GREENFIELDS PETROLEUM CORPORATION

ahead of the curve

Condensed Consolidated Financial Statements

(Unaudited)

March 31, 2020

GREENFIELDS PETROLEUM CORPORATION
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

US$000s

	Notes	As at March 31, 2020	As at December 31, 2019
Assets			
Current Assets			
Cash and cash equivalents		1,436	128
Accounts receivable	*5*	5,284	7,377
Accounts receivable related party	*6*	472	681
Advances for Operating Activities		996	950
Prepaid expenses and deposits		40	60
Inventories, net	*7*	992	1,233
		9,220	10,429
Non-Current Assets			
Property and equipment, net	*8*	177,657	179,139
Right-of-use asset, net	*8*	1,098	135
		187,975	189,703
Liabilities and Equity			
Current Liabilities			
Accounts payable and accrued liabilities	*9*	9,743	9,481
Accounts payable related parties	*6*	2,907	2,887
Lease Liabilities	*19*	1,098	135
Short term loans related parties	*10*	823	803
Short term loans	*10*	67,069	65,270
Total Liabilities		81,640	78,576
Shareholders' Equity	*12*		
Common shares		180	180
Paid in capital		104,230	104,230
Surplus		1,925	6,717
Total Shareholders' Equity		106,335	111,127
(Basis of presentation and going concern – Note 2)		187,975	189,703

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

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

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

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

	Three Months Ended March 31, 2020	Three Months Ended March 31, 2019
Revenues		
Crude oil and natural gas *(Note 15)*	5,537	6,348
Expenses		
Operating *(Note 15)*	5,976	5,201
Marketing and Transportation	25	22
Administrative *(Note 17)*	23	635
Depletion, depreciation and amortization *(Note 8)*	2,442	2,077
	8,466	7,935
Loss from operating activities	(2,929)	(1,587)
Other Income(Expense)		
Interest expense *(Note 14)*	(1,863)	(1,960)
Foreign exchange gain (loss)	-	(9)
Net Loss	(4,792)	(3,556)
Total comprehensive loss	(4,792)	(3,556)
Per share		
Loss per share, basic and diluted *(Note 12)*	($0.27)	($0.20)

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

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

	Three Months Ended March 31, 2020	2019
Common shares *(Note 12)*		
Balance, beginning of period	180	180
Balance, end of period	180	180
Paid in Capital		
Balance, beginning of period	104,230	104,230
Balance, end of period	104,230	104,230
Share-based payments reserve		
Balance, beginning of period	-	5,613
Balance, end of period	-	5,613
Surplus		
Balance, beginning of period	6,717	13,246
Net loss for the period	(4,792)	(3,556)
Balance, end of period	1,925	9,690
Total Shareholders' Equity	106,335	119,713

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

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

	Three Months Ended March 31, 2020	Three Months Ended March 31, 2019
Operating Activities		
Net loss for the period	(4,792)	(3,556)
Items not affecting cash:		
Share-based compensation *(Note 13)*	-	6
Depletion, depreciation and amortization	2,442	2,077
Interest expense *(Note 14)*	1,819	1,929
Accounts payable settlements	(79)	-
Unrealized foreign exchange (gain) loss	-	9
Cash provided by operating activities before change in operating working capital	(610)	465
Change in operating working capital *(Note 16)*	2,878	632
Cash provided by Operating Activities	2,268	1,097
Financing Activities		
Principal payments of lease liabilities	(297)	(207)
Cash used in Financing Activities	(297)	(207)
Investing Activities		
Property and equipment	(663)	(617)
Cash used in Investing Activities	(663)	(617)
Increase in Cash and Cash Equivalents	1,308	273
Cash and Cash Equivalents, beginning of period	128	565
Cash and Cash Equivalents, end of period	1,436	838

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

1. INCORPORATION AND NATURE OF OPERATIONS

Greenfields Petroleum Corporation ("**Greenfields**" or the "**Company**"), incorporated in the Cayman Islands, is an oil and natural gas exploration and development corporation focused on the development and production of proven oil and gas reserves principally in the Republic of Azerbaijan ("**Azerbaijan**"). The head office of the Company is located at 2001 Timberloch Place, Suite 500, The Woodlands, Texas, 77380, U.S.A., and the registered office is located at 190 Elgin Avenue, George Town, Grand Cayman, KY1-9005, Cayman Islands. The Company's common shares are listed on Toronto's TSX Venture Exchange ("**TSXV**") under the trading symbol "GNF."

The Company owns Bahar Energy Limited ("**Bahar Energy**" or "**BEL**"), a venture company that on December 22, 2009, entered into an Exploration, Rehabilitation, Development and Production Sharing Agreement (the "**ERDPSA**") with the State Oil 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**" or "**CRA**") including the Bahar Gas Field and the Gum Deniz Oil Field and the Exploration Area ("**Exploration Area**"**)**. Bahar Energy has an 80% participating interest, and SOA has a 20% participating interest in the ERDPSA (together with the "**Contractors**" or "**Contractor Parties**"). Bahar Energy formed Bahar Energy Operating Company Limited ("**BEOC**") for the purposes of acting as operator of the Bahar Project on behalf of the Contractor Parties as required under the ERDPSA.

Operating Environment of the Company

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

2. BASIS OF PRESENTATION AND GOING CONCERN

These condensed consolidated financial statements have been prepared in accordance with International Accounting Standard 34, *Interim Financial Reporting* ("**IAS 34**") as issued by the *International Accounting Standards Board ("**IASB**").* The condensed consolidated financial statements have been prepared on the historical cost basis except for share-based compensation transactions, which are measured at fair value. The presentation and functional currency of the Company is the United States dollar ("**USD**"), and all values are presented in thousands of US dollars except where otherwise indicated.

The condensed consolidated financial statements do not include all the information and disclosures required in the annual financial statements and should be read in conjunction with the Company's audited annual consolidated financial statements as at and for the year ended December 31, 2019.

On August 30, 2018, the shareholders of the Company authorized the consolidation of the issued and outstanding common shares in the capital of the Company into a lesser number of issued common shares on the basis of a ratio of ten (10) pre-Consolidation common shares for each one post-Consolidation common share. As of August 30, 2018, there was a total of 179,807,812 common shares of the Company issued and outstanding, of which 17,980,781 common shares became outstanding upon the implementation of the Consolidation on September 27, 2018. The outstanding share options were also consolidated, and their exercise price adjusted accordingly. The Consolidation has been reflected in these condensed consolidated financial statements, and all applicable references to the number of shares, warrants, share options, and their strike prices and per share information have been adjusted on a retrospective basis for all years presented.

These condensed consolidated financial statements were approved for issue by the Audit Committee of the Company's Board of Directors on July 27, 2020.

The Company is producing, developing, and exploring oil and gas properties that require extensive capital investments. The recovery of the Company's investment is dependent upon its ability to complete the development of oil and gas properties, which includes meeting the related financing requirements. For the three months ended March 31, 2020, the Company reported a net loss of $4.8 million (March 31, 2019 – a net loss of $3.6 million), respectively, and has an accumulated surplus of $1.9 million as at March 31, 2020. However, the Company has a negative working capital balance of approximately $31.7 million as at March 31, 2020. Consequently, the Company's ability to continue as a going concern depends on the Company being successful in raising additional capital through debt financing or issuing equity on favorable terms; collecting amounts due to the Company from third parties; meeting ongoing debt obligations; and ultimately, achieving profitable operations.

Effective October 31, 2018, the Company and Vitol Energy (Bermuda) Ltd. (the "**Lender**" or "**Vitol**"), executed the thirteenth amending agreement (the "**Thirteenth Amending Agreement**") to the Loan Agreement dated November 25, 2013. Pursuant to the Thirteenth Amending Agreement: (i) the principal amount plus accrued and unpaid interest under the Loan Agreement as at October 31, 2018, in the aggregate of $53.3 million, was converted to the principal (the "**Third Restructured Amount**"); (ii) the maturity date of the Loan Agreement was extended from January 15, 2020, to January 31, 2021; (iii) mandatory early repayments were scheduled quarterly, beginning January 1, 2019. In the event the Third Restructured Amount is reduced to an amount less than or equal to $30 million, the quarterly repayments will be equivalent to 3.7% of the amount outstanding and 6.7% of the amount outstanding in the event the Third Restructured Amount is reduced to an amount greater than $30 million; and (iv) payment of the 3% restructuring fee due to the Lender under the Twelfth Amending Agreement was extended from November 1, 2018, to January 31, 2019.

Effective May 8, 2020, the Company and Vitol Energy (Bermuda) Ltd., executed the fourteenth amending agreement (the "**Fourteenth Amending Agreement**") to the Loan Agreement dated November 25, 2013. Pursuant to the Fourteenth Amending Agreement: (i) the principal amount plus accrued and unpaid interest under the Loan Agreement as at May 8, 2020, being $64.0 million less the sum of $0.6 million converted to equity pursuant to a shares for debt conversion agreement dated effective April 24, 2020, totals $63.3 million, was converted to principal (the "**Fourth Restructured Amount**"); (ii) the maturity date to repay all the obligations fee was deferred to June 25, 2020. See *Note 21 - Subsequent Events*. In the interim, the Company continues to work to generate sufficient cash flow to meet its forward operating working capital obligations.

These condensed consolidated financial statements do not give effect to adjustments that would be necessary to the carrying values and classifications of assets and liabilities should the Company be unable to continue as a going concern.

3. SIGNIFICANT ACCOUNTING POLICIES

The accounting policies used in the preparation of the condensed consolidated financial statements are consistent with those disclosed in the audited annual consolidated financial statements as at and for the year ended December 31, 2019, except as described below. The Company has not early adopted any standard, interpretation, or amendment that has been issued but is not yet effective.

4. Changes in Accounting Policies and Disclosures

There are no new standards, amendments, and interpretations effective from 2020.

5. ACCOUNTS RECEIVABLE

Accounts receivable are mainly from sales of crude oil and gas under the ERDPSA. The receivables are non-interest bearing and generally collected on 30 to 90-day terms. As of March 31, 2020, the Company had the following outstanding accounts receivable balances:

US$000's	March 31, 2020	December 31, 2019
Crude oil	1,297	2,035
Natural gas	3,012	4,139
Other receivables [1]	975	1,203
	5,284	7,377

[1] Includes accounts receivable related to value-added taxes paid in advance on natural gas sales; other employee and miscellaneous receivables.

6. RELATED PARTY TRANSACTIONS

Accounts receivable related party

As of March 31, 2020, the Company had a related party receivable balance of $0.5 million (December 31, 2019 - $0.7 million) in connection with Protocol Proceeds. See *Protocol on Carry of SOA Certain Costs in Note 15 – Segment Information*.

US$000's	
SOA related party receivable at December 31, 2019	681
Protocol Proceeds accrued during the period	677
Protocol Proceeds collected during the period	(886)
SOA related party receivable at March 31, 2020	472

Accounts payable related parties

As of March 31, 2020, the Company had an accounts payable related parties balance of $2.9 million (March 31, 2019 - $2.9 million). The balance consists of funds owed to Vitol's subsidiaries in connection with a $1.4 million restructuring fee under the Twelfth Amending Agreement (see *Note 10 - Loans*) and $1.5 million in fees for technical consulting services.

7. INVENTORIES

At March 31, 2020, the Company had operating inventories of $1.0 million (December 31, 2019 - $1.2 million) consisting of spare parts, consumables, lubricants, and fuel. Inventories are stated at the lower of cost or net realizable value.

8. PROPERTY AND EQUIPMENT, NET

US$000's	Oil and Gas Properties	Corporate and other	Total
As at December 31, 2018	201,919	347	202,266
Additions	3,524	-	3,524
Reclass from inventories	1,463	-	1,463
As at December 31, 2019	206,906	347	207,253
Additions	663	-	663
As at March 31, 2020	207,569	347	207,916
Less: Accumulated Depreciation and amortization			
As at December 31, 2018	19,287	344	19,631
Additions	8,480	3	8,483
As at December 31, 2019	27,767	347	28,114
Additions (1) (2)	2,145	-	2,145
As at March 31, 2020	29,912	347	30,259
Net property and equipment			
As at December 31, 2018	182,632	3	182,635
As at December 31, 2019	179,139	-	179,139
As at March 31, 2020	177,657	-	177,657

(1) Excludes amortization charges of $297 thousand in connection with ROU assets recognized in the condensed consolidated statements of financial position.
(2) Capitalized costs of oil and gas properties were depleted using the unit of production method; until 2018, the Company amortized over the Company's best estimate of total proved recoverable reserves. From 2019 onwards, the company is amortizing over the best estimate of total proved developed reserves

Details of ROU assets are as follows:

US$000's	ESP	Vehicles	Total
As at December 31, 2019	130	5	135
Additions	1,262	(2)	1,260
Period Amortization (3)	(294)	(3)	(297)
As at March 31, 2020	1,098	-	1,098

(3) As a result of adopting IFRS 16, ROU amortization is recorded as amortization expense in the condensed consolidated statements of comprehensive loss.

Legal title to property and equipment

In accordance with the provisions of the ERDPSA, the title to fixed and moveable assets will be transferred to SOCAR upon the earlier of the end of the calendar quarter following the date when all capital costs incurred by the Company are recovered or the termination of the ERDPSA. The definitions of operating costs and capital costs contained within the ERDPSA require subjective interpretation in determining the classification of these expenditures. The classification of these costs as operating expenditures is consistent with the annual work program and the budgets which have been approved by the Steering and Operating Committee of BEOC. In accordance with the terms of the ERDPSA, contractor parties and BEOC are granted the exclusive right of use for petroleum operations of all assets previously used by the "Gum Adasi" Oil and Gas Production Division of SOCAR. These assets are available for use to contractor parties and BEOC for the economic life of the ERDPSA. SOCAR retains the ownership rights to all the original assets; therefore, the Company's property and equipment do not include values of those assets transferred by SOCAR at the ERDPSA effective date.

9. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

US$000's	March 31, 2020	December 31, 2019
Trade accounts payable (1)	6,781	7,428
Accrued liabilities (2)	2,962	2,053
	9,743	9,481

(1) Trade accounts payable mainly consists of trade payables related to BEOC, the operating company under the ERDPSA.
(2) Accrued liabilities include wages, bonuses, taxes, and other obligations.

10. LOANS

Short Term Loans Related Parties

In September 2016, the Company secured additional funding of $550 thousand from five insiders of the Company (the "**Related Party Loans – Insiders**") with interest accruing at the rate of 12% per annum and maturity date of March 31, 2018. The interest payment is due at maturity, thereby the Company includes accrued interest in the carrying value of the loan. In consideration of the additional funding, the lenders received the fraction of 0.12 common shares for each USD$1.00 of principal amount loaned to the Company which value was recorded as deferred loan costs and is accreted over the life of the loans to interest expense. The Related Party Loans – Insiders are measured at amortized cost to reflect this accretion. The aggregation of accrued interest and accreted transaction costs results in an effective interest rate of 27.7%. In December 2019, the maturity of the loans was extended to June 30, 2020. *See Note 20 – Subsequent events.*

The balance of the Short-Term Loans Related Parties is as follows:

US$000's	March 31, 2020	December 31, 2019
Related Party Loans - Insiders	550	550
Accrued interest (1)	273	253
Short term loans related parties	823	803

(1) For the three months ended March 31, 2020, the Company recorded a total interest expense of $20 thousand, (March 31, 2019 - $21 thousand).

Short Term Loans

In September 2016, the Company secured additional funding from a consortium of lenders ("**Consortium of Lenders**") in the amount of $2.5 million (the "**Additional Loans**") with interest accruing at the rate of

12% per annum and maturity date of March 31, 2018. The interest payment is due at maturity, thereby the Company includes an accrued interest in the carrying value of the loan. In consideration of the additional funding, the lenders received the fraction of 0.12 common shares for each USD$1.00 of principal amount loaned to the Company which value was recorded as deferred loan costs and is accreted over the life of the loans to interest expense. The Additional Loans are measured at amortized cost to reflect the accretion of the share consideration paid, thereby the aggregation of accrued interest and accreted transaction costs results in an effective interest rate of 27.7%. The maturity of the Additional Loans has been extended to June 30, 2020. *See Note 20 - Subsequent Events.*

The balance of Additional Loans is as follows:

US$000's	March 31, 2020	December 31, 2019
Additional Loans	2,475	2,475
Accrued interest [(1)]	1,240	1,150
Additional Loans	3,715	3,625

(1) For the three months ended March 31, 2020, the Company recorded total interest expense of $90 thousand (March 31, 2019 - $96 thousand).

Loans – Vitol and I&S

On August 9, 2016, the Company executed the Ninth Amending Agreement to the Loan Agreement with Vitol Energy (Bermuda) Ltd. which became effective August 19, 2016, in order to restructure the balances due under an existing term loan (the "**Term Loan**") into a new loan (the "**New Loan**") with a maturity date of March 31, 2018 (the "**Maturity Date**"). The New Loan was secured by first priority liens on the existing and future assets of the Company and the Guarantors. Pursuant to the terms of the Loan Agreement and Ninth Amending Agreement, the New Loan had a principal balance of $41.1 million with interest accruing at the rate of 12% per annum. Interest was contractually due at maturity, and thereby the Company included accrued interest in the carrying value of the loan.

The New Loan was subject to certain mandatory prepayments, carried no additional fees or transaction costs, and is measured at amortized cost resulting in an effective interest rate of 12%.

In consideration for agreeing to the loan restructuring terms, on September 9, 2016, the Company issued: (i) to Vitol, 7,540,498 common shares in the capital of the Company and 7,540,498 warrants; and (ii) to Ingalls & Snyder LLC (**"I&S"**), a lender under the Vitol loan, 1,057,494 common shares, and 1,057,494 Warrants. The common shares were subject to resale restrictions expiring four months from the date of issuance. The Company issued the common shares at a price of CAD$2.10 (USD$1.60) per common share for a total value of $13.9 million in common shares issued as consideration for the restructuring. As a result of the common shares issued to Vitol in consideration for the Term Loan restructuring, Vitol became a controlling insider of the Company with ownership of 49.1% of the issued and outstanding common shares at the effective date of the Ninth Amending Agreement, thereby making Vitol, a related party.

During 2017, the Company entered into the Tenth and Eleventh Amending Agreements to the Loan Agreement to facilitate deferral of loan prepayment obligations. Consequently, prepayment obligations of $500 thousand due on March 31, 2017, $1.0 million due on September 30, 2017, and $2.0 million due on September 30, 2017, were deferred until the earlier of the Maturity Date or voluntary prepayment. These deferred prepayment obligations accrued additional interest at 8% per annum.

On October 31, 2017, the Company and Vitol executed the twelfth amending agreement (the "**Twelfth Amending Agreement**") to the Loan Agreement dated November 25, 2013. Pursuant to the Twelfth Amending Agreement: (i) the principal amount plus accrued and unpaid interest under the Loan Agreement as at November 1, 2017, being $47,145,881, was converted to principal (the "**Restructured Amount**"); (ii) the maturity date of the Loan Agreement was extended from March 31, 2018 to January 15, 2020; (iii) interest on the Restructured Amount was amended to LIBOR plus 11% per annum and, in the event the Restructured Amount is reduced to an amount less than or equal to $30 million, the interest on outstanding portion of the Restructured Amount will be reduced to LIBOR plus 8% per annum; (iv) payment of interest on the Restructured Amount for 2017 and 2018 was deferred until the maturity date of the Loan Agreement; (v) the 7,540,498 common share purchase warrants held by Vitol Energy (Bermuda) Ltd. and the 1,057,494 warrants held by Ingalls & Snyder LLC were terminated; (vi) mandatory early repayments were scheduled quarterly, beginning January 1, 2019, with the repayment amounts varying depending on whether the outstanding amount under the loan facility is reduced to an amount equal to $30 million or less; and (vii) Greenfields agreed to pay the Lender a fee equal to 3% of the Restructured Amount or the equivalent of $1.4 million on or before November 1, 2018.

Effective October 31, 2018, the Company and Vitol Energy (Bermuda) Ltd., executed the thirteenth amending agreement (the "**Thirteenth Amending Agreement**") to the Loan Agreement dated November 25, 2013. Pursuant to the Thirteenth Amending Agreement: (i) the principal amount plus accrued and unpaid interest under the Loan Agreement as at October 31, 2018, being $53,284,905, was converted to principal (the "**Third Restructured Amount**"); (ii) the maturity date of the Loan Agreement was extended from January 15, 2020, to January 31, 2021; (iii) mandatory early repayments scheduled quarterly, beginning January 1, 2019. In the event the Third Restructured Amount is reduced to an amount less than or equal to $30 million, the quarterly repayments will be equivalent to 3.7% of the amount outstanding and 6.7% of the amount outstanding in the event the Third Restructured Amount is reduced to an amount greater than $30 million; and (iv) payment of the 3% restructuring fee due to the Lender under the Twelfth Amending Agreement was extended from November 1, 2018, to January 31, 2019.

Effective May 8, 2020, the Company and Vitol Energy (Bermuda) Ltd., executed the fourteenth amending agreement (the "**Fourteenth Amending Agreement**") to the Loan Agreement dated November 25, 2013. Pursuant to the Fourteenth Amending Agreement: (i) the principal amount plus accrued and unpaid interest under the Loan Agreement as at May 8, 2020, being $64.0 million less the sum of $0.6 million converted to equity pursuant to a shares for debt conversion agreement dated effective April 24, 2020, totals $63.5 million, was converted to principal (the "**Fourth Restructured Amount**"); (ii) the maturity date to repay all the obligations fee was deferred to June 25, 2020. See *Note 20 - Subsequent Events*. In the interim, the Company continues to work to generate sufficient cash flow to meet its forward operating working capital obligations.

The balance of the Loan from Vitol and I&S is as follows:

US$000's	As at March 31, 2020	As at December 31, 2019
Loan from Vitol and I&S	53,285	53,285
Accrued interest (1)	10,069	8,360
	63,354	61,645

(1) In connection with the Third Restructured Amount, the Company recorded interest expense of $1.7 million for the three months ended March 31, 2020, compared to $1.8 million for the year ended March 31, 2019. See Note 13 – Interest Expense for the breakdown of Loan from Vitol and I&S interest expense.

11. SHAREHOLDER'S EQUITY

Authorized Share Capital

On September 27, 2018, the Corporation: (i) consolidated the issued and outstanding common shares in the capital of the Corporation into a lesser number of issued common shares on the basis of a ratio of ten (10) pre-consolidation common shares for each post-consolidation common share, such that the 179,807,812 common shares of the Corporation issued and outstanding were reduced to 17,980,781 common shares on a post-consolidation basis and the outstanding share options were also consolidated, and their exercise prices adjusted accordingly (the "**2018 Consolidation**"); and (ii) increased the authorized share capital post-consolidation from 49,990,000 Shares of a nominal of par value of US$0.01 each and 100,000 preferred shares of a nominal or par value of US$0.001 each to 999,990,000 Shares of a nominal or par value of US$0.01 each and 100,000 preferred shares of a nominal or par value of US$0.001 each (the "2018Authorised Share Increase").

On June 22, 2020, the Corporation: (i) consolidated the issued and outstanding common shares in the capital of the Corporation into a lesser number of issued common shares on the basis of a ratio of twenty (20) pre-consolidation common shares for each one post-consolidation common share, such that the 43,430,189 common shares of the Corporation issued and outstanding were reduced to 2,171,510 common shares on a post-consolidation basis (the "**2020 Consolidation**"); and (ii) increased the authorized share capital post-consolidation from US$10.0 million divided into 39,999,600 Shares of nominal or par value of US$0.20, 9,999,900 non-voting shares of nominal or par value of US$0.20 and 100,000 preferred shares of nominal or par value of US$0.01 to US$100.0 million divided into 799,992,000 Shares of nominal or par value of US$0.10, 199,998,000 non-voting shares of nominal or par value of US$0.10 and 100,000 preferred shares of nominal or par value of US$0.01 (the "**2020 Authorized Share Increase**").

2018 Consolidation and 2020 Consolidation have been reflected in this document and all applicable references to the number of shares, warrants, share options and their strike prices and per share information have been adjusted on a retrospective basis for all periods presented.

As at December 31, 2019, the authorized share capital of the Corporation consisted of 999,990,000 common shares at a par value of US $0.01 each and 100,000 preferred shares at a par value of US $0.001 each. As at July 24, 2020, the authorized share capital of the Corporation consists of 799,992,000 Shares of nominal or par value of US$0.10, 199,998,000 non-voting shares of nominal or par value of US$0.10 and 100,000 preferred shares of nominal or par value of US$0.01.

Common Shares

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

Common shares and paid-in capital continuity schedule:

Outstanding common shares *(US$000's, except for share numbers)*	Number of Common Shares	Amount
As at December 31, 2018	**17,980,781**	**104,410**
Issued during the period	-	-
As at December 31, 2019	**17,980,781**	**104,410**
Issued during the period	-	-
As at March 31, 2020	**17,980,781**	**104,410**

Per Share Information

Per share loss *(US$000's, except for per share amounts)*	Three Months Ended March 31, 2020	Three Months Ended March 31, 2019
Weighted average number of common shares outstanding	17,980,781	17,980,781
Net Loss	(4,792)	(3,556)
Basic and diluted loss per share	($0.27)	($0.20)

The average market value of the Company's common shares used for purposes of calculating the dilutive effect of share options is based on quoted market prices for the year that the equity instruments were outstanding. For the three months ended March 31, 2020, no outstanding share options (March 31, 2019 – 65,000 share options) were excluded from calculating dilutive loss per share as they were anti-dilutive. As at March 31, 2020, and December 31, 2019, the Company did not hold any common shares in the treasury.

12. SHARE BASED COMPENSATION

The share-based compensation recorded by the Company is associated with share options and share-based cash-settled bonuses for employees and directors. Share-based compensation expenses for the three months ended March 31, 2020, were (*nil*) thousand (March 31, 2019 – ($6) thousand).

Total Share based payments expense		
	Three Months Ended March 31,	
(US$000's)	2020	2019
Cash settled - Contingent bonus [1]	-	2
Cash settled - Cash bonus awards [1]	-	4
Total Share based payments-Compensation	**-**	**6**

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

Share Options

As at March 31, 2020, all the exercisable options were surrendered in the month of November 2019, and thus there are no exercisable options at the end of the period.

Continuity of share options	Year ended March 31, 2020		Year ended December 31, 2019	
	Number of shares underlying options	Average exercise price (CAD$)	Number of shares underlying options	Average exercise price (CAD$)
Outstanding, beginning of period	-	-	76,500	7.35
Expired	-	-	-	-
Forfeited	-	-	-	-
Surrendered	-	-	(76,500)	7.35
Outstanding, end of period	-	-	-	-
Exercisable, end of period	-	-	-	-

Contingent Bonus

On January 12, 2015, the Company awarded the right to 50,049 common shares to certain employees and consultants as a contingent bonus. The right to such common shares was set to vest on the first to occur of the following vesting dates: January 1, 2016; the date of a change of control of the Company; or such earlier vesting date as determined by the board. Also, at the option of the board, the contingent bonus may be settled by the Company in cash at the settlement date, with the value of common share determined by the closing price of the Company's common shares at such settlement date. Most employees and all consultants have signed a settlement agreement with Company to settle the Contingent bonus in cash @ 5% of the total amount to be paid.

Hence, the estimated liability for the contingent bonus at March 31, 2020, was $4 thousand (December 31, 2019 - $4 thousand).

Restricted Cash Bonus Program

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

The FVBCB incentive awards vested 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 years vesting year 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.

Most employees have signed a settlement agreement with Company to settle the Full Value-Based Cash Bonus in cash @ 5% of the total amount to be paid.

The estimated FVDCB liability at March 31, 2020, was $57 thousand (December 31, 2019 - $57 thousand) in connection with 6,417 units outstanding at such date.

Fair Value Director Cash Bonus Program

On October 13, 2016, the Company established a Fair Value Director Cash Bonus Program ("**FVDCB**") for the board of directors consisting of cash-settled incentives awarded in bonus units. Subsequently, the Company awarded 125,000 FVDCB units with the cash settlement value of a bonus unit equal to the average Canadian dollar-denominated value of a common share for the five trading days prior to filing a call notice. The call notice is used to redeem a vested unit. However, in the case of a monetization event (as defined below), the bonus unit will equal the same amount a shareholder receives for a common share. A monetization event means: (1) the acquisition by a third party of all or substantially all the shares of the Company; (2) an amalgamation, arrangement, merger or other consolidation of the Company with another company; (3) a liquidation, dissolution or winding-up of the Company; or (4) a sale, lease or other disposition of all or substantially all of the assets of the Company. The FVDCB program does not grant any entitlement to common shares or other equity interests in the Company. The FVDCB units vest 25% at the date of grant and 25% on each of the first, second, and third anniversaries of the grant date. In the event of involuntary removal from the board, death, or a monetization event, the bonus units will immediately vest.

Except for one, all the directors have signed a settlement agreement with Company to settle the Fair Value Director Cash Bonus Program in cash @ 5% of the total amount to be paid. The estimated FVDCB liability on March 31, 2020, was $4 thousand (December 31, 2019 - $4 thousand).

Key Employee Contingent Incentive Plan Award

On October 13, 2016, the Company established a Key Employee Contingent Incentive Plan Award ("**KECIP**"), for the employees of the Company and certain employees of BEOC, consisting of cash-settled incentives awarded in bonus units. Subsequently, the Company awarded 1,128,500 KECIP units with the cash settlement value of a bonus unit equal to the same amount a shareholder receives for a common share if a monetization event occurs. A monetization event means: (1) the acquisition by a third party of all or substantially all the shares of the Company; (2) an amalgamation, arrangement, merger or other consolidation of the Company with another company; (3) a liquidation, dissolution or winding-up of the Company; or (4) a sale, lease or other disposition of all or substantially all of the assets of the Company.

Most Greenfields employees have signed a settlement agreement with Company to settle the KECIP Program in cash @ 5% of the total amount to be paid. Hence, the estimated KECIP liability at March 31, 2020 was $4 thousand (December 31, 2019 - $4 thousand).

13. INTEREST EXPENSE

	Three Months Ended March 31,	
US$000's	2020	2019
Interest expense – Vitol and I&S loan (Third Restructured Amount) (1)	1,709	1,812
Interest expense – short term loans (2)	110	117
Interest expense – lease liabilities (2)	44	31
	1,863	1,960

(1) Effective October 31, 2018, the Company and the Lender restructured principal and interest in the amount of $53.3 million (Third Restructured Amount) under the Thirteenth Amending Agreement with a maturity of January 31, 2021. Effective May 8, 2020, the Corporation and the Lender restructured principal and interest in the amount of $63.5 million (Fourth Restructured Amount) under the Fourteenth Amending Agreement.

(2) Represents interest expense (including the amortization of deferred loan costs) related to the current short-term loans. The lenders agreed to extend the maturity of these loans from December 2018 to June 30, 2020. See Note 20 - Subsequent Events

(3) Interest payments in connection with the leasing of ROU assets. As a result of adopting IFRS 16, lease interest payments are recorded as depreciation and interest expense in the condensed consolidated statement of comprehensive loss.

14. SEGMENT INFORMATION

The Company's reportable and geographical segments are Azerbaijan and Corporate. The accounting policies used for the reportable segments are the same as the Company's accounting policies.

Total assets and liabilities

(US$000's)	March 31, 2020			December 31, 2019		
	Azerbaijan	Corporate and Other	Total	Azerbaijan	Corporate and Other	Total
Current assets	5,820	3,399	9,219	6,969	3,459	10,428
Capital assets (1)	178,755	-	178,756	179,275	-	179,275
Total assets	184,575	3,399	187,975	186,244	3,459	189,703
Current liabilities	(9,641)	(31,334)	(40,975)	(8,326)	(31,294)	(39,620)
Non-current liabilities	-	(40,665)	(40,665)	-	(38,956)	(38,956)
Total liabilities	(9,641)	(71,999)	(81,640)	(8,326)	(70,250)	(78,576)

(1) Capital Assets include property and equipment, capital inventory and advances made for capital equipment purchases.

Capital expenditures

	Three months ended					
(US$000's)	March 31, 2020			March 31, 2019		
	Azerbaijan	Corporate and Other	Total	Azerbaijan	Corporate and Other	Total
Capital Expenditures	663	-	663	617	-	617

Consolidated Statements of Comprehensive Income (Loss) by Segment

	Three months ended					
(US$000's)	March 31, 2020			March 31, 2019		
	Azerbaijan	Corporate and Other	Total	Azerbaijan	Corporate and Other	Total
Revenues		`				
Petroleum and natural gas (external)	5,537	-	5,537	6,348	-	6,348
Expenses						
Operating	5,976		5,976	5,201	-	5,201
Marketing and Transportation	25	-	25	22	-	22
Administrative	-	23	23	-	635	635
Depreciation and amortization	2,442	-	2,442	2,074	3	2,077
	8,443	23	8,466	7,297	638	7,935
Income (Loss) from operating activities	(2,906)	(23)	(2,929)	(949)	(638)	(1,587)
Other Income and expense						
Interest income/(expense)		(1,863)	(1,863)	-	(1,960)	(1,960)
FX Gain/(Loss)	-	-	-	-	(9)	(9)
Net Income (loss)	(2,906)	(1,886)	(4,792)	(949)	(2,607)	(3,556)

Revenues

BEL's entitlement share of production from crude oil, natural gas and natural gas liquids (together with the "**Petroleum**") recognized as revenue represents its share of both cost recovery petroleum and profit petroleum and the allocation of SOA's 20% share of cost recovery petroleum as stipulated by the ERDPSA Carry 1 recovery provisions. For the three months ended March 31, 2020, and 2019, the Company recorded revenues for BEL's crude oil and natural gas entitlement production volumes marketed through SOCAR as indicated below:

	Three months ended March 31,	
(US$000's)	2020	2019
BEL's share of Petroleum entitlement production	4,479	5,263
SOA's cost recovery Petroleum production	1,058	1,085
BEL's entitlement revenue	5,537	6,348

Protocol on Carry of SOA Certain Costs

On March 31, 2014, BEOC achieved Target Production Rate 2 ("**TPR2**") as defined in Article 3.5, "Special Provisions for Carrying SOA's Participating Interest" of the ERDPSA. Upon achieving TPR2, SOA became obligated to fund 20% of the Contract Rehabilitation Area operating costs and capital expenditures (together with the "**Petroleum Costs**") starting the second quarter of 2014, thereby relieving BEL from the obligation to carry SOA's 20% share of Petroleum Costs under Carry 1 provisions of the ERDPSA. With TPR2 met, both BEL and SOA, as contractors to the ERDPSA, were obligated to fund their proportionate share of Petroleum Costs through cash calls issued by BEOC. However, due to SOA's failure to fund cash calls, BEL continued to carry SOA until a mechanism to address both SOA's funding obligations and BEL's cost recovery for the overfunding of Petroleum Costs could be negotiated.

On April 19, 2017, BEL and SOCAR signed a protocol in respect of the carry of certain costs (the "**Protocol**"), which addresses the shortfall by SOA in funding its 20% share of Petroleum Costs incurred under the ERDPSA since April 2014. Per the Protocol effective April 19, 2017, SOA's 20% share of

Petroleum Costs is to be funded from: (i) SOA's entitlement share of profit petroleum; and (ii) proceeds from SOCAR's marketing of the 10% compensatory petroleum delivered at no charge to SOCAR by the ERDPSA, (together with the "**Protocol Proceeds**"). The cash call funding deficiencies by SOA are to be funded by BEL, and the amounts equivalent to BEL's overfunding will be added to the Carry 1, which balance is subject to reimbursement through the allocation of SOA's share of current and future production referred to as cost recovery petroleum under the ERDPSA Carry 1 recovery provisions.

The Protocol was implemented as a financing mechanism, whereby should BEL pay SOA's share of expenditures, BEL would be entitled to receive SOA's share of Cost Recovery Petroleum until such time as (a) amounts were no longer owing under Carry 1; and (b) no portion of the SOA's share of expenditures was outstanding. Per the Protocol, any amounts received from SOA as Protocol Proceeds are treated as financing and recorded as reimbursements of Petroleum Costs incurred. The Protocol Proceeds do not meet the requirements to be accounted for as oil and gas revenue.

Accordingly, the Company is recording SOA's 20% share of costs as if SOA is still under Carry 1 provisions, net of SOA's funding from Protocol Proceeds. These costs in excess of amounts reimbursed by SOA are respectively recorded in the statements of financial position and comprehensive net income (loss) as capitalized expenditures and operating expenses.

Capital Expenditures

BEL's capital expenditures represent the aggregation of the BEL's 80% share of expenditures and the remaining portion of SOA expenditures funded by BEL. For the three months ended March 31, 2020, and 2019, the Company recognized capital expenditures from BEL's participation in the ERDPSA as follows:

	Three months ended March 31,	
(US$000's)	2020	2019
BEL's 80% share of capital expenditures	561	598
SOA's 20% share of capital expenditures	140	149
Less: Protocol Proceeds		
Profit petroleum	(3)	(30)
Value of SOCAR's Compensatory petroleum	(35)	(100)
BEL's net overfunding of capital expenditures (SOA's funding deficiency)	102	19
Total capital expenditures	663	617

Operating costs

BEL's operating costs represent the aggregation of the BEL's 80% share of costs and the remaining portion of SOA's costs funded by BEL. For the three months ended March 31, 2020, and 2019, the Company recognized operating costs from BEL's participation in the ERDPSA as follows:

(US$000's)	Three months ended March 31, 2020	2019
BEL's 80% share of operating costs	5,292	4,880
SOA's 20% share of operating costs	1,323	1,220
Less: Protocol Proceeds		
Profit petroleum	(49)	(207)
Value of SOCAR's Compensatory petroleum	(591)	(691)
BEL's net overfunding of operating costs (SOA's funding deficiency)	684	321
Total operating costs (net of IFRS 16 Lease expense reclass)	5,976	5,201

In relation to Protocol Proceeds, for the three months ended March 31, 2020, the Company had a receivable balance of $0.5 million (December 31, 2019 - $0.7 million) consisting of uncollected Protocol Proceeds. See *Note 6 – Related Party Transactions*.

For the three months ended March 31, 2020, BEL's net overfunding of Petroleum Costs due to SOA's cash call funding deficiency was $0.8 million (compared to March 31, 2019 –$0.3 million). Per the Protocol, this net overfunding has been added to the Carry 1, which balance is subject to reimbursement through the allocation of SOA's share of current and future production referred to as cost recovery petroleum under the ERDPSA carry recovery provisions. At March 31, 2020, the balance of Carry 1 is as follows:

(US$000's)	As at March 31, 2020	As at December 31, 2019
Carry 1 - Opening Amount at January 1, 2020	30,727	33,717
SOA's share of capital expenditures funded by BEL	140	858
SOA's share of operating costs funded by BEL	1,323	5,435
Protocol Proceeds	(677)	(4,224)
SOA's share of cost recovery Petroleum production	(1,058)	(5,060)
Carry 1 - Outstanding Amount at March 31, 2020 (1)	30,454	30,727

(1) In accordance with the Bahar Joint Operating Agreement, the Carry 1 Ledger is maintained as a separate financing register by BEOC, reflecting the funding by BEL and reimbursements made by SOA from their share of cost recovery petroleum.

15. SUPPLEMENTAL CASH FLOW INFORMATION

Net changes in working capital:

	Three Months Ended March 31,	
US$000's	2020	2019
Trade receivables	2,094	(287)
Receivables from related parties	209	(58)
Advances for operating activities	(46)	232
Prepaid expenses and deposits	18	(45)
Inventories	242	(215)
Accounts payable and accrued liabilities	342	749
Accounts payable related parties	20	273
FVDCB Adjustment	-	(4)
Retention Bounus Adjustment	-	(2)
Unrealized FX on Make Whole Liability	-	(9)
Related to operating activities	2,879	632
Related to financial activities-lease liabilities	(297)	(207)
Related to investing activities-AP property & equipment	(663)	(617)

16. EXPENSES BY NATURE

	Three months ended March 31	
(US$000's)	**2020**	**2019**
Employee wages and benefits	14	352
Professional service costs	30	139
Office, travel and other	57	138
Share-based payment expense	-	6
	102	635
Expenses written back	(79)	-
Total expenses by nature	23	635

Expenses written back represent reversal of professional services cost, on account of settlement agreed with vendor.

17. COMMITMENTS AND CONTINGENCIES

The following is a summary of the Company's contractual obligations and commitments as of December 31, 2019:

US$000's	**2020**
Loan - principal [1]	56,309
Loan - interest [2]	11,047
Loan - restructuring fees [3]	1,414
Total Contractual Commitments	68,770

(1) Represents outstanding principal for short term loans which maturity was extended to June 30, 2020. Also, it represents long term loan contractual principal payment obligations in 2020 and at the maturity date of January 31, 2021. Per October 31, 2018, the Thirteenth Amending Agreement, the maturity of this loan was extended until January 31, 2021.
(2) Represents the interest accrued upon the long term and the short-term loan mentioned in (1) above.
(3) Represents a 3% restructuring fee on the Restructured Amount per the 12th Amending Agreement with the Lender. Per subsequent agreements with the Lender, payment of this fee was deferred until June 25, 2020. See *Note 20 - Subsequent Events*.

Lease commitments

The Company has the following estimated annual obligations related to various leases. The minimum future payments for these leases are as follows:

US$000's	**2020**	**2021**	**Total**
Office lease payments [4]	12	-	12
ROU assets – lease payments [5]	1,047	116	1,163
Total Lease Commitments	1,059	116	1,175

(4) The Company has leased office space for its corporate headquarters in the United States through December 31, 2020.
(5) Includes principal and interest payments in connection with the leasing of ROU assets. As a result of adopting IFRS 16, lease principal and interest payments are recorded as amortization and interest expense in the condensed consolidated statements of comprehensive loss.

The following table shows the Company's lease commitments disclosed as at March 31, 2020, and December 31, 2019.

US$'000s	**Lease Commitments**
As at December 31, 2019	135
Additions	1,260
Period Amortization	(297)
Lease liability recognized at March 31, 2020	1,098

The Company's commitments to fund the Bahar Project are based on the annual Work Plan and Budget ("**WP&B**") approved by the BEOC Steering Committee. The WP&B must be approved by contractor parties representing an 80% or greater ownership interest before submission to SOCAR for approval. Through BEL, a wholly-owned subsidiary of the Company holding an 80% controlling interest in the ERDPSA, the Company maintains control of the approval of the annual WP&B. While additional funding is secured, the Company expects to only approve budgets that can be fully funded from project operating cash flows.

18. FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT

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

a) *Credit risk*

Credit risk is the risk of financial loss to the Company if the counterparty to a financial instrument fails to meet its contractual obligations.

As at March 31, 2020, the Company's accounts receivable primarily consists of receivables from crude oil and natural gas sales to SOCAR. At March 31, 2020, receivables from invoiced crude oil and natural gas sales had an average of 60 days outstanding. All receivable balances (including accruals of crude oil and natural gas lifted at March 31, 2020) are considered by management to be collectible.

Cash and cash equivalents consist of bank deposits held in major United States banks for corporate activities and cash held by BEOC in Azerbaijan for operating activities. Cash held in bank accounts is exposed to the risk of bank failure. That risk is mitigated by keeping accounts in only the largest and most reputable financial institutions for corporate accounts in the United States and for BEOC operating accounts in Azerbaijan. The Company's maximum exposure to credit risk at March 31, 2020, and December 31, 2019, is as follows:

US$000's	As at March 31, 2020	As at December 31, 2019
Cash and cash equivalents	1,436	128
Accounts receivable	5,284	7,377
Accounts receivable related party	472	681
Advances for operating activities	996	950
	8,188	9,136

b) *Liquidity risk*

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they become due. The Company's approach to managing liquidity is to ensure, as much as possible, that it will have sufficient liquidity to meet its obligations when due, under both normal and unusual conditions, without incurring unacceptable costs, relinquishment of properties, or risking harm to the Company's reputation. However, the Company believes it is in a position to generate sufficient cash flow to meet its forward operating working capital obligations. See also *Note 2 – Basis of Presentation and Going Concern.*

The Company may raise additional capital through debt and the issuance of shares to meet its funding requirements.

The Company's financial liabilities as at March 31, 2020, and December 31, 2019, arose primarily from corporate obligations and payables incurred by BEOC. Payment terms on accounts payable and accrued liabilities are typically 30 to 60 days from invoice date and generally do not bear interest. The following table summarizes the remaining contractual maturities of the Company's financial liabilities:

US$000's	As at March 31, 2020	As at December 31, 2019
Accounts payable and accrued liabilities (1)	9,743	9,481
Accounts payable related parties (2)	2,907	2,887
Lease liabilities (3)	1,098	135
Loan - principal (4)	56,309	56,309
Loan - interest (5)	11,047	10,263
	81,104	79,075

(1) As at March 31, 2020, and December 31, 2019, the accounts payable and accrued liabilities mainly consist of trade payables from BEOC.

(2) Accounts payable related parties consist of obligations with Vitol's subsidiaries. The amount includes $1.4 million in loan restructuring fees and $1.5 million in technical consulting fees. Effective December 31, 2019, under a new amending agreement with the Lender, payment of the loan restructuring fee was extended until June 25, 2020. See Note 20 - Subsequent Events.

(3) Includes principal and interest payments in connection with the leasing of ROU assets. As result of adopting IFRS 16, lease principal and interest payments are recorded as depreciation and interest expense in the condensed consolidated statements of comprehensive loss.

(4) Represents outstanding principal for short term loans. Maturity was extended to June 30, 2020. Also, represents principal for long term loans maturing January 31, 2021. See *Note 10 –Loans*.

(5) Represents the interest accrued upon the long term and the short-term loan mentioned in (4) above.

c) *Currency risk*

Foreign currency risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate as a result of changes in foreign currency exchange rates. The Company has minimal exposure to foreign currency fluctuations as a significant portion of the Company's transactions are denominated in the United States dollar, and the Company holds almost all of its excess cash in United States dollars. As at March 31, 2020, and December 31, 2019, the Company had no forward exchange contracts in place.

d) *Commodity price risk*

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

The Company has reduced the risk of changing natural gas prices by signing an Amended Gas Sales Agreement with SOCAR, effective April 1, 2017, which fixed the natural gas price at $2.69/mcf until December 31, 2021. Through an oil sales agreement with SOCAR, the Company expects to continue receiving net oil prices that have historically realized approximately 95% of the Brent crude benchmark less transportation costs.

As at March 31, 2020, and December 31, 2019, the Company has no outstanding financial instruments, financial derivatives, or physical delivery contracts subject to commodity price risk. Purchases and sales of financial assets are recognized on the settlement date, the date on which the Company receives or delivers the asset.

e) *Interest rate risk*

Interest rate risk arises from changes in market interest rates that may affect the fair value or future cash flows from the Company's financial assets or liabilities. The Company's long-term loan related party has an interest rate of LIBOR plus 11%. A 1% increase in projected LIBOR would increase interest expense by approximately $1.1 million over the remaining life of the loan.

19. CAPITAL STRUCTURE AND MANAGEMENT

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

Composition of the Company's capital structure

US$000's	As at March 31, 2020	As at December 31, 2019
Working Capital deficit	(72,420)	(68,147)
Long term debt and shareholders' equity (Does not include current portion of long term debt)	106,335	111,127
Ratios of working capital deficit to long term debt and shareholders' equity	-68%	-61%

20. SUBSEQUENT EVENTS

Extension of Debt Payment

On March 27, 2020, Vitol and the Company entered into a limited forbearance, deferral and reservation of rights agreement pursuant to which Vitol, the Company's senior debt lender, has agreed to further amend the forbearance agreement executed on November 28, 2019, and previously amended on January 3, 2020, and March 16, 2020 (the "Forbearance Agreement"), by extending the forbearance period and deferred payments due under the senior secured loan agreement with the Company (the "Vitol Loan") until April 30, 2020.

On April 30, 2020, Vitol and the Company entered into a Fourteenth Amendment Agreement in which it is agreed that as of the Fourteenth Amendment Effective Date i.e. May 8, 2020, all amounts owed to Vitol under the Loan Agreement, including principal, deferred Obligations and accrued and unpaid interest, total $64.0 million less the sum of $0.6 million converted to equity pursuant to a shares for debt conversion agreement dated effective April 24, 2020, totals $63.5 million. The maturity date to repay all the obligations is deferred to June 25, 2020.

As the Company continues to seek alternative sources of funding, along with a continuation of settlement of its certain debts, the Company signed amended forbearance by extending the forbearance period to July 31, 2020.

The Company signed deferral letters with short term lenders to extend the maturity date to June 30, 2020.

The Company is in negotiation with the short-term lenders to further defer the maturity date to repay all the obligations, due under loan agreements with various related parties, as on the date of filing.

Extension of Protocol

On May 7, 2020, Bahar Energy Limited and SOCAR signed a three-year extension to the Protocol from April 19, 2020, extending the period of recovery to April 19, 2023.

COVID-19 Pandemic

The impact of the COVID-19 pandemic has been significant in the resource industry. Most notably, the work is being done using physical distancing guidelines.

The COVID-19 pandemic is present in the country in which the Company operates, with cases being reported in Azerbaijan. At this time, the Company has activated business continuity practices across the site. Management will continue to monitor developments across the jurisdiction and will adjust its planning as necessary. An outbreak of the pandemic may have going concern consequences on the business.

Shares issued to extinguish Debt

On May 4, 2020 the Company completed a shares for debt transaction pursuant to which Greenfields issued an aggregate of 1,272,470 Shares (on a post-consolidation basis) to certain lenders to the Corporation in satisfaction of amounts owed to such lenders in the aggregate amount of $1.1 million at deemed price per Share of $0.86.

Delisting and Cease Reporting Applications

The Company intends to apply to delist the Shares from the TSX Venture Exchange ("TSXV") and apply to cease to be a reporting issuer in each province in which it currently reports and to terminate its public reporting obligations (the "Applications"). At a special meeting held on June 3, 2020, the Shareholders approved the Applications.

Greenfields has been unable to access the public markets to raise money and the Shares are thinly traded on the TSXV. The proposed transactions will eliminate the burden of maintaining a public listing and continuing as a reporting issuer. Under applicable securities laws a broad range of regulatory obligations are imposed on companies, such as Greenfields, with public shareholders, including the provision of quarterly financial statements and information to shareholders, mandatory solicitation of proxies for annual meetings, increased insurance costs, transfer agent and stock exchange fees and compliance cost and shareholder communication costs. These regulatory requirements necessitate the employment of independent accountants, reserves evaluators, financial consultants, printers, lawyers and other skilled personnel. Greenfields believes that the present and anticipated time and costs entailed in meeting the additional disclosure and other regulatory obligations to which public companies are subject cannot be justified in view of Greenfields's present business strategy, including its limited number of public shareholders.

Upon completion of the delisting, the Company will no longer be possible to effect transactions involving the Shares on the TSXV, which will impact the liquidity of the Shares.