GREENFIELDS PETROLEUM CORPORATION

Condensed Consolidated Financial Statements

(Unaudited)

March 31, 2015

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

	Notes	As at March 31, 2015	As at December 31, 2014
Assets			
Current Assets			
Cash and cash equivalents		65	736
Accounts receivable related party	4	1,678	1,763
Short term loans receivable related party	5	23,107	20,040
Other receivables		7	20
Prepaid expenses and deposits	6	383	493
		25,240	23,052
Non-Current Assets			
Investment in joint venture	7	59,353	59,105
Property and equipment		15	35
		84,608	82,192
Liabilities and Equity			
Current Liabilities			
Accounts payable and accrued liabilities	8	1,516	2,062
Short term loan	9	22,989	22,456
		24,505	24,518
Non-Current Liabilities			
Long term loan	10	22,425	19,466
Convertible Debentures	11	15,561	16,713
		37,986	36,179
Shareholders' Equity	12		
Common shares		22	20
Paid in capital		76,835	74,912
Share-based payments reserve	13	5,312	5,263
Deficit		(60,052)	(58,700)
Total Shareholders' Equity		22,117	21,495
(Basis of presentation and going concern – Note 2 and Commitments and contingencies – Note 16)		84,608	82,192

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

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

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

GREENFIELDS PETROLEUM CORPORATION
CONDENSED CONSOLIDATED STATEMENTS OF INCOME (LOSS)

Unaudited, US$000's except per share amounts

	Three Months Ended March 31, 2015	Three Months Ended March 31, 2014
Revenues		
Management service fees	337	427
Expenses		
Administrative	1,184	1,852
Depreciation and amortization	20	19
	1,204	1,871
Loss from operating activities	(867)	(1,444)
Income on investment in joint venture *(Note 7)*	(248)	(3,218)
Dividends, interest and other income *(Note 14)*	(726)	-
Interest expense *(Note 14)*	2,918	1,570
Foreign exchange gains	(1,439)	(691)
Change in fair value of derivative liability *(Note 11)*	(20)	(206)
Income (Loss) before income taxes	(1,352)	1,101
Net Income (Loss)	(1,352)	1,101
Per share		
Net income (loss) per share, basic and diluted *(Note 12)*	($0.06)	$0.06

CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (LOSS)

US$000's

	Three Months Ended March 31, 2015	Three Months Ended March 31, 2014
Net Income (Loss)	(1,352)	1,101
Loss arising from revaluation of available for sale financial assets during the year	-	-
	-	-
Total comprehensive income (loss)	(1,352)	1,101

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

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

	Three Months Ended March 31, 2015	2014
Common shares *(Note 12)*		
Balance, beginning of period	20	20
Issuance of common shares	2	-
Balance, end of period	22	20
Paid in capital		
Balance, beginning of period	74,912	72,410
Shares issued pursuant to private placement	1,798	-
Repurchase of common shares	(3)	(10)
Shares issued - long term loan	-	1,125
Share-based payments	128	15
Balance, end of period	76,835	73,540
Share-based payments reserve *(Note 13)*		
Balance, beginning of period	5,263	4,847
Share-based payments	49	107
Balance, end of period	5,312	4,954
Deficit		
Balance, beginning of period	(58,700)	(51,376)
Net income (loss)	(1,352)	1,101
Balance, end of period	(60,052)	(50,275)
Total Shareholders' Equity	22,117	28,239

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

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

	Three Months Ended March 31, 2015	Three Months Ended March 31, 2014
Operating Activities		
Net Income (Loss) before income taxes	(1,352)	1,101
Items not affecting cash:		
Share-based compensation *(Note 13)*	129	122
Depreciation and amortization	20	19
Income on investment in joint venture	(248)	(3,218)
Dividends, interest and other income *(Note 14)*	(726)	-
Interest expense *(Note 14)*	2,918	1,570
Unrealized foreign exchange (gain) loss	(1,439)	(689)
Gain from derivative liability *(Note 11)*	(20)	(206)
Cash used in operating activities before changes in non-cash working capital	(718)	(1,301)
Change in non-cash operating working capital *(Note 15)*	(781)	(486)
Cash Used in Operating Activities	(1,499)	(1,787)
Financing Activities		
Proceeds from issue of common shares	1,800	-
Proceeds from long term loan, net of structuring fees *(Note 9)*	-	9,750
Long term loan transaction costs	-	(120)
Proceeds from long term loan *(Note 10)*	2,342	-
Cash interest paid short term loans	(967)	(557)
Repurchase of common shares	(3)	(10)
Change in non-cash working capital *(Note 15)*	-	(69)
Cash From Financing Activities	3,172	8,994
Investing Activities		
Investment in joint venture *(Note7)*	-	(7,491)
Short term loans to related party *(Note 5)*	(2,342)	-
Cash Used in Investing activities	(2,342)	(7,491)
Effect of exchange rates on changes on cash	(2)	(21)
Decrease in Cash and Cash Equivalents	(671)	(305)
Cash and Cash Equivalents, beginning of period	736	3,068
Cash and Cash Equivalents, end of period	65	2,763

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

1. INCORPORATION AND NATURE OF OPERATIONS

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

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

2. BASIS OF PRESENTATION AND GOING CONCERN

These condensed consolidated financial statements have been prepared in accordance with International Accounting Standard 34, *Interim Financial Reporting* ("**IAS 34**"). The condensed consolidated financial statements have been prepared on the historical cost basis except for derivative financial instruments (convertible debentures) and share-based compensation transactions which are measured at fair value.

The presentation and functional currency of the Company is the United States dollar ("**USD**") and all values are presented in thousands of US dollars except where otherwise indicated.

These condensed consolidated financial statements do not include all the information and disclosures required in the annual financial statements and should be read in conjunction with the Company's annual financial statements for the year ended December 31, 2014 prepared in accordance with *International Financial Reporting Standards* ("**IFRS**") as issued by the *International Accounting Standards Board ("**IASB**")*. The accounting policies adopted in the preparation of the condensed consolidated financial statements are consistent with those followed in the preparation of the Company's annual consolidated financial statements for the year ended December 31, 2014, except for the adoption of new standards and interpretations effective as of January 1, 2015 which details are discussed in Note 3.

These condensed consolidated financial statements were approved for issue by the Audit Committee of the Company's Board of Directors on May 28, 2015.

The Company's joint venture is producing, developing and exploring oil and gas properties which require extensive capital investments. The recovery of the Company's investment in the joint venture is dependent upon the joint venture's ability to complete the development of properties which includes meeting the related financing requirements. For the three months ended March 31, 2015 the Company incurred a loss of $1.4 million (March 31, 2014 – Income of $1.1 million) and has an accumulated deficit of $60.1 million as at the same date. In addition, the Company has a working capital balance of approximately $0.7 million as at March 31, 2015. Consequently, the Company's ability to continue as a going concern is dependent on management's ability to obtain additional funding, to collect amounts due the Company from third parties, to meet ongoing debt obligations and to ultimately achieve profitable operations. The Company plans to raise funds through collection of amounts due the Company and potential equity or debt placement over the next several months to meet its commitments and obligations. However, there are no assurances the Company will collect amounts it is owed or be able to obtain additional financing or issue equity that will be on favorable terms.

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

- Two of the participants in the Bahar project, SOA and the BGL interest in Bahar Energy, representing 73% ownership in the ERDPSA, are not current in funding their share. As a result, the Company has been required to address these funding shortfalls. TPR2 was met on March 31, 2014, thus obligating SOCAR to begin funding SOA's twenty percent (20%) share of BEOC cash calls beginning in April 2014. SOCAR, however, has not funded such amounts. SOCAR has advised they are waiting to understand the future partnership relationship within Bahar Energy before providing funding for SOA's share of the Bahar project. To date, the working capital of the Company and BEL's share of Bahar project revenues have been used to fund approximately $12.8 million of the cash calls on behalf of SOA. We are expecting the repayment of SOA's unfunded 2014 balance paid to Bahar Energy and the funding of SOA's past due 2015 cash calls to BEOC to start in Q3 2015. Although the Bahar project created positive cash flows for Bahar Energy during 2014, all surplus cash was used to fund the unfunded cash calls of SOA. For 2015, Bahar Energy has funded its 80% share of BEOC cash calls from entitlement revenues and SOA's 2015 cash calls have continued to go unfunded and past due to BEOC.

- The Company has also provided Default Loans to Bahar Energy to cover unfunded shareholder loans from BGL. According to a default notice sent by BNP Paribas, Baghlan Group FCZO (the parent company of BGL) is in default for non-payment of its outstanding interest and principal (since December 2013) on a $150 million loan involving Limited Partnership Notes ("**LPN**"). BNP Paribas, as trustee for the LPN owners, is foreclosing on the Baghlan security, which includes BGL's interest in Bahar Energy, and appointed a receiver in December 2014. The receiver is in the process of selling BGL, and expressions of interest were due to be received in April 2015. The receivers are working with SOCAR to identify a qualified replacement to participate in Bahar Energy and the Bahar PSA. Resolution of the BGL ownership in Bahar Energy should result in the collection by the Company of the Default Loan receivables from the new owner of BGL. The receivers continue to evaluate the bids made for the BGL interest in Bahar Energy and determine which interested parties are acceptable to SOCAR.

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

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

3. NEW STANDARDS, INTERPRETATIONS AND AMENDMENTS ADOPTED BY THE COMPANY

On January 1, 2015, the Company adopted the following new IFRS standards and amendments in accordance with the transitional provisions of each standard. The adoption of these standards did not have a material impact on the Company's consolidated financial statements. A brief description of each new standard follows below:

IFRS 9 "Financial Instruments"

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

IFRS 15 "Revenue From Contracts With Customers"

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

4. RELATED PARTY TRANSACTIONS

At March 31, 2015, the Company had a balance of $1.7 million (December 31, 2014 - $1.8 million) in accounts receivable with BEOC. Balances due are attributable to work performed under BEOC approved "Affiliate Service Orders" ("**ASO**") and Personnel Secondment Agreements. Management does not believe balances due pose collection risk as these charges are associated with amounts invoiced in the normal course of business.

For the three months ended March 31, 2015 the Company recorded $0.3 million (March 31, 2014 - $0.4 million) in management service fees for management, administrative and technical services performed at cost for BEOC in the normal course of business under ASO's and Personnel Secondment Agreements noted above.

5. SHORT TERM LOANS RECEIVABLE RELATED PARTY

Funding the Default of Baghlan Energy Limited

At March 31, 2015, the Company had funded $20.8 million to enable Greenfields Petroleum International Company Ltd. ("**GPIC**"), a wholly-owned subsidiary of the Company, to cover defaulted funding obligations of BGL, the other shareholder of Bahar Energy. With the funding of the defaulted obligations, GPIC provides protection for the interest of Bahar Energy in the ERDPSA and ensures the Bahar project has adequate working capital to fund the capital program. All of Greenfields transaction costs, financing costs and principal balance due resulting from the acquisition and use of loan facility funds are subject to reimbursement when the default loan obligations are paid to Bahar Energy by BGL or their replacement as a shareholder in Bahar Energy. The Default Loan repayment obligation by BGL also includes an additional 5% interest due the Company as a result of the failure to fund drawdown requests for the BGL share of 2014 loan commitments. The Company also benefits from a preferential dividend position as a result of providing Default Loan whereby it is entitled to receive first dividend distributions equal to the total Default Loan repayment obligation before BGL will participate in future dividends at their 66.67% ownership interest.

At March 31, 2015, the Company had a $23.1 million loan receivable balance with Bahar Energy inclusive of balance of $2.3 million ($nil - 2014) consisting of financing costs and interest.

6. PREPAID EXPENSES AND DEPOSITS

At March 31, 2015, the Company had prepaid expenses and deposits of $0.4 million (December 31, 2014 - $0.5 million). The current balance includes $0.3 million in deferred short term loan structuring fees which will be recognized as an expense over the term of the respective loan.

7. INVESTMENT IN JOINT VENTURE

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

Continuity of Investment in Joint Venture

US$000's	Investment in Joint Venture
At January 1, 2014	45,083
Funding	7,491
Share of Income from Joint Venture	3,219
At March 31, 2014	55,793
Funding	3,261
Share of Income from Joint Venture	51
At December 31, 2014	59,105
Funding	-
Share of Income from Joint Venture	248
At March 31, 2015	59,353

Bahar Energy, formed for the sole purpose of acquiring the rights to the ERDPSA, is a limited liability entity incorporated in the Jebel Ali Free Zone ("**JAFZA**") in Dubai, United Arab Emirates. Bahar Energy is currently owned 66.67% by Baghlan Group Limited and 33.33% by Greenfields Petroleum International Company Limited. Bahar Energy is governed by its Articles of Association and BSA. The registered office of Bahar Energy is LOB 15-514, P.O. Box 17870, Dubai, United Arab Emirates.

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

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

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

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

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

Defaulting Shareholder

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

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

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

Assets	March 31, 2015	December 31, 2014
Current Assets		
Cash and cash equivalents	2,451	2,994
Trade receivables	11,761	14,392
Other receivable	18,005	9,679
Advances for operating activities	882	849
Inventories	1,968	2,106
	35,067	30,020
Non-Current Assets		
Restricted cash [(1)]	5,686	7,489
Advances for capital equipment	456	393
Property and equipment	159,640	158,800
	200,849	196,702
Liabilities and Equity		
Current Liabilities		
Accounts payable and accrued liabilities	8,765	6,048
Payables to related parties	8,755	10,303
Short term notes payable [(2)]	23,107	20,040
	40,627	36,391
Net Assets	160,222	160,311
Company's share of net assets (33.33%)	53,402	53,431
Timing differences in Joint Venture funding	5,951	5,674
Carrying amount of Investment in Joint Venture	59,353	59,105

[(1)] Funds held for related party and not available for operations at March 31, 2015 and December 31, 2014.
[(2)] Balance includes $20.8 million in Default Funding loans provided to BEL plus $2.3 million in financing costs and interest. See also *Note 5 – Short Term Loans Receivable Related Party*.

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Bahar Energy Limited
Condensed Consolidated Statement of Net Income
US$000's except per share amounts

	March 31, 2015	March 31, 2014
Revenues		
Petroleum and natural gas	8,680	21,623
Transportation and storage fees	750	1,275
	9,430	22,898
Expenses		
Operating & administrative	6,247	10,175
Depreciation and amortization	2,436	3,066
	8,683	13,241
Income from operating activities	747	9,657
Net Income	747	9,657
Company's Share of Income from Joint Venture	248	3,218

8. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

US$000's	March 31, 2015	December 31, 2014
Trade accounts payable	113	45
Accrued liabilities	1,403	2,017
	1,516	2,062

9. SHORT TERM LOAN

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

The Loan is subject to a cash structuring fee of 2.5% payable on each tranche advanced in accordance with the Loan Agreement. The amounts drawn bear interest rates between 15% and 20% and mature on December 31, 2015. The Loan is secured by first priority liens on the existing and future assets of the Company and the Guarantors. Also in consideration of the Loan, the Company agreed to issue to the Lender common shares of the Company as bonus shares (the "**Bonus Shares**") which were subject to resale restrictions expiring four months from the date of issuance. At December 31, 2014 the Company had drawn available advances of $25 million ($24.375 million net of 2.5% cash structuring fees) of the secured Loan and recorded transaction costs of $0.7 million. In addition, the Company issued 1,200,627 Bonus Shares to the Lender with a value of $3.5 million. The transaction costs and the value of Bonus Shares are accreted over the life of the loan. See also *Note 12 – Shareholders' Equity.*

US$000's	March 31, 2015	December 31, 2014
Total loans drawn down	25,000	25,000
Unamortized debt issue costs	(2,011)	(2,544)
Carrying value of short term loan (1)	**22,989**	**22,456**

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

10. LONG TERM LOAN

On July 2, 2014 the Company announced the June 27, 2014 closing of a $21 million loan facility (the "**Loan**") with an arm's length third party and proceeded to drawdown the total of $20.8 million on the Loan at March 31, 2015 ($18.4 million at December 31, 2014). Pursuant to the terms of the Loan, the Company is entitled to draw up to an aggregate of $21 million as needed for the purposes of funding obligations under the Bahar Energy Limited shareholders agreement to meet the capital needs of the Bahar Project. The Loan incurred a 0.15% commitment fee and bears interest at a rate of 12% per annum accrued and compounded quarterly. The Loan and accrued interest mature on June 30, 2018.

At March 31, 2015, the Company had a Long Term Loan balance of $22.4 million ($19.5 December 31, 2014), including $1.6 million of accrued interest expense ($1.0 million – December 31, 2014).

11. CONVERTIBLE DEBENTURES

On May 30, 2012 the Company issued CAD$23.7 million of convertible unsecured subordinated debentures (the "**Debentures**") for equivalent proceeds of USD$22.9 million. The Debentures pay a 9.0% annual rate of interest from the date of issue with interest payable semi-annually in arrears on May 31 and November 30 of each year starting on November 30, 2012 and will mature and be repayable on May 31, 2017 (the "**Maturity Date**"). Each CAD$1,000 Debenture principal amount can be convertible, at the option of the holder, at any time prior to the close of business on the earlier of the business day immediately preceding the Maturity Date and, if applicable, the last business day immediately preceding the date fixed for redemption, into approximately 117 common shares of the Company. The redemption ratio results from conversion price (the "**Conversion Price**") of CAD$8.55 per common share of the Company.

The Debentures cannot be redeemed by the Company prior to May 31, 2015. On or after June 1, 2015 and prior to the Maturity Date, the Debentures can be redeemed by the Company, in whole or in part, from time to time, at a price equal to the principal amount thereof, plus accrued and unpaid interest, at the Company's sole option provided that the common share current market price on the date on which notice of redemption is given is not less than 125% of the Conversion Price (CAD$8.55) or CAD$10.69 per common share of the Company.

The Company has the option to satisfy its obligations to repay the principal amount of the Debentures upon redemption or at maturity by issuing and delivering that number of freely tradable common shares obtained by dividing the principal amount of the Debentures by 95% of the common share current market price on the date fixed for redemption or maturity, as the case may be.

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

	Financial Statement Components			
US$000's	Liability	Derivative Liability [1]	Carrying Value	Principal Amount
Balance December 31, 2014	**16,683**	**29**	**16,712**	**20,452**
Accretion	295	-	295	
Change in fair value of derivative	-	(20)	(20)	
Foreign exchange gain	(1,423)	(3)	(1,426)	(1,746)
Balance March 31, 2015	**15,555**	**6**	**15,561**	**18,706**

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

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

The fair value of the derivative financial liability is determined using the Binomial valuation model with the following assumptions:

	March 31, 2015	December 31, 2014
Market price per common share – CAD$	0.76	1.00
Conversion price per common share – CAD$	8.55	8.55
Risk-free interest rate range	1.35%	1.35%
Expected life – years	2.17	2.42
Expected volatility	61.17%	60.19%
Shares issuable at conversion	2,775,825	2,775,825

12. SHAREHOLDERS' EQUITY

Authorized Share Capital

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

Common Shares

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

Preferred Shares

The 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.

There were no preferred shares issued and outstanding at March 31, 2015 and December 31, 2014.

Common shares continuity schedule:

Outstanding common shares *US$000's, except for share numbers*	Number of Common Shares	Amount
As at December 31, 2014	20,048,977	74,932
Shares issued per private placement	2,000,000	1,800
Share-based compensation (share awards)	6,000	4
Amortization of restricted share awards	-	76
Shares Issued to directors in lieu of director fees	55,685	48
Repurchase of common shares	(5,224)	(3)
As at March 31, 2015	22,105,438	76,857

Reconciliation of issued and outstanding shares

	March 31, 2015	December 31, 2014
Issued	22,219,810	20,158,125
Shares acquired by company	(125,405)	(120,181)
Shares issued from treasury	11,033	11,033
Total Outstanding	22,105,438	20,048,977

Per Share Information

Per share loss

US$000's, except for per share amount	March 31, 2015	March 31, 2014
Weighted average number of common shares outstanding	21,608,385	19,613,004
Net income (loss)	(1,352)	1,101
Basic and diluted income (loss) per share	($0.06)	$0.06

The average market value of the Company's common shares used for purposes of calculating the dilutive effect of share options and convertible debentures is based on quoted market prices for the period that the equity instruments were outstanding. For the three months ended March 31, 2015 the 1,796,250 options (March 31, 2014 – 1,775,000 options) and 2,775,825 (March 31, 2014 – 2,775,825) shares issuable at conversion of debentures were excluded from calculating dilutive earnings per share as they were anti-dilutive.

Private Placement

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

Share Awards

On February 20, 2015 the Company issued an aggregate of 55,685 common shares of the Company at a deemed price of CAD$1.00 (USD$0.862) per common share, to certain directors of the Company in satisfaction of fees payable to such directors in the aggregate amount of CAD$55,685 (USD$48,000). The common shares are subject to a four-month hold period from the date of issuance.

On February 23, 2015, the Company completed a grant of 6,000 common shares to an officer of the Company pursuant to a Contingent Restricted Share Grant Agreement dated September 23, 2013. The shares were valued at the closing price on the TSX Venture Exchange at February 23, 2015, that being CAD$0.89 (USD$0.72).

Common shares issued in consideration of long term loan costs

Pursuant to the terms of the Loan Agreement, the Company agreed to issue to the Lender common shares of the Company as bonus shares subject to resale restrictions expiring four months from the date of issuance. At March 31, 2015 the Company had issued 1,200,627 bonus shares to the Lender at an average price of CAD$3.11 (USD$2.92) per common share.

Acquisition of common shares

In February 2015 the Company acquired 5,224 common shares at an average fair market value of CAD$0.80 per share (February 2014 – 3,265 at fair market value of CAD$3.25) from certain employees as a result of share grants vesting from the February 2, 2010 Long Term Incentive Plan ("**LTIP**"). The LTIP provides the opportunity to employees to pay cash or sell to the Company the number of shares equal to their statutory withholding tax due at vesting date in order to reimburse the Company for remitting the employees' withholding tax obligation to the US Internal Revenue Service.

As a provision of the original 2010 LTIP, the Company is authorized to withhold from participants any amounts due in cash or shares for any applicable taxes payable at the minimum statutory rate in respect of the share grant awards. The tax withholding obligation of the participant in respect of the vesting share grants can be satisfied through the sale to the Company of such number of shares with a fair market value at vesting date equal to the tax withholding obligation.

At March 31, 2015 and December 31, 2014 the Company did not hold any common shares in treasury.

13. SHARE BASED PAYMENTS

	Three Months Ended March 31,	
US$000's	2015	2014
Share options	49	107
Share awards	80	305
Total share settled	129	412
Restricted cash bonus awards – cash settled	(13)	43
Total Share Based Payments	116	455

The share-based payments recorded by the Company are associated with share options, restricted share grants and shareholder settled transactions. Share-based payment expenses for the three months ended March 31, 2015 were $116 thousand (March 31, 2014 - $455 thousand).

Share Options

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

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

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

Risk-free interest rate range	0.7% - 2%
Expected life	4.0 years
Expected volatility range	40% - 57%
Expected dividend	-
Weighted average forfeiture rate	2.0%
Weighted average fair value	$2.09

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

Continuity of Stock Options

	March 31, 2015		December 31, 2014	
	Number of shares underlying options	Average exercise price (CAD$)	Number of shares underlying options	Average exercise price (CAD$)
Outstanding, beginning of period	1,796,250	5.88	1,825,000	5.99
Granted			140,000	3.25
Forfeited			(168,750)	4.97
Outstanding, end of period	1,796,250	5.88	1,796,250	5.88
Exercisable, end of period	1,485,000	6.44	1,285,000	6.90

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

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

The exercisable options as at March 31, 2015 have remaining contractual lives ranging from 1.8 to 6.1 years.

For the three months ended March 31, 2015 and 2014, the Company recorded share options expense of $49 thousand and $107 thousand, respectively. The share options expense is offset to the Company's share-based payment reserve.

Restricted Share Awards

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

For the three months ended March 31, 2015, the Company recorded share-based payments expense related to this restricted award of $nil (March 31, 2014 - $15 thousand).

In September and October 2013 the Company authorized the awards of 186,000 and 230,000 restricted shares, respectively, to certain officers and a director of the Company. The awards were contingent to the achievement of TPR1, TPR2, the closing by December 31, 2013 of a debt facility and completion of a downhole study for Bahar and implementation of study recommendations. The shares awarded upon the achievement of each indicated milestone will vest 50% on each July 1, 2014 and 2015. For the three months ended March 31, 2015 the Company recorded share-based payment expense of $80 thousand (March 31, 2014 - $290 thousand) in relation to the issuance of 410,000 shares at the price of CAD$3.00 per common share.

For the three months ended March 31, 2015, the Company has recorded total share-based payment expense for restricted share awards of $80 thousand (March 31, 2014 - $305 thousand). Expenses associated with restricted share awards are recorded with an offset to share capital of the Company.

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

Restricted Cash Bonus Program

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

The FVBCB incentive awards vest in three tranches, 1/3 on each January 1 of the year immediately following the grant date and have a cash settlement on such vesting dates. The fair value of FVBCB awards were estimated considering forfeiture rates of 5% and 10% respectively for the second and third year of the award. The estimated FVBCB liability is amortized over the three year vesting period with each vesting tranche fully amortized at vesting date. The liability is also fair valued at each reporting date with adjustments recorded through profit and loss. The estimated FVBCB liability at March 31, 2015 was $93 thousand (March 31, 2014 - $239 thousand).

On January 20, 2015, the Company granted 107,866 FVBCB units (the "**Deferral Bonus Units**") to directors, officers and employees as incentive for the settlement deferral of 94,533 units vesting on January 1, 2015 (the "**Original Vesting Date**"). The deferral bonus units have a vesting date of January 1, 2016 (the "**Deferral Vesting Date**") and will be settled at the share price of the Company's common share on either the original vesting date or the deferred vesting date whichever share price is higher.

The ABCB incentive awards vest in four tranches, 25% at grant date and 25% on each January 1 of the year immediately following the grant date. The ABCB awards have a contractual life of five years and were fair valued using the Black-Scholes option pricing model assuming an average risk-free interest rate of 1.09%, two year expected life from its vesting date, average expected volatility of 58% and average forfeiture rate of 13%. The estimated ABCB liability is amortized over the vesting period and fair valued at each reporting date with the same Black-Scholes pricing model with adjustments recorded through profit and loss. The estimated ABCB liability at March 31, 2015 was $3 thousand (March 31, 2014 - $187 thousand).

Grant Date	FVBCB Units	ABCB Units	ABCB Units			
			Grant Price $CAD	Exercisable	Expiration Date	Remaining Contractual Life - Years
June 4, 2012	76,667	122,500	4.80	122,500	June 4, 2017	2.2
Sept. 4, 2012	6,666	10,000	5.65	10,000	Sept. 4, 2017	2.4
Oct. 5, 2012	13,334	30,000	5.63	30,000	Oct. 5, 2017	2.5
Dec. 1, 2012	5,733	3,600	4.80	3,600	Dec. 1, 2017	2.7
Dec. 24, 2012	135,000	160,000	3.50	120,000	Dec. 24, 2018	3.7
Jan.1, 2015	10,000	-	-	-	-	-
	247,400	326,100		286,100		

For the three months ended March 31, 2015, the Company recorded restricted cash bonus expense of ($13) thousand (March 31, 2014 - $43 thousand).

Share-based payments reserve

US$000's	Amount
Balance December 31, 2014	5,263
Stock options share-based payments	49
Balance March 31, 2014	5,312

14. DIVIDENDS, INTEREST INCOME AND INTEREST EXPENSE

	Three Months Ended March 31,	
US$000's	2015	2014
Interest income[(1)]	(726)	-
Interest expense – short term notes[(2)]	1,585	808[(3)]
Interest expense – convertible debentures [(2)]	717	762
Interest expense – long term loans [(1)]	616	-
	2,192	1,570

(1) Interest income charged to Bahar Energy includes interest expense on long term loan plus approximately $60 thousand in transaction costs.

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

(3) This loan was classified as a long term loan in March 2014 but was reclassified to short term at December 31, 2014 as it matures on December 31, 2015.

15. SUPPLEMENTAL CASH FLOW INFORMATION

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

	Three Months Ended March 31,	
US$000's	2015	2014
Receivables from related parties	85	(419)
Other receivable	13	3
Prepaid expenses and deposits	110	8
Accounts payable and accrued liabilities	(989)	(78)
	(781)	(486)

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

US$000's	Three Months Ended March 31, 2015	2014
Accounts payable and accrued liabilities	-	(69)
	-	(69)

16. COMMITMENTS AND CONTINGENCIES

The following is a summary of the Company's contractual obligations and commitments as of March 31, 2015:

US$000's	2015	2016	Thereafter
Operating leases (1)	62	-	-
TPR1 Bonus payment	667	-	-
Short term loan – interest payments (2)	3,325	-	-
Short term loan (2)	25,000	-	-
Long term loan – interest(3)	-	-	12,087
Long term loan (3)	-	-	20,835
Debentures – interest payments (4)	1,684	1,684	842
	30,738	1,684	33,764

(1) The Company has extended its lease of office space for its corporate headquarters in the United States through December 2015.
(2) Represents interest on $25 million drawn down of the available $25 million as at December 31, 2014 under the long term Loan Agreement. The loan was initially classified as long term in 2013 and throughout 2014, but has been reclassified to short term as at December 31, 2014 as it matures on December 31, 2015.
(3) Both long term loan and accrued interest have a maturity date of June 30, 2018.
(4) The coupon interest payments are denominated in Canadian Dollars. The USD value of the scheduled interest payments has been calculated at the March 31, 2015 exchange rate of 1.2683 USD/CAD.

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

The 2015 approved WP&B for ERDPSA reflects a positive cash flow generated for the Bahar Energy 80% interest in the Bahar project with SOA funding its 20% share. As such, the Company has not made a 2015 loan commitment to fund Bahar Energy other than for its share of the TPR1 bonus obligation of Bahar Energy in the amount of $2 million ($667 thousand net to the Company's interest).

17. FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT

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

a) Credit risk

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

The Company's current accounts receivable balances mainly consist of receivables from related parties as result of the funding of administrative expenses and costs in connection with Bahar Energy operations under the ERDPSA, and management fees for administrative and technical support provided to an entity the Company has an equity interest. The Company historically has not experienced any collection issues with its accounts receivable and all of the balances due are considered by management to be collectable at March 31, 2015. See *Note 4 – Related Party Transactions*.

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

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

Credit risk *US$000's*	March 31, 2015	December 31, 2014
Cash and cash equivalents	65	736
Receivables from related parties	1,678	1,763
Short term loans receivable from related parties	23,107	20,040
Other receivable	7	20
	24,857	22,559

b) Liquidity risk

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

The Company prepares annual and interim period expenditure budgets, which are regularly monitored and updated as considered necessary to provide current cash flow estimates related to project and corporate funding obligations. The Company may raise capital through debt and the issuance of shares to meet these funding requirements.

The Company's financial liabilities as at March 31, 2015 and December 31, 2014 arose primarily from corporate obligations related to the management of its participation in the Bahar Energy joint venture. Payment terms on the Company's accounts payable and accrued liabilities are typically 30 to 60 days from invoice date and generally do not bear interest.

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

Liquidity Risk	March 31, 2015				December 31, 2014
US$000's	Within 1 year	Within 1 – 3 years	Over 3 years	Total	Total
Accounts payable and accrued liabilities	775	96	-	871	826
Short term loan – interest	3,325	-	-	3,325	5,384
Short term loan	25,000	-	-	25,000	25,000
Long term loan – interest (1)	-	-	12,087	12,087	10,928
Long term loan (1)	-	-	20,835	20,835	18,493
Debentures - interest (2)	1,684	2,525	-	4,209	4,601
Debentures	-	18,707	-	18,707	20,452
	30,784	21,328	32,922	85,034	85,684

(1) The long term note payable and associated accrued interest has a maturity date of June 30, 2018.
(2) The coupon interest payments are denominated in Canadian Dollars. The USD value of the scheduled interest payments through maturity of the Debentures has been calculated at the March 31, 2015 exchange rate of 1.2683 USD/CAD. Interest payable with maturity within 1 year includes the accrual of $561 thousand towards the next coupon interest payment due by 05/30/2015.

c) Currency risk

Foreign currency risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate as a result of changes in foreign currency exchange rates. The Company has minimal exposure to foreign currency fluctuations as a significant portion of the Company's transactions are denominated in the United States dollar and the Company holds almost all of its excess cash in United States dollars.

At March 31, 2015 and December 31, 2014 the Company had no forward exchange contracts in place.

d) Commodity price risk

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

At March 31, 2015 and December 31, 2014, the Company has no outstanding financial instruments, financial derivatives or physical delivery contracts subject to commodity price risk. Purchases and sales of financial assets are recognized on the settlement date, the date on which the Company receives or delivers the asset.

e) Interest rate risk

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

At March 31, 2015, the sensitivity in net earnings for each one percent change in interest rates is not significant.

Fair value of financial instruments

The fair values of financial instruments as at March 31, 2015 and December 31, 2014 are disclosed below by financial instrument category as follows:

		March 31, 2015		December 31, 2014	
US$000's	Level	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Assets at FVTPL					
Cash and cash equivalents	1	65	65	736	736
Loans and receivables					
Receivables from related party (a)	-	1,678	1,678	1,763	1,763
Short term loans receivable related party		23,107	23,107	20,040	20,040
Other receivables	-	7	7	20	20
Other financial liabilities					
Accounts payable and accrued liabilities	-	1,420	1,420	1,946	1,946
Short term loan	-	22,989	22,989	22,456	22,456
Long term loan and interest payable		22,425	22,425	19,466	19,466
Convertible Debentures	-	15,561	15,561	16,713	16,713
Liabilities at FVTPL					
Share based bonus	2	96	96	116	116
Derivative liability	2	7	7	29	29

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

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

18. CAPITAL STRUCTURE AND MANAGEMENT

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

Composition of the Company's capital structure *US$000's*	March 31, 2015	December 31, 2014
Working Capital	735	(1,466)
Long term loan, convertible debt and shareholders' equity	60,103	57,674
Ratios of working capital to long term loan, convertible debt and shareholders' equity (1)	1%	(3%)

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

19. SUBSEQUENT EVENTS

$2 Million Increase in Senior Debt Credit Facility

On May 27, 2015 the Company secured an increase to the existing credit facilities made available to the Company under the loan agreement dated November 25, 2013 ("**Loan Agreement**") with an arm's length third party ("**Lender**") for an additional amount of $2,000,000 (the "**New Tranche**"). The funds available under the New Tranche are intended to be used by the Company to finance the Company's ongoing development operations in Azerbaijan as it relates to the Gum Deniz Oil Field and Bahar Gas Field.

The New Tranche is secured under the terms of the Loan Agreement, bears interest at a rate of 15% per annum, and is due and payable by no later than December 31, 2015**.** Earlier payment may occur upon the receipt of certain proceeds from the Company's joint venture, Bahar Energy Limited. A commission of CAD $500,000 will be payable when the Loan Agreement is paid off.