



# Management's Discussion and Analysis

For the quarter ended September 30, 2015

(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 and nine months ended September 30, 2015 and the audited consolidated financial statements and notes thereto for the year ended December 31, 2014. Additional information relating to Greenfields is available on SEDAR at [www.sedar.com](http://www.sedar.com) and on the Corporation's website at [www.greenfields-petroleum.com](http://www.greenfields-petroleum.com). Unless stated otherwise, all references to monetary values are in the United States dollar. This document is dated November 16, 2015.

This MD&A and the unaudited condensed consolidated financial statements and comparative information have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board.

### 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 plans to expand its oil and gas assets through further farm-ins and acquisitions of licenses focusing on previously discovered and under-developed international oil and gas fields.

The Corporation owns a 33.33% interest in Bahar Energy Limited ("**Bahar Energy**" or "**BEL**" or "**JV**"), a joint venture that on December 22, 2009 entered into an Exploration, Rehabilitation, Development and Production Sharing Agreement (the "**ERDPSA**") with the State Oil Company of Azerbaijan ("**SOCAR**") and its affiliate SOCAR Oil Affiliate ("**SOA**") in respect of the offshore block known as the Bahar Project ("**Bahar Project**"), which consists of the Contract Rehabilitation Area ("**Contract Rehabilitation Area**") including the Bahar Gas Field and the Gum Deniz Oil Field and the Exploration Area ("**Exploration Area**"). The remaining 66.67% of Bahar Energy is owned by Baghlan Group Limited ("**Baghlan**").

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**" or "**Operator**") for the purpose of acting as Operator of the Bahar Project on behalf of the Contractor Parties under the ERDPSA.

### **Update on Baghlan's Interest**

The Corporation continues to support the ongoing efforts of the Trustee, the Receivers and now the Liquidator, in the sale of Baghlan's 66.67% share interest in Bahar Energy to a qualified third party. In the interim, the Corporation is providing the only source of funding to BEOC through loans to Bahar Energy, which, as previously disclosed by the Corporation, the Corporation financed through a third party lender and through the re-investment of entitlement revenues received by Bahar Energy. We anticipate these efforts will continue until such time as the Liquidator can complete the sale of Baghlan's interest in Bahar Energy resulting in a new funding shareholder. The transfer of the Bahar Energy shares will require SOCAR approval before the sale can be finalized since it is considered a "change of control" for Bahar Energy under the ERDPSA.

Once the Bahar Energy share ownership situation is resolved, we expect SOCAR to begin funding their 20% share of the Bahar project through its affiliate SOA, including retroactive amounts due. The closing of the sale of Baghlan's interest to a third party is expected to allow Greenfields to collect the \$26.3 million balance in Default Loans due from Bahar Energy, as further described below.

The Corporation is looking forward to the future participation of a well-funded partner to work with Greenfields and SOCAR to resume the redevelopment of the Bahar Gas Field and the Gum Deniz Oil Field and realize the full exploitation potential of the remaining areas of the offshore block.

Upon collection of the amounts due on Default Loans made to Bahar Energy, the Corporation plans to pay down and refinance its existing \$27 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 Corporation is also exploring opportunities for a reserves based lending facility.

### **Third quarter and year to date 2015 financial results and operating highlights**

- Subsequent to BEOC receiving confirmation from SOCAR in May 2015 that the TPR1<sup>(1)</sup> contractual obligations under the ERDPSA have been fulfilled, Bahar Energy paid the required \$2.0 million bonus to the State Oil Fund of the Republic of Azerbaijan. This payment secured Bahar Energy's rights to the full twenty-five (25) year development and production term, through September 30, 2035, for the Contract Rehabilitation Area (as defined in the ERDPSA).
- The Corporation's 33.33% share of Bahar Energy entitlement sales volumes averaged 413 bbl/d and 5,163 mcf/d or 1,273 boe/d in the third quarter 2015, and 345 bbl/d and 4,920 mcf/d or 1,165 boe/d year-to-date 2015. In comparison to the average volumes for the same quarter in 2014, oil volumes

increased 26%, gas decreased 15% and total boe/d decreased 5%. Year-to-date 2015 average volumes decreased for oil, gas and boe/d by 4%, 33% and 26%, respectively, when compared with same period in 2014.

- For the third quarter and year-to-date 2015, the Corporation, through its interest in Bahar Energy, realized an average oil price of \$43.13 and \$48.49 per barrel, respectively. This price decreased in comparison with an average of \$93.48 and \$99.45 per barrel realized for the same periods in 2014. The Corporation realized an average natural gas price of \$3.96 per mcf for the same periods, which is a contractually constant fixed price.
- For the third quarter and year-to-date 2015, the Corporation's 33.33% share of Bahar Energy financial results represented net income of \$0.5 million and \$1.2 million, respectively. These results compare to net income of \$0.8 million and \$3.9 million for the same periods in 2014.
- For the third quarter and year-to date 2015, the Corporation realized net losses of \$1.7 million and \$6.0 million, respectively, which represents a loss per share (basic and diluted) of \$0.08 and \$0.28. In comparison with the same periods in 2014, the Corporation realized net losses of \$0.7 million and \$4.5 million with losses per share of \$0.04 and \$0.23.
- On May 27, 2015, the Corporation's senior loan agreement dated November 25, 2013 was amended (the "**Amendment**") to allow for an increase to the existing credit facilities made available to the Corporation. Pursuant to the Amendment, the Corporation secured an additional \$2.0 million (the "**New Tranche**"). The funds available under the New Tranche are to finance the Corporation's ongoing development operations in Azerbaijan as it relates to the Gum Deniz Oil Field and Bahar Gas Field. The terms of the Amendment also allowed for the deferral until December 31, 2015 of a \$1.1 million interest payment due July 1, 2015 and created the obligation for the Corporation to make three consecutive monthly payments of \$50 thousand towards deferred interest during the period July through September 2015. Subsequent to the Amendment, the Corporation has obtained consent from the lender to defer, without penalty, the \$1.2 million interest payment due October 1, 2015. The deferral is currently through November 30, 2015, however, it is expected the lender will continue to support deferral of interest payments until the sale of the Baghlan's share interest in Bahar Energy is completed. See also *Subsequent Events*.
- On June 30, 2015, the Corporation secured temporary relief from its June 1, 2015 interest payment of \$0.9 million by way of a waiver from the holders of more than 50% of the principal amount of the convertible debentures ("**Debentures**"). The Corporation failed to make the interest payment due within 30 days of June 1, 2015, and such failure potentially became an Event of Default (as defined in the indenture governing the Debentures (the "**Indenture**"). On June 30, 2015, a majority of the holders of Debentures instructed the trustee under the Indenture to waive the Event of Default. Pursuant to the waiver, the June 1, 2015 interest payment has been deferred until the earlier of: (i) December 30, 2015; and (ii) 15 business days after the receipt of payment from Bahar Energy of at least \$9.0 million towards the balance of default amounts due from Bahar Energy (as described below). Per the Indenture, the deferred interest payment will further accrue interest at 9% per annum.
- Pursuant to the shareholders agreement of Bahar Energy ("**BSA**"), as at September 30, 2015, Greenfields Petroleum International Company Ltd. ("**GPIC**"), a wholly-owned subsidiary of the Corporation, had funded by way of loans to Bahar Energy, a total of \$22.1 million and accrued \$4.2 million of interest and financing costs in connection with the loans, for an aggregated loan balance of \$26.3 million as at September 30, 2015 (the "**Default Loans**"). The funding covered defaulted obligations (the "**Default Amount**") of Baghlan, the other shareholder of Bahar Energy. GPIC funded the Default Loans with a long-term loan from a third party ("**Loan-2**"). See also *Note 10 - Long Term Loan* in the Corporation's Unaudited Condensed Consolidated Statements of Financial Position for the three and nine months ended September 30, 2015.

Baghlan has failed to fund its share of the costs of Bahar Energy in accordance with the BSA and its loan funding obligation to Bahar Energy since January 2014. The BSA provides that in the event of a default by a shareholder in a funding obligation, the other shareholder is required, by additional loan, to provide such funds to Bahar Energy. To the extent that Baghlan defaults on its future funding

obligations, Greenfields anticipates that it may also fund such amounts by further loans to Bahar Energy.

As a result of the loan by GPIC of the Default Amount to Bahar Energy, the BSA stipulates that:

- all of Baghlan's loans to Bahar Energy have become "last in" loans and will not be repaid by Bahar Energy until all amounts outstanding under all of GPIC's loans to Bahar Energy, including the payment of the Default Amount, have been paid by Bahar Energy to GPIC in full, regardless of when such loans were made by Baghlan;
  - Baghlan is deemed to have assigned to GPIC a share of its dividends equal to the sum of: (i) the Default Amount; (ii) Greenfields' Cost of Funding (as defined in the BSA) of such Default Amount; and (iii) a default rate of 4% on such Default Amount computed from and including the date on which the Default Amount has been funded by GPIC to, but excluding, the date Baghlan remedies the default (the "**Default Interest**"); and
  - the right of any directors appointed by Baghlan to Bahar Energy to vote at a meeting of the board of directors of Bahar Energy is suspended until the Default Amount has been paid in full, together with the Default Interest.
- TPR2<sup>(2)</sup> 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 its share and further advised that is waiting to understand the future partnership relationship within Bahar Energy before funding SOA's obligations. At December 31, 2014, Bahar Energy had funded approximately \$12.8 million of the cash calls on behalf of SOA. 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. At September 30, 2015, Bahar Energy has funded its 80% share of BEOC cash calls from 2015 revenue entitlement and SOA's 2015 cash calls in the amount of \$8.6 million have continued to go unfunded and are past due to BEOC. We are expecting the repayment of SOA's unfunded 2014 balance paid by Bahar Energy and the funding of SOA's past due 2015 cash calls owed to BEOC to begin soon after the sale of the Baghlan's share interest in Bahar Energy is completed, the timing and likelihood of which is uncertain.

<sup>(1)</sup> TPR1 refers to Target Production Rate 1 under the ERDPSA whereby BEOC must maintain a daily production rate for 90 consecutive days equal to 1.5 times the average 2008 production rate, that rate being 6,944 boe/d.

<sup>(2)</sup> TPR2 refers to Target Production Rate 2 under the ERDPSA whereby BEOC must maintain a daily production rate for 30 consecutive days equal to 2.0 times the average 2008 production rate, that rate being 9,258 boe/d.

## Operating Highlights and Plans

- On October 1, 2015, the existing agreement for sale and purchase of natural gas from the Bahar Gas Field between BEOC and SOCAR expired. An amendment extending the term of the original contract has been approved by SOCAR. The amendment maintains the current pricing structure fixed at \$140 per cubic meter of gas or approximately \$3.96 per mcf until terminated by either party after an agreed notice period is given.
- The Absheron Operating Company ("**AOC**") has advised BEOC that it will not pay outstanding obligations of approximately \$2.3 million (\$0.6 million for the Corporation's share) for services provided by BEOC under the facilities sharing agreement between the two entities after terminating the agreement in May 2015. BEOC, with the assistance of SOCAR, is continuing its attempts at collecting these past due payments from AOC. If current collection efforts fail, BEOC will consider the various legal actions available under the facilities sharing services agreement.
- Gum Deniz oil production in third quarter 2015 averaged 1,334 bbl/d, down 20 bbl/d from second quarter 2015. This production was below forecast due to BEOC's limited access to suitable marine vessels necessary to move rigs for workovers. During the quarter, a total of 6 workovers and 10 service workovers were conducted in Gum Deniz Oil Field.

- Bahar gas production averaged 17,808 mcf/d in third quarter 2015, approximately 511 mcf/d below second quarter 2015. The overall gas production has been impacted by delays in the scheduled workover program due to the lack of access to heavy crane vessels to move workover rigs.
- BEOC continued progress on several construction projects. The refurbishment of Bahar platforms 48 (Phase 1) and 136 was respectively completed in second and third quarter 2015. Work is still underway on platforms 77 and 180. Also, work continues to strengthen the Gum Deniz causeway and to complete fire and safety upgrades on platforms 9, 450 and 209. Project design work was completed in second quarter 2015 for a new gas lift line, an oil export line, and other infrastructural support.
- The Pre-Stack Time Migration (“**PSTM**”) processing of the 3-D data for Gum Deniz commenced in late May 2015 by PGS-Almaty in Kazakhstan after export of the data to the processor was approved by the Azerbaijan government authorities. A joint contractor/client meeting was held in Almaty in June to finalize the processing sequences and choices. An additional progress meeting with PGS was held in Almaty in October. The work is on track to be completed in fourth quarter 2015.
- Initial “Fast Track” processing of the Gum Deniz 3-D data was completed and provided to BEOC in early May 2015. Interpretation commenced and is being integrated with the Gum Deniz full field model. The initial interpretation of this preliminary volume has identified 7 new locations for the development drilling program scheduled to commence in 2016.

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## SELECTED QUARTERLY INFORMATION

### Greenfields Petroleum Corporation

<i>(US\$000's, except as noted)</i>	Three months ended		Nine months ended	
	September 30,		September 30,	
	2015	2014	2015	2014
<b>Financial</b>				
Revenues	356	612	1,163	1,508
Net loss	(1,676)	(717)	(6,022)	(4,516)
Per share, basic and diluted	(\$0.08)	(\$0.04)	(\$0.28)	(\$0.23)
<b>Capital Items</b>				
Cash and cash equivalents			30	2,216
Total assets			88,171	81,830
Working capital			(4,207)	3,537
Long term loan, convertible debt and shareholders' equity			56,770	63,307

### Bahar Energy Limited (Joint Venture) <sup>(2)</sup>

<i>(US\$000's, except as noted)</i>	Total Joint Venture		Corporation's share	
	Three months ended September 30,			
	2015	2014	2015	2014
<b>Financial</b>				
Revenues	10,561	16,388	3,520	5,462
Net income	1,422	2,547	474	849
<b>Operating</b>				
Average Entitlement Sales Volumes <sup>(1)</sup>				
Oil and condensate (bbl/d)	1,239	983	413	328
Natural gas (mcf/d)	15,491	18,153	5,163	6,050
Barrel oil equivalent (boe/d)	3,820	4,008	1,273	1,336
Average Oil Price				
Oil price (\$/bbl)	\$43.13	\$93.48	\$43.13	\$93.48
Net realization price (\$/bbl)	\$41.90	\$91.49	\$41.90	\$91.49
Brent oil price (\$/bbl)	\$50.41	\$101.90	\$50.41	\$101.90
Natural gas price (\$/mcf)	\$3.96	\$3.96	\$3.96	\$3.96
<b>Capital Items</b>				
Total Assets	204,476	215,632	68,152	71,870
Total Liabilities	41,291	53,282	13,762	17,759
Net Assets	163,185	162,350	54,390	54,111

<sup>(1)</sup> 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. Effective October 1, 2013, the compensatory petroleum increased from 5% to 10% where it will remain until specific cumulative oil and gas production milestones are attained.

<sup>(2)</sup> The Corporation's 33.33% interest in Bahar Energy Limited is disclosed in the Corporation's Unaudited Condensed Consolidated Financial Statements as a Joint Venture and accounted for using the equity method.

**Bahar Energy Limited (Joint Venture) <sup>(2)</sup>**

(US\$000's, except as noted)	Total Joint Venture		Corporation's share	
	<b>Nine months ended September 30,</b>			
	2015	2014	2015	2014
<b>Financial</b>				
Revenues	30,747	56,739	10,248	18,911
Net income	3,609	11,647	1,203	3,882
<b>Operating</b>				
Average Entitlement Sales Volumes <sup>(1)</sup>				
Oil and condensate (bbl/d)	1,036	1,083	345	361
Natural gas (mcf/d)	14,762	21,991	4,920	7,330
Barrel oil equivalent (boe/d)	3,496	4,748	1,165	1,582
Average Oil Price				
Oil price (\$/bbl)	\$48.49	\$99.45	\$48.49	\$99.45
Net realization price (\$/bbl)	\$47.19	\$97.38	\$47.19	\$97.38
Brent oil price (\$/bbl)	\$55.43	\$106.56	\$55.43	\$106.56
Natural gas price (\$/mcf)	\$3.96	\$3.96	\$3.96	\$3.96
<b>Capital Items</b>				
Total Assets	204,476	215,632	68,152	71,870
Total Liabilities	41,291	53,282	13,762	17,759
Net Assets	163,185	162,350	54,390	54,111

<sup>(1)</sup> 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. Effective October 1, 2013 the compensatory petroleum increased from 5% to 10% where it will remain until specific cumulative oil and gas production milestones are attained.

<sup>(2)</sup> The Corporation's 33.33% interest in Bahar Energy Limited is disclosed in the Corporation's Unaudited Condensed Consolidated Financial Statements as a Joint Venture and accounted for using the equity method.

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## SUMMARY OF QUARTERLY RESULTS

	Greenfields Petroleum Corporation							
<i>(US\$000's, except as noted)</i>	2015			2014				2013
	Q3	Q2	Q1	Q4	Q3	Q2	Q1	Q4
<b>Financial</b>								
<b>Revenues</b>								
Management service fees	356	470	337	536	612	469	427	486
Net income (loss)	(1,676)	(2,995)	(1,352)	(2,808)	(717)	(4,900)	1,101	66
Per share, basic and diluted	(\$0.08)	(\$0.14)	(\$0.06)	(\$0.14)	(\$0.04)	(\$0.24)	\$0.06	\$0.00
<b>Capital Items</b>								
Cash and cash equivalents	30	710	65	736	2,216	4,910	2,763	3,068
Total Assets	88,171	87,683	84,608	82,192	81,830	65,772	60,129	49,337
Working capital	(4,207)	(2,016)	735	(1,466)	3,537	4,865	1,773	1,734
Long term loan, convertible debt and shareholders' equity	56,770	58,488	60,103	57,674	63,307	63,802	57,653	46,924

	Corporation's Share of Bahar Energy Limited (Joint Venture) <sup>(2)</sup>							
<i>(US\$000's, except as noted)</i>	2015			2014				2013
	Q3	Q2	Q1	Q4	Q3	Q2	Q1	Q4
<b>Financial</b>								
<b>Revenues</b>								
Petroleum and natural gas	3,520	3,456	2,893	4,091	5,022	5,495	7,207	7,689
Transportation & storage fees	-	129	250	210	440	322	425	407
	3,520	3,585	3,143	4,301	5,462	5,817	7,632	8,096
Net income (loss)	474	481	248	(612)	849	(186)	3,218	1,818
<b>Operating</b>								
<b>Average Entitlement Sales Volumes</b> <sup>(1)</sup>								
Oil and condensate (bbl/d)	413	347	275	346	328	321	435	522
Natural gas (mcf/d)	5,163	4,793	4,800	6,263	6,050	6,983	8,987	7,352
Barrel oil equivalent (boe/d)	1,273	1,145	1,075	1,390	1,336	1,485	1,933	1,747
<b>Prices</b>								
Average oil price (\$/bbl)	\$43.13	\$54.92	\$47.75	\$56.48	\$93.48	\$101.83	\$102.36	\$104.34
Natural gas price (\$/mcf)	\$3.96	\$3.96	\$3.96	\$3.96	\$3.96	\$3.96	\$3.96	\$3.96
<b>Capital Items</b>								
Total Assets	68,152	67,684	66,943	65,560	71,870	66,424	66,154	58,495
Total Liabilities	13,762	13,671	13,541	12,129	17,759	14,058	15,551	15,593
Net Assets	54,390	54,013	53,402	53,431	54,111	52,366	50,603	42,902

(1) 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. Effective October 1, 2013 the compensatory petroleum increased from 5% to 10% where it will remain until specific cumulative oil and gas production milestones are attained.

(2) The Corporation's 33.33% interest in Bahar Energy Limited is disclosed in the Unaudited Condensed Consolidated Financial Statements as a Joint Venture and accounted for using the equity method.

## RESULTS OF OPERATIONS FOR BAHAR ENERGY LIMITED (JOINT VENTURE)

<b>Revenues</b> (US\$000's)	<b>Total Joint Venture</b>		<b>Corporation's share</b>	
	<b>Three months ended September 30,</b>			
	2015	2014	2015	2014
Petroleum	4,914	8,453	1,638	2,818
Natural gas	5,647	6,614	1,882	2,204
Total petroleum and natural gas	10,561	15,067	3,520	5,022
Transportation and storage fees <sup>(1)</sup>	-	1,321	-	440
Total revenues	10,561	16,388	3,520	5,462

<b>Revenues</b> (US\$ 000's)	<b>Total Joint Venture</b>		<b>Corporation's share</b>	
	<b>Nine months ended September 30,</b>			
	2015	2014	2015	2014
Petroleum	13,651	29,402	4,550	9,799
Natural gas	15,959	23,775	5,319	7,924
Total petroleum and natural gas	29,610	53,177	9,869	17,723
Transportation and storage fees <sup>(1)</sup>	1,137	3,562	379	1,187
Total revenues	30,747	56,739	10,248	18,910

<sup>(1)</sup> During second quarter 2015 the facilities sharing agreement covering transportation and storage services provided by BEOC to a third party operator was terminated.

The Corporation's share of Bahar Energy petroleum revenues for the three and nine months ended September 30, 2015 was \$1.6 million and \$4.5 million, respectively, compared to \$2.8 million and \$9.8 million, respectively, for the same periods in 2014. The Corporation's share of Bahar Energy natural gas revenues for the three and nine months ended September 30, 2015 was \$1.9 million and \$5.3 million, respectively, compared to \$2.2 million and \$7.9 million, respectively, for the same periods in 2014. Petroleum and natural gas revenues are recorded net by Bahar Energy after deducting for the government's share of profit petroleum and compensatory petroleum production.

The average prices received for crude oil during the three and nine months ended September 30, 2015 were \$43.13 and \$48.49 per barrel, respectively, compared to average prices of \$93.48 and \$99.45 per barrel, respectively, for the same periods in 2014. The price for natural gas remained contractually constant at \$3.96 per thousand cubic feet.

The Corporation's share of Bahar Energy crude oil daily entitlement production for the three and nine months ended September 30, 2015 was 413 bbl/d and 345 bbl/d, respectively, a 26% increase quarterly and 4% decline year over year when compared to production of 328 bbl/d and 361 bbl/d, respectively, for the same periods in 2014. Natural gas daily entitlement production for the three and nine months ended September 30, 2015 was 5,163 mcf/d and 4,920 mcf/d, respectively, a 15% decrease quarterly and 33% decrease year over year when compared to production of 6,050 mcf/d and 7,330 mcf/d for the same periods in 2014.

The Corporations share of Bahar Energy's oil equivalent daily production, during the three and nine months ended September 30, 2015 was 1,273 boe/d and 1,165 boe/d, a 5% decline quarterly and a 26% decline year over year when compared to the production of 1,336 boe/d and 1,582 boe/d for the same periods in 2014.

In comparison to revenue levels realized for same periods in 2014, the year-to-date decrease in petroleum revenues has been caused by the worldwide decline in oil prices that have continued in 2015;

lower volumes due to the suspension of drilling operations in Gum Deniz oil field while the 3-D seismic is completed and a reservoir model revised to improve well site selections; BEOC's reduced ability to conduct planned workovers in the Bahar gas and Gum Deniz oil fields; and the failure of Baghlan and SOA to fund its share of the Bahar project 2014 and 2015 capital work programs.

#### Net realization price for crude oil and natural gas <sup>(1)</sup>

	Three months ended September 30,		Nine months ended September 30,	
	2015	2014	2015	2014
\$/bbl				
Average crude oil sales price	43.13	93.48	48.49	99.45
Transportation fees	(0.45)	(0.96)	(0.50)	(1.02)
Marketing fees	(0.77)	(1.02)	(0.80)	(1.04)
Other costs <sup>(2)</sup>	(0.01)	(0.01)	-	(0.01)
Crude oil	41.90	91.49	47.19	\$97.38
\$/mcf				
Natural gas	3.96	3.96	3.96	3.96

<sup>(1)</sup> "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.

<sup>(2)</sup> Other costs consist of port storage, customs, banking fees and certification fees.

#### Transportation and storage fees

For the three and nine months ended September 30, 2015, Bahar Energy's transportation and storage revenues were \$nil and \$1.1 million, respectively, (\$nil and \$0.4 million, respectively, for the Corporation's 33.33% share) compared to \$1.3 million and \$3.6 million, respectively, (\$0.4 million and \$1.2 million, respectively, for the Corporation's 33.33% share) for the same periods in 2014. The transportation and storage revenues have been based on a service fee arrangement to supply excess transportation, storage and processing capacity available at the Bahar facilities to another local producer. The service agreement with BEOC was terminated by the local producer after startup of its own facilities placed in service in May 2015. At September 30, 2015 AOC had outstanding obligations due BEOC in the amount of \$2.3 million (\$0.6 million for the Corporation's share). BEOC, with the assistance of SOCAR, is continuing attempts at collecting these past due amounts. If current collection efforts fail, BEOC will consider the various legal actions available under the facilities sharing agreement.

#### Operating and administrative expenses

For the three and nine months ended September 30, 2015, Bahar Energy's operating and administrative expenses were \$5.8 million and \$18.4 million, respectively, (\$1.9 million and \$6.1 million, respectively, for the Corporation's 33.33% share) compared to \$11.6 million and \$37.3 million, respectively, (\$3.9 million and \$12.4 million, respectively, for the Corporation) for the same periods in 2014. The major areas impacting the reduced operating and administrative expenses during the current year are permanent staff reductions, lower insurance costs, replacing fixed monthly service contracts with callout service agreements, reductions in operating materials and supplies purchases as well as lower repair and maintenance expenses. In addition, Bahar Energy has benefitted from a 35% devaluation on February 21, 2015 of the Azerbaijan Manat to US dollar conversion rate resulting in a significant cost reduction in Manat based expenditures. The Corporation expects further benefits to be realized in reduced local employment costs and local goods and services billed in Manats as the full impact of devaluation is realized in future periods.

## RESULTS OF OPERATIONS FOR GREENFIELDS PETROLEUM CORPORATION

### Revenues

<i>(US\$000's)</i>	Three months ended September 30,		Nine months ended September 30,	
	2015	2014	2015	2014
Management service fees	356	612	1,163	1,508

### Management and service fees

For the three and nine months ended September 30, 2015, the Corporation recorded service fee revenue of \$0.4 million \$1.2 million, respectively and \$0.6 million and \$1.5 million, respectively, for the same periods in 2014. The fees are primarily associated with technical services provided at cost by the Corporation to BEOC under Master Service and Personnel Secondment Agreements, as well as direct legal, finance and commercial assistance provided to Bahar Energy. The year-to-date reduction in management service fees charged in 2015 versus 2014 is mainly related to the termination in December 2014 of geological services provided by the Corporation's seconded personnel in Azerbaijan.

### Administrative expenses

<i>(US\$000's)</i>	Three months ended September 30,		Nine months ended September 30,	
	2015	2014	2015	2014
Employee wages and benefits	517	678	1,587	2,875
Professional service costs	319	621	843	1,131
Office, travel and other	567	417	1,286	1,092
	1,403	1,716	3,716	5,098
Share-based payment expense	88	72	394	1,137
Total gross administrative	1,491	1,788	4,110	6,235
Services fees billed to affiliates	(356)	(612)	(1,163)	(1,498)
Administrative expenses net of services fees	1,135	1,176	2,947	4,737

Administrative expenses for the three and nine months ended September 30, 2015 were \$1.5 million and \$4.1 million, respectively, (September 30, 2014 - \$1.8 million and \$6.2 million, respectively). The decrease in administrative expenses in 2015 versus same periods in 2014 is mainly attributed to lower employee wages and benefits as the Corporation reduced personnel and bonuses; and the elimination of technical assistance provided by third parties once the contracted work was completed.

For the three and nine months ended September 30, 2015, net administrative expenses were \$1.1 million and \$2.9 million, respectively, (September 30, 2014 - \$1.2 million and \$4.7 million, respectively).

## Share-based payments

(US\$000's)	Three Months Ended September 30,		Nine Months Ended September 30,	
	2015	2014	2015	2014
Share options	64	117	160	379
Share awards	-	174	180	921
Total share settled	64	291	340	1,300
Restricted cash bonus – cash settled	24	(219)	54	(163)
Total Share-based payments	88	72	394	1,137

The Share-based payments recorded by the Corporation are associated with share options, restricted share grants and shareholder settled transactions. Share-based payment expenses for the three and nine months ended September 30, 2015 were \$88 thousand and \$394 thousand, respectively (September 30, 2014 - \$72 thousand and \$1.1 million, respectively). The decrease in Share-based expenses in 2015 versus same periods in 2014 is mainly attributed to a reduced amortization of share options as the estimated compensation expense from previous grants are fully amortized; and the lower price per common share used in estimating compensation expense for cash settled bonus and new options awards.

### 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 May 7, 2014 the Corporation 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.

On July 4, 2015 the Corporation granted options to acquire 400,000 common shares of the Corporation pursuant to its stock option plan. The options are exercisable at a Canadian dollar price of \$0.35 per Common Share and will expire 15 months after the July 8, 2015 grant date. A total of 105,000 options vest at grant date while the remaining 295,000 options will vest 50% at the grant date and 50% nine months after grant date.

On July 31, 2015 the holders of an aggregate of 720,000 share options of the Corporation voluntarily surrendered such options for nil consideration.

For the three and nine months ended September 30, 2015, the Corporation recorded share options expense of \$64 thousand and \$160 thousand, respectively (September 30, 2014 - \$117 thousand and \$379 thousand, respectively). 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	4.9	6.50	15,000
Jun. 25, 2012	150,000	Jun. 25, 2017	1.7	13.00avg	150,000
Oct. 11, 2013	570,000	Oct. 11, 2018	3.0	3.20	390,000
Oct. 25, 2013	40,000	Oct. 25, 2018	3.1	3.00	20,000
Nov. 7, 2013	50,000	Nov. 7, 2018	3.1	2.90	25,000
July 8, 2014	121,250	July 8, 2019	3.8	3.25	63,750
July 7, 2015	400,000	Oct. 7, 2016	1.0	0.35	252,500
	1,346,250				916,250

As at September 30, 2015 the Corporation has a total of 1,346,250 share options outstanding, 916,250 of which are exercisable with remaining contractual lives ranging from 1.0 to 4.9 years. The average exercise price of exercisable share options is CAD\$4.06.

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.

#### Restricted Share Awards

On February 1, 2012 a 40,000 restricted share grant was awarded and shares issued by the Corporation 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 Corporation's share on January 31, 2012, with the 25% vested on grant date included in the Corporation'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 and nine months ended September 30, 2015, the Corporation recorded share-based payments expense related to this restricted award of \$nil (September 30, 2014 - \$15 thousand and \$45 thousand, respectively).

In September and October 2013 the Corporation authorized the awards of 186,000 and 230,000 restricted shares, respectively, to certain officers and a director of the Corporation. 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.

A total of 410,000 shares were awarded upon the achievement of TPR1, TPR2, the closing by December 31, 2013 of a debt facility and completion of a downhole study for Bahar. These shares vest 50% on each July 1, 2014 and 2015. For the three and nine months ended September 30, 2015 the Corporation recorded share-based payment expense of \$nil and \$176 thousand, respectively, (September 30, 2014 - \$159 thousand and \$876 thousand, respectively) in relation to the issuance of 410,000 shares at the price of CAD\$3.00 per common share.

On February 23, 2015, the Corporation completed the grant of 6,000 common shares to an officer of the Corporation upon the implementation of recommendations resulting from the downhole study for Bahar. The shares vested at grant date and were valued at the price of CAD\$0.89 (USD\$0.72) for a total share-based payment of \$4 thousand.

For the three and nine months ended September 30, 2015, the Corporation has recorded total share-based payment expense for restricted share awards of \$nil and \$180 thousand, respectively, (September 30, 2014 - \$174 thousand and \$921 thousand, respectively). Expenses associated with restricted share awards are recorded with an offset to share capital of the Corporation.

## 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 grant 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. The estimated FVBCB liability at September 30, 2015 was \$163 thousand (September 30, 2014 - \$197 thousand).

On January 20, 2015 the Corporation granted 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 have a vesting date of January 1, 2016 (the “**Deferral Vesting Date**”) and will 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 is higher.

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 September 30, 2015 was \$nil thousand (September 30, 2014 - \$56 thousand).

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	1.7
Sept. 4, 2012	3,333	10,000	5.65	10,000	Sept. 4, 2017	1.9
Oct. 5, 2012	6,667	30,000	5.63	30,000	Oct. 5, 2017	2.0
Dec. 1, 2012	1,200	3,600	4.80	3,600	Dec. 1, 2017	2.2
Dec. 24, 2012	90,000	160,000	3.50	120,000	Dec. 24, 2018	3.2
Jan.1, 2015	107,866	-	-	-	-	-
	247,400	326,100		286,100		

For the three and nine months ended September 30, 2015, the Corporation recorded restricted cash bonus expense of \$24 thousand and \$54 thousand, respectively (September 30, 2014 – (\$219) thousand and (\$163) thousand, respectively).

## Interest income and interest expense

	Three Months Ended September 30,		Nine Months Ended September 30,	
(US\$000's)	2015	2014	2015	2014
Interest income <sup>(1)</sup>	1,037	978	2,631	978
Interest expense – short term notes <sup>(2)</sup>	(1,829)	(1,529)	(5,112)	(3,808)
Interest expense – convertible debentures <sup>(3)</sup>	(737)	(795)	(2,195)	(2,347)
Interest expense – long term loans	(697)	(434)	(1,984)	(434)
	(2,226)	(1,780)	(6,660)	(5,611)

(1) Interest income charged to Bahar Energy in connection with Default Loans. Includes transaction costs of \$233 thousand and \$420 thousand, respectively, for the three and nine months ended September 30, 2015.

(2) Interest expense on short term notes includes interest and amortization of transaction costs. This loan was classified as a long term loan in June 2014 and subsequently reclassified to short term at December 31, 2014 as it matures on December 31, 2015.

(3) Interest expense on convertible debentures includes accretion, coupon interest and amortization of transaction costs.

## Change in fair value of derivative liability

For the three and nine months ended September 30, 2015, the Corporation recorded gains of \$nil and \$27 thousand, respectively, (September 30, 2014 - gains of \$0.5 million and \$1.0 million, respectively). The changes result from the fair value measurement of the derivative liability associated with the debentures convertible option.

## CASH FLOW ANALYSIS

The balance of Corporation's cash and cash equivalents at September 30, 2015 was \$30 thousand, a decrease of \$706 thousand when compared to the balance of \$736 thousand at December 31, 2014. For the nine months ended September 30, 2015 the Corporation's primary source of funds has come from operations and \$6.1 million in proceeds from the \$1.8 million private placement completed in January 2015; the \$2.3 million drawdown on the subordinated long term loan in February 2015; and the additional \$2.0 million advanced as a new tranche in May 2015 under the senior short term loan facility (as amended on May 27, 2015).

Cash and cash equivalents were primarily used to fund \$3.7 million through Default Loans to Bahar Energy, \$0.7 million for the Corporation's share of TPR1 bonus obligation, debt service, corporate expenses and working capital.

## EQUITY CAPITAL

Authorized capital structure of the Corporation is 49,900,000 common shares and 100,000 preferred shares, each at US dollars \$.001 par value. As of the date of this report, the Corporation had 22,105,438 common shares and 1,346,250 share options 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, 2014 available on SEDAR, [www.sedar.com](http://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 are all such risks generally insurable. The Corporation will maintain liability insurance in an amount that it considers consistent with industry practice, however, the nature of these risks is such that liabilities could exceed policy limits, in which event the Corporation could incur significant costs that could have a material adverse effect upon its financial condition. Oil and natural gas exploration, development, rehabilitation and production operations are also subject to all the risks typically associated with such operations, including encountering unexpected formations or pressures, premature decline of reservoirs and the invasion of water into producing formations. Losses resulting from the occurrence of any of these risks could have a material adverse effect on the Corporation and its financial condition.

### **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, market uncertainty and a variety of additional factors beyond the control of the Corporation. These factors include economic conditions in the United States and Canada, the actions of OPEC, governmental regulation, and 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 would have an adverse effect on the Corporation's carrying value of any reserves, borrowing capacity, revenues, profitability and cash flows from operations.

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

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

### **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 any net production revenue of the Corporation causing a reduction in its oil and gas acquisition, development, rehabilitation and exploration activities.

The producers of oil are entitled to negotiate sales contracts directly with oil purchasers, 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 \$140 per cubic meter of gas or the equivalent of \$3.96 per mcf.

Recent gas negotiations by SOCAR continue to be influenced by increasing gas exports from Azerbaijan to Russia, Turkey and throughout the region. Also, negotiations are progressing to export Azerbaijan gas to Europe (Vienna) via the proposed TANAP and Nabucco-West pipelines. These new export routes could dramatically increase the gas price realizations in the region in the next five years.

### **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 currently 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, corruption in Azerbaijan is pervasive at many levels which expose foreign companies like the Corporation to a number of financial and lease risks, all of which are beyond the control of the Corporation.

## **Regulatory Regime**

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

## **Legal Risks**

Laws relating to corporate law, tax law, customs law and currency and banking legislation are subject to modifications or revision by Azerbaijan. 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 industry joint venture partners, including Baghlan, the other shareholder in Bahar Energy, and SOA, the other Contractor Party. The Corporation relies on these partners with respect to the evaluation, acquisition, development funding and timing of activities, as well as future production from the ERDPSA, and a failure or inability to perform by such partners could materially affect the prospects of the Corporation. The failure of either or both the other Bahar Energy shareholder or 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, BEOC is an entity in which the Corporation has an indirect interest through its minority shareholder position in Bahar Energy. As such, the Corporation relies upon certain employees of BEOC for the accumulation and reporting of financial data in respect of the Corporation's interests in Azerbaijan, and on regular physical visits to Azerbaijan by the Corporation's management and Auditors to overview this activity. A major disruption in the flow of information from Bahar Energy and BEOC could impact the accuracy of financial reporting and management information.

The Corporation's ability to affect change within the Bahar Energy and BEOC organizations related to internal controls is related to the Corporation's ability to influence Bahar Energy's board of directors and shareholders. Functionally, unanimous consent of Bahar Energy's board of directors and shareholders is required for most actions. Of key importance is the ability of the Corporation to second personnel into key management positions in the BEOC organization, because even with unanimous board of director direction there is no guarantee that the recommended changes will be timely and effectively implemented at the BEOC level.

The inability to reach unanimous consent by the board or directors and shareholders of Bahar Energy addressing issues of importance to the Corporation, or the inability to second the Corporation's personnel into key management positions inside BEOC's organization, may materially impact the Corporation's ability to obtain timely and reliable financial reports and the ability to prevent fraud. The failure of Bahar Energy or BEOC to take corrective actions on a timely basis can have a material adverse effect on the Corporation's financial condition and results of operations.

## **Environmental Risks and Regulations**

All phases of the oil and gas industry present environmental risks and are subject to environmental regulation pursuant to a variety of international conventions and local laws and regulations. Such legislation provides for, among other things, restrictions and prohibitions on the release or emission of various substances produced in association with certain oil and gas industry operations. In addition, such legislation requires that well and facility sites 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 and in Canadian and global equity markets, the trading prices of the 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 \$30 thousand does not allow for meeting its current obligations, thereby requiring ongoing restructuring of debt principal and interest payments until such time as the Baghlan's share interest is sold and the Default Amount is repaid to the Corporation, the timing or likelihood of which is uncertain.

The Corporation's existing financial liabilities for the periods ended September 30, 2015 and 2014 arose primarily from corporate obligations related to its participation in the Bahar Energy joint venture. As at September 30, 2015 the Corporation's ability to continue as a going concern is dependent on



management's ability to secure adequate financing required to meet existing corporate obligations, and to secure funding, either directly or indirectly at the project level, to meet future requirements of the Bahar project. There is no certainty that such financing will be obtained on terms acceptable to management, which may cast significant doubt about the Corporation's ability to continue as going concern.

The Corporation's obligations under its existing loan arrangements include interest payments on short term and long term loans and on the existing convertible debenture. In addition, the Corporation's \$27 million loan facility entered into on November 25, 2013 and as amended in May 27, 2015 is scheduled for repayment on December 31, 2015.

The Corporation's joint venture is producing, developing and exploring oil and gas properties which require extensive capital investments. The recovery of the Corporation'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. The 2015 approved Work Plan and Budget ("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 Corporation has not made a 2015 loan commitment to fund Bahar Energy other than for its share of the joint venture's TPR1 bonus obligation in the amount of \$2.0 million (\$667 thousand net to the Corporation's interest) paid to the State Oil Fund of the Republic of Azerbaijan in May 2015.

The Corporation prepares annual and interim period capital expenditures budgets, which are monitored and updated as considered necessary to provide current cash flow estimates. To facilitate the capital expenditure program, the Corporation may raise debt and capital through the issuance of debt or equity securities. Additional financing may be required to complete planned capital programs.

Our cash flows, both in the short-term and long-term, are impacted by highly volatile oil and natural gas prices. Significant deterioration in commodity prices negatively impacts revenues, earnings and 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 start of these operations is contingent on the fabrication and delivery of new platforms and rigs, the weather in the Caspian Sea and the availability of suitable offshore installation equipment. Delays in this equipment will reduce our earnings and cash flows.

Our long-term cash flows are highly dependent on our 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. We may not be able to find, develop or acquire additional reserves to replace our current and future production at acceptable costs, which could materially adversely affect our future liquidity.

Future liquidity will depend on the timing of the drilling and recompletion programs. As favorable product pricing and production results are realized, we will evaluate the available market for additional drilling rigs to accelerate the drilling program as contemplated in the development program and summarized in our Annual Information Form for the fiscal year ended December 31, 2014 filed on April 30, 2015 and available on [www.sedar.com](http://www.sedar.com).

Our ability to fund the capital requirements of the project also depend on the other partners in the project meeting their contractual commitments. TPR2 was met on March 31, 2014, thus obligating SOCAR to begin funding SOA's twenty percent (20%) share of BEOC cash calls from April 1, 2014 forward. SOCAR, however, has not funded such amounts and further advised that is waiting to understand the future partnership relationship within Bahar Energy before providing funding for SOA's share of the Bahar project. At December 31, 2014, the working capital of the Corporation and BEL's share of Bahar project revenues had been used to fund approximately \$12.8 million of SOA's cash calls. For 2015, Bahar Energy has funded its 80% share of BEOC cash calls from entitlement revenues and SOA's 2015 cash calls in the amount of \$8.6 million have continued to go unfunded and past due to BEOC. We are expecting the repayment of SOA's unfunded 2014 balance paid by Bahar Energy and the funding of SOA's past due 2015 cash calls owed BEOC to begin soon after the sale of the Baghlan's share interest in Bahar Energy is completed.

## Capital Structure

<i>(US\$000's)</i>	September 30, 2015	December 31, 2014
Working capital <sup>(1)</sup>	(4,207)	(1,466)
Long term loan, convertible debt and shareholders' equity	56,770	57,674
Ratios of working capital to long term loan, convertible debt and shareholders' equity <sup>(2)</sup>	(7%)	(3%)

<sup>(1)</sup> Working capital, as presented here, is current assets net of current liabilities.

<sup>(2)</sup> Convertible debt is combined with shareholder's equity due to the Corporation's right to settle debt by issuing shares.

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 and nine months ended September 30, 2015.

### Related party transactions

A detailed discussion of related party transactions is included in Notes 4 and 5 to the Corporation's Unaudited Condensed Consolidated Statements of Financial Position for the three and nine months ended September 30, 2015.

### Contractual commitments and contingencies

The following is a summary of the Corporation's contractual obligations and commitments as of September 30, 2015:

<i>(US\$000's)</i>	2015	2016	Thereafter
Operating leases <sup>(1)</sup>	21	13	-
Short term loan – interest payments <sup>(2)</sup>	3,355	-	-
Short term loan <sup>(2)</sup>	27,000	-	-
Long term loan – interest <sup>(3)</sup>	-	-	12,087
Long term loan <sup>(3)</sup>	-	-	20,835
Debentures – interest payments <sup>(4)</sup>	1,636	1,594	797
	32,012	1,607	33,719

<sup>(1)</sup> The Corporation has extended its lease of office space for its corporate headquarters in the United States through May 2016.

<sup>(2)</sup> Represents interest on \$27 million drawn down of the available \$27 million as at September 30, 2015 under the amended 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.

<sup>(3)</sup> Both long term loan principal and accrued interest have a maturity date of June 30, 2018.

<sup>(4)</sup> The coupon interest payments are denominated in Canadian Dollars. The USD value of the scheduled interest payments has been calculated at the September 30, 2015 exchange rate of 1.3394 CAD/USD.

The Corporation's commitments to fund the Bahar project are based on the approved annual WP&B prepared by BEOC. 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 the Joint Operating Agreement to exercise overall supervision, direction and control of all matters pertaining to the Joint Operations.

The 2015 approved WP&B for the 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 Corporation has not made a 2015 loan commitment to fund Bahar Energy other than for its share of the joint venture's TPR1 bonus obligation in the amount of \$2.0 million (\$667 thousand net to the Corporation's interest) paid to the State Oil Fund of the Republic of Azerbaijan in May 2015.

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.

In June 2014 Baghlan was declared in default with Greenfields subsequently funding Baghlan's loan funding obligations to Bahar Energy. As a result of the default, Baghlan lost voting rights on the Bahar Energy board resulting in Greenfields assuming full control of Bahar Energy until such time as Baghlan or its replacement as a shareholder in Bahar Energy repays the default loans made by Greenfields to Bahar Energy plus associated financing costs and default interest.

### **Financial instruments**

A summary of the Corporation's financial instruments is included in Note 17 to the Corporation's Unaudited Condensed Consolidated Financial Statements for the three and nine months ended September 30, 2015.

## **SUBSEQUENT EVENTS**

### **Deferral of Interest Payment**

Subsequent to September 30, 2015, the Corporation has obtained consent from the Lender to defer, until November 30, 2015, without penalty, the payment of \$1.2 million in interest due October 1, 2015. It is expected for the Lender to maintain an ongoing deferral of interest payments until the sale of the Baghlan's share interest in Bahar Energy is completed. Resolution of the Baghlan ownership in Bahar Energy should result in the collection by the Corporation of the Default Loans from the third party acquiring the Baghlan interest.

## ABBREVIATIONS

<u>Abbreviation</u>	<u>Description</u>
bbbl	Barrels
boe	barrels of oil equivalent of natural gas and crude oil on the basis of 1 boe for 6 mcf of natural gas
bbbl/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
sq km	square kilometer