GREENFIELDS PETROLEUM CORPORATION

Management's Discussion and Analysis

For the quarter ended March 31, 2017

(U.S. Dollars)

Management's Discussion and Analysis

This Management's Discussion and Analysis ("**MD&A**") for Greenfields Petroleum Corporation ("**Greenfields**" or the "**Corporation**") should be read in conjunction with the unaudited condensed consolidated financial statements and notes thereto for the three months ended March 31, 2017 and the audited consolidated financial statements and notes thereto for the year ended December 31, 2016. The unaudited condensed consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("**IFRS**") as issued by the International Accounting Standards Board. Additional information relating to Greenfields is available on SEDAR at **www.sedar.com** and on the Corporation's website at **www.greenfields-petroleum.com**. Unless stated otherwise, all financial measures are expressed in United States dollar and all values presented in thousands of US dollars. This document is dated May 26, 2017.

SPECIAL NOTE REGARDING FORWARD-LOOKING STATEMENTS

Certain information regarding Greenfields set forth in this report includes forward looking statements. All statements other than statements of historical facts contained in this MD&A, including statements regarding our future financial position, business strategy and plans and objectives of management for future operations, are forward-looking statements. The words "believe," "may," "will," "estimate," "continue," "anticipate," "intend," "should," "plan," "expect" and similar expressions, as they relate to the Corporation, are intended to identify forward-looking statements. We have based these forward-looking statements largely on our current expectations and projections about future events and financial trends that the Corporation believes may affect its financial condition, results of operations, business strategy and financial needs. These forward-looking statements are subject to a number of risks, uncertainties and assumptions described elsewhere in this report.

Other sections of this report may include additional factors, which could adversely affect our business and financial performance. Moreover, the Corporation operates in a very competitive and rapidly changing environment. New risk factors emerge from time to time and it is not possible for our management to predict all risk factors, nor can we assess the impact of all factors on our business or the extent to which any factor, or combination of factors, may cause actual results to differ materially from those contained in any forward-looking statements.

Readers are cautioned not to place undue reliance on forward-looking statements, as there can be no assurance that the plans, intentions or expectations upon which they are based will occur. By their nature, forward-looking statements involve numerous assumptions, known and unknown risks and uncertainties, both general and specific, that contribute to the possibility that the predictions, forecasts, projections and other forward-looking statements will not occur, which may cause the Corporation's actual performance and financial results in future periods to differ materially from any estimates or projections of future performance or results expressed or implied by such forward-looking statements.

The Corporation undertakes no obligation to update publicly or revise any forward-looking statements. Furthermore, the forward-looking statements contained in this report are made as of the date of this report, and the Corporation undertakes no obligation to update publicly or to revise any of the included forward-looking statements unless required by applicable securities laws, whether as a result of new information, future events or otherwise. The forward-looking statements in this report are expressly qualified by this cautionary statement.

BUSINESS OF THE CORPORATION AND OPERATIONS

The Corporation is a junior oil and natural gas exploration and development corporation focused on the development and production of proven oil and gas reserves principally in the Republic of Azerbaijan ("**Azerbaijan**"). The board of directors and management of the Corporation are experienced in financing, developing and operating international oil and gas fields, and possess the requisite technical skills and business acumen to operate in diverse international environments.

The Corporation owns Bahar Energy Limited ("**Bahar Energy**" or "**BEL**"), a venture company that on December 22, 2009 entered into an Exploration, Rehabilitation, Development and Production Sharing Agreement (the "**ERDPSA**") with the State Oil Corporation of Azerbaijan ("**SOCAR**") and its affiliate SOCAR Oil Affiliate ("**SOA**") in respect of the offshore block known as the Bahar Project (**"Bahar Project"**), which consists of the Contract Rehabilitation Area ("**Contract Rehabilitation Area**", "**CRA**") including the Bahar Gas Field and the Gum Deniz Oil Field and the Exploration Area ("**Exploration Area**").

Bahar Energy has an 80% participating interest and SOA has a 20% participating interest in the ERDPSA (together the "**Contractors** or **Contractor Parties**"). Bahar Energy formed Bahar Energy Operating Corporation Limited ("**BEOC**" or "**Operator**") for the purposes of acting as Operator of the Bahar Project on behalf of the Contractor Parties under the ERDPSA.

Prior to August 9, 2016, BEL was owned 33.33% by the Corporation and 66.67% by Baghlan Group Limited ("**Baghlan**"). On August 9, 2016 the Corporation, through its wholly-owned subsidiary, Greenfields Petroleum International Company Ltd. ("**GPIC**"), completed the acquisition of Baghlan's interest in BEL (the "**Acquisition**"). Upon completion of the Acquisition, BEL became a wholly-owned subsidiary of the Corporation.

First Quarter 2017 Financial Results and Operating Highlights

- BEL's entitlement sales volumes averaged 709 bbl/d for crude oil and 17,296 mcf/d for natural gas or 3,591 boe/d in the first quarter 2017, which represents 83.6% of the gross entitlement volumes delivered to SOCAR. As compared to the same quarter in 2016, average entitlement sales volumes decreased 20% for oil, increased 27% for natural gas and increased 14% for boe/d, which represented 83.2% of gross entitlement volumes in the first quarter 2016. Gross entitlement volumes for both years include 10% compensatory petroleum delivered to SOCAR at no charge.

- For the first quarter 2017, BEL realized an average oil price of $48.20 per barrel. This reflects an increase from $30.84 per barrel for the same period in 2016. BEL realized a natural gas price of $3.96 per mcf for 2017 and 2016, which was a contractually constant fixed price.

- For the first quarter 2017, the Corporation realized a net loss of $1.4 million which represents a loss per share (basic and diluted) of $0.01. In comparison, for the same period in 2016, the Corporation realized a net loss of $3.6 million with a loss per share (basic and diluted) of $0.16.

Operating Highlights and Plans

- Gross entitlement volumes produced from the ERDPSA averaged 865 bbl/d for crude oil, 20.7 mmcf/d for natural gas or 4,309 boe/d for the first quarter 2017. Production was impacted by the slower pace of executing scheduled workovers due to limited availability of crane barges as well as lower than expected post-workover production results. A successful gas well re-activation was brought on at 2.2 mmcf/d.

- During the first quarter 2017, operating expenses were mainly in line with budget while capital expenditures were significantly under budget as a result of capital projects being reduced in scope or delayed.

- In the Gum Deniz Oil Field, BEOC completed five capital and ten service workovers during the first quarter.

- In the Bahar Gas Field, BEOC completed one capital workover during the first quarter 2017. The Bahar-83 well was completed with an initial production rate of 2.2 mmcf/d. Two additional workovers were initiated and are expected to be completed in the second quarter 2017.

- In the first quarter 2017, BEOC continued progress on several construction projects including platform refurbishment, causeway structure reinforcement and facility and health, safety and environment

(HS&E) upgrades. BEOC's construction department performed the majority of this work, eliminating the need for third party contractors, which resulted in improved efficiency and lower costs.

- The dynamic reservoir model simulation studies continued for both the Bahar and Gum Deniz fields and are expected to be completed in mid-2017. The results of these simulation studies will enable a more thorough evaluation of development options in the Bahar and Gum Deniz fields. A new plan of development will follow the completion of the studies.

- On March 3, 2017 BEOC signed an amendment to the gas sales agreement (the "**Amended GSA**") for the sale of non-associated natural gas produced under the ERDPSA with SOCAR, which took effect April 1, 2017.

  The original gas sales agreement (the "**Original GSA**") for the sale of non-associated natural gas from the Bahar Gas Field expired on October 1, 2015. Natural gas sales had continued on a month to month basis on the original terms set forth in the Original GSA while a revised gas sales agreement was negotiated with SOCAR. Due to the continued difficult economic conditions in Azerbaijan, SOCAR has placed pressure on all production sharing agreement holders to lower prices for natural gas sold to SOCAR for domestic consumption. The Amended GSA extends the term of the arrangement by five years and establishes a fixed natural gas price of $95/mcm ($2.69/mcf), which is reduced from the natural gas price of $140/mcm ($3.96/mcf) established by the Original GSA.

  In addition, the Amended GSA expands SOCAR's obligation to purchase non-associated natural gas. Under the terms of the Original GSA, SOCAR purchased only non-associated natural gas from Bahar Gas Field. Under the terms of the Amended GSA, SOCAR has agreed to purchase non-associated natural gas from the entire ERDPSA area.

- On April 19, 2017 BEL and SOCAR signed a protocol in respect of the carry of certain costs and related issues (the "**Protocol**") which addresses the shortfall by SOA in funding its 20% share of project expenditures incurred under the ERDPSA since April 2014. In accordance with the Protocol, which is effective April 19, 2017, SOA's 20% share of project expenditures will be funded from SOA's entitlement share of profit petroleum revenues and revenues generated from the sale of SOCAR's compensatory petroleum. Any funding deficiencies in SOA's cash call payments will be borne by BEL and added to the outstanding Carry 1 balance which will subsequently be reimbursed in accordance with the terms of the ERDPSA through payment of SOA's share of cost recovery petroleum revenues to BEL.

- For the remainder of 2017, BEOC will focus on increasing gas production from the Bahar Gas Field through a series of recompletions of existing wells to improve project cash flows. Additionally, BEOC is initiating programs to further reduce field operating costs while maintaining HS&E standards.

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SELECTED FINANCIAL INFORMATION

Revenues and operating results in the "***Selected Financial Information***" and the "***Summary of Quarterly Results***" have been adjusted to reflect the Corporation's share of BEL. Upon the closing of the BEL acquisition on August 9, 2016, BEL became a wholly-owned subsidiary of the Corporation, and the Corporation began consolidating 100% of the revenues and operating results from BEL on a going forward basis. For comparative purposes, for periods prior to the Acquisition, revenues, entitlement sales volumes and operating results presented in this MD&A have been adjusted to include the Corporation's 33.33% share of petroleum, natural gas and transportation revenues from BEL, previously included in the income or loss on Investment in Joint Venture under the equity method of accounting. The combined financial and operating results have been presented only for comparative purposes and do not reflect proper accounting practice under GAAP for the three months ended March 31, 2016.

(US$000's, except as noted)	Three months ended March 31, 2017	Three months ended March 31, 2016
Financial		
Revenues	9,238	2,800
Net loss	(1,368)	(3,602)
Per share, basic and diluted	($0.01)	($0.16)
Capital items		
Cash and cash equivalents	1,891	906
Total assets	198,781	97,220
Working capital	(48,189)	(14,345)
Long term debt and shareholders' equity	138,147	53,990

Bahar Energy Limited

			Corporation's share	
(US$000's, except as noted)	**Three months ended March 31,**			
	2017	2016	2017	2016
Financial				
Revenues	9,238	7,399	9,238	2,466
Operating				
Average Entitlement Sales Volumes [(1)]				
Oil and condensate (bbl/d)	709	886	709	295
Natural gas (mcf/d)	17,296	13,629	17,296	4,543
Barrel oil equivalent (boe/d)	3,591	3,158	3,591	1,052
Average Oil Price				
Oil price ($/bbl)	$48.20	$30.84	$48.20	$30.84
Net realization price ($/bbl)	$47.24	$29.99	$47.24	$29.99
Brent oil price ($/bbl)	$53.59	$33.84	$53.59	$33.84
Natural gas price ($/mcf)	$3.96	$3.96	$3.96	$3.96

(1) Daily volumes represent the Corporation's share of the entitlement volumes of the contractor parties to the ERDPSA net of compensatory petroleum and the government's share of profit petroleum. Compensatory petroleum represents 10% of gross production and continues to be delivered until specific cumulative petroleum and natural gas production milestones are attained. Daily volumes for the three months ended March 31, 2016 include the Corporations 33.33% share of BEL entitlement volumes and 100% of BEL's entitlement for the three months ended March 31, 2017.

SUMMARY OF QUARTERLY RESULTS

(US$000's, except as noted)	2017	2016				2015		
	Q1	Q4	Q3	Q2	Q1	Q4	Q3	Q2
Financial								
Revenues								
Petroleum and natural gas	9,238	8,952	6,667	2,698	2,466	2,854	3,520	3,456
Transportation & storage fees	-	-	-	-	-	-	-	129
Management service fees [3]	-	-	200	275	334	392	356	470
	9,238	8,952	6,867	2,973	2,800	3,246	3,876	4,055
Net income (loss) [1]	(1,368)	(4,599)	109,945	(2,551)	(3,602)	(1,501)	(1,676)	(2,995)
Per share, basic and diluted	($0.01)	($0.03)	$1.85	($0.12)	($0.16)	($0.07)	($0.08)	($0.14)
Operating								
Average Entitlement Sales Volumes [2]								
Oil and condensate (bbl/d)	709	647	566	260	295	341	413	347
Natural gas (mcf/d)	17,296	17,403	12,441	4,834	4,543	5,019	5,163	4,793
Barrel oil equivalent (boe/d)	3,591	3,547	2,640	1,065	1,052	1,178	1,273	1,145
Prices								
Average oil price ($/bbl)	$48.20	$43.92	$40.86	$40.52	$30.84	$32.65	$43.13	$54.92
Natural gas price ($/mcf)	$3.96	$3.96	$3.96	$3.96	$3.96	$3.96	$3.96	$3.96
Capital Items								
Cash and cash equivalents	1,891	1,361	1,460	428	906	100	30	710
Total Assets	198,781	199,341	203,553	97,778	97,220	89,523	88,171	87,683
Working capital	(48,189)	(1,444)	(1,173)	(10,351)	(14,345)	(6,478)	(4,207)	(2,016)
Long term debt and shareholders' equity	138,147	185,103	188,285	52,377	53,990	55,600	56,770	58,488

(1) For the third quarter 2016, $113.6 million of one-time net realized gain attributable to the Acquisition and restructuring transactions was included in income.

(2) Daily volumes represent the Corporation's share of the Contractor Parties entitlement volumes net of compensatory petroleum and the government's share of profit petroleum. Compensatory petroleum represents 10% of gross petroleum and natural gas production, which will continue to be delivered at no charge to SOCAR until specific cumulative oil and gas production milestones are attained. Daily volumes prior to the Acquisition of BEL on August 9, 2016 include the Corporations 33.33% share of BEL entitlement volumes and 100% of BEL's entitlement for periods subsequent to the Acquisition.

(3) Represents service fees for management, administrative and technical support provided at cost to BEL and BEOC prior to the Acquisition of BEL on August 9, 2016. The related party receivables resulting from such fees have been eliminated in consolidation.

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RESULTS OF OPERATIONS

Oil and Gas Revenues	**100% Bahar Energy**		**Corporation's share**	
	Three months ended March 31,			
(US$000's)	2017	2016	2017	2016 [1]
Petroleum	3,074	2,488	3,074	829
Natural gas	6,164	4,911	6,164	1,637
Total oil and gas revenues	9,238	7,399	9,238	2,466

(1) Revenues for the three months ended March 31, 2016 include the Corporations 33.33% share of BEL entitlement volumes before the Acquisition date.

BEL's petroleum revenues for the three months ended March 31, 2017 were $3.1 million compared to $2.5 million for the same period in 2016. BEL's natural gas revenues for the three months ended March 31, 2017 were $6.2 million compared to $4.9 million for the same period in 2016. Petroleum and natural gas revenues are recorded net of the government's share of profit petroleum and compensatory petroleum production.

The average price received by BEL for crude oil during the three months ended March 31, 2017 was $48.20 per barrel compared to average prices of $30.84 per barrel for the same period in 2016. The price for natural gas remained contractually constant at $3.96 per thousand cubic feet.

In comparison to volumes realized for same periods in 2016, BEL's share of entitlement BOE per day sales volumes increased 14% for the three months ended March 31, 2017.

For the three months ended March 31, 2017, gross oil production volumes for the Bahar project experienced a 19% decline versus the same period in 2016, offset by an increase in natural gas production of 30% versus the same period in 2016.

Net realization price for crude oil and natural gas [1]

	Three months ended March 31,	
	2017	2016
Average crude oil sales price - $/bbl	48.20	30.84
Transportation fees	(0.50)	(0.34)
Marketing fees	(0.45)	(0.51)
Net realized price - $/bbl	47.25	29.99
Natural gas - $/mcf	3.96	3.96

(1) "Net realization price" is a non-IFRS and non-GAAP measurement. The net realization price for crude oil is calculated by deducting from the average crude oil sales price the average costs per barrel for transportation, marketing, port storage, customs, banking fees and certification fees. There are no deductions from the sales price of natural gas.

Operating expenses

For the three months ended March 31, 2017, BEL's operating and administrative expenses were $4.5 million compared to $4.8 million for the same period in 2016. BEOC continues to implement cost saving measures through workforce reductions, training of the internal workforce to perform services previously provided by third party vendors and negotiating lower costs for materials and services.

Administrative expenses

	Three months ended March 31,	
(US$000's)	2017	2016
Employee wages and benefits	417	475
Professional service costs	106	423
Office, travel and other	112	143
Total cash expenses	635	1,041
Share-based payment expense	(21)	9
Total gross administrative	614	1,050
Services fees billed to affiliates	-	(334)
Administrative expenses net of services fees	614	716

Gross administrative expenses for the three months ended March 31, 2017 was $0.6 million (March 31, 2016 - $1.0 million). The decrease in administrative expenses during the first quarter 2017, versus the same period for 2016, is mainly related to lower payroll costs due to reduced staffing at Corporate as well as lower legal and professional fees.

For the three months ended March 31, 2017, net administrative expenses were $0.6 million (March 31, 2016 - $0.7 million). Effective after the Acquisition on August 9, 2016, the Corporation has eliminated service fees and the associated receivable balances in consolidation.

Share-based payments

	Three Months Ended March 31,	
(US$000's)	2017	2016
Share settled:		
Share options	29	14
Cash settled:		
Contingent bonus [(1)]	(37)	(5)
Cash bonus awards [(1)]	(13)	-
Total Share-based payments	(21)	9

(1) Amounts reflect award obligations accrued for during the referenced periods, not actual cash amounts paid out by the Company. See "*Contingent Bonus*"; *"Restricted Cash Bonus Program";* and *"Fair Value Director Cash Bonus Program"* below.

The Share-based payments recorded by the Corporation are associated with share options and share-based cash settled bonuses. Share-based payment expenses for the three months ended March 31, 2017 were ($21) thousand (March 31, 2016 - $9 thousand).

Share Options

The Corporation's Share Option Plan governs the granting of options to employees, officers, directors and certain full time consultants. All options issued by the Corporation permit the holder to purchase a specific number of common shares of the Corporation at a stated exercise price. The Corporation has not issued stock options that permit the recipient to receive a cash payment equal to the appreciated value in lieu of stock.

On October 13, 2016 the Corporation granted options to acquire 400,000 common shares of the Corporation pursuant to its stock option plan to two contractors. The options are exercisable at a price of CAD$0.24 per share, the closing price on October 12, 2016, and vest 25% on the date of the grant and 25% on each of the first, second and third anniversaries of the grant date. The options will expire five years from the grant date.

On January 1, 2017 the Corporation granted options to acquire 650,000 common shares of the Corporation pursuant to its stock option plan, 450,000 of which were granted to officers of the Corporation. The options are exercisable at a price of CAD$0.29 per common share and will expire five years from the grant date. The options will vest 1/2 upon January 1, 2018 and 1/2 upon January 1, 2019.

For the three months ended March 31, 2017, the Corporation's recorded share options expense of $29 thousand (March 31, 2016 - $14 thousand). The share options expense is offset to the Corporation's share-based payment reserve.

Grant Date	Number Outstanding	Expiration Date	Remaining Contractual Life (years)	Exercise price (CAD$)	Number Exercisable
Aug. 31, 2010	15,000	Aug. 31, 2020	3.4	6.50	15,000
Oct. 11, 2013	540,000	Oct. 11, 2018	1.5	3.20	540,000
Nov. 7, 2013	50,000	Nov. 7, 2018	1.6	2.90	50,000
July 8, 2014	115,000	July 8, 2019	2.3	3.25	86,250
Oct. 13, 2016	400,000	Oct. 13, 2021	4.5	0.24	100,000
Jan. 6, 2017	650,000	Jan. 6, 2022	4.8	0.29	-
	1,770,000				791,250

As at March 31, 2017, the Corporation has a total of 1,770,000 share options outstanding, 791,250 of which are exercisable with remaining contractual lives ranging from 1.5 to 4.8 years. The average exercise price of exercisable share options is CAD$2.87.

As a provision of the Corporation's Share Option Plan, upon exercising his or her options, an optionee may satisfy his or her tax withholding obligations (i) by surrendering to the Corporation common shares that have been owned by the optionee for more than six months on the date of surrender with a market value equal to the withholding tax obligation or (ii) by electing to have the Corporation withhold from the common shares to be issued upon exercise of the option the number of common shares having a market value equal to the amount required to be withheld.

Contingent Bonus

On January 12, 2015 the Corporation awarded the right to 500,490 common shares to certain employees and consultants as a contingent bonus. Vesting of the common shares was set on the first to occur of the following dates: January 1, 2016; the date of a change of control of the Corporation; or such earlier vesting date as determined by the board. At the option of the board, the contingent bonus may be settled by the Corporation in cash, with the value of common share or share equivalent payment determined by the market closing price of the Corporation's common shares at such settlement date. At the award date, these rights were valued at the price of CAD$0.28 (USD$0.21) for a total share award expense of $103 thousand which was accrued as a contingent liability. The liability is also fair valued at each reporting date with adjustments recorded through profit and loss. The estimated liability for the contingent bonus at March 31, 2017 was $71 thousand (December 31, 2016 - $108 thousand). For the three months ended March 31, 2017, the Corporation recorded a decrease of $37 thousand (March 31, 2016 - $5 thousand) in the fair value of the contingent bonus liability.

Restricted Cash Bonus Program

In June 2012 the Corporation established a Restricted Cash Bonus Program consisting of two cash settled incentives awarded in bonus units. The first incentive is the Full Value Based Cash Bonus ("**FVBCB**") with the cash settlement value of a bonus unit equal to the current market price of a common share of the

Corporation on specific vesting dates. The second incentive is the Appreciation Based Cash Bonus ("**ABCB**") which is settled in cash when an awardee makes a call on vested bonus units with the value of the award calculated as the difference between the current market price of a common share of the Corporation at call date and the original strike price per bonus unit. The program does not grant any entitlement to common shares or other equity interest in the Corporation.

The FVBCB incentive awards vest in three tranches, 1/3 on each January 1 of the year immediately following the grant date and have a cash settlement on such vesting dates. The estimated FVBCB liability is amortized over the three-year vesting period with each vesting tranche fully amortized at vesting date. The liability is also fair valued at each reporting date with adjustments recorded through profit and loss.

On January 20, 2015 the Corporation awarded 107,866 FVBCB units (the "**Deferral Bonus Units**") to directors, officers and employees as incentive for the deferral of 94,533 units vesting on January 1, 2015 (the "**Original Vesting Date**"). The deferral bonus units originally had a vesting date of January 1, 2016 (the "**Deferral Vesting Date**") and would be settled at the share price of the Corporation's common share on either the Original Vesting Date or the Deferral Vesting Date, whichever share price was higher. The Deferral vesting date for both awards has been further deferred until the first to occur of the following: January 1, 2018; the date of a change of control of the Corporation; or such earlier vesting date as determined by the board. The estimated FVBCB liability at March 31, 2017 was $184 thousand (December 31, 2016 - $184 thousand).

The ABCB incentive awards vest in four tranches, 25% at grant date and 25% on each of January 1 of the year immediately following the grant date. The ABCB awards have a contractual life of five years and were fair valued using the Black-Scholes option pricing model assuming an average risk-free interest rate of 1.09%, two year expected life from its vesting date, average expected volatility of 58% and average forfeiture rate of 13%. The estimated ABCB liability is amortized over the vesting period and fair valued at each reporting date with the same Black-Scholes pricing model with adjustments recorded through profit and loss. The estimated ABCB liability at March 31, 2017 was $nil (December 31, 2016 - $nil).

The following table summarizes the terms of outstanding units awarded under the Restricted Cash Bonus Program:

Grant Date	FVBCB Units	ABCB Units	ABCB Units			
			Grant Price $CAD	Exercisable	Expiration Date	Remaining Contractual Life - Years
June 4, 2012	38,334	122,500	4.80	122,500	June 4, 2017	0.2
Sept. 4, 2012	3,333	10,000	5.65	10,000	June 4, 2017	0.4
Oct. 5, 2012	6,667	30,000	5.30	30,000	Oct. 5, 2017	0.5
Dec. 1, 2012	1,200	3,600	4.80	3,600	Dec. 1, 2017	0.7
Dec. 24, 2012	90,000	160,000	3.50	160,000	Dec. 24, 2018	1.7
Jan.1, 2015	107,866	-	-	-	-	-
	247,400	326,100		326,100		

For the three months ended March 31, 2017, the Corporation recorded restricted cash bonus expense of $nil (December 31, 2016 – $nil thousand).

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. Subsequently, the Corporation 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. 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 corporation; (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.

The estimated FVDCB liability at March 31, 2017 was $85 thousand (December 31, 2016 - $98 thousand). This liability is fair valued at each reporting date with adjustments recorded through profit and loss. For the three months ended March 31, 2017, the Corporation recorded a decrease of $13 thousand in the fair value of the FVDCB liability.

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 select employees of BEOC consisting of cash settled incentives awarded in bonus units. Subsequently, the Corporation awarded 11,025,000 KECIP 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 the shares of the Corporation; (2) an amalgamation, arrangement, merger or other consolidation of the Corporation with another corporation; (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 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. No expense has been recorded for the issuance of the KECIP units as of March 31, 2017, as the related cash settlement value can only be determined when a monetization event takes place.

On May 12, 2017 the Company awarded 730,000 KECIP units with similar vesting conditions to two employees and a contractor.

Interest income and interest expense

	Three Months Ended March 31,	
(US$000's)	2017	2016
Interest income [(1)]	-	733
Interest expense – short term loan [(2)]	-	(1,317)
Interest expense – convertible debentures [(3)]	-	(761)
Interest expense – long term loan [(4)]	-	(623)
Interest expense – short term loans [(5)]	(1,391)	-
	(1,391)	(1,968)

(1) Interest income charged to Bahar Energy in connection with Default Loans. The forgiven accumulated interest on Default Loans was included as consideration paid for the Acquisition of BEL. Therefore, the related account receivable balance was extinguished.

(2) Interest expense on short term loan includes interest and amortization of transaction costs. The accumulated interest on short term loan was included as part of the restructuring transaction dated August 19, 2016. Therefore, the related interest payable balance was extinguished.

(3) Interest expense on convertible debentures included accretion, coupon interest, amortization of transaction costs, and interest on defaulted payments. The accumulated interest on convertible debentures was included as part of the debentures conversion dated August 26, 2016. Therefore, the related interest payable balance was extinguished.

(4) Includes interest expense on Long Term Loan-2 and interest expenses on long term loans post restructuring. The accumulated interest payable on Long Term Loan-2 was included as part of the loan settlement transaction dated September 9, 2016, therefore the related interest payable balance was extinguished.

(5) Interest and accretion expense related to the short term loans.

Warrants

Pursuant to the terms of the Loan Agreement and the Ninth Amending Agreement, the Corporation issued 85,979,917 common share purchase warrants to the lenders under the Vitol Loan. The Corporation estimates approximately 5% or no more than approximately 4.4 million warrants will vest during the life of these instruments. The Corporation accrued a liability for the warrants likely to vest which is fair valued at each reporting period with adjustments recorded through profit and loss. For the three months ended March 31, 2017, the Corporation recorded a decrease of $236 thousand in the fair value of warrants expected to vest.

The warrants vest only to the extent there is a dilutive issuance of common shares that results in an equity dilution of the senior lenders which would reduce their ownership position below 54.81% of the issued and outstanding shares of the Corporation. Vested warrants have a five year life from date of issue and may be exercised at a strike price of CAD$0.35.

CASH FLOW ANALYSIS

For the three months ended March 31, 2017, the Corporation's primary source of funds has come from operations. Cash and cash equivalents were primarily used to fund corporate expenses and working capital.

EQUITY CAPITAL

As of the date of this report, the Corporation had 156,859,180 common shares, 1,770,000 share options and 85,979,917 common share purchase warrants outstanding and no preferred shares outstanding.

RISK FACTORS

The following abbreviated "Risk Factors" reflect those risks and uncertainties specific to the Bahar Project and are summarized from the more detailed Risk Factor assessment disclosed in the Corporation's Annual Information Form for the year ended December 31, 2016 available on SEDAR, www.sedar.com.

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 is 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.

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 capital expenditures. 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 exploration and development of the Corporation’s existing opportunities, successfully or otherwise. From time to time, the Corporation will likely 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 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.

Commodity Prices

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, which creates market uncertainty and a variety of additional factors beyond the control of the Corporation. For the Corporation, these factors include economic conditions in the United States, Canada and Azerbaijan, the actions of OPEC, governmental regulation, political stability in the Middle East and elsewhere, 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 realized by the Corporation could have an adverse effect on the Corporation's carrying value of any reserves, its ability to service existing loans, 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, third party financing alternatives available to the Corporation may in part be determined by the Corporation's oil and gas reserves that could form its borrowing base. A sustained material decline in prices from historical levels could reduce the Corporation's borrowing base available under such potential reserve-based borrowings, thereby reducing the credit available to the Corporation under such loans. At present, the Corporation does not have any reserve-based loans in its capital structure.

The Corporation has reduced the risk of changing natural gas prices by signing the Amended GSA on March 3, 2017, setting a natural gas price of $2.69/mcf for the next five years. Through an oil sales agreement with SOCAR, the Corporation expects to continue receiving net oil prices that have historically realized approximately 94% of the Brent crude benchmark less transportation costs.

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 space 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 and related to 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 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, with the result that 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 Bahar Project, sales of natural gas are governed by the Bahar Gas Sales Agreement which maintains a fixed pricing structure of $95 per cubic meter of gas or the equivalent of $2.69 per mcf in accordance with the March 3, 2017 Amended GSA.

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; and
- industry 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 investment in oil and natural gas properties is located in Azerbaijan. As such, the Corporation is subject to political, economic, and other uncertainties, including, expropriation of property without fair compensation, changes in energy policies or the personnel administering them, nationalization, currency fluctuations and devaluations, exchange controls and royalty and tax increases and other risks arising out of foreign governmental sovereignty over areas in which the Corporation's operations are conducted, as well as the risks of loss due to civil strife, acts of war, acts of terrorism, guerrilla activities and insurrections. In the event of a dispute arising in connection with the Corporation's operations outside of the United States, 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 enforcing judgments from the United States 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 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.

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, related party transactions, restrictions on the use of expatriates in operations and other matters. In addition, despite recent efforts from the Government of Azerbaijan to reduce corrupt practices and improve transparency, corruption in Azerbaijan still pose risks for foreign companies like the Corporation which could result in 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. Noncompliance 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.

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.

Reliance on Industry Partners

The Corporation relies on SOA, the other 20 percent Contractor Party in the ERDPSA. The Corporation relies on this partner 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 partner could materially affect the prospects of the Corporation. The failure of the other contractor party in the ERDPSA to contribute their share of funding in the time required by the project may materially impact the Corporation's and BEOC's ability to fully execute the Bahar Project development plan.

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 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.

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 maintaining 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.

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 either recommended by the Corporation or resulting from material weaknesses reported by the Corporation's independent auditors, or difficulties encountered in their implementation, 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.

At the operational level, the Corporation now has a direct controlling interest in BEOC through its 100% shareholder position in Bahar Energy post Acquisition. As such, the Corporation is more directly involved in the decision making at BEOC which controls the accumulation and reporting of financial results of the Corporation's financial interests in Azerbaijan. The Corporation's management undertakes regular physical visits to Azerbaijan and is directing audit engagements as well as setting new internal control guidelines and objectives.

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 to 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 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.

Third Party Credit Risk

The Corporation may be exposed to third party credit risk through its contractual arrangements with joint venture partners, purchasers of petroleum and natural gas production and other parties. In the event such entities fail to meet their contractual obligations, 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 their capacity and willingness to participate in ongoing capital programs, potentially delaying the programs and the results of such programs 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.

Labor

The Corporation may be dependent on local labor to carry out site work relating to its international operations. 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.

Future Financing

Greenfields will require future financing through the issuance of equity or debt to fund its future exploration, development and operations. There can be no assurance that additional financing will be available to Greenfields when needed or on terms acceptable to Greenfields. In addition, capital markets have been volatile in recent months, and continued volatility could limit Greenfields' ability to obtain new financing, even if Greenfields has positive business results. Greenfields' inability to raise funding to support ongoing operations and to fund capital expenditures or acquisitions may limit Greenfields' growth or may have a material adverse effect upon Greenfields. Greenfields cannot predict the size of future issuances of equity or the issuance of debt or the effect, if any, that future issuances and sales of Greenfields' securities will have on the market price of the Common Shares.

Market Conditions

As a result of the weakened global economic situation and the recent volatility in oil, natural gas and other commodity prices, Greenfields may face reduced cash flow and restricted access to capital until these conditions stabilize. A prolonged period of adverse market conditions may affect Greenfields' financial results and impede Greenfields' ability to finance planned capital expenditures. In addition, a prolonged period of adverse market conditions may impede Greenfields' ability to refinance its credit facilities or arrange alternative financing for operations, capital expenditures and future acquisition opportunities. In each case, Greenfields' ability to maintain and grow its reserves and fully exploit its properties for the benefit of the shareholders could be adversely affected. As well, given the recent volatility in commodity prices in global markets, the trading prices of Common Shares in the future may be subject to considerable volatility. Future trading prices of Greenfields' Common Shares may be significantly below current levels.

Negative Operating Cash Flow

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

LIQUIDITY AND CAPITAL RESOURCES

Liquidity Risk

Liquidity risk is the risk that the Corporation will not be able to meet its financial obligations as they become payable. The Corporation's approach to managing liquidity is to ensure, as much as possible, that it will have sufficient cash or cash equivalents to pay its obligations when due, under both normal and unusual conditions and without incurring unacceptable costs, relinquishment of properties or risking harm to the Corporation's reputation. However, the Corporation's current cash balance of $1.9 million does not allow for meeting its current obligations, thereby requiring additional funding to continue providing working capital for the Bahar project and corporate purposes. The timing or likelihood of such funding is uncertain.

The Corporation's existing financial liabilities for the three months ended March 31, 2017 arose primarily from obligations related to its participation in the Bahar Project. The Corporation is producing, developing and exploring oil and gas properties which require extensive capital investments. The recovery of the Corporation's investment is dependent upon the Bahar Project's ability to complete the development of properties, which includes meeting the related financing requirements. The 2017 Work Plan and Budget ("**WP&B**") for ERDPSA reflects a positive cash flow generated for the Bahar Project. Based on this estimate, the Corporation has not made additional funding commitments for the year.

The Corporation will continue to seek additional funding sources to provide working capital for the Bahar Project and corporate purposes. The Corporation will also seek borrowing opportunities to replace its senior debt with a lower financing cost facility. Should market conditions improve, the Corporation will also evaluate the potential for equity placement to replace some or all of its debt obligations.

The Corporation's ability to continue as a going concern depends on the Corporation being successful in raising additional capital through debt financing or issuance of equity on favorable terms. Without access to additional funding in 2017 and beyond, there is significant doubt that the Corporation will be able to continue as a going concern.

The Bahar Project cash flows, both in the short-term and long-term, are impacted by volatile oil prices. Significant deterioration in commodity prices negatively impacts earnings, cash flows, capital spending, and potentially our liquidity. Sales volumes are substantially impacted by the onset of new production related to the start of drilling and recompletion operations in the fields. Further, the weather in the Caspian Sea and the availability of suitable offshore installation equipment could cause delays in operations therefore reducing the Bahar Project's ability to realize estimated earnings and cash flows.

The Bahar Project long-term cash flows are highly dependent on the success in efficiently developing current reserves and economically finding, developing and monetizing additional recoverable reserves. Cash investments are required continuously to fund exploitation and development projects, which are necessary to offset the inherent declines in production of proven reserves. The Corporation may not be able to find, develop or acquire additional reserves to replace current and future production at acceptable costs, which could materially affect future liquidity.

Capital Structure

(US$000's)	March 31, 2017	December 31, 2016
Working capital [(1)]	(48,189)	(1,444)
Long term debt and shareholders' equity	138,147	185,103
Ratios of working capital to long term debt and shareholders' equity	(35%)	(1%)

[(1)] Working capital, as presented here, is current assets net of current liabilities.

The Corporation will pursue various financing options for its current corporate obligations and its contractual commitments under the ERDPSA with cash on hand, non-cash working capital, cash from operations and additional issuances of debt and equity securities.

Off-balance sheet arrangements

The Corporation does not have any special purpose entities, nor is it party to any transactions or arrangements that would be excluded from the Corporation's Unaudited Condensed Consolidated Statements of Financial Position for the three months ended March 31, 2017.

Related party transactions

A detailed discussion of related party transactions is included in Notes 4 and 9 to the Corporation's Unaudited Condensed Consolidated Statements of Financial Position for the three months ended March 31, 2017.

Contractual commitments and contingencies

The following is a summary of the Corporation's contractual obligations and commitments as of March 31, 2017:

(US$000's)	**2017**	**2018**	**Thereafter**
Operating leases [1]	35	-	-
Short term loans - interest	6,000	2,637	-
Short term loans - principal	-	44,173	-
	6,035	46,810	-

(1) The Corporation has extended its lease of office space for its corporate headquarters in the United States through December 2017.

The Corporation's commitments to fund the Bahar Project are based on the annual Work Program and Budget ("**WP&B**") approved by the BEOC Steering Committee. The annual WP&B must be approved by contractor parties representing an 80% or greater ownership interest before submission to SOCAR. With Bahar Energy holding an 80% controlling interest in the ERDPSA and now being a wholly-owned subsidiary of the Corporation, the Corporation maintains control of the approval of the annual WP&B. While crude oil prices remain depressed and technical studies are underway to optimize work programs, the Corporation expects to only approve budgets that can be fully funded from project operating cash flows. The Corporation remains committed to restart drilling once crude oil prices begin to recover.

Financial instruments

A summary of the Corporation's financial instruments is included in Note 18 to the Corporation's Unaudited Condensed Consolidated Financial Statements for the three months ended March 31, 2017.

SUBSEQUENT EVENTS

Non-Brokered Private Placement

On May 12, 2017 the Corporation completed a non-brokered private placement (the "**Offering**") for aggregate gross proceeds of $350,200 (approximately CAD$480,000) of which $175,000 was funded by insiders of the Corporation. In connection with the Offering, the Corporation issued 2,398,630 Common Shares of the Corporation at a price of USD$0.146 per Common Share (approximately CAD$0.20 per Common Share). The Common Shares issued under the Offering are subject to a four-month hold period expiring on September 13, 2017.

Key Employee Contingent Incentive Plan Awards

On May 12, 2017 the Corporation awarded 730,000 KECIP units to two employees and a contractor. The KECIP units vest 25% at the date of grant and 25% on each of the first, second and third anniversaries of the award date.

ABBREVIATIONS

Abbreviation	Description
bbl	Barrels
boe	barrels of oil equivalent of natural gas and crude oil on the basis of 1 boe for 6 mcf of natural gas
bbl/d	barrels of oil per day
boe/d	barrels of oil equivalent per day
mbbls	thousand barrels
mcf	thousand cubic feet
mmcf	million cubic feet
mcf/d	thousand cubic feet per day
mmcf/d	million cubic feet per day
bcf	billion cubic feet
km	Kilometer