GREENFIELDS PETROLEUM CORPORATION

Condensed Consolidated Financial Statements

(Unaudited)

September 30, 2016

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

	Notes	As at September 30, 2016	As at December 31, 2015
Assets			
Current Assets			
Cash and cash equivalents		1,460	100
Accounts receivable	5	10,041	422
Short term loans receivable related party	6	-	26,884
Advances for operating activities		926	-
Prepaid expenses and deposits		93	39
Inventories	7	1,221	-
		13,741	27,445
Non-Current Assets			
Investment in joint venture	8	-	62,077
Property and equipment	9	189,812	1
		203,553	89,523
Liabilities and Equity			
Current Liabilities			
Accounts payable and accrued liabilities	10	14,914	6,923
Short term loan	11	-	27,000
		14,914	33,923
Non-Current Liabilities			
Long term loans related party	12	42,183	-
Long term loans	12	2,029	24,269
Convertible debentures	13	-	15,132
Warrants	14	354	-
		44,566	39,401
Shareholders' Equity	15		
Common shares		157	22
Paid in capital		100,852	76,935
Share-based payments reserve	16	5,496	5,466
Surplus(Deficit)		37,568	(66,224)
Total Shareholders' Equity		144,073	16,199
(Basis of presentation and going concern – Note 2 and Commitments and contingencies – Note 20)		203,553	89,523

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

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

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

GREENFIELDS PETROLEUM CORPORATION
CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (LOSS)
Unaudited, US$000's except per share amounts

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2016	2015	2016	2015
Revenues				
Petroleum and natural gas *(Note 18)*	5,470	-	5,470	-
Management service fees	200	356	809	1,163
	5,670	356	6,279	1,163
Expenses				
Operating *(Note 18)*	2,692	-	2,692	-
Marketing and transportation	24	-	24	-
Administrative	2,281	1,491	4,325	4,110
Depreciation and amortization	1,774	1	1,775	33
	6,771	1,492	8,816	4,143
Loss from operating activities	(1,101)	(1,136)	(2,537)	(2,980)
Income from acquisition transaction				
Income from fair value of future dividends *(Note 3)*	8,467	-	8,467	-
Gain on acquisition *(Note 3)*	81,524	-	81,524	-
Income (expense) from debt restructuring				
Gain on settlement of long term loan *(Note 12)*	24,137	-	24,137	-
Gain on settlement of debentures *(Note 13)*	13,672	-	13,672	-
Other financing costs *(Note 11)*	(13,854)	-	(13,854)	-
Fair value of warrants issued *(Note 14)*	(354)	-	(354)	-
Other income and expense				
Income on investment in joint venture *(Note 8)*	341	474	992	1,203
Interest income *(Note 17)*	1,955	1,037	3,420	2,631
Interest expense *(Note 17)*	(3,668)	(3,263)	(9,399)	(9,291)
Impairment *(Note 18)*	(1,069)	-	(1,069)	-
Foreign exchange gain(loss)	(105)	1,212	(1,207)	2,388
Change in fair value of derivative liability	-	-	-	27
Income(loss) before income taxes	109,945	(1,676)	103,792	(6,022)
Total comprehensive income(loss)	109,945	(1,676)	103,792	(6,022)
Per share				
Income(loss) per share, basic and diluted *(Note 14)*	$1.85	($0.08)	$3.30	($0.27)

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

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

	Nine Months Ended September 30, 2016	Nine Months Ended September 30, 2015
Common shares *(Note 15)*		
Balance, beginning of period	22	20
Issuance of common shares pursuant to:		
Debt restructuring	86	-
Conversion of debentures	33	-
Settlement of long term loan	12	-
Additional loans	4	-
Private placement	-	2
Balance, end of period	157	22
Paid in capital		
Balance, beginning of period	76,935	74,912
Shares issued pursuant to:		
Debt restructuring	13,768	-
Conversion of debentures	7,646	-
Settlement of long term loan	1,922	-
Additional loans	581	-
Private placement	-	1,798
Repurchase of common shares	-	(3)
Share-based payments	-	228
Balance, end of period	100,852	76,935
Share-based payments reserve *(Note 16)*		
Balance, beginning of period	5,466	5,263
Share-based payments	30	160
Balance, end of period	5,496	5,423
Deficit		
Balance, beginning of period	(66,224)	(58,700)
Income(loss) for the period	103,792	(6,022)
Balance, end of period	37,568	(64,722)
Total Shareholders' Equity	144,073	17,658

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

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

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2016	2015	2016	2015
Operating Activities				
Income(loss) before income taxes	109,945	(1,676)	103,792	(6,022)
Items not affecting cash:				
Share-based compensation *(Note 16)*	5	64	29	340
Value of shares issued for Loan-2 success fee *(Note 12)*	81	-	81	-
Depreciation and amortization	1,774	1	1,775	33
Income on investment in joint venture	(341)	(474)	(992)	(1,203)
Income from fair value of future dividends	(8,467)	-	(8,467)	-
Interest income	(1,955)	(1,037)	(3,420)	(2,631)
Interest expense	3,668	3,262	9,399	9,290
Other financing costs	13,854	-	13,854	-
Gain on acquisition	(81,524)	-	(81,524)	-
Gain on settlement of long term loan	(24,137)	-	(24,137)	-
Gain on settlement of debentures	(13,672)	-	(13,672)	-
Impairment	1,069	-	1,069	-
Unrealized foreign exchange (gain)loss	105	(1,211)	1,207	(2,387)
Change in fair value of derivative liability	-	-	-	(27)
Fair value of warrants issued	354	-	354	-
Cash used in operating activities before changes in non-cash working capital	759	(1,071)	(652)	(2,607)
Change in non-cash operating working capital *(Note 19)*	(1,032)	493	(291)	1,224
Cash From (Used) in Operating Activities	(273)	(578)	(943)	(1,383)
Financing Activities				
Proceeds from issue of common shares	-	-	-	1,800
Proceeds from short term loans *(Note 11)*	-	-	7,000	2,000
Proceeds from long term loans	2,892	-	2,892	2,342
Cash interest paid on convertible debentures and loans	-	(100)	-	(1,117)
Repurchase of common shares	-	-	-	(3)
Cash From (Used) in Financing Activities	2,892	(100)	9,892	5,022
Investing Activities				
Restricted cash	6,000	-	-	-
Investment in joint venture *(Note 8)*	-	-	-	(667)
Short term loans to related party *(Note 6)*	-	-	-	(3,676)
Property and equipment *(Note 9)*	(1,617)	-	(1,617)	-
Acquisition	(5,962)	-	(5,962)	-
Cash Used in Investing Activities	(1,579)	-	(7,579)	(4,343)
Effect of exchange rates on changes on cash	(8)	(2)	(10)	(2)
Increase (Decrease) in Cash and Cash Equivalents	1,032	(680)	1,360	(706)
Cash and Cash Equivalents, beginning of period	428	710	100	736
Cash and Cash Equivalents, end of period	1,460	30	1,460	30

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

1. INCORPORATION AND NATURE OF OPERATIONS

Greenfields Petroleum Corporation ("**Greenfields**" or the "**Company**"), incorporated in the Cayman Islands, is a junior oil and natural gas exploration and development corporation focused on the development and production of proven oil and gas reserves principally in the Republic of Azerbaijan ("**Azerbaijan**"). The head office of the Company is located at 211 Highland Cross Drive, Suite 250, Houston, Texas, 77073, U.S.A., and the registered office is located at 190 Elgin Avenue, George Town, Grand Cayman, KY1-9005, Cayman Islands. The Company's common shares and convertible debentures are listed on the Toronto's TSX Venture Exchange ("**TSXV**") under the trading symbols "GNF" and "GNF.DB", respectively.

The Company owns Bahar Energy Limited ("**Bahar Energy**" or "**BEL**"), a 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**","**CRA**") including the Bahar Gas Field and the Gum Deniz Oil Field and the Exploration Area ("**Exploration Area)**. Bahar Energy has an 80% participating interest and SOA has a 20% participating interest in the ERDPSA (together the "**Contractors** or **Contractor Parties**"). Bahar Energy formed Bahar Energy Operating Company Limited ("**BEOC**") for the purpose of acting as Operator of the Bahar Project on behalf of the Contractor Parties under the ERDPSA.

Acquisition and Restructuring Transactions

On August 9, 2016 the Company, through its wholly-owned subsidiary, Greenfields Petroleum International Company Ltd. ("**GPIC**"), completed the acquisition of Baghlan Group Limited's ("**Baghlan**") 66.67% interest (the "**Interest**") in BEL and Baghlan's interest in a shareholder loan receivable due from BEL to Baghlan (the "**Acquisition**"). The aggregate consideration paid by GPIC for the Acquisition included a cash payment of $6.0 million and a release and discharge of $60.3 million of liabilities, claims and demands in relation to certain default loan amounts and any and all other obligations, liabilities, claims or demands of any kind owed to BEL, BEOC and/or Greenfields by Baghlan (the "**Default Obligations**"). Upon completion of the Acquisition, BEL became a wholly-owned subsidiary of GPIC. See also *Note 3 – Acquisition of Interest in Bahar Energy*.

In order to fund the Acquisition, the Company agreed to restructure its debt and, in that regard, on March 4, 2016 the Company signed the fifth amending agreement (the "**Fifth Amending Agreement**") to the loan agreement dated November 25, 2013 (the "**Loan Agreement**") with its lenders under the Loan Agreement (the "**Lenders**"). The Fifth Amending Agreement provided for, among other things: (i) additional funding in the aggregate amount of $7.0 million to satisfy the purchase price in respect of the Acquisition and for working capital purposes; and (ii) an extension of the maturity date under the Loan Agreement from March 15, 2016 to May 16, 2016 in order to facilitate the completion of the restructuring transaction described below. Subsequent to May 16, 2016, the Company signed successive amending agreements to continue extending the loan maturity date until August 31, 2016.

In connection with the Fifth Amending Agreement, the Company: (i) effected the conversion (the "**Debenture Conversion**") of the 9.00% convertible unsecured subordinated debentures due May 31, 2017 (the "**Debentures**") with a principal amount of CAD$23.7 million, into an aggregate of 33.1 million common shares in the capital of the Company ("**Common Shares**"); (ii) issued, in connection with the completion of the restructuring, an aggregate of 86 million Common Shares to the Lenders under the Loan Agreement; and (iii) issued, in connection with the completion of the restructuring, 86 million Common Share purchase warrants ("**Warrants"**) to the Lenders (collectively, the "**Restructuring Transaction**"). The Debenture Conversion was implemented upon the approval of the Debentureholders governing the Debentures, on August 18, 2016.

Contemporaneous with the completion of the Restructuring Transaction on August 18, 2016, the Company signed an amending agreement to further extend the maturity date under the Loan Agreement to March 31, 2018. The TSXV approved both the Acquisition and Restructuring Transaction in their entirety at that time.

The Company entered into a definitive agreement ("**Definitive Agreement**") with Heaney Assets Corp. ("**Heaney**") to settle all amounts outstanding under the Subordinated Revolving Loan Agreement dated June 27, 2014, as amended, which had an original maturity date of June 30, 2018. Under the terms of the Definitive Agreement, Greenfields issued 11.5 million Common Shares of the Company to Heaney in full satisfaction of all amounts outstanding under the loan agreement, including principal in the amount of $20,834,705 and accrued interest. See also *Note 11* – Settlement of *Long Term Loan-2.*

In addition to the Common Shares issued to Heaney, at closing of the Definitive Agreement, Greenfields paid an agent a success fee for negotiating the terms of the Definitive Agreement which consisted of a cash payment of $1,000,000 and the issuance of 500,000 Common Shares.

2. BASIS OF PRESENTATION AND GOING CONCERN

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

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

These condensed consolidated financial statements do not include all the information and disclosures required in the annual financial statements and should be read in conjunction with the Company's annual financial statements for the year ended December 31, 2015 prepared in accordance with *International Financial Reporting Standards* ("**IFRS**") as issued by the *International Accounting Standards Board ("**IASB**")*. The accounting policies adopted in the preparation of the condensed consolidated financial statements are consistent with those followed in the preparation of the Company's annual consolidated financial statements for the year ended December 31, 2015, except for the adoption of new standards and interpretations effective as of January 1, 2016 which details are discussed in *Note 4 – Changes in Accounting Policies and Disclosures*.

These condensed consolidated financial statements were approved for issue by the Audit Committee of the Company's Board of Directors on November 28, 2016.

The Company is producing, developing and exploring oil and gas properties which require extensive capital investments. The recovery of the Company's investment is dependent upon its ability to complete the development of properties which includes meeting the related financing requirements. For the three and nine months ended September 30, 2016 the Company reported income of $109.9 million and $103.8 million, respectively (September 30, 2015 – loss of $1.7 million and $6.0 million, respectively) and has an accumulated surplus of $37.6 million as at the same date. However, the Company has negative working capital balance of approximately $1.2 million as at September 30, 2016. Consequently, the Company's ability to continue as a going concern is dependent on management's ability to obtain additional funding, to collect amounts due the Company from third parties, to meet ongoing debt obligations and to ultimately achieve profitable operations.

As at September 30, 2016 the Company had raised additional funds to complete the acquisition of 66.67% interest in BEL, restructure debt obligations with its lenders and for working capital purposes. The Acquisition and Restructuring Transactions triples the reserve base of the Company, significantly reduces debt obligations, but results in a substantial increase in the common shares outstanding. The Company will continue to seek funding sources to provide working capital for the Bahar Project and corporate purposes. The Company will also seek borrowing opportunities to replace its senior debt with a lower financing cost facility. Should market conditions improve, the Company will also evaluate the potential for equity placement to replace some or all of its debt obligations.

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

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. ACQUISITION OF INTEREST IN BAHAR ENERGY

On August 9, 2016 Greenfields closed the Acquisition of Baghlan's 66.67% share interest in Bahar Energy and Baghlan's interest in a shareholder loan receivable due from Bahar Energy to Baghlan. With the completion of the Acquisition, Bahar Energy became a wholly-owned subsidiary of the Company. The aggregate consideration paid for the Acquisition included a cash payment of $6.0 million, and release and discharge of all liabilities, claims and demands in relation to certain default loan amounts and any and all other obligations, liabilities, claims or demands of any kind owed to Bahar Energy, BEOC and/or Greenfields by Baghlan.

As at August 9, 2016 the Company estimated the Default Obligations to be an aggregate of $60.7 million consisting of $30.3 million currently due from Baghlan and attributable to default loans funded by Greenfields including the associated financing costs and penalties for Baghlan's failure to fund shareholder loans when due; and $30.3 million due out of Baghlan's future dividends payable from Bahar Energy, which the Company has fair valued at $8.5 million. The Acquisition of Baghlan's interest in Bahar Energy fits within Greenfield's business growth model and operating strategy to increase its participation in the value of reserves and production realized from the Bahar Project. With the acquisition of the remaining interest in Bahar Energy, Greenfields assumes full control of the Bahar Project through Bahar Energy's wholly-owned subsidiary, BEOC.

As part of the Acquisition, Greenfields incurred transaction costs estimated at $380 thousand which were expensed through the Statement of Comprehensive Income or Loss.

The Acquisition transaction was accounted for by the purchase method. This is a preliminary purchase equation and is subject to change. The allocation of the purchase price, based on management's fair value estimates, is as follows:

(US$000's)	Bahar Energy		Total
Fair value of assets acquired	Greenfields' Original 33.33%	Baghlan's 66.67%	
Petroleum and natural gas properties	62,963	125,946	188,909
Inventories	353	707	1,060
Working capital	(190)	(382)	(572)
Fair value of BEL assets	63,126	126,271	189,397
Consideration:			
Cash	-	(6,000)	(6,000)
Fair value of Baghlan default obligations	-	(30,337)	(30,337)
Fair value of Baghlan future dividends at acquisition [1]	-	(8,467)	(8,467)
Carrying value of Investment in Joint Venture	(63,069)	-	(63,069)
Total consideration	(63,069)	(44,804)	(107,873)
Net gain on assets acquired in acquisition	57	81,467	81,524

[1] Represents management's estimated fair value of future dividends due Greenfields out of Baghlan's future dividends from BEL equal to the $30.3 million in default obligations at Acquisition date of August 9, 2016, calculated based on the same expected BEL cash outflows and discount rate used to value the acquired petroleum and natural gas assets. For the three and nine months ended September 30, 2016, the Company recorded income of $8.5 million for the fair value of future dividends in the Condensed Consolidated Statement of Comprehensive Income (Loss) and recognized this gain as a component of the consideration paid for the Acquisition.

Pro forma estimates for the above noted acquisition are as follows:

For the nine months ended September 30, 2016

(US$000's)	As stated	BEL prior to August 9, 2016 [1]	Pro Forma [2]
Revenue	6,279	19,085	25,364
Income [3]	103,792	1,982	105,774

[1] Includes 100% of BEL revenues, including the Company's original 33.33% share recorded through income or loss on Investment in Joint Venture under the equity method of accounting prior to the Acquisition date of August 9, 2016 and Baghlan's 66.67% share of BEL income for the period January 1, 2016 to August 8, 2016.

[2] The above Pro Forma amounts reflect the estimated accounting results that would have occurred had the BEL acquisition been completed on January 1, 2016.

[3] Note that both the "As Stated" and "Pro Forma" include one-time income of $113.6 million associated with the Acquisition and Restructuring Transactions ($90.0 million and $23.6 million, respectively).

The fair value of petroleum and natural gas properties recognized on an acquisition is based on market values. The market value of petroleum and natural gas properties is the estimated amount for which petroleum and natural gas properties could be exchanged on the acquisition date between a willing buyer and a willing seller in an arm's length transaction after proper marketing wherein the parties had each acted knowledgeably, prudently and without compulsion. The market value of oil and natural gas interests is estimated with reference to the discounted cash flows expected to be derived from oil and natural gas production based on externally prepared reserve reports which apply forward looking price decks as at the date of acquisition.

The above amounts are estimates, which were made by management at the time of the preparation of the financial statements, based on the information available. Amendments may be made to these amounts as the values subject to estimates could change.

4. CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

Change in accounting policy for Bahar Energy

Since January 1, 2013 the Company has applied the equity method of accounting to disclose its joint venture investment in Bahar Energy in accordance with IFRS 11 *Joint Arrangements*. As result of the completion of the Acquisition Transaction on August 9, 2016, Bahar Energy became a wholly-owned subsidiary of the Company. Under the Company's accounting policies, subsidiaries are entities controlled by the Company and therefore fully consolidated from the date on which control is transferred to the Company in accordance with IFRS 10 *Consolidated Financial Statements*.

New standards, interpretations and amendments

The Company has not adopted new IFRS standards for the nine months period ended September 30, 2016. However, the following new standards are being evaluated to determine its potential impact on the Company's consolidated financial statements.

IFRS 9 "Financial Instruments"

The IASB issued IFRS 9 *Financial Instruments* to replace IAS 39 *Financial Instruments: Recognition and Measurement,* which includes a principle-based approach for classification and measurement of financial assets, a single expected loss impairment model and a substantially- reformed approach to hedge accounting. The standard is effective for the Company for annual periods beginning on January 1, 2018, with required retrospective application and early adoption permitted.

IFRS 15 "Revenue from Contracts with Customers"

In May 2014 the IASB published IFRS 15 *Revenue from Contracts with Customers* to replace IAS 18 *Revenue*, which establishes principles for reporting useful information to users of financial statements about the nature, amount, timing and uncertainty of revenue and cash flows arising from an entity's contracts with customers. The standard is effective for annual periods beginning on January 1, 2018, with required retrospective application and early adoption permitted.

IFRS 16 "Leases"

In January 2016, the IASB issued the complete IFRS 16 *Leases* which replaces IAS 17, *Leases*. The standard is effective for annual periods beginning on or after January 1, 2019 and early adoption is permitted. Under IFRS 16, a single recognition and measurement model will apply for lessees and will require recognition of assets and liabilities for most leases.

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 at September 30, 2016, the Company had accounts receivable as follows:

(US$000's)	September 30, 2016	December 31, 2015
Petroleum	2,936	-
Natural gas	6,507	-
Receivable related party (1)	358	416
Other receivables (2)	240	6
	10,041	422

(1) Represents receivables due from BEOC for amounts charged to these entities before the Acquisition Transaction dated August 9, 2016. The charges are in connection with management, administrative and technical services provided to BEOC under "Affiliate Service Orders" ("**ASO**") and Personnel Secondment Agreements; and charges to BEL in relation to legal, finance and commercial support provided by the Company. For the three and nine months ended September 30, 2016, the Company recorded $0.2 million and $0.8 million, respectively (September 30, 2015 - $0.4 million and $1.2 million, respectively) in management service fees associated with services provided at cost to BEOC. As at September 30, 2016 all related party receivables previously due from BEL have been eliminated in consolidation.

(2) Represents value added taxes paid in advance on natural gas sales, other employee and miscellaneous receivables. The value-added taxes are paid when the invoice for natural gas is raised and reimbursed by SOCAR when the invoice is paid.

6. SHORT TERM LOAN RECEIVABLE FROM RELATED PARTY

Funding the Default Loan Amounts of Baghlan Group Limited

At the completion of the Acquisition Transaction on August 9, 2016, the Company had funded $22.1 million (December 31, 2015 - $22.1 million) to enable GPIC to cover defaulted loan funding obligations of Baghlan, the other shareholder of Bahar Energy. With the funding of the defaulted obligations, GPIC provided protection for the interest of Bahar Energy in the ERDPSA and ensured the Bahar project had adequate working capital to fund the capital program. Baghlan's Default Loans repayment obligation included interest on amounts funded by the Company on their account, an additional charge of 4% per annum as a consequence of the failure to fund drawdown requests and, the reimbursement of transaction costs incurred by the Company to arrange the funding. Also, as a consequence of the funding default, the BEL's Shareholders' Agreement required Baghlan to assign to the Company an amount equal in future dividends distributions from BEL.

Waiver of all obligations due from Baghlan was included in the consideration paid by the Company for Baghlan's shares in BEL and consequently all receivable balances were extinguished. *See also Note 3 – Acquisition of Interest in Bahar Energy*. The balance of receivables extinguished at the Acquisition Transaction date consists of the following:

(US$000's)	August 09, 2016	December 31, 2015
Default loan funding	22,107	22,107
Transaction costs and fees	1,389	1,265
Billable Interest	5,152	3,512
Default interest (4% per annum)	1,689	-
	30,337	26,884

Fair value of Baghlan's future dividends (1)	8,467	-
	38,804	26,884

(1) Represents management's estimated fair value of future dividends due Greenfields out of Baghlan's future dividends from BEL equal to the $30.3 million default loan obligations at Acquisition date of August 9, 2016 calculated based on the same expected BEL cash outflows and discount rate used to value the acquired petroleum and natural gas assets. For the three and nine months ended September 30, 2016, the discounted $8.5 million of future dividends was recorded as income in the Condensed Consolidated Statement of Comprehensive Income (Loss) and recognized as a component of the contingent consideration paid for the Acquisition.

7. INVENTORIES

At September 30, 2016 the Company had inventories of $1.2 million (December 31, 2015 - $nil), relating to operating materials and supplies consisting of spare parts, consumables, lubricants and fuel.

Prior to the Acquisition of BEL on August 9, 2016 and BEL becoming a consolidated wholly-owned subsidiary of the Company, inventories from Bahar Energy were included in the carrying value of the Investment in Joint Venture under the equity method of accounting.

8. INVESTMENT IN JOINT VENTURE

Before the completion of the Acquisition Transaction on August 9, 2016, the Company owned a 33.33% interest in Bahar Energy, a venture that on December 22, 2009 entered into an ERDPSA with SOCAR and SOA in respect to the offshore block known as the Bahar Project, which consists of the Bahar gas field, the Gum Deniz oil field and the Bahar 2 exploration area. Bahar Energy has an 80% participating interest and SOA has a 20% participating interest in the ERDPSA. Bahar Energy formed BEOC for the purpose of acting as Operator of the Bahar Project on behalf of the Contractor Parties under the ERDPSA.

Continuity of Investment in Joint Venture

US$000's	Investment in Joint Venture
At January 1, 2015	59,105
Funding	667
Share of Income from Joint Venture	1,203
At September 30, 2015	60,975
Funding	-
Share of Income from Joint Venture	1,102
At December 31, 2015	62,077
Share of Income from Joint Venture at Acquisition	992
At August 8, 2016	63,069
Less:	
Value of investment given in consideration at acquisition	(63,069)
At September 30, 2016	-

Bahar Energy, formed for the sole purpose of acquiring the rights to the ERDPSA, is a limited liability entity incorporated in the Jebel Ali Free Zone ("**JAFZA**") in Dubai, United Arab Emirates. As result of the completion of the Acquisition Transaction, Bahar Energy became a wholly-owned subsidiary of the Company. Bahar Energy is governed by its Articles of Association and the Bahar Shareholders

Agreement ("**BSA**", "**Joint Arrangement**"). The registered office of Bahar Energy is LOB 15-514, P.O. Box 17870, Dubai, United Arab Emirates.

Before the Acquisition Transaction, Bahar Energy met the definition of a Joint Venture pursuant to which the Company had contractually agreed to the sharing of control and consequently became joint venturer in the Joint Arrangement. Accordingly, the Company's 33.33% interest in the Bahar Energy was disclosed as a Joint Venture and accounted for using the equity method.

The following tables summarize the financial information of the Joint Venture and reconcile the financial information to the carrying amount of the Company's interest in the Joint Venture through August 8, 2016.

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

Assets	August 8, 2016	December 31, 2015
Current Assets		
Cash and cash equivalents	39	1,218
Trade receivables [1]	9,802	8,365
Other receivable	33,264	26,130
Advances for operating activities	945	1,020
Inventories	1,257	1,575
	45,307	38,308
Non-Current Assets		
Advances for capital equipment	-	102
Property and equipment	157,819	159,505
	203,126	197,915
Current Liabilities		
Accounts payable and accrued liabilities	7,441	7,804
Payables to related parties	1,272	1,350
Short term notes payable [2]	30,337	26,883
	39,050	36,037
Net Assets	164,076	161,878
Company's share of net assets (33.33%)	54,687	53,954
Timing differences in Joint Venture funding	8,382	8,123
Carrying amount of Investment in Joint Venture	63,069	62,077

[1] Balance is net of an allowance for doubtful accounts of $1.3 million related to outstanding receivables due BEOC from third party operator for services provided under a Facilities Sharing Agreement terminated in second quarter 2015.
[2] Balance includes $22.1 million in Default Loan funding provided by GPIC to BEL plus $8.2 million in financing costs and interest. See also *Note 6 – Short Term Loan Receivable from Related Party*.

Bahar Energy Limited
Condensed Consolidated Statement of Net Income
Unaudited, US$000's

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2016	2015	2016	2015
Revenues				
Petroleum and natural gas [1]	3,591	10,561	19,085	29,610
Transportation and storage fees [2]	-	-	-	1,137
	3,591	10,561	19,085	30,747
Expenses				
Operating & administrative	1,701	5,785	11,449	18,383
Depreciation and amortization	870	3,354	4,662	8,755
	2,571	9,139	16,111	27,138
Income from operating activities	1,020	1,422	2,974	3,609
Net Income	1,020	1,422	2,974	3,609
Company's Share of Income of Joint Venture [3]	341	474	992	1,203

[1] Revenues and expenses for the three and nine months September 30, 2016 reflect operating results realized through August 8, 2016 prior to BEL becoming a wholly-owned subsidiary on August 9, 2016, after which BEL revenues and expenses were consolidated in the Company's Statement of Comprehensive Income and Loss.
[2] During second quarter 2015, the facilities sharing agreement covering the transportation and storage services provided by BEOC to a third party operator was terminated.
[3] The Company's 33.33% interest in BEL was disclosed as a Joint Venture and accounted for using the equity method of accounting prior to the Acquisition on August 9, 2016.

9. PROPERTY AND EQUIPMENT

(US$000's)	Oil and Gas Properties	Corporate and Other	Total
As at December 31, 2015	-	335	335
Acquisitions	189,969	-	189,969
Additions	1,617	-	1,617
As at September 30, 2016	191,586	335	191,921
Accumulated DD&A			
As at December 31, 2015	-	334	334
Additions	1,774	1	1,775
As at September 30, 2016	1,774	335	2,109
Net property and equipment			
As at December 31, 2015	-	1	1
As at September 30, 2016	189,812	-	189,812

At September 30, 2016 the Company has a balance of $0.9 million in capital inventories (December 31, 2015 - $nil).

Legal title to property and equipment

In accordance with the provisions of the ERDPSA, 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 does not include values of those assets transferred by SOCAR at the ERDPSA effective date.

10. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

US$000's	September 30, 2016	December 31, 2015
Trade accounts payable (1)	13,095	192
Accrued liabilities	1,819	6,731
	14,914	6,923

(1) Trade accounts payable mainly consists of trade payables from BEOC.

11. EXTINGUISHMENT OF SHORT TERM LOAN

On November 25, 2013 the Company secured a $25 million loan facility ("**Loan**") from Vitol Energy (Bermuda) Ltd. ("**Vitol**" or "**Lender**"). Pursuant to the terms of the Loan Agreement among the Lender, the Company, Greenfields Petroleum Holdings Ltd. and Greenfields Petroleum International Company Ltd., as guarantors ("**Guarantors**"), the Company was entitled to draw up to an aggregate of $25 million in four tranches based upon the achievement of certain operational milestones. The Loan incurred a cash structuring fee of 2.5% payable on each tranche advanced in accordance with the Loan Agreement, interest a rates between 15% and 20% per annum payable quarterly and was set to mature on December 31, 2015. The Loan was secured by first priority liens on the existing and future assets of the Company and the Guarantors. Also, the loan was measured at amortized cost and accreted up the principal balance at maturity using an effective interest rate of 27.4%.

On March 4, 2016 the Company signed the Fifth Amending Agreement to the Loan Agreement and increased the total Loan commitment to $34.0 million which principal and respective accrued and unpaid interest were set to mature on May 16, 2016. The Fifth Amending Agreement provided for, among other things: (i) additional funding in the aggregate amount of $7.0 million to satisfy the purchase price in respect of the Acquisition and for working capital purposes; and (ii) an extension of the maturity date under the Loan Agreement from March 15, 2016 to May 16, 2016 in order to facilitate the completion of the Restructuring Transaction. The additional $7.0 million in funding accrued interest at a rate of 15% per annum. All unpaid interest accrued as of December 31, 2015 regardless of the tranche with which it was associated, accrued interest at the rate of 17.04% until the maturity date of May 16, 2016. Subsequent to

May 16, 2016, the Company signed successive amending agreements to further extend the loan maturity date until August 31, 2016.

On August 9, 2016 the Company executed the Ninth Amending Agreement to the Loan Agreement, which became effective August 19, 2016, in order to restructure the balances due under the current short term loan into a new loan term loan (the "**Restructure Amount**") with maturity date of March 31, 2018. The Restructure Amount will accrue interest at the reduced rate of 12% per annum.

The Ninth Amending Agreement to the Loan Agreement reduced the interest rate per annum and extended the maturity of the loan. In addition, the measurement of the cash flows associated with the Restructure Amount resulted in an effective interest of 12%, a rate significantly lower than the rate determined for the original loan. These factors represent a substantial modification of the original terms of the loan therefore resulting in the extinguishment of the existing liability and the recognition of a new liability. Both the reduction in the interest per annum and the extension of maturity constitute concessions granted by the Lender for which the Company has paid an additional consideration to the Lender by issuing common shares.

The carrying value of Short Term Loan at extinguishment date was as follows:

(US$000's)	August 19, 2016	December 31, 2015
Loan advances	34,000	27,000
Accrued interest (1)	7,148	3,405
Short term loan and interest extinguished	41,148	30,405

(1) The Company has previously disclosed short term loan accrued interest as part of Accounts payable and accrued liabilities in the Consolidated Statement of Financial Position. See also *Note 9 - Accounts Payable and Accrued Liabilities*.

In consideration for agreeing to the loan restructuring terms, on September 9, 2016, the Company issued: (i) to Vitol, 75,404,975 Common Shares in the capital of the Company and 75,404,975 Warrants; and (ii) to Ingalls & Snyder LLC (**"I&S"**), a lender under the Vitol loan, 10,574,942 Common Shares and 10,574,942 Warrants. The Common Shares are subject to resale restrictions expiring four months from the date of issuance. See also *Note 14 – Warrants and Note 15 – Shareholder's Equity*.

The Company issued the Common Shares at a price of CAD$0.21 (USD$0.16) per common share. For the three and nine months ending September 30, 2016 the Company recorded Other Financing Costs of $13.8 million for the value of Common Shares issued as consideration for the restructuring.

12. LONG TERM LOANS

On August 9, 2016 the Company executed the Ninth Amending Agreement to the Loan Agreement, which became effective August 19, 2016, in order to restructure the balances due under the current short term loan into a new long term loan with maturity date of March 31, 2018. The loan is secured by first priority liens on the existing and future assets of the Company and the Guarantors.

Restructured Vitol Long Term Loan

Pursuant to the terms of the Loan Agreement and Ninth Amending Agreement, the Company restructured the debt into a new loan with a principal balance of $41.1 million, maturity date of March 31, 2018 and interest accruing at the rate of 12% per annum. The new loan carries no additional fees or transaction costs and is measured at amortized cost using an effective interest rate of 12%.

Long Term Loan Related Party

As result of the common shares issued to Vitol in consideration for loan restructuring, Vitol became a controlling insider of the Company with ownership of 49.1% of the issued and outstanding common shares thereby making Vitol a related party. The carrying value of the related party long term loan with Vitol is as follows:

(US$000's)	September 30, 2016	December 31, 2015
Loan related party	41,148	-
Accrued interest	582	-
Long term loan related party and interest	41,730	-

Additional Loan Agreements

The Company secured additional advances from a consortium of lenders ("**Consortium of Lenders**") in the amount of $3.0 million (the "**Additional Loan Agreements**"). The Additional Loan Agreements are subject to the same terms as the restructured Long Term Loan with Vitol having the same maturity date of March 31, 2018 and accruing interest at the same rate of 12% per annum also due at maturity date. A structuring fee related to certain lenders in the consortium of $61 thousand was also paid. Pursuant to the terms of the Additional Loan Agreements, the lenders received 1.2 Common Shares for each USD$1.00 of principal loaned to the Company for an aggregate of 3,630,000 common shares issued at a price of CAD$0.21 (USD$0.16) per common share for an aggregate value of $585 thousand to be accreted over the life of the loan. The Additional Loan Agreements are measured at amortized cost and accreted up the principal balance at maturity using an effective interest rate of 27.7%. The Additional Loan Agreements carrying value is as follows:

(US$000's)	September 30, 2016	December 31, 2015
Additional loans (1)	3,025	-
Accrued interest	24	-
Unamortized share consideration	(567)	-
Carrying value of additional loans (1)	2,482	-

(1) Five insiders of the Company provided $550 thousand of the funding under the Additional Loan Agreements. As at September 30, 2016 the carrying value of $453 thousand from new loans funded by insiders was disclosed as part of the balance of Long Term Loans Related Party in the Condensed Consolidated Statement of Financial Position.

For the three and nine months ended September 30, 2016, the Company recorded $61 thousand in structuring fees which are amortized over the life of the Additional Loan Agreements.

Settlement of Long Term Loan-2

On June 27, 2014 the Company closed a $21 million loan facility with Heaney ("**Loan-2**"). At December 31, 2015 the Company had completed drawdown of $20.8 million on Loan-2. Pursuant to the terms of Loan-2, the Company was entitled to draw up to an aggregate of $21 million as needed for the purposes of funding obligations under the Bahar Energy Shareholders' Agreement to meet the capital needs of the Bahar Project. Loan-2 incurred a 0.15% commitment fee and accrued interest at a rate of 12% per annum compounded quarterly, both principal and accrued interest matured on June 30, 2018.

On April 12, 2016 the Company entered into the Definitive Agreement with Heaney to settle all amounts outstanding under Loan-2 which included principal in the amount of $20.8 million and accrued interest. Pursuant to the Definitive Agreement, on September 9, 2016 Greenfields issued 11,500,000 Common Shares to Heaney at a price of CAD$0.21 (USD$0.16) per common share for the aggregate amount of $1.9 million; paid a success fee to an agent for negotiating the terms of the Definitive Agreement which consisted of a cash payment of $1.0 million and the issuance of 500,000 Common Shares at a price of CAD$0.21 (USD$0.16) per common share for the aggregate value of $81 thousand.

The carrying value of Loan-2 at settlement date was as follows:

(US$000's)	September 9, 2016	December 31, 2015
Loan-2 advances	20,835	20,835
Accrued interest	5,155	3,434
Loan-2 principal and interest at settlement date	25,990	24,269
Value of common shares issued in settlement	(1,853)	-
Gain on settlement of Loan-2	24,137	

For the three and nine months ended September 30, 2016, the Company recorded expenses in the amount of $1.1 million in connection with the success fee paid in cash and common shares to an agent for negotiating the terms of the Definitive Agreement and recorded a gain of $24.1 million in connection with the settlement of Loan-2.

13. SETTLEMENT OF CONVERTIBLE DEBENTURES

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

The Debentures could not be redeemed by the Company prior to May 31, 2015. On or after June 1, 2015 and prior to the Maturity Date, the Debentures could be redeemed by the Company, in whole or in part, from time to time, at a price equal to the principal amount thereof, plus accrued and unpaid interest, at the Company's sole option provided that the common share current market price on the date on which notice of redemption is given is not less than 125% of the Conversion Price (CAD$8.55) or CAD$10.69 per common share of the Company. The Company had the option to satisfy its obligations to repay the principal amount of the Debentures upon redemption or at maturity by issuing and delivering that number of freely tradable common shares obtained by dividing the principal amount of the Debentures by 95% of the common share current market price on the date fixed for redemption or maturity, as the case may be.

On June 30, 2015 the Company secured temporary relief from its May 31, 2015 $0.9 million interest payment as stipulated by the Indenture governing the Debentures by way of a waiver from the holders of more than 50% of the principal amount of the Debentures. Pursuant to the waiver, the May 31, 2015 interest payment was deferred until the earlier of: (i) December 30, 2015; and (ii) 15 business days after the receipt by GPIC of payment from Bahar Energy Limited of at least US$9.0 million towards the balance of Default Loans due.

On June 30, 2016, after receiving further interest payment waivers from debentureholders, the Company deferred outstanding accrued interest payable until the earlier of; 30 days after the next November 30, 2016 interest payment due date; and 15 business days (in Alberta, Canada) after the receipt by GPIC of payment from BEL of at least $9,000,000 due under the outstanding Default Loan Agreements which were entered between GPIC, as lender, and BEL. Per the Indenture, the deferred interest payments accrued interest at 9.0% per annum.

In connection with the Restructuring Transaction, on August 18, 2016 the Company obtained the approval of debentureholders for the conversion of the CAD$23,725,000 aggregate principal amount of outstanding Debentures and accrued interest into 1,397 common shares for each CAD$1,000 face value Debenture. The Debentures were delisted from the TSXV on August 25, 2016 and the Debenture Conversion was completed on August 26, 2016 with a total of 33,143,825 common shares issued to former debentureholders at a price of CAD$0.30 (USD$0.23) per common share.

The carrying value of Debentures at settlement date was as follows:

(US$000's)	August 26, 2016	December 31, 2015
Value of Debentures	17,124	15,132
Accrued interest	3,027	1,718
Unamortized transaction costs	239	339
Unaccreted costs	962	1,671
Value of Debentures at settlement	21,352	18,860
Value of common shares issued at conversion	(7,680)	-
Gain on settlement of Debentures	13,672	-

For the three and nine months ended, September 30, 2016 the Company recorded a gain of $13.7 million in connection with the settlement of the Debenture Conversion.

14. WARRANTS

In connection with the completion of the Restructuring Transaction, the Company issued 85,979,917 Common Share purchase warrants to the lenders under the Vitol loan.

The Warrants have the following terms: (i) each Warrant shall entitle the holder thereof to purchase a Common Share at an exercise price of $0.375 per Common Share; (ii) Warrants will only vest in the event of a dilutive issuance of securities by Greenfields and only as to such number of Warrants as are necessary to maintain each of the holder's equity position in Greenfields; (iii) all rights to unvested Warrants will terminate upon the earlier of: (A) the maturity date under the Loan Agreement, being March

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

31, 2018; and (B) the date on which all amounts owing under the loan with Vitol are repaid in full; and (iv) all vested Warrants may be exercised at any time, and from time to time, for a period of five years from the date of their issuance.

The Company estimates approximately 5% or no more than approximately 4.4 million Warrants will vest during the life of these instruments and has valued each Warrant likely to vest at CAD$0.10 (USD$0.08) using a binomial model with the following assumptions:

	September 30, 2016
Market price per common share – CAD$	0.21
Risk-free interest rate range	0.71%
Expected life – years	5
Expected volatility	77%
Estimate of common shares issuable at exercise	4,366,971

For the three and nine months ended September 30, 2016, the Company recorded an expense for the fair value of warrants issued of $354 thousand and accrued a contingent liability which will be fair valued at each reporting date with adjustments recorded through profit and loss.

15. SHAREHOLDER'S EQUITY

Authorized Share Capital (1)

Authorized share capital of the Company consists of 499,900,000 common shares and 100,000 preferred shares, each at US $.001 par value.

(1) An increase in the authorized share capital of the Company was approved by the shareholders on August 18, 2016.

Common Shares

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

Preferred Shares

The Board may issue Preferred Shares at any time and from time to time in one or more series. The Board has the authority to issue Preferred Shares in series and determine the price, number, designation, rights, privileges, restrictions and conditions, including dividend rights, conversion rights, and rights with respect to the distribution of assets in the event of the dissolution or winding up of the Corporation and preferential rights, of each series without further vote or action by shareholders.

There were no preferred shares issued and outstanding at September 30, 2016 and December 31, 2015.

Common shares continuity schedule:

Outstanding common shares *US$000's, except for share numbers*	Number of Common Shares	Amount
As at December 31, 2015	22,105,438	76,957
Issued on debt restructuring	85,979,917	13,854
Issued on conversion of Debentures	33,143,825	7,679
Issued on settlement of Loan-2	12,000,000	1,934
Issued on Additional Loans	3,630,000	585
As at September 30, 2016	156,859,180	101,009

Reconciliation of inception-to-date issued and outstanding common shares

	September 30, 2016	December 31, 2015
Issued	156,973,552	22,219,810
Shares acquired by company	(125,405)	(125,405)
Shares re-issued after acquisition	11,033	11,033
Total Outstanding	156,859,180	22,105,438

Per Share Information

Per share income(loss) *(US$000's, except for per share amounts)*	Three Months Ended September 30,		Nine Months Ended September 30,	
	2016	2015	2016	2015
Weighted average number of common shares outstanding	59,372,784	22,105,438	31,498,851	22,464,536
Income(loss) for the period	109,945	(1,676)	103,792	(6,022)
Basic and diluted income(loss) per share	$1.85	($0.08)	$3.30	($0.27)

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 period that the equity instruments were outstanding. For the nine months ended September 30, 2016, 1,120,000 outstanding share options and 85,979,917 outstanding warrants (September 30, 2015 – 1,187,083 share options) were excluded from calculating dilutive earnings per share as they were anti-dilutive.

Issued on debt restructuring

On September 9, 2016 the Company issued 75,404,975 Common Shares to Vitol and 10,574,942 Common Shares to Ingalls & Snyder LLC at a price of CAD$0.21 (USD$0.16) per common share.

Issued on conversion of Debentures

On August 26, 2016 the Company issued 33,143,825 Common Shares at a price of CAD$0.30 (USD$0.23) per common share for the conversion of Debentures.

Issued on settlement of Loan-2

On September 9, 2016 the Company issued 11,500,000 Common Shares to Heaney for settlement of Loan-2 under the Definitive Agreement and 500,000 Common Shares to an agent, both issued at a price of CAD$0.21 (USD$0.16) per common share.

Issued on Additional Loans

On September 9, 2016 the Company issued 3,630,000 Common Shares to a Consortium of Lenders at a price of CAD$0.21 (USD$0.16) per common share.

Private Placement

On January 22, 2015 the Company completed a non-brokered private placement of 2,000,000 common shares of the Company at a price of CAD$1.11 per share (USD$0.90) for aggregate gross proceeds of $1.8 million.

Share Awards

On February 20, 2015 the Company issued an aggregate of 55,685 common shares of the Company at a deemed price of CAD$1.00 (USD$0.862) per common share, to certain directors of the Company in satisfaction of fees payable to such directors in the aggregate amount of CAD$55,685 (USD$48,000).

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

Acquisition of common shares

In February 2015 the Company acquired 5,224 common shares at an average fair market value of CAD$0.80 per share from certain employees as a result of share grants vesting. The Company's share grant agreement provides the opportunity for employees to pay cash or sell to the Company a number of shares equivalent to their statutory withholding tax amount due at vesting date in order to reimburse the Company for remitting the employees' withholding tax obligation to the US Internal Revenue Service. Furthermore, the Company is authorized to withhold from participants any amounts due either in cash or shares for any applicable taxes payable at the minimum statutory rate in respect of the share grant awards. Subsequent to its acquisition, these common shares were cancelled by the Company.

As at September 30, 2016 and December 31, 2015, the Company did not hold any common shares in treasury.

16. SHARE BASED PAYMENTS

	Three Months Ended September 30,		Nine Months Ended September 30,	
US$000's	2016	2015	2016	2015
Share options	5	64	29	160
Share awards	-	-	-	180
Total share settled	5	64	29	340
Contingent share-based bonus [(1)]	(5)	24	(4)	54
Restricted cash bonus awards – cash settled [(1)]	(56)	-	(44)	-
Total share-based payments	(56)	88	(19)	394

[(1)] Amounts reflect obligations accrued for these awards during the referenced periods, not actual cash amounts paid out by the Company. See "*Restricted Share Awards*" and *"Restricted Cash Bonus Program"* below.

The share-based payments recorded by the Company are associated with share options, restricted share grants and share-based bonuses. Share-based payment expenses for the three and nine months ended September 30, 2016 were ($56) thousand and ($19) thousand, respectively (September 30, 2015 - $88 thousand and $394 thousand, respectively).

Share Options

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

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

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

Risk-free interest rate range	0.5% - 2%
Expected life range	1.1 - 4.0 years
Expected volatility range	40% - 66%
Weighted average forfeiture rate	1.7%
Weighted average fair value	$1.81

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

Continuity of Stock Options

	September 30, 2016		December 31, 2015	
	Number of shares underlying options	Average exercise price (CAD$)	Number of shares underlying options	Average exercise price (CAD$)
Outstanding, beginning of period	1,187,083	2.27	1,796,250	5.88
Granted	-	-	400,000	0.35
Surrendered	-	-	(720,000)	6.79
Forfeited	(67,083)	3.10	(289,167)	10.77
Outstanding, end of period	1,120,000	2.22	1,187,083	2.27
Exercisable, end of period	1,078,750	2.18	757,083	2.30

On July 8, 2015 the Company granted options to acquire 400,000 common shares of the Company 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 July 8, 2015. A total of 252,500 options vested at grant date while the remaining 147,500 options were set to vest nine months after grant date.

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

The exercise prices of the outstanding share options ranges from CAD$0.35 to CAD$6.50 per common share with all options expiring on various dates between years 2016 and 2020. The exercisable options as at September 30, 2016 have remaining contractual lives up to 3.9 years.

For the three and nine months ended September 30, 2016, the Company recorded share options expense of $5 thousand and $29 thousand, respectively (September 30, 2015 - $64 thousand and $160 thousand, respectively). The share options expense is offset to the Company's share-based payment reserve.

Restricted Share Awards

A total of 416,000 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 vested 50% on each of July 1, 2014 and 2015. For the three and nine months ended September 30, 2016, the Company recorded share-based payment expense of $nil (September 30, 2015 - $nil and $180 thousand, respectively).

On January 12, 2015 the Company awarded the right to 500,490 common shares to certain employees and consultants as a contingent bonus. The right to such common shares will 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 vesting date, with the value of common share determined by the closing price of the Company's common shares at such vesting date. These rights have been valued at the price of CAD$0.28 (USD$0.21) for a total share award expense of $103 thousand and accrued as contingent liabilities at December 31, 2015. The liability is also fair valued at each reporting date with adjustments recorded through profit and loss.

The estimated liability for the contingent bonus at September 30, 2016 was $59 thousand (December 31, 2015 - $103 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 interest in the Company.

The FVBCB incentive awards vest in three tranches, 1/3 on each January 1 of the year immediately following the grant date and have a cash settlement on such vesting dates. The 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, 2016 was $180 thousand (December 31, 2015 - $184 thousand).
On January 20, 2015 the Company awarded 107,866 FVBCB units (the "**Deferral Bonus Units**") to directors, officers and employees as incentive for the deferral of 94,533 units vesting on January 1, 2015 (the "**Original Vesting Date**"). The deferral bonus units originally had a vesting date of January 1, 2016 (the "**Deferral Vesting Date**") and would be settled at the share price of the Company's common share on either the Original Vesting Date or the Deferral Vesting Date, whichever share price was higher. The Deferral vesting date for both awards has been further deferred until the first to occur of the following: January 1, 2017; the date of a change of control of the company; or such earlier Deferred Vesting Date as determined by the board.

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

The estimated ABCB liability at September 30, 2016 was $nil (December 31, 2015 - $nil).

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

Grant Date	FVBCB Units	ABCB Units	ABCB Units			
			Grant Price $CAD	Exercisable	Expiration Date	Remaining Contractual Life - Years
June 4, 2012	38,334	122,500	4.80	122,500	June 4, 2017	0.7
Sept. 4, 2012	3,333	10,000	5.65	10,000	June 4, 2017	0.9
Oct. 5, 2012	6,667	30,000	5.30	30,000	Oct. 5, 2017	1.0
Dec. 1, 2012	1,200	3,600	4.80	3,600	Dec. 1, 2017	1.2
Dec. 24, 2012	90,000	160,000	3.50	160,000	Dec. 24, 2018	2.2
Jan.1, 2015	107,866	-	-	-	-	-
	247,400	326,100		326,100		

For the three and nine months ended September 30, 2016, the Company recorded restricted cash bonus expense of ($5) thousand and ($4) thousand, respectively (September 30, 2015 – $24 thousand and $54 thousand, respectively).

Share-based payments reserve	
US$000's	Amount
Balance December 31, 2015	5,466
Stock options share-based payments	30
Balance September 30, 2016	5,496

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17. INTEREST INCOME AND INTEREST EXPENSE

	Three Months Ended September 30,		Nine Months Ended September 30,	
US$000's	2016	2015	2016	2015
Interest income [(1)]	1,955	1,037	3,420	2,631
Interest expense – short term loan [(2)]	(834)	(1,829)	(3,743)	(5,112)
Interest expense – convertible debentures [(3)]	(1,736)	(737)	(3310)	(2,195)
Interest expense – long term loans [(4)]	(1,098)	(697)	(2,346)	(1,984)
	(1,713)	(2,226)	(5,979)	(6,660)

[(1)] Interest income charged to Bahar Energy in connection with Default Loans. The accumulated interest on Default was included as consideration paid for the Acquisition Transaction on August 9, 2016. Therefore, the related account receivable balance was also extinguished. See *Note 6 - Short Term Loan Receivable from Related Party.*

[(2)] Interest expense on short term loan includes interest and amortization of transaction costs. The accumulated interest on short term loan was included as part of the Restructuring Transaction dated August 19, 2016. Therefore, the related account payable balance was also extinguished. See *Note 10 – Extinguishment of Short Term Loan.*

[(3)] Interest expense on convertible debentures included accretion, coupon interest, amortization of transaction costs, and interest on defaulted payments. The accumulated interest on debentures was included as part of the debentures conversion dated August 26, 2016. Therefore, the related account payable balance was also extinguished. See *Note 13 – Settlement of Convertible Debentures*.

[(4)] Includes interest expense on Long Term Loan-2 and interest expenses on long term loans post restructuring. The accumulated interest payable on Loan-2 was included as part of the loan settlement transaction dated September 9, 2016, therefore the related account payable balance was extinguished. See *Note 12 – Settlement of Loan Term Loan-2*. For the three and nine months ended September 30, 2016, the Company recorded interest and accretion expense of $624 thousand in relation to the Restructured Vitol Loan Term Loan and Additional Loan Agreements.

18. SEGMENT INFORMATION

The Company's reportable and geographical segments are Azerbaijan and Corporate and Other. Other includes the Company's corporate offices and new venture business development activities outside of Azerbaijan. The accounting policies used for the reportable segments are the same as the Company's accounting policies.

Total Assets and Liabilities

(US$000's)	September 30, 2016			December 31, 2015		
	Azerbaijan	Corporate and Other	Total	Azerbaijan	Corporate and Other	Total
Current assets	12,127	1,614	13,741	-	27,445	27,445
Non-current assets	-	-	-	62,077	-	62,077
Capital assets	189,812	-	189,812	-	1	1
Total assets	201,939	1,614	203,553	62,077	27,446	89,523
Current liabilities	(12,630)	(2,284)	(14,914)	-	(33,923)	(33,923)
Non-current liabilities	-	(44,566)	(44,566)	-	(39,401)	(39,401)
Total liabilities	(12,630)	(46,850)	(59,480)	-	(73,324)	(73,324)

Capital Expenditures

	Period ended					
(US$000's)	September 30, 2016			December 31, 2015		
	Azerbaijan	Corporate and Other	Total	Azerbaijan	Corporate and Other	Total
Capital Expenditures	1,617	-	1,617	-	-	-

Condensed Consolidated Statements of Comprehensive Income (Loss) by Segment

	Three months ended					
(US$000's)	September 30, 2016			September 30, 2015		
	Azerbaijan	Corporate and Other	Total	Azerbaijan	Corporate and Other	Total
Revenues						
Petroleum and natural gas [1]	5,470	-	5,470	-	-	-
Management services fees	-	200	200	-	356	356
	5,470	200	5,670	-	356	356
Expenses [1]						
Operating	2,692	-	2,692	-	-	-
Transportation	24	-	24	-	-	-
Administrative	-	2,281	2,281	-	1,491	1,491
Depreciation and amortization	1,774	-	1,774	-	1	1
	4,490	2,281	6,771	-	1,492	1,492
Income (Loss) from operating activities	980	(2,081)	(1,101)	-	(1,136)	(1,136)
Income on investment in Joint Venture [1]	341	-	341	474	-	474
Income from fair value of future dividends	-	8,467	8,467	-	-	-
Interest income	-	1,955	1,955	-	1,037	1,037
Interest expense	-	(3,668)	(3,668)	-	(3,263)	(3,263)
Other financing costs	-	(13,854)	(13,854)	-	-	-
Gain on acquisition	-	81,524	81,524	-	-	-
Gain on settlement of LT Loan	-	24,137	24,137	-	-	-
Gain on settlement of debentures	-	13,672	13,672	-	-	-
Impairment	(1,069)	-	(1,069)	-	-	-
Foreign exchange gain(loss)	-	(105)	(105)	-	1,212	1,212
Change in fair value of derivative liability	-	-	-	-	-	-
Fair value of warrants issued	-	(354)	(354)	-	-	-
Net income(loss)	252	109,693	109,945	474	(2,150)	(1,676)

Condensed Consolidated Statements of Comprehensive Income (Loss) by Segment

	Nine months ended					
(US$000's)	September 30, 2016			September 30, 2015		
	Azerbaijan	Corporate and Other	Total	Azerbaijan	Corporate and Other	Total
Revenues						
Petroleum and natural gas [1]	5,470	-	5,470	-	-	-
Management services fees	-	809	809	-	1,163	1,163
	5,470	809	6,279	-	1,163	1,163
Expenses [1]						
Operating	2,692	-	2,692	-	-	-
Transportation	24	-	24	-	-	-
Administrative	-	4,325	4,325	-	4,110	4,110
Depreciation and amortization	1,774	1	1,775	-	33	33
	4,490	4,326	8,816	-	4,143	4,143
Income(Loss) from operating activities	980	(3,517)	(2,537)	-	(2,980)	(2,980)
Income on investment in Joint Venture [1]	992	-	992	1,203	-	1,203
Income from fair value of future dividends	-	8,467	8,467	-	-	-
Interest income	-	3,420	3,420	-	2,631	2,631
Interest expense	-	(9,399)	(9,399)	-	(9,291)	(9,291)
Other financing costs	-	(13,854)	(13,854)	-	-	-
Gain on acquisition	-	81,524	81,524	-	-	-
Gain on settlement of LT Loan	-	24,137	24,137	-	-	-
Gain on settlement of debentures	-	13,672	13,672	-	-	-
Impairment	(1,069)	-	(1,069)	-	-	-
Foreign exchange gain(loss)	-	(1,207)	(1,207)	-	2,388	2,388
Change in fair value of derivative liability	-	-	-	-	27	27
Fair value of warrants issued	-	(354)	(354)	-	-	-
Net income(loss)	903	102,889	103,792	1,203	(7,225)	(6,022)

[1] With the closing of the Acquisition on August 9, 2016, BEL became a wholly-owned subsidiary of the Company resulting in the consolidation of the operating results of BEL post acquisition date. Prior to the Acquisition, the Company's 33.33% share of BEL was accounted for under the equity method of accounting and reported separately as income or loss on Investment in Joint Venture in the Consolidated Statement of Comprehensive Income (Loss) of the Company.

Major customers

For the three and nine months ended September 30, 2016, petroleum and natural gas entitlement revenues of $5.5 million and $5.5 million, respectively, (September 30, 2015 – $nil and $nil, respectively) were sold to a single customer, SOCAR, the State Oil Company of Azerbaijan. Prior to closing the Acquisition on August 9, 2016, the Company's 33.33% share of BEL petroleum and natural gas revenues was recorded through Income or loss in Investment in Joint Venture in the Consolidated Statement of Comprehensive Income or Loss.

For the three and nine months ended September 30, 2016, the Company recorded $0.2 million and $0.8 million, respectively, (September 30, 2015 - $0.4 million and $1.2 million, respectively) in management service fees for management, administrative and technical support services provided at cost to BEOC. See also *Note 5 – Accounts Receivable.*

Impairment

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 is obligated to begin funding their 20% share of the Contract Rehabilitation Area starting the next calendar quarter subsequent to the date TPR2 was achieved and BEL is relieved of the obligation to carry SOA's 20% share of petroleum costs under Carry 1 provisions of the ERDPSA. However, SOA has failed to fund any cash calls issued by the operating company subsequent to TPR2 achievement. With TPR2 met by the operating company, BEL has no further contractual obligation to continue the carry of SOA under the ERDPSA. Under the Joint Operating Agreement ("**JOA**"), both BEL and SOA, as contractors to the ERDPSA, are obligated to fund their proportionate share of petroleum costs through cash calls issued by the operating company. Any contractor party failing to fund its participating interest shall be in default under the JOA and the non-defaulting contractor party shall contribute their proportional amount in default, in this case BEL would fund 100% of the SOA defaulted amount. The amounts funded by BEL for the account of SOA under the JOA results in overfunding of its proportionate share of petroleum costs and an underfunding by SOA. The remedy of the contractual default under the JOA by SOA is to make payment of the default amount to the operating company, which in turn has a responsibility to reimburse BEL for the overfunding.

As at September 30, 2016 the Company recorded a $1.1 million receivable from SOA in connection with BEL's funding of SOA's share of project expenditures during the period August 9, 2016 through September 30, 2016. As negotiations with SOA are ongoing to determine the collectability of this and other amounts due from SOA, the Company has recorded an impairment provision of $1.1 million for the SOA receivable until such time as an acceptable resolution can be agreed.

19. SUPPLEMENTAL CASH FLOW INFORMATION

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

	Three Months Ended September 30,		Nine Months Ended September 30,	
US$000's	2016	2015	2016	2015
Trade receivables	353	-	353	-
Receivables from related parties	(153)	(49)	59	1,144
Advances for operating activities	20	-	20	-
Other receivable	(1,114)	-	(1,110)	11
Prepaid expenses and deposits	(46)	391	(55)	303
Inventories	36	-	36	-
Accounts payable and accrued liabilities	(128)	151	406	(234)
	(1,032)	493	(291)	1,224

20. COMMITMENTS AND CONTINGENCIES

The following is a summary of the Company's contractual obligations and commitments as of September 30, 2016:

US$000's	**2016** [1]	**2017** [1]	**Thereafter**
Operating leases [1]	12	47	-
Long term loans – interest	-	6,000	2,548
Long term loans - principal	-	-	44,173
	12	6,047	46,721

[1] The Company has extended its lease of office space for its corporate headquarters in the United States through December 2017.

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 at the Steering Committee by contractor parties representing an 80% or greater ownership interest before submission to SOCAR. With Bahar Energy holding an 80% controlling interest in the ERDPSA and now being a wholly-owned subsidiary of the Company, the Company maintains control of the approval of the annual WP&B.

21. FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT

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

a) Credit risk

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

As at September 30, 2016, the Company's accounts receivable primarily consists of receivables from petroleum and natural gas sales to SOCAR, with collections generally occurring in 30 to 90 days. The Company historically has not experienced any collection issues with its accounts receivable and all of the balances due are considered by management to be collectable at September 30, 2016.

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 are 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 the statement of financial position date is as follows:

Credit Risk

US$000's	September 30, 2016 [1]	December 31, 2015
Cash and cash equivalents	1,460	100
Trade receivables	9,443	-
Receivables from related parties	358	416
Short term loans receivable from related parties	-	26,884
Other receivable	240	-
Advances for operating activities	926	6
	12,427	27,406

(1) Balances after the effect of Acquisition and Restructuring Transaction as described in *Note 1 – Incorporation and Nature of Operations*.

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's current cash balance of $1.4 million does not allow for meeting its ongoing obligations, thereby requiring additional funding to continue providing working capital for the Bahar project and corporate purposes. The timing or likelihood of such funding is uncertain. See also *Note 2 – Basis of Presentation and Going Concern.*

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

The Company's financial liabilities as at September 30, 2016 and December 31, 2015 arose primarily from corporate obligations and payables from BEOC. Payment terms on accounts payable and accrued liabilities are typically 30 to 60 days from invoice date and generally do not bear interest.

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The following table summarizes the remaining contractual maturities of the Company's financial liabilities at September 30, 2016:

Liquidity Risk	September 30, 2016 [1]				December 31, 2015
US$000's	Within 1 year	Within 1 – 3 years	Over 3 years	Total	Total
Accounts payable and accrued liabilities	14,914	-	-	14,914	1,799
Short term loan – interest	-	-	-	-	4,651
Short term loan	-	-	-	-	27,000
Long term loans – interest [2]	6,000	2,548	-	8,548	9,681
Long term loans - principal [2]	-	44,173	-	44,173	20,835
Debentures - interest	-	-	-	-	3,903
Debentures	-	-	-	-	17,143
	20,914	46,721	-	67,635	85,012

(1) Reflects the Company's contractual obligations after the effect of both Acquisition and Restructuring Transactions as described in *Note 1 – Incorporation and Nature of Operations*.
(2) Represents principal and accrued interest on long term loans with original maturity date of March 31, 2018. See *Note 12 - Long Term Loans.*

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 September 30, 2016 and December 31, 2015 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.

As at September 30, 2016 and December 31, 2015 the Company has no outstanding financial instruments, financial derivatives or physical delivery contracts subject to commodity price risk. Purchases and sales of financial assets are recognized on the settlement date, the date on which the Company receives or delivers the asset.

e) Interest rate risk

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

At September 30, 2016 the sensitivity in net earnings for each one percent change in interest rates is not significant.

Fair value of financial instruments

The fair values of financial instruments as at September 30, 2016 and December 31, 2015 are disclosed below by financial instrument category as follows:

		September 30, 2016 (1)		December 31, 2015	
US$000's	Level	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Assets at FVTPL					
Cash and cash equivalents	1	1,460	1,460	100	100
Restricted Cash	-	-	-	-	-
Loans and receivables					
Trade Receivables		9,443	9,443	-	-
Receivables from related party (2)	-	358	358	416	416
Short term loans receivable related party		-	-	26,884	26,884
Other receivables	-	240	240	6	6
Advances for Operating activities		926	926	-	-
Other financial liabilities					
Accounts payable and accrued liabilities	-	14,675	14,675	6,635	6,635
Short term loan	-	-	-	27,000	27,000
Long term loans		44,212	44,212	24,269	24,269
Convertible debentures	-	-	-	15,132	15,132
Liabilities at FVTPL					
Share based bonus	2	239	239	287	287
Warrants	2	354	354	-	-

(1) Balances after the effect of Acquisition and Restructuring Transaction as described in *Note 1 – Incorporation and Nature of Operations*.

(2) Balances consist of receivables from BEOC resulting from amounts invoiced on "Affiliate Service Orders" **(**"**ASO**"), Personnel Secondment Agreements and other direct legal, finance and commercial support.

Fair Value Hierarchy

Level 1 – Fair value measurement is determined by reference to unadjusted quoted prices in active markets for identical assets or liabilities.

Level 2 – Fair value measurement is based on inputs other than unadjusted quoted prices that are observable, either directly or indirectly.

Level 3 – Fair value measurement using inputs for the asset or liability that are not based on observable market data.

22. CAPITAL STRUCTURE AND MANAGEMENT

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

Composition of the Company's capital structure *US$000's*	September 30, 2016 [1]	December 31, 2015
Working Capital	(1,173)	(6,478)
Long term loans, convertible debt and shareholders' equity	188,285	55,600
Ratios of working capital to long term loan, convertible debt and shareholders' equity	(1%)	(12%)

[1] Balances after the effect of Acquisition and Restructuring Transaction as described in *Note 1 – Incorporation and Nature of Operations*.

23. SUBSEQUENT EVENTS

Share Options Granted

On October 13, 2016 the Company granted options to acquire 400,000 common shares of the Company pursuant to its stock option plan to two contractors. The options are exercisable at a price of CAD$0.24 per common share and will expire 5 years from the grant date.