reducing its overall debt levels from approximately $86.8 million, as at June 30, 2016, to approximately $44.2 million (collectively, the "**Restructuring**").

On March 4, 2016, in connection with the Restructuring, the Corporation entered into an amending agreement to the First Loan Agreement providing for, among other things, an increase in the principal amount of the First Loan by $7.0 million to a total of $34.0 million.

On April 12, 2016, in connection with the Restructuring, the Corporation entered into an early settlement agreement (the "**Settlement Agreement**") with Heaney to settle all amounts outstanding under the Second Loan.

On August 9, 2016, the Acquisition was completed and GPIC consolidated its interest in the Project under the ERDPSA by becoming the 100% owner of Bahar Energy. The aggregate consideration paid by GPIC for the Acquisition included a cash payment of $6.0 million and a release and discharge of the $60.7 million in liabilities, claims and demands in relation to certain default loan amounts and any and all other obligations, liabilities, claims or demands of any kind owed to Bahar Energy, BEOC and/or the Corporation by Baghlan. The Corporation recorded a net gain on the Acquisition in the amount of $81.5 million. Contemporaneous with the Acquisition, the Corporation also recognized as income $8.5 million which represents the present value of Baghlan's share of future dividends owed to the Corporation as a result of the Corporation funding Baghlan's default amounts. As a result of the Acquisition, the Bahar Shareholders Agreement became inactive and was ultimately terminated.

On August 9, 2016, in connection with Restructuring, the Corporation entered into an amending agreement to the First Loan Agreement to restructure the First Loan into a new long term loan with maturity date of March 31, 2018 and reduced annual interest rate of 12 percent. In consideration for agreeing to the loan restructuring terms, on September 9, 2016, the Corporation issued the lenders an aggregate of 85,979,917 Common Shares and 85,979,917 Warrants. Upon the issuance of such Common Shares, Vitol became a new control person of the Corporation, holding 49.1% of the issued and outstanding Common Shares. In the third quarter 2016, the Corporation recorded an expense of $13.8 million for the value of the Common Shares issued to Vitol and I&S. The terms of the Warrants are described under the heading "*Description of Share Capital – Warrants*."

On August 18, 2016, in connection with the Restructuring: (a) the Shareholders approved, among other things (i) an amendment to the Corporation's articles to increase the authorized number of Common Shares from 49,900,000 to 499,900,000 Common Shares; and (ii) the potential creation of Vitol as new a control person; and (b) the Debentureholders approved the conversion of Debentures into Common Shares at a ratio of approximately 1,397 Common Shares for every CAD$1,000 of principal amount of Debentures, including all accrued and unpaid interest payable thereon.

On August 25, 2016, the Debentures were delisted from the TSXV and, on August 26, 2016, the Corporation issued an aggregate of 33,143,825 Common Shares to the former Debentureholders, thereby satisfying and extinguishing all claims of the Debentureholders. The terms of the Debentures are described under the heading "*Description of Share Capital – Debentures*."

On September 9, 2016, pursuant to the Settlement Agreement, the Corporation issued 11,500,000 Common Shares to Heaney in full and final satisfaction of all amounts owing under the Second Loan, including principal in the amount of approximately $20 million and accrued interest.

On September 9, 2016, the Corporation secured additional funding in the amount of $3,025,000 (the "**Additional Loans**") through loan agreements ("**Additional Loan Agreements**") with a consortium of lenders, including insiders of the Corporation. The Additional Loans have a maturity date of March 31, 2018 and bear interest at a rate of 12% per annum. Pursuant to the terms of the Additional Loan Agreements, the lenders were entitled to receive 1.2 Common Shares for each $1.00 of principal loaned to the Corporation and, on September 9, 2016, the Corporation issued an aggregate of 3,630,000 Common Shares to the lenders under the Additional Loan Agreements.

On October 13, 2016, the Board accepted the resignations of Alex T. Warmath and Richard E. MacDougal as directors of the Corporation and appointed Geir Sagemo and David B. Fransen, each affiliated with Vitol, a lender to and a control person of the Corporation, to fill the vacancies created by the resignations.

Subsequent to Year Ended 2016

On February 21, 2017, the Corporation filed notice of change of auditor advising of the replacement of its previous auditors, Calvetti, with PKF. The change was initiated after Calvetti gave notice to the Board of Directors that their firm would no longer perform audits for Canadian registrants and Form 10-K filers.

On March 3, 2017, the Bahar Gas Sales Agreement was amended such that: (a) the term of the agreement was extended to October 1, 2020; (b) the sales price of natural gas would be fixed at $95/mcm ($2.69/Mcf), effective as of April 1, 2017, representing a reduction from the sales price of $140/mcm ($3.96/Mcf) established by the original agreement; and (c) SOCAR's obligations to purchase gas was expanded from the Bahar Gas Field, to include all natural gas zones in the Gum Deniz Oil Field and any new gas discoveries in the area governed by the ERDPSA. See "*Pricing and Markets – Gas Sales*".

On April 19, 2017, Bahar Energy entered into a protocol in respect of the carry of certain costs and related issues relating to SOA's shortfall in funding its 20% share of project expenditures incurred under the ERDPSA since April 2014 (the "**Protocol**"). As of December 31, 2016, the shortfall totalled approximately $40 million. Pursuant to the Protocol, and as provided in the ERDPSA, these amounts will be repaid to BEL from SOA's share of cost recovery. In addition, commencing on January 1, 2017 and continuing until January 1, 2020, all funds generated by the sale of petroleum produced from the contract rehabilitation area which are allocated to SOA for profit petroleum and to SOCAR as compensatory petroleum (the "**Protocol Funds**") will be placed in a separate fund. The Protocol Funds will be used to fund SOA's monthly cash call obligation. In the event the Protocol Funds are insufficient to cover the payment of SOA's cash calls, BEL will fund such shortfall. Any funding by BEL of the deficiencies in SOA's cash call payments will be added to the outstanding Carry 1 balance and subsequently reimbursed in accordance with the terms of the ERDPSA through payment of SOA's share of cost recovery revenues to BEL.

NARRATIVE DESCRIPTION OF THE BUSINESS

General

The Corporation is a junior oil and natural gas company focused on the development and production of proved oil and gas reserves principally in Azerbaijan. The Board of Directors and management of the Corporation are experienced in financing and operating international oil and gas companies and are believed to possess the requisite technical skills and business acumen to operate in diverse international environments.

The Corporation plans to continue to expand its oil and gas assets through farm-ins and acquisitions of PSAs from foreign governments of previously discovered but undeveloped international oil and gas fields, also known as "greenfields". Greenfields are characterized by existing proven hydrocarbons which require further delineation or infrastructure (as opposed to wildcat exploration), have current production or near term production, and frequently contain significant potential exploration upside. The Corporation has identified over nine hundred greenfields worldwide, some of which the Corporation expects to focus on, particularly in areas where the management of the Corporation has past operating experience and local relationships.

Business Strategy in Azerbaijan

The Corporation's strategy in the Bahar Gas Field and the Gum Deniz Oil Field is to increase existing production and develop previously discovered proved undeveloped reserves. The Corporation intends to accomplish its plan of development by implementing modern production techniques, including:

(a) repairing and upgrading platforms and facilities;

(b) introducing high rate gas compression;

(c) installing down hole electric submersible pumps;

(d) utilizing modern completion techniques not associated with Soviet style oil and gas field operations;

(e) completing previously unperforated pay zones in existing wellbores;

(f) capitalizing on understanding of reservoirs gained from analysis of data from over 700 previous wells drilled; and

(g) sidetracking existing wellbores and drill new development wells using modern seismic data.

Plan of Development

Development Plans for Bahar and Gum Deniz Fields

The Gum Deniz Oil Field has been in continuous production since 1955 and the Bahar Gas Field since 1969, although without the benefit of integrated seismic data, reservoir characterization, and modern production technologies. Greenfields has brought these essential elements together for field development efficiency and maximized asset performance going forward.

In 2014 and 2015 the first 3D seismic survey was acquired over the Gum Deniz field, and in the same program 2D infill lines were shot over the Bahar field. The marine seismic acquisition was designed to address specific multi-zone imaging objectives and structurally complex geological challenges of the area. The quality of the processed seismic data is excellent, and the geophysical interpretation has revealed fault compartmentalization and reservoir character that was not previously known.

In 2015 and 2016 comprehensive static geological models for both Bahar and Gum Deniz fields were prepared from historical records and newly acquired data. The objective was to understand and predict reservoir dynamics of the stacked 9 productive formations and their 29 flow units. Dynamic reservoir simulations run in early 2017 have been validated with production history matches, and ongoing predictive modeling is being used to rank candidate opportunities for workovers, infill drilling, artificial lift, and enhanced oil recovery. The facilities and construction engineering teams are assessing all existing surface facilities and infrastructure for suitable well design and construction, with full-cycle economics and risk assessment directing pre-planning decisions and capital deployment.

On this basis, a revised plan of development and production management strategies will be completed by the first half of 2017 for regulatory approvals and execution beginning in 2018. In the meantime, day-to-day operational performance is continuously being improved to detect, diagnose, and remedy production problems. The Corporation believes there is tremendous value yet to be realized in the Gum Deniz and Bahar fields, and has taken the necessary steps of integrating the best technical solutions for field optimization.

Description of the ERDPSA

General

The ERDPSA governs the Corporation's oil and gas exploration, development and production activities in the Bahar Gas Field and the Gum Deniz Oil Field. Prior to April 17, 2014, when notice was given in respect of the achievement of Target Production Rate 2 on March 31, 2014, Bahar Energy had the obligation to carry the costs attributable to SOA's 20% participating interest in respect of operations costs in the Gum Deniz Oil Field and the Bahar Gas Field.

Production revenue under the ERDPSA is allocated as follows:

(a) the Contractor Parties recover operating costs;

(b) the Contractor Parties recover capital costs up to a maximum of 50% of sales revenue after deducting operating costs. Unrecovered capital costs are considered to be financed, and these are carried forward and earn interest equal to LIBOR plus 4% of the amount of any unrecovered capital costs; and

(c) the balance of sales revenue ("**Profit Petroleum**") is split between SOFAZ and the Contractor Parties based on a series of factors.

This mechanism for dividing Profit Petroleum, including the proportions allocated to SOFAZ and the Contractor Parties, is comparable to other Azerbaijan PSAs.

Pursuant to the ERDPSA, the costs carried by Bahar Energy on behalf of SOA were to be repaid from SOA's share of cost recovery petroleum from the Rehabilitation Area. However, after Bahar Energy met the Target Production Rate 2 obligation on March 31, 2014 after which SOA was obligated to fund their 20% share of project costs, between April 2014 and March 2017, SOA failed to fund their 20% share resulting in the accumulated shortfall of SOA funding of approximately $40 million. On April 19, 2017, the Contractor Parties entered into the Protocol in an effort to address these funding shortfall issues. See "*General Development of the Business – Subsequent to Year Ended 2016*".

Under the ERDPSA, there is neither a minimum nor a maximum restriction on the revenues that may accrue to Bahar Energy with respect to the division of revenues between SOFAZ, SOA and Bahar Energy.

Economic Stabilization

Pursuant to the economic stabilization clause of the ERDPSA, in the event that any government authority in Azerbaijan adversely affects the rights of Bahar Energy under the ERDPSA, SOCAR has agreed to re-establish the economic equilibrium of the parties.

Tax

Pursuant to the ERDPSA, a tax credit equivalent to 20% of the profit is paid by SOCAR, on behalf of the Contractor Parties, to the government of Azerbaijan. The Corporation anticipates that it will not be in a tax paying position in the U.S. for at least four to six years but that such taxes can be partially offset by the aforementioned tax credit. In addition, the Contractor Parties are exempt from all other taxes, duties and royalties in Azerbaijan, other than certain customs fees, personal income tax and contributions to the state social insurance funds of Azerbaijan.

Facilities Access and Environmental Matters

Pursuant to the ERDPSA, the Contractor Parties have complete access during the term of the ERDPSA to all existing wells and facilities necessary to carry out operations in the Bahar Gas Field and Gum Deniz Oil Field. SOCAR has agreed to indemnify the Contractor Parties for all environmental conditions prior to the effective date of the ERDPSA and SOCAR has assumed all remediation obligations for these environmental liabilities. An environmental assessment and baseline was completed by Bahar Energy to establish conditions as at the effective date of the ERDPSA.

Governing Law

The ERDPSA is governed by principles of law common to the laws of Azerbaijan and English law and, to the extent that no common principles exist, in accordance with the laws of the Province of Alberta (except for laws regarding conflict of laws). In addition, the ERDPSA contains provisions for international dispute resolution, arbitration, confidentiality, waiver of sovereign immunity, and economic stabilization for the protection of the foreign contractor.

Force of Law

The terms of the ERDPSA provide that, since the ERDPSA has been ratified by the Parliament of Azerbaijan, it has the force of law in Azerbaijan and became effective as at October 1, 2010. This is a feature that management of the Corporation believes will provide greater protection from changes in local law than is provided by other PSAs in Azerbaijan that do not share this feature.

Parent Company Guarantee

To satisfy a condition precedent under the ERDPSA, the Bahar Shareholders, including the Corporation's subsidiary GPIC, executed a joint ultimate parent company guarantee dated effective February 19, 2010 (the "**Guarantee**") in favor of SOCAR, guaranteeing to provide Bahar Energy with all funds necessary for it to fulfill all of its obligations, financial or otherwise, under the ERDPSA. Payment under the Guarantee is due only after a default by Bahar Energy under the ERDPSA has been established pursuant to an arbitration award against Bahar Energy. Any dispute under the Guarantee is to be resolved by arbitration in the same manner as provided for in the ERDPSA.

Government Guarantee

In connection with the ERDPSA and pursuant to the guarantee provided by the Government of Azerbaijan to the Contractor Parties (the "**Government Guarantee**"), the Government of Azerbaijan has guaranteed, among other things:

(a) the rights granted or to be granted by SOCAR to the Contractor Parties under the ERDPSA;

(b) those obligations undertaken or to be undertaken by SOCAR under the ERDPSA;

(c) that SOCAR has the authority to grant the rights to the Contractor Parties under the ERDPSA;

(d) that the Government of Azerbaijan shall not enter into treaties, intergovernmental agreements or other arrangements that would diminish or infringe upon the rights and interests of the Contractor Parties under the ERDPSA;

(e) that none of the Contractor Parties' rights, interests or property shall be expropriated, nationalized or taken by reason of any act of any authority of the Government of Azerbaijan; and

(f) that no grant of rights to explore for and develop reserves in the area governed by the ERDPSA shall be given or permitted to be given to any parties other than the Contractor Parties during the term of the ERDPSA, or any extension thereof.

In addition, the Government of Azerbaijan has agreed and undertaken to take all measures necessary within the framework of its authority to ensure that all rights, privileges and exemptions granted under the ERDPSA and the Government Guarantee have full legal force and effect. The Government Guarantee is governed by the same choice of law and dispute resolution mechanism as the ERDPSA.

Operational Matters

Description of the Joint Operating Agreement

BEOC was formed pursuant to the terms of the ERDPSA as an operating company to conduct the operations under the ERDPSA on behalf of the Contractor Parties. For the purpose of regulating operations and the relations between the Contractor Parties and BEOC in the exercise of each of their respective rights and obligations under the ERDPSA, Bahar Energy, SOA and BEOC entered into the Joint Operating Agreement which contains, among other things, the following terms:

1. **Participating Interests**: All rights, obligations and interests under the ERDPSA, including the production attributable thereto, will be held by the Contractor Parties in accordance with their participating interests as follows:

SOA	20%
Bahar Energy	80%

The obligations of the Contractor Parties under the ERDPSA will be charged to a joint account and paid by each as to its participating interest except as are attributable to bonus payments and other specified expenses to be paid by Bahar Energy only, including costs attributable to the Carry.

2. **Operating Company**: Operations under the ERDPSA and Joint Operating Agreement will be conducted by BEOC in accordance with the directions of an established management committee acting in accordance with the ERDPSA. BEOC will represent the Contractor Parties in all dealings with the Government of Azerbaijan relating to the ERDPSA and operations thereunder. BEOC, as the operating company, will neither suffer a loss nor gain a profit as a result of joint operations under the ERDPSA, and will be indemnified by the Contractor Parties for liabilities associated therewith. BEOC is prevented from undertaking any business activity except as provided in the Joint Operating Agreement.

3. **Management Committee**: A management committee will be established to supervise operations, including approving work programs and budgets relating to exploration and development operations, and will consist of one representative appointed by each of SOA and Bahar Energy. Each representative has a vote equal to the participating interest of the Contractor Party such person represents. Decisions of the management

committee will be made by the affirmative vote of at least 80% of the participating interests. Following the termination of the Carry, certain limited decisions will require unanimity, including amendment or termination of the Joint Operating Agreement or ERDPSA. The management committee will meet at least twice a year.

4. **Default**: A Contractor Party (except SOA during the period of the Carry) which fails to pay its participating interest share of any cash call is deemed to be in default, and may be subject to interest payments, production penalties and other restrictions. Should the default continue for more than 60 days, the defaulting party may lose its participating interest to the non-defaulting parties.

5. **Sole Risk**: Provisions are included for sole risk operations, meaning operations permitted to be performed exclusively by one party under certain circumstances, with significant penalties to the non-participating party should such party desire to participate in the sole risk operation at a later stage.

6. **Assignment**: The assignment of a participating interest by a Contractor Party is subject to a right of first refusal of the other Contractor Party exercisable within 30 days of notice. Assignments to affiliates are not subject to such right of first refusal.

7. **Dispute Resolution**: The Joint Operating Agreement is governed by English law, and disputes are resolved by an international dispute resolution procedure.

8. **Other Provisions**: In addition to the foregoing, the Joint Operating Agreement contains provisions typical in similar agreements, including those relating to insurance, third party claims, work programs and budgets, force majeure and confidentiality, which may impose additional obligations on the Contractor Parties and BEOC.

Description of the BEOC Shareholders' Agreement

BEOC was formed as a not for profit company pursuant to the terms of the ERDPSA, which requires the establishment of an operating company to conduct operations under the ERDPSA on behalf of the Contractor Parties. BEOC is currently owned 100% by Bahar Energy, subject to a 20% interest assignable to SOA pursuant to the ERDPSA. In order to regulate the operation and management of BEOC, Bahar Energy, SOA and BEOC entered into the BEOC Shareholders' Agreement, effective October 1, 2010. The BEOC Shareholders' Agreement contains, among other things, the following terms:

1. **Shareholders**: The BEOC Shareholders' Agreement recognizes that the shareholders are the supreme authority of BEOC, and provides for both annual and extraordinary general meetings. The BEOC Shareholders' Agreement provides that all resolutions put to a vote of the shareholders may only pass if approved by at least 80% of the shares having the right to vote on the relevant matter.

2. **Board**: The board of directors of BEOC is intended to be comprised of five directors, four being appointed by Bahar Energy and one by SOA. At the current time, and at the request of SOA, all directors are appointed by Bahar Energy. Decisions of the board are to be made by affirmative vote of at least 80% of the directors, except that the director appointed by SOA shall not have the right to participate in any decisions on matters regarding the implementation of work financed by Bahar Energy pursuant to the Carry. Board meetings will be held at least annually.

3. **Officers**: The board is responsible for appointing the President of BEOC, who in turn is responsible for appointing all other officers in accordance with the terms of the Joint Operating Agreement.

4. **Share Transfers**: Shares of BEOC may be transferred only to the extent that a corresponding interest in the ERDPSA is transferred. Conversely, shares of BEOC must be transferred if and to the extent that a participating interest in the ERDPSA is transferred.

5. **Compliance with ERDPSA**: BEOC must comply with all instructions of the management committee formed under the Joint Operating Agreement and conduct its operations in accordance with the Joint Operating Agreement and in compliance with the ERDPSA.

Pricing and Marketing

Oil Sales

In Azerbaijan, SOCAR and any foreign company producers of oil, such as Bahar Energy, negotiate sales contracts directly with oil purchasers at selling prices that are generally derived from benchmark crude oil reference prices, such as the Brent Index. Actual selling prices may vary from posted benchmark selling prices to reflect factors such as oil quality, prices of competing fuels, distance to market, the value of refined products and the supply/demand balance.

BEOC, as agent on behalf of the parties to the JLA, and SOCAR, as buyer, entered into the Bahar Oil Sales Agreement relating to the sale of oil produced in connection with the ERDPSA. Pursuant to the Bahar Oil Sales Agreement: (a) SOCAR agreed to purchase the oil attributable to production from the ERDPSA and sell an equivalent volume of oil, less capped transportation losses, on behalf of the parties to the JLA at the export point as part of larger lots of SOCAR's export oil; and (b) BEOC agreed to sell the oil to SOCAR at the same price that SOCAR receives as the sale price under its export contract, less a one percent commission and costs, including transportation, not to exceed certain specified amounts. The Bahar Oil Sales Agreement may be terminated by either party upon 14 days advance notice.

The Bahar Oil Sales Agreement is governed by the laws of Azerbaijan and contains an international dispute resolution procedure, confidentially provisions, and a waiver of sovereign immunity for the protection of the Contractor Parties.

Through SOCAR, Bahar Energy has access to various pipeline and commercial railcar options to any of the four regional export points: Batumi, Georgia by rail cars; Supsa, Georgia by Western pipeline; Novorossiysk, Russia by Northern pipeline; or Ceyhan, Turkey by BTC pipeline. From these ports, the Bahar Energy 33 degree API crude trades at a percentage of the Brent crude price benchmark.

These transportation alternatives and quality adjustments have resulted in a net price at the field of approximately 94.4% of the Brent crude price benchmark.

Gas Sales

BEOC, as agent on behalf of the parties to the JLA, and SOCAR, as buyer, entered into the Bahar Gas Sales Agreement relating to the sale of natural gas from the Bahar Gas Field.

Prior to amendment of the Bahar Gas Sales Agreement on March 3, 2017, gas was sold at a minimum price of $140/mcm ($3.96/Mcf). Under the amended Bahar Gas Sales Agreement: (a) the term was extended from October 1, 2015 to October 1, 2020; (b) natural gas price was adjusted to $95/mcm ($2.69/Mcf), effective as of April 1, 2017, representing a reduction from $140/mcm ($3.96/Mcf); and (c) SOCAR's obligations to purchase gas was expanded from the Bahar Gas Field, to include all natural gas zones in the Gum Deniz Oil Field and any new gas discoveries in the area governed by the ERDPSA

The Bahar Gas Sales Agreement is governed by English law and contains an international dispute settlement procedure, confidentiality provisions, and a waiver of sovereign immunity for the protection of the Contractor Parties.

Competitive Conditions

Companies involved in the petroleum industry must manage many risks which are beyond their direct control. Among these risks are risks associated with exploration, environment, commodity prices, and foreign exchange and interest rates.

The oil and natural gas industry is intensely competitive and the Corporation competes with a substantial number of other companies, many of whom have greater financial resources. Many of such companies not only explore for and produce oil and natural gas, but also carry on refining operations and market petroleum and other products on a world-wide basis. The Corporation competes with other companies for all its business inputs, including exploitation and development prospects, equipment required to execute exploration, development and operational activities, access to commodity markets, acquisition opportunities, available capital and staffing. There is also competition between the petroleum industry and other industries supplying energy and fuel to industrial, commercial and individual customers. There is no assurance that the Corporation will be able to successfully compete against its competitors. See also "*Risk Factors*".

Cyclical Nature of Business

The Corporation's business is generally not cyclical. The exploration and development of oil and natural gas reserves is dependent on access to areas where production is to be conducted. Seasonal weather variation, including rainy seasons, affects access in certain circumstances. See also "*Risk Factors*".

Specialized Skill and Knowledge

The Corporation's operations in the oil and natural gas industry require professionals with skills and knowledge in diverse fields of expertise. In the course of its exploration, development and production of hydrocarbons, the Corporation utilizes the expertise of geophysicists, geologists, petroleum engineers and landmen. The Corporation faces the challenge of attracting and retaining sufficient employees to meet its needs. See also "*Risk Factors*".

Foreign Operations

The Corporation's oil and gas operations and assets are located in foreign jurisdictions. As a result, the Corporation is subject to political, economic and other uncertainties, including but not limited to changes, which may be frequent and substantial, in energy policies or the personnel administering them, nationalization, expropriation of property without fair compensation, cancellation or modification of contract rights, foreign exchange restrictions, currency fluctuations, royalty and tax increases, and other risks arising out of foreign governmental sovereignty over the areas in which the Corporation's operations are conducted. The Corporation may also face risks of loss due to civil strife, acts of war, guerrilla activities and insurrections. Changes in legislation may affect the Corporation's oil and natural gas exploration and production activities. The Corporation's international operations may also be adversely affected by laws and policies of Canada as they pertain to foreign trade, taxation and investment. See also "*Risk Factors*".

Personnel

As at December 31, 2016, the Corporation had 5 full-time employees and 1 part-time consultant in the corporate headquarters. It also regularly utilizes the services of additional professionals on a part-time contract or consulting basis. As at December 31, 2016, BEOC employed approximately 1,048 people, including 1,043 Azeri nationals and 5 expatriates. BEOC as operator under the Joint Operating Agreement for the Project performs the majority of the technical and operational work for the Project.

The executive management team of the Corporation includes oil and gas professionals with approximately 160 years of combined industry experience. Relying on the knowledge and experience of this team, the Corporation intends to focus on the development of its assets in Azerbaijan, as well as selectively pursue other international oil and gas opportunities with similar commercial development and production profiles.

Environmental Regulation

Globally, the oil and natural gas industry is subject to environmental regulation under local, provincial and federal legislation in each of the countries with oil and natural gas operations. In emerging nations, such as Azerbaijan, where environmental regulations and legislation are evolving, many oil and natural gas exploration and production companies operate in accordance with standards prevailing in established oil and natural gas producing jurisdictions, such as the United States. The Corporation is committed to conducting its operations in Azerbaijan in accordance with environmental standards used by other international oil and natural gas exploration and production companies. In most countries, environmental legislation includes restrictions and prohibitions on releases or emissions of various substances produced in association with certain oil and natural gas industry operations. Such legislation can affect the location and operation of wells and facilities and the extent to which exploration and development is permitted. In addition, environmental legislation often requires that well and facilities sites are abandoned and reclaimed to the satisfaction of regulatory authorities. A breach of such legislation may result in the imposition of fines or issuance of clean-up orders. In many jurisdictions, new legislation, environmental standards and compliance for releases, site restoration and reporting are becoming stricter and more onerous. Also, the range of enforcement actions available to regulatory authorities and the severity of penalties have also been significantly increased.

Social or Environmental Policies

The health and safety of employees, contractors and the public, as well as the protection of the environment, is of utmost importance to the Corporation. To this end, the Corporation has instituted a comprehensive environmental policy to which it, as well as its employees and contractors, are required to adhere. The Corporation endeavors to conduct its operations in a manner that will minimize both adverse effects and consequences of emergency situations by:

- complying with government regulations and standards, particularly relating to the environment, health and safety;
- conducting operations consistent with industry codes, practices and guidelines;
- ensuring prompt, effective response and repair to emergency situations and environmental incidents;
- providing training to employees and contractors to ensure compliance with corporate safety and environmental rules and procedures; and
- communicating openly with members of the public regarding its activities.

The Corporation believes that all employees play a vital role in achieving excellence in environmental, health and safety performance. This is best achieved through careful planning and the support and active participation of everyone involved. To further ensure that the Corporation achieves excellence in health and safety performance, an emergency response plan and a corporate safety policy have been developed. Furthermore, the Corporation aligns itself with the best industry practices to ensure positive results.

STATEMENT OF RESERVES DATA AND OTHER OIL AND GAS INFORMATION

The statement of reserves data and other oil and gas information set forth below is dated December 31, 2016. The effective date of the GLJ Report is December 31, 2016 and the preparation date of the GLJ Report is April 6, 2017.

Disclosure of Reserves Data

The GLJ Report was prepared in accordance with NI 51-101 and the COGE Handbook. The GLJ Report estimates the reserves of Bahar Energy as of December 31, 2016 (which includes the wells, lands, reserves, facilities, equipment and other assets including the Bahar Gas Field and the Gum Deniz Oil Field) which it holds pursuant to the ERDPSA. The estimated reserves included in the GLJ Report include all of Bahar Energy's interest in the ERDPSA. The Corporation owns a 100% interest in Bahar Energy who in turn owns an 80% participating interest in the ERDPSA, and, as such, the reserve estimates and other data provided which are derived from the GLJ Report reflect the Corporation's 100% interest in Bahar Energy.

Report of Management and Directors on Oil and Gas Disclosure and the Report on Reserves Data by GLJ and are attached as Schedule A and Schedule B, respectively, to this AIF.

The tables below are a summary of the oil, NGLs and natural gas reserves of the Corporation and the net present value of future net revenue attributable to such reserves as evaluated in the GLJ Report based on constant and forecast price and cost assumptions. The tables summarize the data contained in the GLJ Report and as a result may contain slightly different numbers than such report due to rounding. Also, due to rounding, certain columns may not add exactly.

The net present value of future net revenue attributable to the Corporation's reserves is stated without provision for interest costs and general and administrative costs, but after providing for estimated royalties, production costs, development costs, other income, future capital expenditures, and well abandonment costs for only those wells assigned reserves by GLJ. It should not be assumed that the undiscounted or discounted net present value of future net revenue attributable to the Corporation's reserves estimated by GLJ represent the fair market value of those reserves. Other assumptions and qualifications relating to costs, prices for future production and other matters are summarized herein. The recovery and reserve estimates of the Corporation's oil, NGLs and natural gas reserves provided herein are estimates only and there is no guarantee that the estimated reserves will be recovered. Actual reserves may be greater than or less than the estimates provided herein.

Boe's may be misleading particularly if used in isolation. A boe conversion ratio of 6 Mcf: 1 bbl is based on an energy equivalency conversion method primarily applicable at the burner tip and does not represent a value equivalency at the wellhead.

The GLJ Report is based on certain factual data supplied by the Corporation and GLJ's opinion of reasonable practice in the industry. The extent and character of ownership and all factual data pertaining to the Corporation's petroleum properties and contracts (except for certain information residing in the public domain) were supplied by the Corporation to GLJ and accepted without any further investigation. GLJ accepted this data as presented and neither title searches nor field inspections were conducted. All statements relating to the activities of the Corporation for the year ended December 31, 2016 include a full year of operating data on the properties of the Corporation.

Summary of Oil and Natural Gas Reserves as of December 31, 2016 – Forecast Prices and Costs

	Gross Lease Reserves (1)			Net Reserves (2)		
	Light and Medium Crude Oil	**Natural Gas Liquids**	**Conventional Natural Gas**	**Light and Medium Crude Oil**	**Natural Gas Liquids**	**Conventional Natural Gas**
	Mbbls	Mbbls	Mmcf	Mbbls	Mbbls	Mmcf
Proved						
Developed Producing	174	15	4,588	150	13	3,947
Developed Non-Producing	3,073	1,508	144,974	2,201	1,086	104,024
Undeveloped	4,350	95	9,270	2,819	7	834
Total Proved	**7,597**	**1,617**	**158,832**	**5,169**	**1,106**	**108,805**
Probable	8,187	1,013	98,502	5,063	614	59,576
Total Proved plus Probable	**15,784**	**2,631**	**257,334**	**10,232**	**1,720**	**168,381**

Notes:

(1) "**Gross Lease Reserves**" are the 8/8th's, marketable reservoir volumes.

(2) "**Net Reserves**" are the Corporation's 100% share of Bahar Energy's reserves pursuant to the ERDPSA after the deduction of the interest of SOA and other deductions.

Summary of Net Present Values of Future Net Revenue – Forecast Prices and Costs

	Discounted At (1)				
	0%	**5%**	**10%**	**15%**	**20%**
	(M$)	(M$)	(M$)	(M$)	(M$)
Proved					
Developed Producing	2,482	2,422	2,367	2,315	2,266
Developed Non-Producing	180,830	143,791	116,976	97,051	81,898
Undeveloped	63,163	35,990	19,152	8,527	1,743
Total Proved	**246,475**	**182,204**	**138,495**	**107,893**	**85,907**
Probable	390,785	258,773	179,857	130,511	98,391
Total Proved plus Probable	**637,260**	**440,977**	**318,352**	**238,404**	**184,298**

Note:

(1) The amounts included herein are the same on a before and after tax basis because, pursuant to the ERDPSA, an income tax equivalent to 20% of the profit is paid by SOCAR on behalf of the Contractor Parties to the government of Azerbaijan. Any US taxes will be partially offset by the tax credits. In addition, the Contractor Parties are exempt from all other taxes, duties and royalties in Azerbaijan, other than certain customs fees, personal income tax and contributions to the state social insurance funds of Azerbaijan.

	Unit Value before Income Tax Discounted at 10% ($/boe)
Proved	
Developed Producing	2.88
Developed Non-Producing	5.67
Undeveloped	6.46
Total Proved	5.67
Probable	11.52
Total Proved plus Probable	7.96

Additional Information Concerning Future Net Revenue – Undiscounted Forecast Prices and Costs [(1)(2)]

	Revenue	Operating Costs	Development Costs	Future Net Revenue Before Income Taxes	Future Income Taxes	Future Net Revenue After Income Taxes
	(M$)	(M$)	(M$)	(M$)	(M$)	(M$)
Total Proved	723,487	327,688	149,324	246,475	-	**246,475**
Total Proved plus Probable	1,306,635	420,142	249,234	637,260	-	**637,260**

Notes:
1. (1) No column concerning royalties has been provided as Bahar Energy is not subject to royalties.
2. (2) No column concerning abandonment and reclamation costs has been provided. Bahar Energy has a future obligation to make quarterly cash payments into an abandonment fund beginning July 1, 2021 based on calculations agreed with SOCAR. The payment obligation is limited by the ERDPSA with the amounts funded included in Operating Costs in period in which it is paid.

Future Net Revenue by Production Group – Forecast Prices and Costs

	Future Net Revenue Before Income Taxes (Discounted at 10%/Year)	Unit Value Before Income Taxes (Discounted at 10%/Year)
	(M$)	($/boe)
Proved		
Light and Medium Crude Oil[(1)]	49,695	10.14
Conventional Natural Gas[(2)]	88,820	4.55
Proved plus Probable		
Light and Medium Crude Oil[(1)]	131,140	13.57
Conventional Natural Gas[(2)]	187,212	6.17

Notes:
(1) Including solution gas and associated by-products.
(2) Including associated by-products.

Pricing Assumptions - Forecast Prices and Costs

GLJ used the following pricing and inflation rate assumptions as of December 31, 2016 in its evaluation contained in the GLJ Report in estimating GPC's reserves data using forecast prices and costs.

	Net Realized Oil Price [(1)]	Natural Gas Contract Price	Net Realized NGL Price [(1)]	% Cost Escalation Operating Expenses	Inflation rate
	($/bbl)	($/MMBTU)	($/bbl)	(%)	(%)
Forecast					
2017	50.30	2.68	50.30	2.0	2.0
2018	53.98	2.68	53.98	2.0	2.0
2019	58.59	2.68	58.59	2.0	2.0
2020	62.27	2.68	62.27	2.0	2.0
2021	65.94	2.68	65.94	2.0	2.0
2022	68.68	2.68	68.68	2.0	2.0
2023	71.42	2.68	71.42	2.0	2.0
2024	74.16	2.68	74.16	2.0	2.0
2025	76.90	2.68	76.90	2.0	2.0
2026	80.23	2.68	80.23	2.0	2.0
2027	81.83	2.68	81.83	2.0	2.0
2028	83.47	2.68	83.47	2.0	2.0
2029+	+2%/yr. [(2)]	2.68	+2%/yr. [(2)]	2.0	2.0

Notes:
(1) Net Realized Oil Prices are calculated at approximately 94.4% of GLJ forecast Brent Crude Price less $2.59 transportation and marketing costs.
(2) Escalation rates are based on the Society of Petroleum Evaluation Engineers annual survey of projected expenses and costs.

The weighted average net realized sales prices for the year-ended December 31, 2016 were $3.96/Mcf for natural gas and $37.52/bbl.

Reconciliations of Changes in Reserves and Future Net Revenue

Reserves Reconciliation

The following table sets forth reconciliation of GPC's gross proved reserves, gross probable reserves and gross proved plus probable reserves at December 31, 2016, against such reserves as at December 31, 2015, based on forecast price and cost assumptions.

Azerbaijan

Proved	**Light and Medium Crude Oil**	**Natural Gas**	**Natural Gas Liquids**	**Barrels of Oil Equivalent**
	(Mbbls)	(MMcf)	(Mbbls)	(Mboe)
Balance at December 31, 2015	**1,727**	**31,220**	**344**	**7.274**
Extensions	-	-	-	-
Improved Recovery	-	-	-	-
Technical Revisions	76	6,831	31	1,246
Discoveries	-	-	-	-
Acquisitions	3,517	74,353	742	16,651
Dispositions	-	-	-	-
Economic Factors	-	-	-	-
Production	(151)	(3,599)	(11)	(762)
Balance at December 31, 2016	**5,169**	**108,805**	**1,106**	**24,409**

Probable	**Light and Medium Crude Oil**	**Natural Gas**	**Natural Gas Liquids**	**Barrels of Oil Equivalent**
	(Mbbls)	(MMcf)	(Mbbls)	(Mboe)
Balance at December 31, 2015	**1,528**	**20,880**	**217**	**5,225**
Extensions	-	-	-	-
Improved Recovery	-	-	-	-
Technical Revisions	159	(1,022)	(12)	(23)
Discoveries	-	-	-	-
Acquisitions	3,375	39,717	410	10,405
Dispositions	-	-	-	-
Economic Factors	-	-	-	-
Production	-	-	-	-
Balance at December 31, 2016	**5,063**	**59,576**	**615**	**15,607**

Proved plus Probable	**Light and Medium Crude Oil**	**Natural Gas**	**Natural Gas Liquids**	**Barrels of Oil Equivalent**
	(Mbbls)	(MMcf)	(Mbbls)	(Mboe)
Balance at December 31, 2015	**3,255**	**52,100**	**561**	**12,499**
Extensions	-	-	-	-
Improved Recovery	-	-	-	-
Technical Revisions	236	5,810	19	1,223
Discoveries	-	-	-	-
Acquisitions	6,892	114,070	1,151	27,055
Dispositions	-	-	-	-
Economic Factors	-	-	-	-
Production	(151)	(3,599)	(11)	(762)
Balance at December 31, 2016	**10,232**	**168,381**	**1,720**	**40,016**

Undeveloped Reserves

The following discussion generally describes the basis on which GPC attributes proved and probable undeveloped reserves and its plans for developing those undeveloped reserves. Undeveloped reserves are attributed by GLJ in accordance with standards and procedures contained in the COGE Handbook.

The majority of these reserves are planned to be on stream within a two year time frame. In some cases, it will take longer than two years to develop these reserves. There are a number of factors that could result in delayed or cancelled development, including the following: (i) changing economic conditions (due to pricing, operating and capital expenditure fluctuations); (ii) changing technical conditions (including production anomalies, such as water breakthrough or accelerated depletion); (iii) multi-zone developments (for instance, a prospective formation completion may be delayed until the initial completion formation is no longer economic); (iv) a larger development program may need to be spread out over several years to optimize capital allocation and facility utilization; and (v) surface access issues (including those relating to weather conditions and regulatory approvals).

Proved Undeveloped Reserves

Proved undeveloped reserves are generally those reserves related to wells that have been tested and not yet tied in, wells drilled near the end of the fiscal year or wells further away from GPC gathering systems. In addition, such reserves may relate to planned infill drilling locations.

The table sets forth the proved undeveloped reserves volumes that were first attributed in each of the three most recent financial years.

	Company Gross Reserves First Attributed by Year-end			
	Light and Medium Crude Oil	**Natural Gas Liquids**	**Natural Gas**	**Barrels of Oil Equivalent**
	(Mbbls)	(Mbbls)	(MMcf)	(Mboe)
2014	1,028	21	2,151	1,408
2015	891	11	1,026	1,073
2016	-	-	-	-

Probable Undeveloped

Probable undeveloped reserves are generally those reserves tested or indicated by analogy to be productive, infill drilling locations and lands contiguous to production.

The table sets forth the probable undeveloped reserves volumes that were first attributed in each of the three most recent financial years.

	Company Gross Reserves First Attributed by Year-end			
	Light and Medium Crude Oil	**Natural Gas Liquids**	**Natural Gas**	**Barrels of Oil Equivalent**
	(Mbbls)	(Mbbls)	(MMcf)	(Mboe)
2014	1,770	83	11,756	3,812
2015	1,124	71	7,414	2,431
2016	-	-	-	-

Significant Factors or Uncertainties Affecting Reserve Data

The process of estimating reserves is complex. It requires significant judgments and decisions based on available geological, geophysical, engineering or economic data. These estimates may change substantially as additional data from ongoing development activities and production performance become available and as economic conditions impacting oil and gas prices and costs change. The reserve estimates contained herein are based on current production forecasts, prices and economic conditions. GPC reserves are evaluated by GLJ, an independent engineering firm.

As circumstances change and additional data become available, reserve estimates also change. Estimates made are reviewed and revised, either upward or downward, as warranted by the new information. Revisions are often required due to changes in well performance, prices, economic conditions and governmental restrictions.

Although every reasonable effort is made to ensure that reserve estimates are accurate, reserve estimation is an inferential science. As a result, the subjective decisions, new geological or production information and a changing environment may impact these estimates. Revisions to reserve estimates can arise from changes in year-end oil and gas prices, and reservoir performance. Such revisions can either be positive or negative.

Future Development Costs

The table below sets out the development costs deducted in the estimation of future net revenue attributable to proved reserves (using forecasted prices and costs only) and proved plus probable reserves (using forecast prices and costs only).

Azerbaijan

	Development Costs	
	Proved Reserves	**Proved plus Probable Reserves**
	(M$)	(M$)
2017	15,475	16,262
2018	18,828	19,567
2019	47,617	57,605
2020	36,387	91,357
2021	12,151	37,697
Remaining Years	18,866	26,746
Total Undiscounted	**149,324**	**249,234**

GPC typically utilizes three sources of funding to finance its capital expenditure program: internally generated cash flow from operations, debt financing when appropriate and new equity issues, if available on favorable terms. The interest or other costs of external funding are not included in the reserves and future net revenue estimates set forth above and may reduce the reserves and future net revenue to some degree depending upon the funding sources utilized. The Corporation does not anticipate that interest or other funding costs would make the development of a property uneconomic.

Oil and Gas Properties

The following is a description of the oil and gas properties in which the Corporation has an indirect interest through Bahar Energy's 80% participating interest in the ERDPSA.

The properties associated with the ERDPSA are related to oil and gas production in the shallow waters of the Caspian Sea south of the Absheron Peninsula located a few kilometers to the east of Baku, Azerbaijan. The facilities include 54 offshore platforms, multiple pipelines and 16.8 kilometers of causeways with well pads from an offshore island into the shallow waters of the Caspian Sea. Five pipelines transport gas and liquids from offshore into surface facilities located directly onshore from the project fields.

A sand island lying 2 kilometers offshore is connected to the mainland by a stone and paved causeway. This island houses the main operating offices, warehousing and equipment storage, and a marine base for offshore operations. The main fluid and gas handling facilities including oil and gas storage, separation, compression and metering stations are all located onshore and are therefore not subject to the offshore operating environment.

The main pipelines coming onshore traverse through a slug catcher and liquids recovery prior to being sent to one of three compressor stations for delivery to gas lift operations both within the ERDPSA and other neighboring oil and gas field operations or are sold to the gas gathering system tying most of the other Absheron Peninsula onshore fields together for export and national consumption. Lower pressure gas is delivered to the local community and to the local power station.

Many of the producing and planned well re-entries have wellheads and platforms, which have been severely neglected over the last 15 to 20 years and require maintenance, cleanup and repair. Much of this infrastructure has not seen maintenance or repair expenditure since investment was diverted to Western Siberia before the collapse of the Soviet Union.

The Exploration Area had a three year exploration phase with one year extension available, during which Bahar Energy is required to shoot 60 kilometers of 3D seismic and drill one well in order to maintain its rights in the Exploration Area. The Exploration Area may be relinquished if non-commercial quantities of hydrocarbons are not discovered.

Currently there are 30 producing wells, 19 of which are in the Gum Deniz Oil Field and produce oil with associated gas and 11 of which are located in the Bahar Gas Field and produce natural gas with condensate. For the Bahar Energy's ownership only, another 221 wells are shut in. No wells have been plugged and abandoned.

Bahar Gas Field, Republic of Azerbaijan

Bahar Gas Field lies 21 kilometers off the coast of a Caspian Sea sand island located 2 kilometers from the mainland Absheron Peninsula and consists of 54 offshore platforms which includes a central processing and metering platform for gathering the gas for onward transport via five 12 inch pipelines to the shore based gas and liquid handling facilities. Each wellhead platform has a small separate adjacent platform extension for housing operations personnel. All record keeping and field operations are conducted offshore and personnel are transferred by crew boat on various rotational schedules. The platforms are built on 24 to 30 pilings each in an average water depth of 20 meters. While BEOC has had a program of rehabilitation of the infrastructure, many of the boat docks, gangways, decking and Christmas trees, wellhead and liquids handling piping remain in fairly poor condition making access to some of the platforms from crew boats very much weather dependent. Roughly 200 wells were drilled in Bahar Field of which 101 wells have been retained. Currently 11 of these 101 wells are producing natural gas. In addition, condensate is being produced and placed into one of the 12 inch lines for delivery to the shore based facilities. Well production is separated for testing/metering purposes offshore and recombined in the case of one multiphase pipeline along with the bulk of the gas production in the remaining pipelines for transport onshore.

Gum Deniz Oil Field, Republic of Azerbaijan

The Gum Deniz Oil Field is located just offshore of the Absheron Peninsula located 15 kilometers from downtown Baku, Azerbaijan. The field begins on a sand island 2 kilometers offshore and progresses outward into the Caspian Sea through 16.8 kilometers of causeways. The eastern most causeway is no longer in operation and is not accessed from the shore. The causeways allow small packages of drilling and workover equipment to be moved onto the wellhead platforms and it is easy for motorized vehicles to drive out and inspect the operations. Oil, water and gas are delivered via pipeline along the causeways and into the onshore treatment facilities. There are currently 19 wells producing of the 150 retained oil wells. Many of the producing wells are currently on gas lift using compressed gas from the onshore gas compression facilities or on electrical subsurface pumps. Gum Deniz Sand Island is the headquarters location for both the Bahar Gas Field and Gum Deniz Oil Field and contains the main offices for operations management, accounting, human resources, warehousing, drilling support offices, equipment yards and supply base for boats going to offshore locations.

Similar to the Bahar Gas Field, much of the Gum Deniz Oil Field is in poor condition due to only minimal capital investments having been made to the fields since the separation of the former Soviet Union. Abandoned platforms and plugged wells deteriorated and only the most vital equipment was kept in serviceable condition such as gas compressors for gas lift and gas metering runs for accurate disposition records. During the period of the ERDPSA, BEOC has undertaken a refurbishment of the Bahar and Gum Deniz platforms and facilities to render them more serviceable and safe. This has allowed for more workovers and recompletions to be undertaken.

Drilling Activity and Location of Production and Wells

Oil and Gas Wells

The following table summarizes GPC's gross and net interests through Bahar Energy as at December 31, 2016 in field wells that are producing and non-producing.

	Producing Wells				**Non-Producing Wells** (3)			
	Oil		**Natural Gas**		**Oil**		**Natural Gas**	
	Gross(1)	Net(2)	Gross(1)	Net(2)	Gross(1)	Net(2)	Gross(1)	Net(2)
Azerbaijan	19	15.2	11	8.8	131	104.8	90	72

Notes:

(1) "**Gross**" refers to all wells in which GPC has either a working interest or a royalty interest.
(2) "**Net**" refers to the aggregate of the percentage working interests of GPC in the gross wells before deduction of royalties.
(3) "**Non-Producing wells**" refers to wells which have encountered and are capable of producing crude oil or natural gas but which are not producing due to lack of available transportation facilities, available markets or other reasons. Non-Producing wells in which GPC has an interest are located no further than 10 kilometers from existing pipelines.

Properties with No Attributed Reserves

The following table summarizes the gross and net acres of unproved properties in which GPC has an interest through Bahar Energy and also the number of net acres for which GPC's has rights to explore, develop or exploit the potential energy resources of the Exploration Area under the ERDPSA. The initial three year exploration term from October 1, 2010 through September 30, 2013 has expired, however SOCAR has not terminated the rights to this acreage and Bahar Energy continues to assess the economic merits of drilling an exploration well based on the results of the analysis of the 3D seismic data and further subsurface studies. Prior to any proposed drilling an exploration well, an extension to the exploration period will be obtained from SOCAR.

	Gross Undeveloped Acres (1)	Net Undeveloped Acres (1)	Net Acres Expiring Within One Year
Azerbaijan Exploration Area (2)	26,676	26,676	-

Notes:

(1) Unproved Properties have no attributed reserves as of December 31, 2016. Undeveloped acreage within properties where reserves have been booked as of December 31, 2016 has not been included.

(2) In the Exploration Area pursuant to the ERDPSA, Bahar Energy is required to acquire a minimum of 60 square kilometers of 3D seismic and potentially drill at least one exploration well should a viable drilling prospect be identified. The obligation to acquire the 3D seismic has been met and potential drilling prospects continue to be evaluated.

Significant Factors or Uncertainties Relevant to Properties with No Attributed Reserves

Development of the Corporation's properties with no attributed reserves are subject to capital allocation constraints and influenced by many factors and uncertainties, including market prices of oil and natural gas, results of exploration and development activities in the Exploration Area, and the timing and anticipated benefits of infrastructure construction and rehabilitation activities.

Forward Contracts

The Corporation is not bound by any agreement (including a transportation agreement), directly or through an aggregator, under which it may be precluded from fully realizing, or may be protected from the full effect of, future market prices for oil or gas. The Corporation's primary revenues are from oil and gas sales produced in Azerbaijan under the ERDPSA. Oil is sold through SOCAR and priced, on a quality differential basis, to the U.S. dollar based Intercontinental Exchange ("**ICE**") Brent oil price at sales date. Beginning April 1, 2017, under an amended Gas Sales Agreement that extends the contract for five years, natural gas will be sold to SOCAR at a fixed price of $2.68/Mcf under the amended Gas Sales Agreement, which is a decrease from the previous sales price of $3.96/Mcf. At December 31, 2016, the Corporation has no outstanding financial instruments, or financial derivatives contracts subject to commodity price risk.

Additional Information Concerning Abandonment Costs

In an effort to finance abandonment of all fixed assets employed in the ERDPSA by the Contractor Parties (Bahar Energy and SOA), the parties will open a joint escrow account at a bank of good international repute to be agreed between SOCAR and the Contractor Parties. This account will be known as the "**Abandonment Fund**" and will be administered by the operating company in coordination with SOCAR for maximum value. All monies allocated to the Abandonment Fund will be recoverable as operating costs. In no event will the Abandonment Fund exceed 15% of all capital costs incurred in the Exploration Area and the Rehabilitation Area, respectively.

The "Protocol on the Abandonment of Fixed Assets" for the Rehabilitation Area was executed with SOCAR on December 12, 2012. The provisions of the protocol specify that an abandonment plan with cost estimate must be completed no later than one year prior to the tenth calendar year following the effective date of October 1, 2010 with funding of the Abandonment Fund to commence July 1, 2021. The calculation of the quarterly amounts to be funded into the Abandonment Fund are based on the estimated abandonment costs (limited to 15% of cumulative capital costs), cumulative production from the date the Abandonment Fund is established and estimated remaining recoverable reserves.

For the Exploration Area, no abandonment obligation exists 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 Rehabilitation Area will be employed. There is no abandonment obligation in the event that Bahar Energy terminates the ERDPSA or if the exploration term for the Contract Exploration Area is allowed to expire.

As a result, all costs of abandonment that the Contractor Parties undertake during the term of the ERDPSA will be cost recovered under the ERDPSA. At the end of the term of the ERDPSA, all remaining abandonment obligations are transferred to SOCAR.

The Corporation cannot estimate Bahar Energy's asset retirement obligations at present, and the Corporation does not expect Bahar Energy to incur significant expenditures with respect to asset retirement obligations over the next three years.

The Corporation will be liable for its share of ongoing environmental obligations. Ongoing environmental obligations are expected to be funded out of cash flow.

Tax Horizon

The Corporation does not believe that it will incur any income taxes in the intermediate term. In the United States, the Corporation expects to have operating loss carry-forward and foreign tax credits to offset the taxable income during the intermediate term. In accordance with the ERDPSA, SOCAR pays income taxes applicable to the ERDPSA on behalf of Bahar Energy to the government of Azerbaijan. As a result of these factors, the Corporation does not expect to have generated taxable income in the United States for at least four to six years, if not longer.

The Corporation does not have any income generating assets in Canada.

Costs Incurred

The following table summarizes the Corporation's gross property acquisition costs, exploration costs and development costs for the year ended December 31, 2016.

Azerbaijan

	Property Acquisition Costs			
	Proved Properties	**Unproved Properties**	**Exploration Costs**	**Development Costs**
Total (M$)	-	-	-	2,091

Exploration and Development Activities

The Corporation did not complete, or participate in the completion of, any exploration or development wells during the year ended December 31, 2016.

For the remainder of 2017 the Corporation will focus on platform refurbishment and upgrades in the Bahar field, oil and gas processing facility upgrades, adding an additional gas lift line in the oil field, upgrades fire, support infrastructure and safety monitoring systems, reservoir engineering studies in Gum Deniz and Bahar fields following the completion of static models in both fields, and the workover and recompletion of 37 wells in Gum Deniz and Bahar fields.

Production Estimates

The following table summarizes the Corporation's 100% share of Bahar Energy's estimated future annual production volumes for the assets evaluated in the GLJ Report for the 12 months beginning January 1, 2017 and ending December 31, 2017 for each product type.

Field	Light and Medium Crude Oil and NGL	Conventional Natural Gas	Barrels of Oil Equivalent	%
	(bbl/d)	**(Mcf/d)**	**(boe/d)**	
Bahar, Azerbaijan	182	24,514	4,268	86.2
Gum Deniz, Azerbaijan	681	-	681	13.8
Total Proved	**863**	**24,514**	**4,949**	**100**
Bahar, Azerbaijan	51	4,434	790	89.7
Gum Deniz, Azerbaijan	91	-	91	10.3
Total Probable	**142**	**4,434**	**881**	**100**

Production History

The following table on a quarterly basis for the year ended December 31, 2016, discloses the Corporation's share of average daily entitlement volume less compensatory petroleum volumes delivered to SOCAR.

	Three Months Ended [(2)]			
	March 31, 2016	**June 30, 2016**	**Sept. 30, 2016**	**Dec. 31, 2016**
Light and Medium Crude Oil (bbl/d)[(1)]	295	260	566	647
Conventional Natural Gas (Mcf/d)	4,543	4,834	12,441	17,403
Natural Gas Liquids (bbl/d)	-	-	-	-
Total (boe/d)	**1,052**	**1,065**	**2,640**	**3,547**

Note:

(1) Includes condensate which is commingled with the oil liftings delivered to SOCAR.

(2) Beginning August 9, 2016, the Corporation's share of daily entitlement volumes increased to 100% of the Bahar Energy Limited's entitlement as a result of the acquisition of the remaining 66.67% share interest in Bahar Energy Limited not previously held by the Corporation.

Prices Received, Production Costs, Marketing Cost, and Netback – Combined

The following table on a quarterly basis for the year ended December 31, 2016, discloses the Corporation's revenue share of entitlement production after deducting for production costs and marketing costs, such as transportation and storage charges, custom and bank fees and selling expenses.

	Three Months Ended			
($ per boe)	**March 31, 2016**	**June 30, 2016**	**Sept. 30, 2016**	**Dec. 31, 2016**
Prices Received	25.76	27.84	27.45	27.43
Hedging Gain (Loss)	-	-	-	-
Royalties Paid	-	-	-	-
Production Costs	17.44	18.23	13.60	20.70
Marketing Costs	0.14	0.13	0.11	0.09
Netback	**8.18**	**9.48**	**13.74**	**6.64**

Average Production Volume

The following table discloses the Corporation's average daily production for the year ended December 31, 2016.

Field	**Light and Medium Crude Oil**	**Conventional Natural Gas**	**Natural Gas Liquids**	**Barrels of Oil Equivalent**
	(bbl/d)	(Mcf/d)	(bbl/d)	(boe/d)
Bahar, Azerbaijan	-	13,135	-	2,189
Gum Deniz, Azerbaijan	592 [(1)]	-	-	592
Total	**592**	**13,135**	**-**	**2,781**

Note:

(1) Includes NGL's (Condensate) produced from the Bahar Gas Field that are commingled and processed at Gum Deniz Oil Field facilities.

RISK FACTORS

Volatility of Oil and Gas Prices and General Economic Conditions

Oil and natural gas are commodities whose prices are determined based on world demand, supply and other factors, all of which are beyond the control of the Corporation. World prices for oil and natural gas have fluctuated widely in recent years. Prices for oil and natural gas are subject to large fluctuations in response to relatively minor changes in the supply of and demand for oil and natural gas, market uncertainty and a variety of additional factors beyond the control of the Corporation. These factors include, but are not limited to: the global and domestic supply of and demand for crude oil and natural gas; economic conditions in the United States and Canada; the actions of Organization of Petroleum Exporting Countries or other producing nations; governmental regulation; political stability in the Middle East and elsewhere; developments related to the market for liquefied natural gas; the foreign supply of oil and natural gas; the price of foreign imports; and the availability of alternative fuel sources. Any substantial and extended decline in the price of oil and natural gas would have an adverse effect on the Corporation's carrying value of any reserves, borrowing capacity, revenues, profitability and cash flows from operations.

Volatile oil and natural gas prices make it difficult to estimate the long-term value of producing properties for acquisition and often cause disruption in the market for oil and natural gas producing properties, as buyers and sellers have difficulty agreeing on such value. Price volatility also makes it difficult to budget for and project the return on acquisitions and development and exploitation projects.

In addition, bank borrowings available to the Corporation may in part be determined by the Corporation's oil and gas reserves that form its borrowing base. A sustained material decline in prices from historical average prices could reduce the Corporation's borrowing base, therefore reducing the bank credit available to the Corporation which could require that a portion, or all, of any potential bank debt of the Corporation be repaid. The Corporation has reduced this risk by not carrying any bank debt at this time.

Rehabilitation, Development and Production Risks

Oil and natural gas operations involve many risks that even a combination of experience, knowledge and careful evaluation may not be able to overcome. The long term commercial success of a project or the Corporation depends on its ability to find, acquire, license, develop and commercially produce oil and natural gas reserves. Without the continual addition of new reserves, any existing reserves that the Corporation may have at any particular time and the production therefrom will decline over time as such existing reserves are exploited. A future increase in the Corporation's reserves will depend not only on its ability to exploit and develop any properties it may have from time to time, but also on its ability to select, acquire and rehabilitate suitable producing properties or prospects. No assurance can be given that the Corporation will be able to locate and continue to locate satisfactory properties for acquisition or participation. Moreover, if such acquisitions or participations are identified, the Corporation may determine that current markets, terms of acquisition and participation or pricing conditions make such acquisitions or participations uneconomic. There is no assurance that commercial quantities of oil and natural gas will be discovered or acquired by the Corporation. It is project specific and at times it is difficult to project the costs of implementing or the success of exploration, rehabilitation or development drilling programs due to the inherent uncertainties of drilling in unknown formations, the uncertainty of the condition of existing well bores, the costs associated with encountering various drilling conditions such as over pressurized geological zones and tools lost in the hole, and changes in drilling plans and locations as a result of prior exploratory wells or additional seismic data and interpretations thereof.

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

Oil and natural gas exploration, development, rehabilitation and production operations are subject to all the risks and hazards typically associated with such operations, including, but not limited to, hazards such as fire, explosion, blowouts, cratering, sour gas releases and spills, each of which could result in substantial damage to oil and natural gas wells, production facilities, other property and the environment or personal injury. In accordance with industry practice, the Corporation is not fully insured against all of these risks, nor are all such risks generally insurable. The Corporation will maintain liability insurance in an amount that it considers consistent with industry practice, however, the nature of these risks is such that liabilities could exceed policy limits, in which event the Corporation could incur significant costs that could have a material adverse effect upon its financial condition. Oil and natural gas exploration, development, rehabilitation and production operations are also subject to all the risks typically associated with such operations, including encountering unexpected formations or pressures, premature decline of reservoirs and the invasion of water into producing formations. Losses resulting from the occurrence of any of these risks could have a material adverse effect on the Corporation and its financial condition.

Reserves Estimates

There are numerous uncertainties inherent in estimating quantities of oil and natural gas reserves and cash flows to be derived therefrom, including many factors beyond the Corporation's control. The reserve and associated cash flow information set forth in the GLJ Report represents estimates only. In general, estimates of economically recoverable oil and natural gas reserves and the future net cash flows derived therefrom are based upon a number of variable factors and assumptions, such as historical production from the properties, production rates, ultimate reserve recovery, timing and amount of capital expenditures, marketability of oil and natural gas, royalty rates, the assumed effects of regulation by governmental agencies and future operating costs, all of which may vary from actual results. Estimates of the economically recoverable oil and natural gas reserves attributable to any particular group of properties, classification of such reserves based on risk of recovery and estimates of future net revenues expected therefrom and prepared by different engineers, or by the same engineers at different times, may vary. The Corporation's actual production, revenues, taxes and development and operating expenditures with respect to its reserves will vary from estimates thereof and such variations could be material.

In accordance with applicable securities laws, the GLJ Report used both constant and forecast price and cost estimates in calculating oil and natural gas reserve quantities included within the reports. Actual future net revenue will be affected by other factors such as actual production levels, supply and demand for oil and natural gas, curtailments or increases in consumption by oil and natural gas purchasers, changes in governmental regulation or taxation and the impact of inflation on costs. Actual production and revenues derived therefrom will vary from the estimates contained in the GLJ Report, and such variations could be material. The GLJ Report is based in part on the assumed success of activities the Corporation intends to undertake in future years. The oil and natural gas reserves and estimated cash flows to be derived therefrom contained in the GLJ Report will be reduced to the extent that such activities do not achieve the level of success assumed in the GLJ Report.

The oil and natural gas reserve estimates given in the GLJ Report represent oil and natural gas reserves of Bahar Energy. GPIC is the sole shareholder of Bahar Energy.

Negative Operating Cash Flow

The Corporation has had negative cash flow since inception and projects negative operating cash flow to continue for the near term in 2017. The Corporation's failure to achieve profitability and positive operating cash flows could have a material adverse effect on the Corporation's business, financial condition, operating results and ability to access additional equity or bank debt.

External Factors

The value of the Common Shares might be affected by matters not related to the Corporation's own operating performance for reasons that include the following:

- Azerbaijani and worldwide supplies, prices of and demand for oil and natural gas;
- political conditions in oil and natural gas producing regions, including Azerbaijan;
- investor perception of the oil and gas industry;
- change in environmental and other governmental regulations;
- announcements relating to the Corporation's business or the business of the Corporation's competitors;
- the Corporation's liquidity;
- the Corporation's ability to raise additional funds;
- limited trading volume of the Common Shares; and
- change in the financial position of a joint venture partner (including SOA).

Certain companies that have experienced volatility in their value have been the subject of securities class action litigation. The Corporation might become involved in securities class action litigation in the future. Such litigation often results in substantial costs and diversion of management's attention and resources and could have a negative effect on the Corporation's business and its results of operations.

Substantial Capital Requirements

The Corporation anticipates making substantial capital expenditures for the development, rehabilitation, production and acquisition of oil and natural gas reserves in the future. There can be no assurance that debt or equity financing or cash generated by operations will be sufficient or available to meet these requirements or for other corporate purposes or, if debt or equity financing is available, that it will be on terms acceptable to the Corporation. Moreover, future activities may require the Corporation to alter its capitalization. The inability of the Corporation to access sufficient capital for its operations could have a material adverse effect on the Corporation's financial condition and its results of operations.

Additional Financing Requirements and Dilution of Investment

It may take many years and substantial capital expenditures to pursue the full exploration and development of the Corporation's existing opportunities, successfully or otherwise. From time to time, the Corporation may require additional financing in order to carry out its oil and natural gas acquisition, rehabilitation and development activities. Failure to obtain such financing on a timely basis could cause the Corporation to forfeit its interest in certain properties, miss certain acquisition opportunities and reduce or terminate its operations. If the Corporation's future revenues from its potential reserves decrease as a result of lower oil and natural gas prices or otherwise, it will affect the Corporation's ability to expend the necessary capital to replace its potential reserves or to maintain its production. If the Corporation's cash flow is not sufficient to satisfy its capital expenditure requirements, there can be no assurance that additional debt or equity financing will be available to meet these requirements or available on favorable terms. The availability of equity or debt financing is affected by many factors, including world and regional economic conditions; the state of international relations; the stability and the legal, regulatory, fiscal and tax policies of various governments in areas of operation; fluctuations in the world and regional price of oil and gas and in interest rates; the outlook for the oil and gas industry in general and in areas in which the Corporation has or intends to have operations; and competition for investment funds among alternative investment projects. The terms of any such equity financing may be dilutive to holders of Common Shares. Potential investors and lenders will be influenced by their evaluations of the Corporation and its projects, including their technical difficulty, and comparison with available alternative investment opportunities. If adequate funds are not available, the Corporation may be required to scale back or reduce its interest in certain projects. If additional financing is raised by the issuance of Common Shares, control of the Corporation may change and existing Shareholders may suffer dilution. In addition, the Corporation may make future property or corporate acquisitions or enter into other transactions involving the issuance of securities of the Corporation which may also be dilutive.

Markets and Marketing

The marketability and price of oil and natural gas that may be acquired or discovered by the Corporation will be affected by numerous factors beyond its control. The Corporation's ability to market any oil and natural gas it discovers or acquires may depend upon its ability to acquire capacity on pipelines that deliver crude oil and natural gas to commercial markets. The Corporation may also be affected by deliverability uncertainties related to the proximity of any reserves it establishes to pipelines and processing facilities, operational problems with such pipelines and facilities, as well as extensive government regulation relating to price, taxes, royalties, land tenure, allowable production, the export of oil and natural gas and many other aspects of the oil and natural gas business.

Both oil and natural gas prices are unstable and are subject to fluctuation. Any material decline in prices could result in a reduction of the Corporation's net production revenue. The economics of producing from some wells may change as a result of lower prices, which could result in a reduction in the volumes of any reserves which the Corporation may establish. The Corporation might also elect not to produce from certain wells at lower prices. All of these factors could result in a material decrease in any net production revenue of the Corporation causing a reduction in its oil and gas acquisition, development, rehabilitation and exploration activities.

The producers of oil are entitled to negotiate sales contracts directly with oil purchasers, and, as a result, the market determines the price of oil. Oil prices are primarily based on worldwide supply and demand. The specific price depends in part on oil quality, prices of competing fuels, distance to the markets, value of refined products, supply/demand balance, and other contractual terms. In respect of the ERDPSA, sales of natural gas will be governed by the Bahar Gas Sales Agreement, as amended, until October 2020. From April 2017 until October 2020, the price of natural gas sold from the Bahar Gas Field is fixed at $2.69/Mcf.

Reliance on Industry Partners

The Corporation relies on industry joint venture partners, including SOA, the other Contractor Party. The Corporation relies on these partners with respect to the evaluation, acquisition, development funding and timing of activities, as well as future production from the ERDPSA, and a failure or inability to perform by such partners could materially affect the prospects of the Corporation.

Project Risks

The Corporation will manage a variety of small and large projects in the conduct of its business. Project delays may delay expected revenues from operations. Significant project cost over runs could make a project uneconomic. The Corporation's ability to execute projects and market oil and natural gas will depend upon numerous factors beyond the Corporation's control, including:

- the availability of processing capacity;
- the availability and proximity of pipeline capacity;
- the availability of storage capacity;
- the supply of and demand for oil and natural gas;
- the availability of alternative fuel services;
- the effects of inclement weather;
- the availability of drilling and related equipment;
- unexpected cost increases;
- accidental events;
- failure of aging infrastructure from former operations;
- currency fluctuations;
- changes in regulations;
- the availability and productivity of skilled labor;
- the regulation of the oil and natural gas industry by various levels of government and governmental agencies;
- government pricing pressures; and
- joint venture partner conflicts of interest.

As a result of the foregoing factors, the Corporation may be unable to execute projects on time, on budget or at all, and may not be able to effectively market the oil and natural gas that it produces.

Availability of and Access to Drilling and Related Equipment

Oil and natural gas exploration and development activities are dependent on the availability of drilling, recompletion and related equipment in the particular areas where such activities will be conducted. Demand for such limited equipment or access restrictions may affect the availability of such equipment to the Corporation and may delay exploration, rehabilitation and development activities and affect the Corporation's results of operations. If the demand for, and wage rates of, qualified rig crews and other personnel rise, then the oil and gas industry and the Corporation may experience shortages of qualified personnel to operate drilling rigs and to conduct other work. This may delay the Corporation's exploration, rehabilitation, development and production operations and may adversely affect the Corporation and its results of operations. To the extent the Corporation is not the operator of its oil and gas properties, the Corporation will be dependent on such operators for the timing of activities related to such properties and will be limited in its ability to direct or control the operations.

Risk of Foreign Operations

The Corporation's principal oil and natural gas properties are currently located in Azerbaijan. As such, the Corporation is subject to political, economic, and other uncertainties, including, but not limited to, expropriation of property without fair compensation, changes in energy policies or the personnel administering them, nationalization, currency fluctuations and devaluations, exchange controls, royalty and tax increases and other risks arising out of foreign governmental sovereignty over areas in which the Corporation's operations are conducted. In the event of a dispute arising in connection with the Corporation's operations outside of the United States and Canada, the Corporation may be subject to the exclusive jurisdiction of foreign courts or may not be successful in subjecting foreign persons to the jurisdictions of the courts of the United States or Canada or enforcing judgments from the United States or Canada in other jurisdictions. The Corporation may also be hindered or prevented from enforcing its rights with respect to a governmental instrumentality because of the doctrine of sovereign immunity. Accordingly, the Corporation's exploration, development and production activities outside of the United States and Canada could be substantially impacted by factors beyond the Corporation's control, any of which could have a material impact on the Corporation.

The Corporation's operations may be adversely affected by changes in governmental policies and legislation or social instability and other factors which are not within control of the Corporation including, among other things, a change in crude oil or natural gas pricing policy, the actions of national labor unions, the risks of war, terrorism, abduction, expropriation, nationalization, renegotiation or nullification of existing concessions and contracts, changes in taxation policies, economic sanctions and the imposition of specific drilling obligations and the development and abandonment of oil or natural gas fields. In addition, the Corporation may be at a disadvantage in that it may be required to compete against corporations or other entities from countries that are not subject to Canadian laws and regulations, including the *Corruption of Foreign Public Officials Act* (or similar legislation of other jurisdictions, including the United States *Foreign Corrupt Practices Act*).

The Corporation's operations and expenditures are to some extent paid in foreign currencies. As a result, the Corporation is exposed to market risks resulting from fluctuations in foreign currency exchange rates. A material increase or drop in the value of any such foreign currency could result in a material adverse effect on the Corporation's cash flow and revenues. Currently, there are no significant restrictions on the repatriation of capital and distribution of earnings from Azerbaijan to foreign entities. However, there can be no assurance that restrictions on repatriation of capital or distributions of earnings from Azerbaijan will not be imposed in the future.

The Corporation is not currently using exchange rate derivatives to manage exchange rate risks. In addition, the Corporation's results will be reported in United States dollars and any foreign currency denominated monetary balances could result in gains and losses that may increase the variability of earnings.

Risk Factors Relating to Operations in Azerbaijan

Beyond the risks inherent in the oil and natural gas industry, the Corporation is subject to additional risks resulting from doing business in Azerbaijan. While the Corporation will attempt to reduce many of these risks through agreements with the Government of Azerbaijan and others, no assurance can be given that such risks have been mitigated. The risks include matters arising from the evolving laws and policies of Azerbaijan, the imposition of special taxes or similar charges, oil export or pipeline restrictions, foreign exchange fluctuations and currency controls, the unenforceability of contractual rights or the taking of property without fair compensation, restrictions on the use of expatriates in operations and other matters. In addition, corruption in foreign locations may expose the Corporation to a number of financial and lease risks, all of which are beyond the control of the Corporation.

Regulatory Regime

The Corporation bears the risk that a change of government could occur and a new government may void the contracts, laws and regulations that the Corporation is relying upon for the exploration, rehabilitation, development and production of oil and natural gas and operations relating thereto. Regulations with respect to exploration and production operations may be revised at any time. There can be no assurance that any such regulatory enactments will not have a materially adverse effect on the operations or the revenues generated in Azerbaijan.

Legal Risks

Laws relating to corporate law, tax law, customs law and currency and banking legislation are subject to modifications or revision by Azerbaijan. Non-compliance may have consequences which are out of proportion to the severity of the noncompliance. Contracts may be susceptible to conflicting interpretations, revision or cancellation and legal redress may be uncertain, delayed or unavailable. It is possible that Azerbaijan may make changes to laws, decrees, rules or regulations which may restrict the rights or benefits accruing to the Corporation or which may increase its financial obligations.

Non-Resident Directors and Officers

A majority of the directors and officers of the Corporation reside outside of Canada and substantially all of the assets of these persons are located outside of Canada. As these individuals that reside outside of Canada, it may not be possible for investors to collect from such individuals judgments obtained in Canadian courts predicated on the civil liability provisions of securities legislation.

Regional Risk

Azerbaijan is located in a region that has, at times, been politically unstable. Regional wars or other forms of instability in the region that may or may not directly involve Azerbaijan could have an adverse impact on Azerbaijan's ability to engage in international trade or the exploration, rehabilitation, development and production of oil and gas assets in Azerbaijan by the Corporation.

Conflicting Interests with Partners

Joint venture, acquisition, financing and other agreements and arrangements must be negotiated with independent third parties and, in some cases, must be approved by governmental agencies. These third parties generally have objectives and interests that may not coincide with the Corporation's interests and may conflict with the Corporation's interests. Unless the parties are able to resolve these conflicting objectives and interests in a mutually acceptable manner, agreements and arrangements with these third parties will not be consummated, which would likely have a material adverse effect on the Corporation's financial condition and results of operations.

In certain circumstances, the consent of joint venturers, including SOA, may be required for various actions. Other parties influencing the timing of events may have priorities that differ from the Corporation's, even if they generally share the Corporation's objectives. Demands by or expectations of governments, joint venturers, customers, and others may affect the Corporation's strategy regarding the various projects. Failure to meet such demands or expectations could adversely affect the Corporation's participation in such projects or its ability to obtain or maintain necessary licenses and other approvals. If that were to occur, it would likely have an adverse effect on the Corporation's financial condition and results of operations.

Competition

The oil and gas industry is highly competitive particularly as it pertains to the search for and development of new sources of oil and natural gas reserves, the construction and operation of oil and natural gas pipelines and facilities, and the transportation and marketing of oil, natural gas, sulphur and other petroleum products. The Corporation's competitors include major integrated oil and gas companies and numerous other independent oil and gas companies, some of which have greater financial, technical and other resources than the Corporation. The Corporation's ability to establish reserves in the future will depend not only on its ability to explore and develop its present properties, but also on its ability to select and acquire suitable producing properties or prospects for exploratory drilling. There is no assurance that the Corporation will be able to successfully compete against its competitors.

Expiration of Contract Terms

The Corporation's property interests are generally expected to be held indirectly in the form of PSAs. If the Corporation or the holder of the interests in the PSA fails to meet the specific requirement(s) of a PSA, the interest or any part thereof may terminate or expire. There can be no assurance that any of the obligations required to maintain each interest in a PSA will be met. The termination or expiration of the Corporation's particular interest in a PSA, including the ERDPSA, will likely have a material adverse effect on the Corporation's financial condition and results of operations. See "*Narrative Description of the Business – Description of the ERDPSA*".

Reserve Replacement

The Corporation's future oil and natural gas reserves, production, if any, and cash flows to be derived therefrom are entirely dependent on the Corporation successfully acquiring, discovering and developing new reserves. Without the initial establishment and the continual addition of new reserves, any existing reserves the Corporation may have at any particular time and the production therefrom will decline over time as such existing reserves are exploited, which would adversely affect the Corporation's results of operations, cash flows and financial condition of the Corporation. Establishment of the Corporation's reserves will depend not only on the Corporation's ability to develop any properties it may have from time to time, but also on its ability to select and acquire suitable producing properties or prospects. There can be no assurance that the Corporation's future exploration and development efforts will result in the discovery and development of commercial accumulations of oil and natural gas.

Reliance on Key Personnel

The Corporation's success will depend in large measure on certain key personnel. The loss of the services of such key personnel could have a material adverse effect on the Corporation. The Corporation does not have key person insurance in effect for management of the Corporation. The contributions of these individuals to the immediate operations of the Corporation are likely to be of central importance. In addition, the competition for qualified personnel in the oil and natural gas industry is intense and there can be no assurance that the Corporation will be able to continue to attract and retain all personnel necessary for the development and operation of its business.

Availability of Services

The availability of the services necessary to drill and complete the types of horizontal oil wells that form a substantial portion of the Corporation's planned exploration and development activities in 2017 remains constrained due to increased demand and competition for such services. Such constraint may increase the costs of such services or result in the delay of planned exploration and development activities.

Assessments of Value of Acquisitions

Acquisitions of oil and natural gas companies and assets are typically based on engineering and economic assessments made by independent engineers and the Corporation's own assessments. These assessments will include a series of assumptions regarding such factors as recoverability and marketability of oil and natural gas, future prices of oil and natural gas and operating costs, future capital expenditures and royalties, and other government levies which will be imposed over the producing life of the reserves. Many of these factors are subject to change and are beyond the Corporation's control. In particular, the prices of, and markets for, oil and natural gas products may change from those anticipated at the time of making such assessment. In addition, all such assessments involve a measure of geologic and engineering uncertainty which could result in lower production and reserves than anticipated. Initial assessments of acquisitions may be based on reports by a firm of independent engineers that are not the same as the firm that the Corporation uses for its year end reserve evaluations. Because each of these firms may have different evaluation methods and approaches, these initial assessments may differ significantly from the assessments of the firm used by the Corporation. Any such instance may result in a reduction in the price of the Common Shares.

Acquisition Risks

Although the Corporation intends to perform a review of properties prior to obtaining licenses or acquiring them that it believes is consistent with industry practice, such reviews are inherently incomplete. It is generally not feasible to review in depth every individual property involved in each acquisition. Generally, the Corporation plans to focus its due diligence efforts on higher valued properties and will sample the remainder. However, even an in depth review of all properties and records may not necessarily reveal existing or potential problems, nor will it permit a buyer to become sufficiently familiar with the properties to assess fully their deficiencies and capabilities. The Corporation may be required to assume pre closing liabilities, including environmental liabilities, and may acquire interest in properties on an "as is" basis.

Failure to Realize Anticipated Benefits of Acquisitions and Dispositions

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

Internal Controls

Effective internal controls over financial reporting are necessary for the Corporation to provide reliable financial reports and to help prevent fraud. While the Corporation undertakes a number of procedures in order to help ensure the reliability of its financial reports, including those imposed on it under Canadian securities laws, the Corporation cannot be certain that such measures will ensure that the Corporation will maintain adequate control over financial processes and reporting. Failure to implement required new or improved controls, or difficulties encountered in their implementation or execution, could impact the Corporation's results of operations or impair the ability to meet its reporting obligations. If the Corporation or its independent auditors discover a material weakness, the disclosure of that fact, even if quickly remedied, could reduce the market's confidence in the Corporation's financial statements.

Although the Corporation is now the ultimate parent company of BEOC, management of the Corporation is located primarily outside of Azerbaijan. As such, the Corporation relies upon employees of BEOC for the accumulation and reporting of financial data in respect of the Corporation's interests in Azerbaijan, and on regular physical visits to Azerbaijan by the Corporation's management and auditors to overview this activity. A major disruption in the flow of information from Bahar Energy and BEOC could impact the accuracy of financial reporting and management information.

The ability of the Corporation to second personnel into key management positions in BEOC is limited because of cost and other constraints imposed by SOCAR. Therefore, there is no guarantee that the recommended changes will be effectively implemented in a timely manner at the BEOC level.

The inability to second the Corporation's personnel into key management positions inside BEOC's organization, may materially impact the Corporation's ability to obtain timely and reliable financial reports and ability to prevent fraud. The failure of BEOC to take corrective actions on a timely basis may have a material adverse effect on the Corporation's financial condition and results of operations.

Environmental Risks and Regulations

All phases of the oil and gas industry present environmental risks and are subject to environmental regulation pursuant to a variety of international conventions and local laws and regulations. Such legislation provides for, among other things, restrictions and prohibitions on the release or emission of various substances produced in association with certain oil and gas industry operations. In addition, such legislation requires that well and facility sites be operated, maintained, abandoned and reclaimed to the satisfaction of applicable authorities. Compliance with such legislation can require significant expenditures and a breach of such requirements may result in suspension or revocation of necessary licenses and authorizations, civil liability for pollution damage, and the imposition of fines and penalties any of which may materially adversely affect the Corporation's financial condition and results of operations.

Environmental legislation is becoming increasingly stringent and the costs of regulatory compliance are increasing. No assurance can be given that environmental legislation will not result in a curtailment of production or a material increase in the costs of exploration, development or production activities or otherwise adversely affect the Corporation's financial condition, results of operations or prospects.

Insurance

The Corporation's involvement in the exploration for and development of oil and gas properties may result in the Corporation becoming subject to liability for pollution, blow outs, property damage, personal injury or other hazards. The insurance the Corporation maintains may not be sufficient to cover the full extent of such liabilities. In addition, such risks may not be insurable or, in certain circumstances, the Corporation may elect not to obtain insurance to deal with specific risks due to the high premiums associated with such insurance or other reasons. The payment of such uninsured liabilities would reduce the funds available to the Corporation. The occurrence of a significant event that the Corporation is not fully insured against, or the insolvency of the insurer of such event, could have a material adverse effect on the Corporation's financial position, results of operations and prospects.

Delays in Business Operations

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

Alternatives to and Changing Demand for Petroleum Products

Fuel conservation measures, alternative fuel requirements, increasing consumer demand for alternatives to oil and natural gas, and technological advances in fuel economy and energy generation devices could reduce the demand for oil and other liquid hydrocarbons. The Corporation cannot predict the impact of changing demand for oil and natural gas products, and any major changes may have a material adverse effect on the Corporation's business, financial condition, results of operations and cash flows.

Corporate Structure

From time to time, the Corporation may take steps to organize its affairs in a manner that minimizes taxes and other expenses payable with respect to the operation of the Corporation and its subsidiaries. If the manner in which the Corporation structures its affairs is successfully challenged by taxation or other authorities, the Corporation and the holders of Common Shares may be adversely affected.

Financial Instruments and Hedging

From time to time, the Corporation may enter into agreements to receive fixed prices on oil and/or natural gas production to offset the risk of revenue losses if commodity prices decline; however, if commodity prices increase beyond the levels set in such agreements, the Corporation will not benefit from such increases and the Corporation may nevertheless be obligated to pay royalties on such higher prices, even though not received by it, after giving effect to such agreements.

Issuance of Debt and Borrowing

From time to time, the Corporation may enter into transactions to acquire assets or the shares of other corporations. These transactions may be financed partially or wholly with debt, which may increase the Corporation's debt levels above industry standards. Depending on future exploration and development plans, the Corporation may require additional equity and/or debt financing that may not be available or, if available, may not be available on favorable terms. Neither the Corporation's articles nor its by-laws limit the amount of indebtedness that the Corporation may incur. The level of the Corporation's indebtedness, from time to time, could impair the Corporation's ability to obtain additional financing in the future on a timely basis, impairing its ability to take advantage of business opportunities that may arise.

The Corporation's potential lenders will likely require security over substantially all of the assets of the Corporation. If the Corporation becomes unable to pay its debt service charges or otherwise commits an event of default, such as bankruptcy, these lenders may foreclose on or sell some or potentially all of the Corporation's properties. The proceeds of any such sale would be applied to satisfy amounts owed to the Corporation's lenders and other creditors and only the remainder, if any, would be available to the Corporation.

Failure to Maintain Listing of the Common Shares

The Common Shares are currently listed for trading on the facilities of the TSXV. The failure of the Corporation to meet the applicable listing or other requirements of the TSXV in the future may result in the Common Shares ceasing to be listed for trading on the TSXV, which would have a material adverse effect on the value of the Common Shares. There can be no assurance that the Common Shares will continue to be listed for trading on the TSXV.

Third Party Credit Risk

The Corporation may be exposed to third party credit risk through its contractual arrangements with joint venture partners, with marketers of petroleum and natural gas production and other parties. In the event such entities fail to meet their contractual obligations to the Corporation, such failures could have a material adverse effect on the Corporation and its cash flow from operations. In addition, poor credit conditions in the industry and of joint venture partners of the Corporation may impact a joint venture partner's willingness to participate in the Corporation's ongoing capital program, potentially delaying the program and the results of such program until the Corporation finds a suitable alternative partner.

Governmental Regulation

The petroleum industry is subject to regulation and intervention by governments in such matters as the awarding of exploration and production interests, the imposition of specific drilling obligations, environmental protection controls, control over the development and abandonment of fields (including restrictions on production) and possibly expropriation or cancellation of contract rights. As well, governments may regulate or intervene with respect to price, taxes, royalties and the exportation of oil and natural gas. Such regulations may be changed from time to time in response to economic or political conditions. The implementation of new regulations or the modification of existing regulations affecting the oil and gas industry could reduce demand for natural gas and oil, increase costs and may have a material adverse impact on the Corporation. Export sales are subject to the authorization of provincial and federal government agencies and the corresponding governmental policies of foreign countries. Development of reserves and rates of return are also susceptible to changes in governmental fiscal policy. Generally, government and other regulatory licenses and permits are required to conduct exploration, rehabilitation, development and production activities. The issuance of such licenses and permits is subject to the discretion of the applicable governments or governmental agencies and offices, and there can be no assurance that the Corporation will be able to obtain all necessary licenses and permits that may be required to carry out its exploration, rehabilitation, development and production activities at its properties.

The Corporation must comply with known standards, existing laws and regulations. New laws and regulations, amendments to existing laws and regulations or more stringent enforcement of existing laws and regulations could have a material adverse impact on the Corporation and its results of operations, financial condition and prospects.

Development of the Corporation's properties requires the approval by applicable regulatory authorities of the plans of the Corporation with respect to the drilling and development of such properties. A failure to obtain such approval on a timely basis or the imposition of material conditions by such authority in connection with the approval may materially affect the prospects of the Corporation.

Litigation Matters

Claims may be made against the Corporation and in the event of such claims arising, management of the Corporation will undertake a review to determine what, if any, action the Corporation should take. Any claim, whether or not without merit, may prove time consuming to evaluate, result in costly litigation and may cause delay in the operations and/or business of the Corporation.

Labor

The Corporation may be dependent on local labor to carry out site work relating to its international operations, including in Azerbaijan. The Corporation may directly employ local workers and may be subject to local labor laws. There can be no assurance that labor related disputes, developments or actions, including strikes, may not occur in the future. Such occurrences may have a material adverse impact on the business, operations, prospects and financial condition of the Corporation.

Costs of New Technologies

The oil and gas industry is characterized by rapid and significant technological advancements and introductions of new products and services utilizing new technologies. Other oil and gas companies may have greater financial, technical and personnel resources that allow them to enjoy technological advantages and may in the future allow them to implement new technologies before the Corporation does. There can be no assurance that the Corporation will be able to respond to such competitive pressures and implement such technologies on a timely basis or at an acceptable cost. One or more of the technologies currently utilized by the Corporation or implemented in the future may become obsolete. In such case, the Corporation's business, financial condition and results of operations could be materially adversely affected. If the Corporation is unable to utilize the most advanced commercially available technology, the Corporation's business, financial condition and results of operations could be materially adversely affected.

Conflicts of Interest

Certain directors and officers of the Corporation are also directors of other companies and as such may, in certain circumstances, have a conflict of interest requiring them to abstain from certain decisions. Conflicts, if any, will be subject to the procedures as established by the Board and in accordance with applicable corporate laws.

Share Price Volatility

The market price of the Common Shares could be subject to wide fluctuations in response to the Corporation's results of operations, changes in earnings estimates by analysts, changing conditions in the oil and gas industry, or changes in general market, economic or political conditions.

Forward Looking Information May Prove Inaccurate

Readers are cautioned not to place undue reliance on forward looking information. By its nature, forward looking information involves numerous assumptions, known and unknown risks and uncertainties, of both a general and specific nature, that could cause actual results to differ materially from those suggested by the forward looking information or contribute to the possibility that predictions, forecasts or projections will prove to be materially inaccurate.

Additional information on the risks, assumptions and uncertainties are found in this Annual Information Form under the heading "*Special Note Regarding Forward Looking Statements*".

DIVIDEND POLICY

The Corporation has not declared or paid any dividends since its conversion to a corporation on February 19, 2010, and while it may pay dividends in the future, the Corporation does not anticipate the declaration or payment of dividends in the foreseeable future. Any decision to pay dividends on its shares will be made by the Board based on the Corporation's earnings, financial requirements and other conditions existing at such future time.

DESCRIPTION OF CAPITAL STRUCTURE

Share Capital

The Corporation's authorized share capital consists of: (i) 499,900,000 Common Shares; and (ii) 100,000 preferred shares ("**Preferred Shares**"). As of the date hereof, an aggregate of 156,859,180 Common Shares are issued and outstanding and no Preferred Shares are issued and outstanding.

Common Shares

The shareholders are entitled to vote upon all matters submitted to a vote of holders of Common Shares and are entitled to one vote in respect of each Common Share held. The shareholders are entitled to receive such dividends (payable in cash, stock or otherwise) as may be declared by the Board at any time and from time to time out of any funds of the Corporation legally available therefore. In the event of any voluntary or involuntary liquidation, dissolution or wind up of the Corporation, after payment or provision for payment of the debts and other liabilities of the Corporation and subject to the preferential or other rights (if any) of the holders of any issued and outstanding Preferred Shares in respect thereof, the Shareholders shall be entitled to receive all of the remaining assets of the Corporation available for distribution to its shareholders, prorated in proportion to the number of Common Shares held.

Preferred Shares

The Board 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 Corporation and preferential rights, of each series without further vote or action by shareholders.

Warrants

On September 9, 2016, in connection with the Loan Restructuring, the Corporation granted 75,404,975 Warrants to Vitol and 10,574,942 Warrants to I&S.

The Warrants have the following terms: (i) each Warrant shall entitle the holder thereof to purchase one Common Share at an exercise price of CAD$0.375 per Common Share; (ii) Warrants will only vest in the event of a dilutive issuance of securities by the Corporation and only as to such number of Warrants as are necessary to maintain each of the holder's equity position in the Corporation; (iii) all rights to unvested Warrants will terminate upon the earlier of: (A) the maturity date under the First Loan Agreement, being March 31, 2018; and (B) the date on which all amounts owing under the First Loan Agreement are repaid in full; and (iv) all vested Warrants may be exercised at any time, and from time to time, for a period of five years from the date of their issuance.

Debentures

On May 30, 2012, the Corporation issued CAD$23,725,000 aggregate principal amount of Debentures, at a price of CAD$1,000 per Debenture, which included the exercise, in part, of an option granted to the underwriters to purchase up to an additional CAD$5 million aggregate principal amount of Debentures at a price of CAD$1,000 per Debenture.

The Debentures bore interest at 9.0% per annum, payable semi-annually in arrears on May 31 and November 30 commencing on November 30, 2012, maturing and repayable on May 31, 2017.

On August 18, 2016, as part of the Restructuring, the Debentureholders approved an extraordinary resolution providing for the Debentures to be compromised and extinguished in satisfaction of all claims of the Debentureholders in exchange for Common Shares and, on August 26, 2016, the Debentures were converted into Common Shares at a ratio of approximately 1,397 Common Shares for every CAD$1,000 of principal amount of Debentures, including all accrued and unpaid interest payable thereon. As of the date hereof, there are no Debentures outstanding. See "*General Development of the Business – Year Ended 2016*".

MARKET FOR SECURITIES

Trading Price and Volume

The Common Shares are listed and posted for trading on the TSXV under the symbol "GNF". The following table sets forth the price range and trading volume of the Common Shares as reported by the TSXV for the period January 1, 2016 to December 31, 2016:

	Price Range (CAD$)		
Period	**High**	**Low**	**Trading Volume**
2016			
January	N/A	N/A	N/A
February	0.50	0.35	7,400
March	0.50	0.26	22,618
April	0.25	0.20	22,102
May	0.40	0.20	25,500
June	0.30	0.25	1,598
July	0.30	0.29	13,530
August	0.30	0.19	347,088
September	0.25	0.15	731,477
October	0.30	0.19	946,211
November	0.30	0.25	144,908
December	0.29	0.24	58,150

The Debentures were listed and posted for trading on the TSXV under the symbol "GNF.DB" until August 25, 2016. On August 26, 2016, the Debentures were converted into Common Shares. See "*Description of Capital Structure – Debentures*" and "*General Development of the Business - Year Ended 2016*".

Prior Sales

The following table summarizes the issuances of securities convertible into Common Shares during the year ended December 31, 2016:

Date of Issuance	Description of Transaction	Number and Type of Securities	Exercise Price Per Security
September 9, 2016	Grant of Warrants (1)	85,979,917 Warrants	CAD$0.375

Note:

(1) The Warrants will only vest in the event of a dilutive issuance of securities by the Corporation and only as to such number of Warrants as are necessary to maintain each of the holder's equity position in the Corporation. See "*Description of Share Capital – Warrants*."

DIRECTORS AND OFFICERS

The names, municipality of residence and principal occupation during the last five years of each of the directors and senior officers of the Corporation as of the date hereof are as follows:

Name and Municipally of Residence	Principal Occupation During the Past 5 years	Director or Officer Since	Position(s) Presently Held
John W. Harkins [4] The Woodlands, Texas U.S.A.	President and Chief Executive Officer of the Corporation since February 11, 2010; prior thereto, Vice President, Business Development of the Corporation from July 2008 to February 2010.	July 14, 2008	President, Chief Executive Officer and Director
A. Wayne Curzadd Houston, Texas Katy, Texas U.S.A.	Senior Vice President and Chief Financial Officer of the Corporation since August 9, 2012; prior thereto, Vice President and Controller of the Corporation from March 2008.	October 1, 2008	Senior Vice President, Chief Financial Officer and Treasurer
Michael J. Hibberd [1][3][4] Calgary, Alberta Canada	Chairman and President of MJH Services Inc., a corporate finance advisory business established in 1995. Chairman of Canacol Energy Ltd., former Chairman of Heritage Oil Plc. and Heritage Oil Corporation, and Vice-Chairman of Sunshine Oilsands Ltd., all public oil and gas companies. Director of Montana Exploration Corp., PetroFrontier Corp. and Pan Orient Energy Corp.	February 23, 2010	Chairman and Director
Garry P. Mihaichuk [1][2][3] Calgary, Alberta Canada	Mr. Mihaichuk is a corporate director who has served as a director on 14 public and private companies since 1996. Mr. Mihaichuk is currently the Director of Badger Daylighting Ltd., Director of Nordic Petroleum AS, Director and President of Nordic America's Inc., Director of RLG International and Director of Friends of the Calgary Philharmonic Orchestra. Mr. Mihaichuk holds a B.Sc. Mechanical Engineering from Queen's University, a Global Leadership diploma from Michigan University, a PMD diploma from Harvard University and an ICD.D designation from the Institute of Corporate Directors.	February 23, 2010	Director
Gerald F. Clark [1][4] Houston, Texas U.S.A.	Business, financial and general management consultant since January 2012. Prior thereto, CEO and CFO of Ciris Energy, Inc. from September 2009 to November 2011.	September 3, 2012	Director
Geir Sagemo [3]	Mr. Sagemo is a member of the finance and investment group at Vitol Group. Prior to joining Vitol in 2007, Mr. Sagemo spent 13 years in the energy teams of various investment banks, including Dredner Kleinwort Benson and JPMorgan. Mr. Sagemo is a board member of New Age (Africa Global Energy) Ltd. He holds a B.Sc. in Economics from the Wharton School.	October 13, 2016	Director
David Fransen	Mr. Fransen has served as the Managing Director of Vitol SA Geneva since 2002, and is a member of the board of directors of Vitol Group. He has a wide range of experience within the Vitol Group, from gasoline trading and various management positions to the creation of Vitol's central management information system. Prior to joining Vitol in 1986, Mr. Fransen was with British Petroleum. He holds a BSC (Hons.) in Mathematics and Computer Science from Royal Holloway College, London.	October 13, 2016	Director

Name and Municipally of Residence	Principal Occupation During the Past 5 years	Director or Officer Since	Position(s) Presently Held
Janet A. Nussbaum Houston, Texas U.S.A.	General Counsel and Secretary of the Corporation since October 2008.	October 1, 2008	General Counsel and Secretary
Norman G. Benson Houston, TX U.S.A.	COO and Senior Vice President of the Corporation since June 30, 2013. Senior Vice President of the Corporation since May 19, 2011. General Manager of Anadarko Brazil from January 2011 until retirement in May 2011. Vice President Operations of Anadarko Algeria from May 2009 until January 2011.	May 19, 2011	Senior Vice President and Chief Operating Officer
Jose Perez-Bello Katy, Texas U.S.A	Vice President and Controller since August 9, 2012; prior thereto, Assistant Controller of the Corporation from October 1, 2008.	August 9, 2012	Vice President and Controller

Notes:

(1) Member of the Audit Committee.
(2) Member of the Reserves Committee.
(3) Member of the Compensation Committee.
(4) Member of the Corporate Governance and Nominating Committee.

The term of office of all directors will expire at the next annual meeting of the Shareholders.

As of the date of this Annual Information Form, the directors, officers and senior management of the Corporation, as a group, beneficially own, directly or indirectly 5,381,597 Common Shares of the Corporation or approximately 3.43% of the issued and outstanding Common Shares.

Cease Trade Orders

To the knowledge of management, no director or executive officer of the Corporation is, as of the date of this Annual Information Form, or was, within the 10 years before the date hereof, a director, chief executive officer or chief financial officer of any company that was the subject of a cease trade order, an order similar to a cease trade order or an order that denied the company access to any exemption under securities legislation that was in effect for a period of more than 30 consecutive days, that was issued (i) while such person was acting in that capacity, or (ii) after such person was acting in such capacity and which resulted from an event that occurred while that person was acting in such capacity.

Creditor Proceedings and Bankruptcies

Other than as disclosed below, to the knowledge of management, no director or executive officer of the Corporation, or Shareholder holding a sufficient number of securities to affect materially the control of the Corporation is, as of the date of this Annual Information Form, or has been, within 10 years before the date hereof, a director or executive officer of any company that, while such person was acting in that capacity, or within a year of that person ceasing to act in that capacity, became bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency or was subject to or instituted any proceedings, arrangement or compromise with creditors or had a receiver, receiver manager or trustee appointed to hold its assets.

Mr. Hibberd was an independent director of Challenger Energy Corp. ("**Challenger**") from December 1, 2005 until September 16, 2009. Challenger obtained a creditor protection order under the *Companies' Creditors Arrangement Act* (Canada), on February 27, 2009. On June 19, 2009, Challenger announced that it had entered into an arrangement agreement in respect of the acquisition of Challenger by Canadian Superior Energy Inc. On September 17, 2009, all of the common shares of Challenger were exchanged for shares of Canadian Superior Energy Inc. and all creditor claims of Challenger were fully honored.

Mr. Hibberd was formerly a director of Skope Energy Inc. (a TSX listed oil and gas company), which commenced proceedings in the Court of Queen's Bench of Alberta under the *Companies' Creditors Arrangement Act* (Canada) to implement a restructuring in November 2012, which was completed on February 19, 2013.

To the knowledge of management, no director or executive officer of the Corporation, or Shareholder holding a sufficient number of securities to affect materially the control of the Corporation has, within the 10 years before the date of this Annual Information Form, become bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency, or become subject to or instituted any proceedings, arrangement or compromise with creditors, or had a receiver, receiver manager or trustee appointed to hold the assets of the director, executive officer or Shareholder.

Penalties or Sanctions

To the knowledge of management, no director or executive officer of the Corporation, or Shareholder holding a sufficient number of securities to affect materially the control of the Corporation: (i) has been subject to any penalties or sanctions imposed by a court relating to securities legislation or by a securities regulatory authority; (ii) has entered into a settlement agreement with a securities regulatory authority; or (iii) has been subject to any other penalties or sanctions imposed by a court or regulatory body that would likely be considered important to a reasonable investor in making an investment decision.

Conflicts of Interest

There are potential conflicts of interest to which the directors and officers of the Corporation will be subject in connection with the operations of the Corporation. The Board of Directors have adopted a set of related party transaction policies designed to minimize potential conflicts of interest arising from any dealings the Corporation may have with its affiliates and to provide appropriate procedures for the disclosure, approval and resolution of any actual or potential conflicts of interest that may exist from time to time. Such policies provide, among other things, that all related party transactions, including any loans between the Corporation and its principal shareholders and its affiliates, will be approved by the Audit Committee, after considering all relevant facts and circumstances, including without limitation the commercial reasonableness of the terms, the benefit and perceived benefit, or lack thereof, to the Corporation, opportunity costs of alternative transactions, the materiality and character of the related party's direct or indirect interest, and the actual or apparent conflict of interest of the related party, and after determining that the transaction is in, or not inconsistent with, the Corporation's and its shareholders' best interests.

STATEMENT OF EXECUTIVE COMPENSATION

For the purpose of this section, a "**CEO**" or "**CFO**" means each individual who served as Chief Executive Officer or Chief Financial Officer, respectively, of the Corporation or acted in a similar capacity during the most recently completed financial year. A "**Named Executive Officer**" or "**NEO**" means each CEO, each CFO, the Corporation's most highly compensated officer, other than the CEO and CFO, who was serving as an officer at the end of the most recently completed financial year and whose total compensation was more than CAD$150,000, and any additional individuals who would be a Named Executive Officer but for the fact that the individual was not an executive officer of the Corporation, and was not acting in a similar capacity, at the end of the financial year.

Based on the foregoing definitions, the Corporation's Named Executive Officers in respect of the year ended December 31, 2016 were: John W. Harkins, President and Chief Executive Officer and Director; A. Wayne Curzadd, Senior Vice President, Chief Financial Officer and Treasurer; and Norman G. Benson, Senior Vice President Operations and Chief Operating Officer.

Composition of the Compensation Committee

Until October 13, 2016, the compensation committee of the Board (the "**Compensation Committee**") was composed of three members: Messrs. Mihaichuk (Chairman), Hibberd and Warmath. After Mr. Warmath resigned from the Board, Mr. Sagemo assumed his responsibilities on the Compensation Committee. Messrs. Mihaichuk and Hibberd are considered to be independent under section 1.4 of NI 52-110. Mr. Warmath was not considered to be independent as he was formerly an executive officer and contractor of the Corporation. Mr. Sagemo is not considered independent by virtue of his position as an executive of Vitol, which is an "affiliated entity" of the Corporation (as defined in NI 52-110) due to its ownership of approximately 49.1% of the issued and outstanding Common Shares.

All of the members of the Compensation Committee have direct experience that is relevant to their responsibilities regarding executive compensation of the Corporation. Specifically, Messrs. Mihaichuk and Hibberd have previously acted as executive officers of either privately-held or publicly-traded natural resource sector issuers and also have extensive experience acting as directors of other publicly-traded oil and gas issuers and are currently members of the compensation committees of other public issuers.

Because of this collective experience, the Compensation Committee has knowledge of typical day-to-day responsibilities and challenges faced by the Corporation's management team, the role of a board of directors in reviewing the executive compensation of a reporting issuer, and first-hand knowledge regarding executive compensation policies and practices in the natural resources sector, all of which are beneficial to the Compensation Committee in the context of its review of the Corporation's compensation policies and practices.

Responsibility of the Compensation Committee

The Compensation Committee exercises general responsibility regarding overall compensation of executive officers and employees of the Corporation. It is responsible for the annual review and recommendation to the Board of: (i) executive compensation policies, practices and overall compensation philosophy; (ii) total compensation packages for all executive officers; (iii) bonuses and awards of options under the Stock Option Plan and of share-based awards; and (iv) major changes in benefit plans. Final approval of all compensation items rests with the Board.

Compensation Philosophy and Objectives

The objectives of the Corporation's executive compensation policy are to attract and retain individuals of high caliber to serve as officers of the Corporation, to motivate their performance in order to achieve the Corporation's strategic objectives and to align the interests of executive officers with the long-term interests of the Shareholders. These objectives are designed to ensure that the Corporation continues to grow on an absolute basis as well as to grow net cash flow and earnings per Common Share. The Corporation's primary compensation policy is to pay for performance. Accordingly, the performance of the Corporation and executive officers as individuals are both examined by the Compensation Committee.

The Compensation Committee does not set specific performance objectives in assessing the performance of the Chief Executive Officer and other executive officers; rather the Compensation Committee uses its experience and judgment in determining an overall compensation package for the Chief Executive Officer and other executive officers. Some of the factors looked at by the Compensation Committee in assessing the performance of the Corporation and its executive officers are as follows: (a) effective implementation of the Corporations growth strategy; (b) overall and per share oil and gas reserve changes, looking at both proven and probable reserves; (c) operating costs and the change in operating costs per barrel of oil equivalent in the context of the overall market (for both current and longer periods); (d) the overall performance of the Common Shares on the TSXV; (e) general and administrative cost control; and (f) the Corporation's performance for all of the above relative to its goals and objectives and in relation to the performance of its industry peer group.

The Compensation Committee also looks at critical individual performance objectives for the Chief Executive Officer and the other executive officers including protecting the Corporation's interest in the Project by successfully managing partners and government relations, securing funding in challenging financial markets and attaining and growing positive cash flow through cost containment and production increases.

The Compensation Committee's reviews include a comparison group consisting of publicly-traded companies engaged in the international oil and gas exploration and production industry, with similarities in related business activities, scope of operations and geographic regions, and organization size.

The comparison group of companies is made up of:

> Africa Oil Corp, Antrim Energy Inc., Calvalley Petroleum Inc., Condor Petroleum Inc., Falcon Oil & Gas Ltd., Pan Orient Energy Corp., Petrodorado Energy Ltd., Petromanas Energy Inc. and TAG Oil Ltd.

The Compensation Committee annually reviews the composition of the comparison group of companies and updates the compensation data taken from such group and other sources. The Compensation Committee annually reviews the total compensation package of the Corporation's executive officers within the context of the comparison group to ensure that the compensation of the Corporation's directors and executive officers remains appropriate, particularly in view of the evolution of the comparison group's compensation practices and the market in general.

Executive Compensation Analysis

The Corporation's executive compensation program has three principal components: base salary, incentive bonus plan and long-term incentives in the form of options and share-based awards.

Base Salaries

The base salary of each executive officer is determined by an assessment of his or her sustained performance as well as consideration of the particular skills and experience of the individual and of the competitive compensation levels in the industry and geographic markets in which the Corporation operates.

The Compensation Committee compares the base salaries of the executive officers of the Corporation with those of the executive officers at peer-surveyed companies in the oil and gas industry and expects to set the executive officer's pay level at approximately the 50th percentile level of the industry average for such positions while attempting to adjust for the Corporation's size, at the start of the year. Factors looked at in assessing peer companies include average daily production on a boe basis, total revenue, total assets, funds from operations, total level of capital expenditures, total operating and general and administrative expenses and number of employees.

Bonuses

As a primary short term incentive and as a means of tying compensation to the Corporation's performance, the Corporation has established a bonus plan for its executive officers, employees and consultants based and dependent upon, among other things, the financial performance of the Corporation for the applicable period. The bonus award is based upon a number of factors, including growth in reserves, production and cash flow per debt adjusted share. Bonus details are reviewed annually by the Committee and approved by the Board.

Long-Term Incentive Compensation Program: Options and Share-Based Awards

The Corporation's Stock Option Plan is designed to provide an incentive to the optionees to achieve the longer-term objectives of the Corporation. Options are awarded to provide an incentive to the directors, officers, employees and consultants of the Corporation to achieve the longer-term objectives of the Corporation, to give suitable recognition to the ability and industry of such persons who contribute materially to the success of the Corporation, and to attract and retain persons of experience and ability, by providing them with the opportunity to acquire an increased proprietary interest in the Corporation. Previous awards of options are taken into account when considering new awards. For a description of the Stock Option Plan, please see "*Incentive Plan Awards: Stock Option Plan*" below.

The Corporation also has a restricted cash bonus program ("**Restricted Cash Bonus Program**") designed to provide an incentive bonus to directors, officers, employees and consultants of the Corporation to achieve the longer-term objectives of the Corporation. Awards under the Restricted Cash Bonus Program are sometimes based on the value of Common Shares on a specified date, or based in reference to the appreciation value of a Common Share over a specified period of time. For a description of the Restricted Cash Bonus Program, please see "*Incentive Plan Awards: Restricted Cash Bonus Program*" below.

Administration of the Stock Option Plan and the Restricted Cash Bonus Program are the responsibility of the Compensation Committee.

Currency

Unless otherwise noted, all monetary amounts disclosed under the heading "*Statement of Executive Compensation*" are in United States dollars, which is the same functional currency that is used by the Corporation in preparing its consolidated financial statements.

Summary Compensation Table

The table below provides a summary of compensation earned during the two most recently completed financial years, as applicable, by the Corporation's Named Executive Officers and directors.

Name and Position	Year	Salary, consulting fee, retainer or commission ($)[(1)]	Bonus ($)[(2)]	Committee or Meeting Fees ($)[(3]	Value of Perquisites ($)	Value of All Other Compensation ($)[(4)]	Total Compensation ($)
John W. Harkins *President and Chief Executive Officer and Director*[(5)]	2016	290,000	Nil	Nil	Nil	7,250	297,250
	2015	290,000	Nil	Nil	Nil	7,950	297,950
A. Wayne Curzadd *Senior Vice President, Chief Financial Officer and Treasurer*	2016	215,000	Nil	Nil	Nil	5,500	220,500
	2015	215,000	Nil	Nil	Nil	6,450	221,450
Norman G. Benson *Senior Vice President Operations and Chief Operating Officer*	2016	549,677	Nil	Nil	Nil	7,250	556,927
	2015	565,830	Nil	Nil	Nil	7,950	573,780
Michael J. Hibberd *Director*	2016	Nil	Nil	29,813	Nil	Nil	29,813
	2015	Nil	Nil	18,810	Nil	Nil	18,810
Garry P. Mihaichuk *Director*	2016	Nil	Nil	29,813	Nil	Nil	29,813
	2015	Nil	Nil	20,378	Nil	Nil	20,378
Alex T. Warmath *Director*	2016	Nil	Nil	13,500	Nil	Nil	13,500
	2015	Nil	Nil	10,500	Nil	Nil	10,500
Gerald F. Clark *Director*	2016	Nil	Nil	25,500	Nil	Nil	25,500
	2015	Nil	Nil	16,500	Nil	Nil	16,500
Richard E. MacDougal *Director*	2016	Nil	Nil	12,000	Nil	Nil	12,000
	2015	Nil	Nil	12,000	Nil	Nil	12,000

Notes:

(1) Includes the dollar value of cash and deferred base salary earned during the financial year. The voluntary deferral of base salaries has been in the range of 12% during 2015 and 15%-17% during 2016.

(2) Management bonuses for 2015 were deferred through the use of share grants that vested January 1, 2016. There were no bonuses awarded in 2016.

(3) The payment of director meeting fees for 2015 and 2016 have been deferred and such payment, when made, will be settled in cash.

(4) Includes all compensation relating to defined benefit or defined contribution plans. These amounts consist of contributions by the Corporation to the 401(k) plan in the United States.

(5) No amounts paid to Mr. John W. Harkins related to his role as a director of the Corporation.

Stock Options and Other Compensation Securities

The Corporation did not grant or issue compensation securities to any director or Named Executive Officer of the Corporation during the most recently completed financial year.

Exercise of Compensation Securities

None of the directors or Named Executive Officers exercised any compensation securities during the most recently completed financial year.

Incentive Plan Awards

Stock Option Plan

The Stock Option Plan is one of the Corporation's long-term incentive compensation programs. The Stock Option Plan, as amended and restated on July 15, 2013, was first approved by Shareholders on August 11, 2011, and, pursuant to the policies of the TSXV, has been approved at each subsequent annual general meeting of the Shareholders. The purpose of the Stock Option Plan is to allow the Corporation to award to directors, officers, employees and consultants of the Corporation, or its subsidiaries, non-transferable options to purchase Common Shares, provided that the number of Common Shares reserved for issuance under the Stock Option Plan shall not exceed 10% of the issued and outstanding Common Shares. In addition, the number of Common Shares reserved for issuance to any one person shall not exceed 5% of the issued and outstanding Common Shares and the number of Common Shares reserved for issuance to any one consultant or employee conducting Investor Relations Activities (as such term is defined by TSXV) will not exceed 2% of the issued and outstanding Common Shares in any 12 month period.

The Compensation Committee determines the price per Common Share and the number of Common Shares which may be allotted to each director, officer, employee and consultant and all other terms and conditions of the options, subject to the rules of the TSXV. If the holder ceases to be a director, officer, employee or consultant of the Corporation, such holder's options will expire if not exercised within a reasonable period of time from the date of termination of employment or cessation of position with the Corporation, unless if by reason of death, in which case such holder's options will expire if not exercised within 12 months from the date of death.

The price per Common Share set by the Compensation Committee shall not be less than the last closing price of the Common Shares on TSXV prior to the date on which such option is awarded, less the applicable discount permitted (if any) by TSXV. If prior to the exercise of an option, the holder ceases to be a director, officer, employee or consultant of the Corporation, or its subsidiaries, the option of the holder shall be limited to the number of Common Shares purchasable by him or her immediately prior to the time of his or her cessation of office or employment and he/she will have no right to purchase any other Common Shares.

Restricted Cash Bonus Program

The Corporation also has the Restricted Cash Bonus Program. The purposes of this Restricted Cash Bonus Program are to provide an incentive bonus to the directors, officers, employees and consultants of the Corporation or any of its subsidiaries to achieve the longer-term objectives of the Corporation; to give suitable recognition to the ability and industry of such persons who contribute materially to the success of the Corporation; and to attract to and retain in the employ of the Corporation or any of its subsidiaries, persons of experience and ability, by providing them with the opportunity to acquire an increased proprietary interest in the Corporation.

The Restricted Cash Bonus Program is administered by the Compensation Committee which holds full and final discretion to interpret the provisions of the Restricted Cash Bonus Program and to prescribe, amend, rescind and waive rules and regulations to govern the administration and operation of the Restricted Cash Bonus Program.

Pursuant to the Restricted Cash Bonus Program, the Compensation Committee may grant bonuses, on such terms and at such times as the Compensation Committee may determine based on the value of a Common Share on a specified date, or may be based on the appreciation in value of a Common Share over a specified period of time.

The Corporation will enter into written agreements with grantees which agreements set out: (i) the number of nominal units awarded for the purpose of calculating the amount of the bonus; (ii) the method for calling on the bonus; (iii) the method for calculating the value of the bonus; (vi) the applicable vesting period; and (v) any other terms and conditions approved by the Compensation Committee. The Compensation Committee may also determine that a bonus does not become due prior to the expiration of a vesting period.

Fair Value Director Cash Bonus Program

On October 13, 2016, the Corporation established a Fair Value Director Cash Bonus Program ("**FVDCB**") for the board of directors consisting of cash settled incentives awarded in bonus units. The Corporation subsequently awarded 1,250,000 FVDCB units with the cash settlement value of a bonus unit equal to the average Canadian dollar denominated value of a common share for the five trading days prior to filing a call notice. The call notice is used to redeem a vested unit. However, in the case of a monetization event (as defined below), the bonus unit will equal the same amount a shareholder receives for a common share. A monetization event means: (1) the acquisition by a third party of all or substantially all of the shares of the Corporation; (2) an amalgamation, arrangement, merger or other consolidation of the Corporation with another company; (3) a liquidation, dissolution or winding-up of the Corporation; or (4) a sale, lease or other disposition of all or substantially all of the assets of the Corporation. Notwithstanding the provisions of the FVDCB Program, payment of vested units will be deferred and will only occur after the director ceases to be a director of Greenfields.

The FVDCB program does not grant any entitlement to common shares or other equity interest in the Corporation. The FVDCB units vest 25% at the date of grant and 25% on each of the first, second and third anniversaries of the grant date. In the event of a change of control of the Corporation, involuntary removal from the board, death or a monetization event, the bonus units will immediately vest.

Pension Plan Benefits

The Corporation does not have a pension plan that provides for payments or benefits at, or in connection with retirement. The Corporation also does not have a defined benefits pension plan. The Corporation does contribute an amount equal to 3% of the employee's salary to the employee's 401(k) plan in the United States up to a maximum of $7,950 for the calendar year 2016.

Termination of Employment or Change of Control Payments

As at the date hereof, each of Mr. John W. Harkins, President and Chief Executive Officer, Mr. A. Wayne Curzadd, Senior Vice President, Chief Financial Officer and Treasurer, and Mr. Norman G. Benson, Senior Vice President Operations (each, an "**Executive**") has entered into an employment agreement with the Corporation pursuant to which each is entitled to receive an annual base salary as set out above. These base salaries are reviewed annually and may be increased to reflect the respective Executive's performance, the Corporation's performance and other relevant factors as determined by the Compensation Committee.

Each Executive is entitled to certain payments ("**Termination Payments**") if his employment is terminated without cause, or if, within six months after the occurrence of a change of control of the Corporation, there is any action which at common law constitutes constructive dismissal, including, but not limited to:

(a) a material decrease in the title, position, responsibility or powers of the Executive;

(b) a requirement to relocate to another city state, or country;

(c) any material reduction in the value of the Executive's benefits, salary, plans and programs;

(d) the Corporation ceases to operate as a going concern; or

(e) the Corporation fails to pay, when due, a material amount payable by it to the Executive pursuant to the Executive's employment agreement.

A Termination Payment includes, depending on the Executive:

(a) payment ranging from eighteen times (in the case of Mr. Curzadd) or twenty four times (in the case of Messrs. Harkins and Benson) the monthly base salary;

(b) an additional 10% of the annual base salary for the loss of group benefits; and

(c) the sum of bonuses paid over the previous two calendar years multiplied by 50%.

In the event a Termination Payment is required to be paid by the Corporation to an Executive, all stock and stock options held by such Executive, whether vested or unvested, shall immediately vest and be held by such Executive.

A "**change of control**" is defined in each of the Executive's employment agreements as any of the following events:

(a) the acquisition of:

(i) shares of the Corporation; and/or

(ii) securities convertible into, exercisable for or carrying the right to purchase shares of the Corporation ("**Convertible Securities**"),

as a result of which a person, group of persons or persons acting jointly or in concert, or persons associated or affiliated with any person, group of persons or any of such persons (collectively, the "**Acquirers**"), beneficially own shares of the Corporation or Convertible Securities such that, assuming only the conversion or exercise of Convertible Securities beneficially owned by the Acquirers, the Acquirers would beneficially own shares which would entitle them to cast more than 50% of the votes attaching to all shares in the capital of the Corporation which may be cast to elect directors of the Corporation;

(b) approval by the Shareholders of:

(i) an amalgamation, arrangement, merger or other consolidation of the Corporation with another corporation pursuant to which the Shareholders immediately prior thereto do not immediately thereafter own shares of the successor continuing corporation which entitle them to case more than 50% of the votes attaching to all shares in the capital of the successor or continuing corporation which may be cast to elect directors of that corporation; or

(ii) a liquidation, dissolution or winding-up of the Corporation; or

(iii) such other transaction or event as the Board deems, in its sole discretion, to constitute a change of control.

Each Executive that resigns must give the Corporation 30 days prior written notice.

There are no significant conditions or obligations that apply to receiving payments or benefits. This includes, but is not limited to, non-compete, non-solicitation (except as provided in the executive employment agreements), non-disparagement or confidentiality agreements.

Amounts payable to Mr. Harkins, had he been terminated on December 31, 2016, would have been $580,000 for his twenty-four times monthly base salary, $29,000 for the loss of group benefits and $60,375 for the sum of bonuses paid over the previous two calendar years multiplied by fifty percent. Amounts payable to Mr. Curzadd, had he been terminated on December 31, 2016, would have been $322,500 for his eighteen times monthly base salary, $21,500 for the loss of group benefits and $39,470 for the sum of bonuses paid over the previous two calendar years multiplied by fifty percent. Amounts payable to Mr. Benson, had he been terminated on December 31, 2016, would have been $580,000 for his twenty-four times monthly base salary, $29,000 for the loss of group benefits and $57,126 for the sum of bonuses paid over the previous two calendar years multiplied by fifty percent.

Key Employee Contingent Incentive Plan Award

On October 13, 2016, the Corporation established a Key Employee Contingent Incentive Plan Award ("**KECIP**") for the employees of the Corporation and certain employees of BEOC, consisting of cash settled incentives awarded in bonus units. The Corporation subsequently awarded 11,025,000 KECIP units with the cash settlement value of a bonus unit equal to the same amount a shareholder receives for a common share if a monetization event occurs. A monetization event means: (1) the acquisition by a third party of all or substantially all of the shares of the Corporation; (2) an amalgamation, arrangement, merger or other consolidation of the Corporation with another company; (3) a liquidation, dissolution or winding-up of the Corporation; or (4) a sale, lease or other disposition of all or substantially all of the assets of the Corporation.

The KECIP program does not grant any entitlement to common shares or other equity interest in the Corporation. The KECIP units vest 25% at the date of grant and 25% on each of the first, second and third anniversaries of the grant date.

Director Compensation

The Compensation Committee, after referring to compensation paid to directors of other comparable companies, makes a recommendation to the Board as to appropriate compensation for the directors of the Corporation. Director compensation is reviewed annually by the Compensation Committee. The Board discusses the Compensation Committee's recommendations and provides the final approval.

The Corporation's overall policy regarding compensation of directors, other than those directors who are also Named Executive Officers, is structured to provide competitive levels of total compensation and to attract and retain suitable and qualified directors with commitment to the Corporation. The Corporation also looks at the compensation of the boards of other comparable publicly traded companies.

The Board compensation program includes two elements. The first is fees that include remuneration for active participation in regular board meetings, board committees, and teleconference board meetings (there are separate retainers for the board chairman and committee chairs). The second element is a long-term incentive, which is in the form of stock options and share-based awards similar in concept to deferred share units.

Directors of the Corporation are reimbursed for expenses incurred in carrying out their duties, including expenses incurred to attend directors' meetings and meetings of committees of directors.

LEGAL PROCEEDINGS AND REGULATORY ACTIONS

To the knowledge of the Corporation, since the beginning of the most recently completed fiscal year for which financial statements of the Corporation are included in this Annual Information Form, there are no legal proceedings or regulatory actions material to the Corporation, alone or in the aggregate, to which the Corporation is a party or of which any of its properties are the subject matter, nor are any such proceedings known to the Corporation to be contemplated.

Since incorporation, there have not been any penalties or sanctions imposed against the Corporation by a court relating to securities legislation or by a securities regulatory authority, nor have there been any other penalties or sanctions imposed by a court or regulatory body against the Corporation that would likely be considered important to a reasonable investor in making an investment decisions, and the Corporation has not entered into any settlement agreements before a court relating to securities legislation or with a securities regulatory authority.

INTEREST OF MANAGEMENT AND OTHERS IN MATERIAL TRANSACTIONS

Except as disclosed elsewhere herein, none of the directors or officers of the Corporation or principal Shareholders, and no associate or affiliate of any of them, has or has had any material interest in any transaction which has materially affected or is reasonably expected to materially affect the Corporation.

There are potential conflicts of interest to which the directors and officers of the Corporation will be subject in connection with the operations of the Corporation. In particular, certain of the directors and officers of the Corporation are involved in managerial and/or director positions with other oil and gas companies whose operations may, from time to time, be in direct competition with those of the Corporation or with entities which may, from time to time, provide financing to, or make equity investments in, competitors of the Corporation. The Board of Directors have adopted a set of related party transaction policies designed to minimize potential conflicts of interest arising from any dealings the Corporation may have with affiliates and to provide appropriate procedures for the disclosure, approval and resolution of any actual or potential conflicts of interest that may exist from time to time. Such policies provide, among other things, that all related party transactions, including any loans between the Corporation, its principal shareholders and affiliates, will be approved by the Audit Committee, after considering all relevant facts and circumstances, including without limitation the commercial reasonableness of the terms, the benefit and perceived benefit, or lack thereof, to the Corporation, opportunity costs of alternative transactions, the materiality and character of the related party's direct or indirect interest, and the actual or apparent conflict of interest of the related party, and after determining that the transaction is in, or not inconsistent with, the Corporation and its shareholders' best interests.

Geir Sagemo and David B. Fransen, directors of the Corporation, are also executives of Vitol. The Corporation is 49.1% owned by Vitol and therefore the interests of the two entities are not divergent. Applicable securities laws provide that directors need not refrain from voting in respect of contracts and transactions between “affiliates” (for greater clarity, the Corporation and Vitol would be considered “affiliates” of each other).

TRANSFER AGENT AND REGISTRAR

The transfer agent and registrar of the Common Shares is Alliance Trust Company at its office in Calgary, Alberta.

MATERIAL CONTRACTS

The only material contracts entered into or proposed to be entered into by the Corporation on its behalf, since incorporation, other than contracts in the ordinary course of business, which are still in effect are as follows:

1. The ERDPSA. See “*General Development of the Business*” and “*Narrative Description of the Business – Description of the ERDPSA*”.
2. The Bahar Gas Sales Agreement. See “*Narrative Description of the Business – Pricing and Marketing*”.
3. The Bahar Oil Sales Agreement. See “*Narrative Description of the Business – Pricing and Marketing*”.
4. The BEOC Shareholders’ Agreement. See “*Narrative Description of the Business - Description of the BEOC Shareholders’ Agreement*”.
5. The Joint Operating Agreement. See “*Narrative Description of the Business - Description of the Joint Operating Agreement*”.
6. The First Loan Agreement. See “*General Development of the Business*”.
7. The Acquisition Agreement. See “*General Development of the Business – Year Ended 2016*”.

Copies of these agreements may be inspected at the head office of the Corporation at Suite 227, 211 Highland Cross, Houston, Texas, 77073, U.S.A. or at the offices of McCarthy Tétrault LLP, Suite 4000, 421 – 7th Avenue SW, Calgary, AB, T2P 4K9 during normal business hours.

Copies of these documents as well as additional information relating to the Corporation contained in documents filed by the Corporation with the Canadian securities regulatory authorities may also be accessed through the SEDAR website at www.sedar.com.

INTERESTS OF EXPERTS

There is no person or company whose profession or business gives authority to a statement made by such person or company and who is named as having prepared or certified a statement, report or valuation described or included in a filing, or referred to in a filing, made under NI 51-102 by the Corporation during, or related to, the Corporation’s most recently completed fiscal year other than GLJ, the Corporation’s independent engineering evaluator, PKF, the Corporation’s auditors, and Calvetti, the former auditors of the Corporation. As at the date hereof, to the knowledge of management of the Corporation, none of the aforementioned persons or companies, nor principals thereof, had any registered or beneficial interests, direct or indirect, in any securities or other property of the Corporation or of the Corporation’s associates or affiliates either at the time they prepared the statement, report or valuation prepared by it, at any time thereafter or to be received by them.

PKF, the Corporation’s auditors, are independent within the meaning of the relevant rules and related interpretations prescribed by the relevant professional bodies in Canada and any applicable legislation or regulation.

Calvetti, the auditors of the Corporation until February 21, 2017, are independent within the meaning of the relevant rules and related interpretations prescribed by the relevant professional bodies in Canada and any applicable legislation or regulation.

In addition, none of the aforementioned persons or companies, nor any director, officer or employee of any of the aforementioned persons or companies, is or is expected to be elected, appointed or employed as a director, officer or employee of the Corporation or any associate or affiliate of the Corporation.

ADDITIONAL INFORMATION

Additional information, including directors' and officers' remuneration and indebtedness, principal holders of Common Shares and securities authorized for issuance under equity compensation plans, is contained in the Corporation's information circular for the most recent annual meeting of shareholders that involved the election of directors.

Additional financial information is provided for in the Corporation's financial statements and management's discussion and analysis for the year ended December 31, 2016. Documents affecting the rights of securityholders, along with other information relating to the Corporation, may be found on SEDAR at www.sedar.com and on the Corporation's website at www.greenfields-petroleum.com.

SCHEDULE A

FORM 51-101F3

REPORT OF MANAGEMENT AND DIRECTORS ON RESERVES DATA AND OTHER INFORMATION

Terms to which a meaning is ascribed in National Instrument 51-101 have the same meaning herein.

Management of Greenfields Petroleum Corporation (the "**Company**") is responsible for the preparation and disclosure of information with respect to Bahar Energy Limited's ("**Bahar Energy**") oil and gas activities, of which the Company owns a 100% interest, in accordance with securities regulatory requirements. This information includes reserves data which are estimates of the proved reserves and probable reserves and related future net revenue as at December 31, 2016, estimated using forecast prices and costs.

Independent qualified reserves evaluators have evaluated and reviewed Bahar Energy's reserves data. The report of the independent qualified reserves evaluator is presented in the Annual Information Form of the Company for the year ended December 31, 2016.

The Reserves Committee of the Board of Directors of the Company has:

(a) reviewed the Company's procedures for providing information to the independent qualified reserves evaluators;

(b) met with the independent qualified reserves evaluator(s) to determine whether any restrictions affected the ability of the independent qualified reserves evaluators to report without reservation; and

(c) reviewed the reserves data with management and the independent qualified reserves evaluators.

The Reserves Committee of the Board of Directors has reviewed the Company's procedures for assembling and reporting other information associated with oil and gas activities and has reviewed that information with Management. The Board of Directors has, on the recommendation of the Reserves Committees approved:

(a) the content and filing with securities regulatory authorities of Form 51-101F1 containing reserves data and other oil and gas information;

(b) the filing of Form 51-101F2 which is the report of the independent qualified reserves evaluator(s) on the reserves data; and

(c) the content and filing of this report.

Because the reserves data are based on judgements regarding future events, actual results will vary and the variations may be material.

(signed) "*John W. Harkins*"
John W. Harkins
President, Chief Executive Officer

(signed) *"Norman G. Benson*"
Norman G. Benson
Chief Operating Officer

(signed) *"Michael J. Hibberd*"
Michael J. Hibberd
Director

(signed) "*Garry P. Mihaichuk*"
Garry P. Mihaichuk
Director

April 28, 2017

SCHEDULE B

FORM 51-101F2

REPORT ON RESERVES DATA BY INDEPENDENT QUALIFIED RESERVES EVALUATOR OR AUDITOR

To the board of directors of Greenfields Petroleum Corporation (the "**Company**"):

1. We have evaluated the Company's reserves data as at December 31, 2016. The reserves data are estimates of proved reserves and probable reserves and related future net revenue as at December 31, 2016, estimated using forecast prices and costs.

2. The reserves data are the responsibility of the Company's management. Our responsibility is to express an opinion on the reserves data based on our evaluation.

3. We carried out our evaluation in accordance with standards set out in the Canadian Oil and Gas Evaluation Handbook (the "**COGE Handbook**") prepared jointly by the Society of Petroleum Evaluation Engineers (Calgary Chapter).

4. Those standards require that we plan and perform an evaluation to obtain reasonable assurance as to whether the reserves data are free of material misstatement. An evaluation also includes assessing whether the reserves data are in accordance with principles and definitions presented in the COGE Handbook.

5. The following table shows the net present value of future net revenue (before deduction of income taxes) attributed to proved plus probable reserves, estimated using forecast prices and costs and calculated using a discount rate of 10 percent, included in the reserves data of the Company evaluated for the year ended December 31, 2016, and identifies the respective portions thereof that we have evaluated and reported on to the Company's board of directors:

Independent Qualified Reserves Evaluator or Auditor	Effective Date of Evaluation Report	Location of Reserves (Country or Foreign Geographic Area)	Net Present Value of Future Net Revenue (before income taxes, 10% discount rate – US M$)			
			Audited	Evaluated	Reviewed	**Total**
GLJ Petroleum Consultants	Dec. 31, 2016	Azerbaijan	-	318,352	-	**318,352**

6. In our opinion, the reserves data respectively evaluated by us have, in all material respects, been determined and are in accordance with the COGE Handbook, consistently applied. We express no opinion on the reserves data that we reviewed but did not audit or evaluate.

7. We have no responsibility to update our reports referred to in paragraph 5 for events and circumstances occurring after the effective date of our reports.

8. Because the reserves data are based on judgements regarding future events, actual results will vary and the variations may be material.

EXECUTED as to our report referred to above:

GLJ Petroleum Consultants Ltd., Calgary, Alberta, Canada, April 6, 2017

(signed) "Patrick A. Olenick"
Patrick A. Olenick, P. Eng.
Manager, Engineering