



Management's Discussion and Analysis

For the quarter ended September 30, 2016

(U.S. Dollars)

Management's Discussion and Analysis

This Management's Discussion and Analysis ("MD&A") for Greenfields Petroleum Corporation ("Greenfields" or the "Corporation") should be read in conjunction with the unaudited condensed consolidated financial statements and notes thereto for the three and nine months ended September 30, 2016 and the audited consolidated financial statements and notes thereto for the year ended December 31, 2015. Additional information relating to Greenfields is available on SEDAR at www.sedar.com and on the Corporation's website at www.greenfields-petroleum.com. Unless stated otherwise, all references to monetary values are in the United States dollar. This document is dated November 29, 2016.

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

SPECIAL NOTE REGARDING FORWARD-LOOKING STATEMENTS

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

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

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

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

BUSINESS OF THE CORPORATION AND OPERATIONS

The Corporation is a junior oil and natural gas exploration and development corporation focused on the development and production of proven oil and gas reserves principally in the Republic of Azerbaijan ("Azerbaijan"). The board of directors and management of the Corporation are experienced in financing,

developing and operating international oil and gas fields, and possess the requisite technical skills and business acumen to operate in diverse international environments.

The Corporation 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 Corporation of Azerbaijan ("**SOCAR**") and its affiliate SOCAR Oil Affiliate ("**SOA**") in respect of the offshore block known as the Bahar Project ("**Bahar Project**"), which consists of the Contract Rehabilitation Area ("**Contract Rehabilitation Area**", "**CRA**") including the Bahar Gas Field and the Gum Deniz Oil Field and the Exploration Area ("**Exploration Area**").

Bahar Energy has an 80% participating interest and SOA has a 20% participating interest in the ERDPSA (together the "**Contractors** or **Contractor Parties**"). Bahar Energy formed Bahar Energy Operating Corporation Limited ("**BEOC**" or "**Operator**") for the 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 Corporation, through its wholly-owned subsidiary, Greenfields Petroleum International Company Ltd. ("**GPIC**"), completed the acquisition of Baghlan's 66.67% 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 \$60.7 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, at which time the Corporation began accounting for its interest in BEL on a 100% consolidated basis. Prior to the Acquisition, the results from the Corporation's 33.33% interest in BEL were accounted as an investment in joint venture using the equity method of accounting. For the third quarter and year-to-date 2016, the Corporation recorded a net gain on acquisition of \$81.5 million. Contemporaneous with the Acquisition, the Corporation also recognized as income the \$8.5 million present value of Baghlan's share of future dividends owed to the Corporation as a result of the Corporation funding Baghlan's default amounts.
- On August 9, 2016 the Corporation executed the Ninth Amending Agreement (the "**Ninth Amending Agreement**") to the loan agreement between Vitol Energy (Bermuda) Ltd. ("**Vitol**") and the Corporation (the "**Loan Agreement**"), which became effective August 19, 2016, in order to restructure the balances due under the Loan Agreement into a new long term loan (the "**Restructured Long Term Loan**") with maturity date of March 31, 2018 and reduced annual interest rate of 12 percent. In consideration for agreeing to the loan restructuring terms, on September 9, 2016, the Corporation issued lenders an aggregate of 85,979,917 common shares at the price of CAD\$0.21 (USD\$0.16) per common share, and 85,979,917 common share purchase warrants. For the third quarter and year-to-date 2016, the Corporation recorded an expense of \$13.8 million for the value of common shares issued.
- On September 9, 2016 the Corporation secured additional advances from a consortium of lenders ("**Consortium of Lenders**") in the amount of \$3.0 million (the "**Additional Loan Agreements**"). Pursuant to the terms of the Additional Loan Agreements, the Corporation issued 3,630,000 common shares to the Consortium of Lenders at the price of CAD\$0.21 (USD\$0.16) per common share for an aggregate amount of \$585 thousand. The Additional Loan Agreements carry the same March 31, 2018 maturity date and 12 percent interest rate as the Restructured Loan Term Loan.
- On August 18, 2016 the Corporation obtained the approval of debentureholders for the conversion of the CAD\$23,725,000 principal amount of outstanding debentures and accrued interest into 1,397 common shares of the Corporation for each CAD\$1,000 face value debenture. The debentures were delisted from the TSX Venture Exchange on August 25, 2016 and the debenture conversion was completed on August 26, 2016 with an aggregate of 33,143,825 common shares issued to debentureholders at a price of CAD\$0.30 (USD\$0.23) per common share. For the third

quarter and year-to-date 2016, the Corporation recorded a gain of \$13.7 million in connection with the settlement with debentureholders.

- On April 12, 2016 the Corporation entered into an agreement with Heaney Assets Corp. (“Heaney”) to settle all amounts outstanding under a long term facility (the “Loan-2”) which included principal balance due in the amount of \$20.8 million and accrued interest. Pursuant to the agreement, on September 9, 2016 the Corporation issued 11,500,000 Common Shares to Heaney at a price of CAD\$0.21 (USD\$0.16) per common share with a market value of \$1.9 million; and paid a success fee to an agent for negotiating the terms of the agreement with Heaney, 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 with a market value of \$81 thousand. For the third quarter and year-to-date 2016, the Corporation recorded expenses in the amount of \$1.1 million in connection with the success fee paid in cash and shares to an agent for negotiating the terms of the agreement and recorded a gain of \$24.1 million in connection with the settlement of the Loan-2.
- For the third and nine months ended September 30, 2016, the Corporation recorded one-time income and gains totaling \$113.6 million associated with the acquisition and restructuring transactions noted above, including the \$81.5 million gain on Acquisition, the \$8.5 million in income from discounted future dividends due from Baghlan and the \$23.6 million of net realized gains from debt restructuring transactions.

Third quarter and year-to-date 2016 financial results and operating highlights

- BEL’s entitlement sales volumes averaged 745 bbl/d for crude oil and 17,193 mcf/d for natural gas or 3,611 boe/d in the third quarter 2016 and 803 bbl/d for crude oil and 15,116 mcf/d for natural gas or 3,323 boe/d year-to-date 2016. In comparison to the average volumes for the same quarter in 2015, volumes decreased 40% for oil, increased 11% for natural gas and decreased 5% for boe/d, respectively. Year-to-date 2016 volumes decreased for oil by 22%, increased 2% for natural gas and decreased 5% for boe/d, respectively, when compared to the same period in 2015.
- The Corporation’s share of BEL entitlement sales volumes averaged 566 bbl/d for crude oil and 12,441 mcf/d for natural gas or 2,640 boe/d in the third quarter of 2016 and 374 bbl/d for crude oil and 7,292 mcf/d for natural gas or 1,590 boe/d year-to-date 2016. The third quarter and year-to-date volumes include the Corporation’s 33.33% share of BEL held prior to the completion of the acquisition of Baghlan’s 66.67% interest in BEL on August 9, 2016 and 100% of BEL thereafter.
- For the third quarter and year-to-date 2016, BEL realized an average oil price of \$40.86 and \$36.91, respectively. This reflects a decrease from \$43.19 per barrel and \$48.49 per barrel, respectively, for the same periods in 2015. The Corporation realized a natural gas price of \$3.96 per mcf for 2015 and 2016 as it is a contractually constant fixed price.
- For the third quarter and year-to-date 2016, the Corporation realized income of \$109.9 million and \$103.8 million, respectively, which represents income per share (basic and diluted) of \$1.85 and \$3.30, respectively. For the third quarter and year-to-date 2016, \$113.6 million of one-time net realized gains attributable to acquisition and restructuring transactions were included in income. In comparison with the same periods in 2015, the Corporation realized net losses of \$1.7 million and \$6.0 million, respectively, with a loss per share of \$0.08 and \$0.27, respectively.

Operating Highlights and Plans

- Gross production for the third quarter 2016 averaged 838 bbl/d and 19.8 mmcf/d or 4,131 boe/d. Production was impacted by the slower pace of executing scheduled workovers due to limited availability of crane barges as well as lower than expected post-workover production results.
- During the third quarter 2016, operating expenses were mainly in line with budget while capital expenditures were under budget as a result of capital projects being reduced in scope or delayed.

- At the end of the first quarter 2016, BEOC secured access to a crane barge to mobilize three workover rigs to the Bahar Gas Field thereby increasing the total number of active workover rigs in the Bahar and Gum Deniz fields to six.
 - In the Gum Deniz Oil Field, BEOC completed five workovers during the third quarter of 2016 and a total of twenty-two year-to-date. The resulting production additions helped stem production declines in producing wells. By the end of the third quarter of 2016, BEOC had three additional workovers in progress expecting completion by the middle of fourth quarter.
 - In the Bahar Gas Field, BEOC completed three successful workovers during the third quarter and year-to-date 2016. The workovers increased gross gas production by approximately 7.2 mmcf/d for a 20% increase over second quarter 2016 production. By the end of the third quarter of 2016, BEOC had two additional workovers in progress expecting completion by the middle of fourth quarter.
- BEOC continued progress on several construction projects during the third quarter, including platform refurbishment, causeway structure reinforcement and facility and HSE upgrades. BEOC's construction department performed most of the work, eliminating the need for third party contractors to perform these services thereby reducing constructions costs.
- The Bahar Gas Field static reservoir and geological model study completed in 2015 identified numerous workover and drilling opportunities. A new Gum Deniz static reservoir model was completed and delivered to BEOC by ERA consulting contractor during the second quarter 2016. The workovers identified by the studies have been prioritized on the basis of potential and well physical condition. BEOC contracted Arawak Energy to utilize and build upon previous ERA studies to create new 3D dynamic simulations for both Bahar and Gum Deniz fields which will be utilized to further high grade and prioritize workover, drilling and secondary recovery potential and to assist in optimizing reserves estimation. The Bahar Field study is expected to be completed by the end of year and Gum Deniz Field study during first quarter 2017.
- In August 2016 SOCAR notified BEOC of its intention to terminate and renegotiate the Gas Sale Agreement with BEOC. SOCAR has undergone substantial financial hardship for the past year as consequence of their domestic gas sales subsidies. This issue has resulted in SOCAR delaying payments for gas sales to companies in Azerbaijan like BEOC. BEOC is negotiating with SOCAR to identify potential offsetting financial compensation in the event that gas price is reduced. The ultimate outcome of these ongoing negotiations is uncertain, but both parties are working to resolve this issue by year end 2016.
- Assuming a satisfactory conclusion of the ongoing gas price negotiations with SOCAR, in 2017 BEOC is planning to focus on increasing gas production from the Bahar Gas Field through a series of recompletions of existing wells to improve project cash flows. Additionally, BEOC will initiate programs to further reduce field operating costs while maintaining HS&E standards. The completion of the detailed reservoir engineering modeling in Q1 2017 will allow for a revised Plan of Development for the Bahar and Gum Deniz fields to focus on the long term development of oil and natural gas resources and alternatives for testing exploration opportunities identified on the recently acquired 3D Seismic.

SELECTED QUARTERLY INFORMATION

Revenues and operating results in the “*Selected Quarterly Information*” and the “*Summary of Quarterly Results*” have been adjusted to reflect the Corporation’s share of BEL. Prior to August 9, 2016, the Corporation’s 33.33% share of revenues and operating results from BEL were disclosed in the Consolidated Financial Statements as an Investment in Joint Venture and accounted for using the equity method of accounting. Upon closing the Acquisition on August 9, 2016 and BEL becoming a wholly-owned subsidiary, the Corporation consolidates the revenues and operating results from BEL on a going forward basis. Revenues, entitlement sales volumes and operating results presented in this MD&A have been adjusted for comparative purposes to reflect the Corporation’s share of BEL regardless of accounting practice under GAAP.

<i>US\$000's, except as noted</i>	Three months ended September 30,		Nine Months ended September 30,	
	2016	2015	2016	2015
Financial				
Revenues	6,867	3,876	12,640	11,411
Net income (loss) ⁽¹⁾	109,945	(1,676)	103,792	(6,022)
Per share, basic and diluted	\$1.85	(\$0.08)	\$3.30	(\$0.27)
Operating				
Average Entitlement Sales Volumes ⁽²⁾				
Oil and condensate (bbl/d)	566	413	374	345
Natural gas (mcf/d)	12,441	5,163	7,292	4,920
Barrel oil equivalent (boe/d)	2,640	1,273	1,590	1,165
Average Oil Price				
Oil price (\$/bbl)	\$40.86	\$43.13	\$36.91	\$48.49
Net realization price (\$/bbl)	\$39.93	\$41.90	\$36.00	\$47.19
Brent oil price (\$/bbl)	\$45.80	\$50.41	\$41.86	\$55.43
Natural gas price (\$/mcf)	\$3.96	\$3.96	\$3.96	\$3.96
Capital items				
Cash and cash equivalents			1,460	30
Total assets			203,553	88,171
Working capital			(1,173)	(39,082)
Long term debt and shareholders' equity			188,285	56,770

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

⁽²⁾ Daily volumes represent the Corporation’s share of the Contractor Parties entitlement volumes net of compensatory petroleum and the government’s share of profit petroleum. Compensatory petroleum represents 10% of gross production and continues to be delivered until specific cumulative petroleum and natural gas production milestones are attained. Daily volumes for the three and nine months ended September 30, 2016 include the Corporation’s 33.33% share of BEL entitlement volumes through August 8, 2016 and from August 9, 2016 through September 30, 2016 100% of BEL’s entitlement volumes resulting from the Acquisition.

SUMMARY OF QUARTERLY RESULTS

<i>(US\$000's, except as noted)</i>	2016			2015				2014
	Q3	Q2	Q1	Q4	Q3	Q2	Q1	Q4
Financial								
Revenues								
Petroleum and natural gas	6,667	2,698	2,466	2,854	3,520	3,456	2,893	4,091
Transportation & storage fees	-	-	-	-	-	129	250	210
Management service fees	200	275	334	392	356	470	337	536
	6,867	2,973	2,800	3,246	3,876	4,055	3,480	4,837
Net income (loss) ⁽¹⁾	109,945	(2,551)	(3,602)	(1,501)	(1,676)	(2,995)	(1,352)	(2,808)
Per share, basic and diluted	\$1.85	(\$0.12)	(\$0.16)	(\$0.07)	(\$0.08)	(\$0.14)	(\$0.06)	(\$0.14)
Operating								
Average Entitlement Sales Volumes ⁽²⁾								
Oil and condensate (bbl/d)	566	260	295	341	413	347	275	346
Natural gas (mcf/d)	12,441	4,834	4,543	5,019	5,163	4,793	4,800	6,263
Barrel oil equivalent (boe/d)	2,640	1,065	1,052	1,178	1,273	1,145	1,075	1,390
Prices								
Average oil price (\$/bbl)	\$40.86	\$40.52	\$30.84	\$32.65	\$43.13	\$54.92	\$47.75	\$56.48
Natural gas price (\$/mcf)	\$3.96	\$3.96	\$3.96	\$3.96	\$3.96	\$3.96	\$3.96	\$3.96
Capital Items								
Cash and cash equivalents	1,460	428	906	100	30	710	65	736
Total Assets	203,553	97,778	97,220	89,523	88,171	87,683	84,608	81,830
Working capital	(1,173)	(10,351)	(14,345)	(6,478)	(4,207)	(2,016)	735	(1,466)
Long term debt and shareholders' equity	188,285	52,377	53,990	55,600	56,770	58,488	60,103	57,674

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

(2) Daily volumes represent the Corporation's share of the Contractor Parties entitlement volumes net of compensatory petroleum and the government's share of profit petroleum. Compensatory petroleum represents 10% of gross petroleum and natural gas production, which will continue to be delivered free to SOCAR until specific cumulative oil and gas production milestones are attained.

RESULTS OF OPERATIONS

Oil and Gas Revenues (US\$000's)	100% Bahar Energy		Corporation's share	
	Three months ended September 30,			
	2016	2015	2016	2015
Petroleum	2,801	4,914	2,175	1,638
Natural gas	6,264	5,647	4,533	1,882
Total petroleum and natural gas ⁽¹⁾	9,065	10,561	6,708	3,520
Transportation and storage fees	-	-	-	-
Total revenues	9,065	10,561	6,708	3,520

Oil and Gas Revenues (US\$000's)	100% Bahar Energy		Corporation's share	
	Nine months ended September 30,			
	2016	2015	2016	2015
Petroleum	8,153	13,651	3,959	4,550
Natural gas	16,401	15,959	7,911	5,319
Total petroleum and natural gas ⁽¹⁾	24,554	29,610	11,870	9,869
Transportation and storage fees ⁽²⁾	-	1,137	-	379
Total revenues	24,554	30,747	11,870	10,248

⁽¹⁾ The Corporation's petroleum and natural gas revenues include 33.33% share of Bahar Energy entitlement revenues through August 8, 2016 and 100% thereafter as a result of the Acquisition.

⁽²⁾ During second quarter 2015 the facilities sharing agreement covering transportation and storage services provided by BEOC to a third party operator was terminated.

The Corporation's share of Bahar Energy petroleum revenues for the three and nine months ended September 30, 2016 was \$2.2 million and \$4.0 million compared to \$1.6 million and \$4.5 million, respectively, for the same periods in 2015. The Corporation's share of Bahar Energy natural gas revenues for the three and nine months ended September 30, 2016 was \$4.5 million and \$7.9 million compared to \$1.9 million and \$5.3 million, respectively, for the same periods in 2015. Petroleum and natural gas revenues are recorded net of the government's share of profit petroleum and compensatory petroleum production.

The average price received by the Corporation for crude oil during the three and nine months ended September 30, 2016 was \$40.86 and \$36.91 per barrel, respectively, compared to average prices of \$43.13 and \$48.49 per barrel, respectively, for the same periods in 2015. The price for natural gas remained contractually constant at \$3.96 per thousand cubic feet.

The Corporation's share of Bahar Energy crude oil daily production entitlement for the three and nine months ended September 30, 2016 was 566 and 374 bbl/d, respectively, representing volume increases of 37% and 8%, respectively, when compared to production of 413 and 345 bbl/d for the same periods in 2015. Natural gas daily production entitlement for the three and nine months ended September 30, 2016 was 12,441 and 7,292 mcf/d, respectively, representing a 141% and 48% increase, respectively, when compared to production of 5,163 and 4,920 mcf/d, respectively for the same periods in 2015.

The Corporations share of Bahar Energy's oil equivalent daily production entitlement during the three and nine months ended September 30, 2016 was 2,640 and 1,590 boe/d, respectively, representing volume increases of 109% and 36%, respectively, when compared to the production of 1,263 bod/d and 1,165 boe/d, respectively, for the same periods in 2015.

In comparison to revenues realized for same periods in 2015, the Corporation's share of entitlement sales volumes from Bahar Energy increased for the three and nine months ended September 30, 2016 due to closing of the Acquisition on August 9, 2016 making Bahar Energy a wholly-owned subsidiary. Beginning August 9, 2016, the Corporation recorded 100% of Bahar Energy's entitlement sales volumes versus 33.33% prior to the Acquisition date.

For the three and nine months ended September 30, 2016, gross crude oil production volumes for the Bahar project experienced a 22% and 40% decline, respectively, versus the same periods in 2015 offset by modest increases in natural gas production of 11% and 2%, respectively, versus the same periods in 2015. Petroleum revenues were also impacted by realized crude oil prices on average 20% lower than 2015 year to date caused by the continued worldwide decline in oil prices in 2016 versus 2015.

Net realization price for crude oil and natural gas ⁽¹⁾

	Three months ended September 30,		Nine months ended September 30,	
	2016	2015	2016	2015
\$/bbl				
Average crude oil sales price	40.86	43.13	36.91	48.49
Transportation fees	(0.43)	(0.45)	(0.39)	(0.50)
Marketing fees	(0.50)	(0.78)	(0.52)	(0.80)
Net realized price	39.93	41.90	36.00	47.19
\$/mcf				
Natural gas	3.96	3.96	3.96	3.96

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

Operating expenses

For the three and nine months ended September 30, 2016, Bahar Energy's share of BEOC operating and administrative expenses was \$4.6 million and \$14.9 million, respectively, (\$3.3 million and \$6.8 million, respectively, for the Corporation's share) compared to \$6.1 million and \$19.8 million, respectively, (\$2.0 million and \$6.6 million, respectively, for the Corporation's share) for the same periods in 2015. BEOC continues to implement cost savings measures as the internal workforce is trained to perform services previously provided by third party vendors and through lower insurance costs. The project has also seen a significant cost savings from devaluations of the Manat to US dollar of 35% on February 2015 and 47% on December 2015, which impacted local employment costs, services and procurement.

Management and service fees

<i>(US\$000's)</i>	Three months ended September 30,		Nine months ended September 30,	
	2016	2015	2016	2015
Management service fees	200	356	809	1,163

For the three and nine months ended September 30, 2016, the Corporation recorded service fee revenues of \$0.2 million and \$0.8 million, respectively, and \$0.4 million and \$1.1 million, respectively, for the same periods in 2015. The fees are primarily associated with the Corporation providing services at

cost under a Master Service and Personnel Secondment Agreement which provides Bahar project support for technical, legal, finance and commercial assistance to BEOC.

Administrative expenses

(US\$000's)	Three months ended September 30,		Nine months ended September 30,	
	2016	2015	2016	2015
Employee wages and benefits	423	519	1,420	1,585
Professional service costs	1,744	317	2,462	844
Office, travel and other	170	567	462	1,287
Total cash expenses	2,337	1,403	4,344	3,716
Share-based payment expense	(56)	88	(19)	394
Total gross administrative	2,281	1,491	4,325	4,110
Services fees billed to affiliates	(200)	(356)	(809)	(1,153)
Administrative expenses net of services fees	2,081	1,135	3,516	2,957

Gross administrative expenses for the three and nine months ended September 30, 2016 were \$2.3 million and \$4.3 million, respectively (September 30, 2015 - \$1.5 million and \$4.1 million, respectively). The increase in administrative expenses during the third quarter 2016 versus the same period for 2015 are primarily related to a one-time fee of \$1 million paid a third party in September 2016 for assisting with the successful restructuring of the Corporation's senior subordinated debt and to higher than normal legal costs related to the Acquisition and restructuring transactions completed in August and September 2016. Routine administrative expenses were generally lower in 2016 versus the same periods in 2015 through reduced personnel costs, lower travel costs and lower share-based payment expense.

For the three and nine months ended September 30, 2016, net administrative expenses were \$2.1 million and \$3.5 million, respectively (September 30, 2015 - \$1.1 million and \$3.0 million, respectively).

Share-based payments

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

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

For the three and nine months ended September 30, 2016, the Corporation 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 Corporation's share-based payment reserve.

Grant Date	Number Outstanding	Expiration Date	Remaining Contractual Life (years)	Exercise price (CAD\$)	Number Exercisable
Aug. 31, 2010	15,000	Aug. 31, 2020	3.9	6.50	15,000
Oct. 11, 2013	540,000	Oct. 11, 2018	2.0	3.20	540,000
Nov. 7, 2013	50,000	Nov. 7, 2018	2.1	2.90	37,500
July 8, 2014	115,000	July 8, 2019	2.8	3.25	86,250
July 8, 2015	400,000	Oct. 8, 2016	0.0	0.35	400,000
	1,120,000				1,078,750

As at September 30, 2016, the Corporation has a total of 1,120,000 share options outstanding, 1,078,750 of which are exercisable with remaining contractual lives up to 3.9 years. The average exercise price of exercisable share options is CAD\$2.22.

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

Restricted Share Awards

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 vest 50% on each July 1, 2014 and 2015. For the three and nine months ended September 30, 2016 the Corporation recorded share-based payment expense of \$nil (September 30, 2015 - \$nil and \$180 thousand, respectively).

On January 12, 2015 the Corporation awarded the right to 500,490 common shares to certain employees and consultants as a contingent bonus. Vesting of the common shares was set on the first to occur of the following dates: January 1, 2016; the date of a change of control of the Corporation; or such earlier vesting date as determined by the board. At the option of the board, the contingent bonus may be settled by the Corporation in cash at vesting date, with the value of common share or share equivalent payment determined by the market closing price of the Corporation's common shares at such vesting date.

The contingent bonus had an estimated value of \$103 thousand at the January 1, 2016 vesting date based on CAD\$0.285 (USD\$0.21) per common share. However, since the Corporation has deferred settlement of the contingent bonus in common shares or cash, as at September 30, 2016 the liability has been fair valued at \$59 thousand based on the market closing price of CAD\$0.155 (USD\$0.12) per common share with adjustments recorded through profit and loss.

Restricted Cash Bonus Program

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

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

The estimated FVBCB liability at September 30, 2016 was \$180 thousand (December 31, 2015 - \$184 thousand).

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

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

The estimated ABCB liability at September 30, 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 Corporation recorded restricted cash bonus expense of \$(5) thousand and \$(4) thousand, respectively (September 30, 2015 – \$24 thousand and \$54 thousand, respectively).

Interest income and interest expense

(US\$000's)	Three Months Ended September 30,		Nine Months Ended September 30,	
	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)	(3,310)	(2,195)
Interest expense – long term loan ⁽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 in the Corporation's Condensed Consolidated Financial Statements for the three and nine months ended September 30, 2016.

⁽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 in the Corporation's Condensed Consolidated Financial Statements for the three and nine months ended September 30, 2016.

⁽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 in the Corporation's Condensed Consolidated Financial Statements for the three and nine months ended September 30, 2016.

⁽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 in the Corporation's Condensed Consolidated Financial Statements for the three and nine months ended September 30, 2016. As at September 30, 2016 the Corporation recorded interest and accretion of \$624 thousand in relation to the Restructured Vitol Long Term Loan and the Additional Loan Agreements.

ACQUISITION AND RESTRUCTURING TRANSACTIONS

Acquisition Transaction

On August 9, 2016 the Corporation completed the Acquisition. The aggregate consideration paid included a cash payment of \$6.0 million and a release and discharge of \$60.7 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 \$60.7 million consisted of \$30.3 million that was currently due from Baghlan attributable to the default loans funded by Greenfields, including the associated financing costs and penalties from Baghlan's failure to fund shareholder loans when due; and an additional \$30.3 million due out of Baghlan's future dividends payable from BEL, which the Corporation has fair valued at \$8.5 million on acquisition date. Upon completion of the Acquisition, BEL became a wholly-owned subsidiary of the Corporation. For the third quarter and year-to-date 2016, the Corporation recorded a net gain on acquisition of \$81.5 million based on the following:

(US\$000's)	
Net fair value of assets acquired	126,271
Consideration paid	(44,804)
Gain on acquisition	81,467

Income on Recognition of the Fair Value of Baghlan's Future Dividends Owed to Greenfields

For the three and nine months ended September 30, 2016, the Corporation recorded income of \$8.5 million related to the fair value of the future dividends due from Baghlan. As noted above, this same amount was also recorded as part of consideration paid for the Acquisition as a result of Baghlan's release and discharge from this obligation along with the \$30.3 million of currently due Baghlan default obligations.

Restructuring Transactions

During the third quarter 2016 the Corporation completed restructuring transactions that among other things extended the senior debt maturity to March 31, 2018, reduced annual interest rate to 12 percent and completed the restructuring settlements of the Loan-2 and convertible debentures through equity conversion. The Corporation realized gains of \$37.8 million on settlement of Loan-2 and convertible debenture debt obligations and incurred costs in the aggregate of \$14.2 million for senior debt restructuring:

<i>(US\$000's)</i>	
Net gain on the settlement of Loan-2	24,137
Net gain on the settlement of Debentures	13,672
Total gains on settlement of debt	37,809
Value of common shares and warrants issued in senior debt restructuring	(14,208)
Net realized gain on Restructuring Transactions	23,601

Extinguishment of Short Term Loan

On August 9, 2016 the Corporation executed the Ninth Amending Agreement to the Loan Agreement with Vitol, which became effective August 19, 2016, in order to restructure the principal and accrued interest balance of \$41.1 million due under the current short term loan into a new long term loan with maturity date of March 31, 2018. In consideration for agreeing to the loan restructuring, the Corporation issued the lenders an aggregate of 85,979,917 common shares of the Corporation at the price of CAD\$0.21 (USD\$0.16) per common share. For the third quarter and year-to-date 2016, the Corporation recorded an expense of \$13.8 million for the value of common shares issued.

Warrants

Concurrent with issuing the common shares under the Ninth Amending Agreement, the Corporation issued 85,979,917 common share purchase warrants to the lenders. The Corporation estimates approximately 5% or no more than approximately 4.4 million warrants will vest during the life of these instruments. The Corporation has fair valued each Warrant likely to vest at CAD\$0.10 (USD\$0.08). For the third quarter and year-to-date 2016, the Corporation recorded an expense of \$354 thousand for the fair value of warrants issued.

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

Settlement of Long Term Loan-2

Pursuant to the agreement between the Corporation and Heaney signed on April 12, 2016, on September 9, 2016 the Corporation issued 11,500,000 common shares to Heaney at a price of CAD\$0.21

(USD\$0.16) per common share for an aggregate value of \$1.9 million in full settlement of Loan-2; and paid a success fee to an agent for negotiating the terms of the agreement, which consisted of a cash payment of \$1.0 million and the issuance of 500,000 common shares priced at CAD\$0.21 (USD\$0.16) per common share for an aggregate value of \$81 thousand. For the third quarter and year-to-date 2016, the Corporation recorded a gain of \$24.1 million on the settlement of the Loan-2 and expenses in the amount of \$1.1 million in connection with the success fee settled in cash and common shares issued to the agent.

Settlement of Convertible Debentures

On August 18, 2016 the Corporation obtained the approval of debentureholders for the conversion of the CAD\$23,725,000 aggregate principal amount of debentures and accrued interest. The debentures were delisted from the TSXV on August 25, 2016 and the debenture conversion was completed on August 26, 2016 with an aggregate of 33,143,825 common shares issued to debentureholders at a price of CAD\$0.30 (USD\$0.23) per common share. For the third quarter and year-to-date 2016, the Corporation recorded a gain of \$13.7 million in connection with the settlement of the debenture conversion.

For the three and nine months ended September 30, 2016, the Corporation recorded total net realized gains from Acquisition and Restructuring Transactions of \$113.6 million.

CASH FLOW ANALYSIS

For the nine months ended September 30, 2016, the Corporation's primary source of funds has come from operations, \$7.0 million in proceeds from an additional advance on March 4, 2016 provided by the senior lenders under the Fifth Amending Agreement to the November 25, 2013 Loan Agreement and \$3.0 million of additional senior debt funding closed September 9, 2016 from a consortium of lenders.

Cash and cash equivalents were primarily used to fund corporate expenses, working capital and the Acquisition. The amount of \$6.0 million advanced under the Fifth Amending Agreement and previously placed into escrow was paid as consideration upon the completion of the Acquisition transaction on August 9, 2016.

EQUITY CAPITAL

Upon approval by shareholder on August 18, 2016, the authorized share capital of the Corporation was increased to 499,900,000 common shares and 100,000 preferred shares. As of the date of this report, the Corporation had 156,859,180 common shares, 1,120,000 share options and 85,979,917 common share purchase warrants outstanding and no preferred shares outstanding.

See Note 15 – Shareholder's Equity to the Corporation's Unaudited Condensed Consolidated Financial Statements for the three and nine months ended September 30, 2016 for description of the common shares issued as part of the Restructuring Transactions.

RISK FACTORS

The following abbreviated "Risk Factors" reflect those risks and uncertainties specific to the Bahar Project and are summarized from the more detailed Risk Factor assessment disclosed in the Corporation's Annual Information Form for the year ended December 31, 2014 available on SEDAR, www.sedar.com.

Rehabilitation, Development and Production Risks

Oil and natural gas operations involve many risks that even a combination of experience, knowledge and careful evaluation may not be able to overcome. The long term commercial success of a project or the Corporation depends on its ability to find, acquire, license, develop and commercially produce oil and natural gas reserves. Without the continual addition of new reserves, any existing reserves that the

Corporation may have at any particular time and the production therefrom will decline over time as such existing reserves are exploited. A future increase in the Corporation's reserves will depend not only on its ability to exploit and develop any properties it may have from time to time, but also on its ability to select, acquire and rehabilitate suitable producing properties or prospects. No assurance can be given that the Corporation will be able to locate and continue to locate satisfactory properties for acquisition or participation. Moreover, if such acquisitions or participations are identified, the Corporation may determine that current markets, terms of acquisition and participation or pricing conditions make such acquisitions or participations uneconomic. There is no assurance that commercial quantities of oil and natural gas will be discovered or acquired by the Corporation. It is project specific and at times it is difficult to project the costs of implementing or the success of exploration, rehabilitation or development drilling programs due to the inherent uncertainties of drilling in unknown formations, the uncertainty of the condition of existing well bores, the costs associated with encountering various drilling conditions such as over pressurized geological zones and tools lost in the hole, and changes in drilling plans and locations as a result of prior exploratory wells or additional seismic data and interpretations thereof.

Future oil and natural gas exploration or development may involve unprofitable efforts, not only from dry wells, but from wells that are productive but do not produce sufficient net revenues to return a profit after drilling, operating and other costs. Completion of a well does not assure a profit on the investment or recovery of drilling, completion and operating costs. In addition, drilling hazards or environmental damage could greatly increase the cost of operations, and various field operating conditions may adversely affect the production from successful wells. These conditions include but are not limited to delays in obtaining governmental approvals or consents, shut ins of wells resulting from extreme weather conditions, insufficient storage or transportation capacity or other geological and mechanical conditions. Production delays and declines from normal oilfield operating conditions cannot be eliminated and can be expected to adversely affect revenue, cash flow and financial condition levels to varying degrees.

Oil and natural gas exploration, development, rehabilitation and production operations are subject to all the risks and hazards typically associated with such operations, including but not limited to hazards such as fire, explosion, blowouts, cratering, sour gas releases and spills, each of which could result in substantial damage to oil and natural gas wells, production facilities, other property and the environment or personal injury. In accordance with industry practice, the Corporation is not fully insured against all of these risks, nor is all such risks generally insurable. The Corporation will maintain liability insurance in an amount that it considers consistent with industry practice, however, the nature of these risks is such that liabilities could exceed policy limits, in which event the Corporation could incur significant costs that could have a material adverse effect upon its financial condition. Oil and natural gas exploration, development, rehabilitation and production operations are also subject to all the risks typically associated with such operations, including encountering unexpected formations or pressures, premature decline of reservoirs and the invasion of water into producing formations. Losses resulting from the occurrence of any of these risks could have a material adverse effect on the Corporation and its financial condition.

Substantial Capital Requirements

The Corporation anticipates making substantial capital expenditures for the development, rehabilitation, production and acquisition of oil and natural gas reserves in the future. There can be no assurance that debt or equity financing or cash generated by operations will be sufficient or available to meet these requirements or for other corporate purposes or, if debt or equity financing is available, that it will be on terms acceptable to the Corporation. Moreover, future activities may require the Corporation to alter its capital expenditures. The inability of the Corporation to access sufficient capital for its operations could have a material adverse effect on the Corporation's financial condition and its results of operations.

Additional Financing Requirements and Dilution of Investment

It may take many years and substantial capital expenditures to pursue the exploration and development of the Corporation's existing opportunities, successfully or otherwise. From time to time, the Corporation will likely require additional financing in order to carry out its oil and natural gas acquisition, rehabilitation and development activities. Failure to obtain such financing on a timely basis could cause the Corporation to forfeit its interest in certain properties, miss certain acquisition opportunities and reduce or terminate its operations. If the Corporation's future revenues from its potential reserves decrease as a

result of lower oil and natural gas prices or otherwise, it will affect the Corporation's ability to expend the necessary capital to replace its potential reserves or to maintain its production. If the Corporation's cash flow is not sufficient to satisfy its capital expenditure requirements, there can be no assurance that additional debt or equity financing will be available to meet these requirements or available on favorable terms. The availability of equity or debt financing is affected by many factors, including world and regional economic conditions; the state of international relations; the stability and the legal, regulatory, fiscal and tax policies of various governments in areas of operation; fluctuations in the world and regional price of oil and gas and in interest rates; the outlook for the oil and gas industry in general and in areas in which the Corporation has or intends to have operations; and competition for investment funds among alternative investment projects. The terms of any such equity financing may be dilutive to holders of Common Shares. Potential investors and lenders will be influenced by their evaluations of the Corporation and its projects, including their technical difficulty, and comparison with available alternative investment opportunities. If adequate funds are not available, the Corporation may be required to scale back or reduce its interest in certain projects. If additional financing is raised by the issuance of shares, control of the Corporation may change and existing shareholders may suffer dilution. In addition, the Corporation may make future property or corporate acquisitions or enter into other transactions involving the issuance of securities of the Corporation which may also be dilutive.

Commodity Prices

Oil and natural gas are commodities whose prices are determined based on world demand, supply and other factors, all of which are beyond the control of the Corporation. World prices for oil and natural gas have fluctuated widely in recent years. Prices for oil and natural gas are subject to large fluctuations in response to relatively minor changes in the supply of and demand for oil and natural gas, market uncertainty and a variety of additional factors beyond the control of the Corporation. These factors include economic conditions in the United States and Canada, the actions of OPEC, governmental regulation, and political stability in the Middle East and elsewhere, the foreign supply of oil and natural gas, the price of foreign imports and the availability of alternative fuel sources. Any substantial and extended decline in the price of oil and natural gas would have an adverse effect on the Corporation's carrying value of any reserves, borrowing capacity, revenues, profitability and cash flows from operations.

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

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

Markets and Marketing

The marketability and price of oil and natural gas that may be acquired or discovered by the Corporation will be affected by numerous factors beyond its control. The Corporation's ability to market any oil and natural gas it discovers or acquires may depend upon its ability to acquire space on pipelines that deliver crude oil and natural gas to commercial markets. The Corporation may also be affected by deliverability uncertainties related to the proximity of any reserves it establishes to pipelines and processing facilities and related to operational problems with such pipelines and facilities as well as extensive government regulation relating to price, taxes, royalties, land tenure, allowable production, the export of oil and natural gas and many other aspects of the oil and natural gas business.

Both oil and natural gas prices are unstable and are subject to fluctuation. Any material decline in prices could result in a reduction of the Corporation's net production revenue. The economics of producing from some wells may change as a result of lower prices, which could result in a reduction in the volumes of any reserves which the Corporation may establish. The Corporation might also elect not to produce from certain wells at lower prices. All of these factors could result in a material decrease in any net production

revenue of the Corporation causing a reduction in its oil and gas acquisition, development, rehabilitation and exploration activities.

The producers of oil are entitled to negotiate sales contracts directly with oil purchasers, with the result that the market determines the price of oil. Oil prices are primarily based on worldwide supply and demand. The specific price depends in part on oil quality, prices of competing fuels, distance to the markets, value of refined products, supply/demand balance, and other contractual terms. In respect of the Bahar Project, sales of natural gas are governed by the Bahar Gas Sales Agreement which maintains a fixed pricing structure of \$140 per cubic meter of gas or the equivalent of \$3.96 per mcf.

In August 2016 SOCAR notified BEOC of its intention to terminate and renegotiate the Gas Sale Agreement with BEOC. BEOC is negotiating with SOCAR to identify potential offsetting financial compensation in the event that gas price is reduced. The ultimate outcome of these ongoing negotiations is uncertain, but both parties are working to resolve this issue by year end 2016. Should these negotiations result in a material reduction to the natural gas price received by BEOC, it could have a material impact on the net revenues received by the Corporation from the Bahar Project and the valuation of the Corporation's reserves, which could negatively affect the Corporation's ability to raise funds for continued project development or pay down its debt.

Project Risks

The Corporation will manage a variety of small and large projects in the conduct of its business. Project delays may delay expected revenues from operations. Significant project cost over runs could make a project uneconomic. The Corporation's ability to execute projects and market oil and natural gas will depend upon numerous factors beyond the Corporation's control, including:

- the availability of processing capacity;
- the availability and proximity of pipeline capacity;
- the availability of storage capacity;
- the supply of and demand for oil and natural gas;
- the availability of alternative fuel services;
- the effects of inclement weather;
- the availability of drilling and related equipment;
- unexpected cost increases;
- accidental events;
- failure of aging infrastructure from former operations
- currency fluctuations;
- changes in regulations;
- the availability and productivity of skilled labor;
- the regulation of the oil and natural gas industry by various levels of government and governmental agencies; and
- industry partner conflicts of interest.

As a result of the foregoing factors, the Corporation may be unable to execute projects on time, on budget or at all, and may not be able to effectively market the oil and natural gas that it produces.

Availability of and Access to Drilling and Related Equipment

Oil and natural gas exploration and development activities are dependent on the availability of drilling, recompletion and related equipment in the particular areas where such activities will be conducted. Demand for such limited equipment or access restrictions may affect the availability of such equipment to the Corporation and may delay exploration, rehabilitation and development activities and affect the Corporation's results of operations. If the demand for, and wage rates of, qualified rig crews and other personnel rise, then the oil and gas industry and the Corporation may experience shortages of qualified personnel to operate drilling rigs and to conduct other work. This may delay the Corporation's exploration, rehabilitation, development and production operations and may adversely affect the Corporation and its results of operations. To the extent the Corporation is not the operator of its oil and

gas properties, the Corporation will be dependent on such operators for the timing of activities related to such properties and will be limited in its ability to direct or control the operations.

Risk of Foreign Operations

The Corporation's investment in oil and natural gas properties is located in Azerbaijan. As such, the Corporation is subject to political, economic, and other uncertainties, including, expropriation of property without fair compensation, changes in energy policies or the personnel administering them, nationalization, currency fluctuations and devaluations, exchange controls and royalty and tax increases and other risks arising out of foreign governmental sovereignty over areas in which the Corporation's operations are conducted, as well as the risks of loss due to civil strife, acts of war, acts of terrorism, guerrilla activities and insurrections. In the event of a dispute arising in connection with the Corporation's operations outside of the United States, the Corporation may be subject to the exclusive jurisdiction of foreign courts or may not be successful in subjecting foreign persons to the jurisdictions of the courts of the United States or enforcing judgments from the United States in other jurisdictions. The Corporation may also be hindered or prevented from enforcing its rights with respect to a governmental instrumentality because of the doctrine of sovereign immunity. Accordingly, the Corporation's exploration, development and production activities outside of the United States could be substantially impacted by factors beyond the Corporation's control, any of which could have a material impact on the Corporation.

The Corporation's operations may be adversely affected by changes in governmental policies and legislation or social instability and other factors which are not within control of the Corporation including, among other things, a change in crude oil or natural gas pricing policy, the actions of national labor unions, the risks of war, terrorism, abduction, expropriation, nationalization, renegotiation or nullification of existing concessions and contracts, changes in taxation policies, economic sanctions and the imposition of specific drilling obligations and the development and abandonment of oil or natural gas fields.

The Corporation's operations and expenditures are to some extent paid in foreign currencies. As a result, the Corporation is exposed to market risks resulting from fluctuations in foreign currency exchange rates. A material increase or drop in the value of any such foreign currency could result in a material adverse effect on the Corporation's cash flow and revenues. Currently, there are no significant restrictions on the repatriation of capital and distribution of earnings from Azerbaijan to foreign entities. However, there can be no assurance that restrictions on repatriation of capital or distributions of earnings from Azerbaijan will not be imposed in the future.

The Corporation is not currently using exchange rate derivatives to manage exchange rate risks. In addition, the Corporation's results will be reported in United States Dollars and any foreign currency denominated monetary balances could result in gains and losses that may increase the variability of earnings.

Risk Factors Relating to Operations in Azerbaijan

Beyond the risks inherent in the oil and natural gas industry, the Corporation is subject to additional risks resulting from doing business in Azerbaijan. While the Corporation will attempt to reduce many of these risks through agreements with the Government of Azerbaijan and others, no assurance can be given that such risks have been mitigated. The risks include matters arising from the evolving laws and policies of Azerbaijan, the imposition of special taxes or similar charges, oil export or pipeline restrictions, foreign exchange fluctuations and currency controls, the unenforceability of contractual rights or the taking of property without fair compensation, related party transactions, restrictions on the use of expatriates in operations and other matters. In addition, corruption in Azerbaijan is pervasive at many levels which expose foreign companies like the Corporation to a number of financial and lease risks, all of which are beyond the control of the Corporation.

Regulatory Regime

The Corporation bears the risk that a change of government could occur and a new government may void the contracts, laws and regulations that the Corporation is relying upon for the exploration, rehabilitation, development and production of oil and natural gas and operations relating thereto. Regulations with

respect to exploration and production operations may be revised at any time. There can be no assurance that any such regulatory enactments will not have a materially adverse effect on the operations or the revenues generated in Azerbaijan.

Legal Risks

Laws relating to corporate law, tax law, customs law and currency and banking legislation are subject to modifications or revision by Azerbaijan. Noncompliance may have consequences which are out of proportion to the severity of the noncompliance. Contracts may be susceptible to conflicting interpretations, revision or cancellation and legal redress may be uncertain, delayed or unavailable. It is possible that Azerbaijan may make changes to laws, decrees, rules or regulations which may restrict the rights or benefits accruing to the Corporation or which may increase its financial obligations.

Regional Risk

Azerbaijan is located in a region that has, at times, been politically unstable. Regional wars or other forms of instability in the region that may or may not directly involve Azerbaijan could have an adverse impact on Azerbaijan's ability to engage in international trade or the exploration, rehabilitation, development and production of oil and gas assets in Azerbaijan by the Corporation.

Reliance on Industry Partners

The Corporation relies on SOA, the other 20 percent Contractor Party in the ERDPSA. The Corporation relies on this partner with respect to the evaluation, acquisition, development funding and timing of activities, as well as future production from the ERDPSA, and a failure or inability to perform by such partner could materially affect the prospects of the Corporation. The failure of the other contractor party in the ERDPSA to contribute their share of funding in the time required by the project may materially impact the Corporation's and BEOC's ability to fully execute the Bahar Project development plan.

Conflicting Interests with Partners

Joint venture, acquisition, financing and other agreements and arrangements must be negotiated with independent third parties and, in some cases, must be approved by governmental agencies. These third parties generally have objectives and interests that may not coincide with the Corporation's interests and may conflict with the Corporation's interests. Unless the parties are able to resolve these conflicting objectives and interests in a mutually acceptable manner, agreements and arrangements with these third parties will not be consummated, which would likely have a material adverse effect on the Corporation's financial condition and results of operations.

In certain circumstances, the consent of joint venturers may be required for various actions. Other parties influencing the timing of events may have priorities that differ from the Corporation's, even if they generally share the Corporation's objectives. Demands by or expectations of governments, joint venturers, customers, and others may affect the Corporation's strategy regarding the various projects. Failure to meet such demands or expectations could adversely affect the Corporation's participation in such projects or its ability to obtain or maintain necessary licenses and other approvals. If that were to occur, it would likely have an adverse effect on the Corporation's financial condition and results of operations.

Expiration of Contract Terms

The Corporation's property interests are generally expected to be held indirectly in the form of PSAs. If the Corporation or the holder of the interests in the PSA fails to meet the specific requirement(s) of a PSA, the interest or any part thereof may terminate or expire. There can be no assurance that any of the obligations required to maintaining each interest in a PSA will be met. The termination or expiration of the Corporation's particular interest in a PSA, including the ERDPSA, will likely have a material adverse effect on the Corporation's financial condition and results of operations.

Internal Controls

Effective internal controls over financial reporting are necessary for the Corporation to provide reliable financial reports and to help prevent fraud. While, the Corporation undertakes a number of procedures in order to help ensure the reliability of its financial reports, including those imposed on it under Canadian securities laws, the Corporation cannot be certain that such measures will ensure that the Corporation will maintain adequate control over financial processes and reporting. Failure to implement required new or improved controls either recommended by the Corporation or resulting from material weaknesses reported by the Corporation's independent auditors, or difficulties encountered in their implementation, could impact the Corporation's results of operations or impair the ability to meet its reporting obligations. If the Corporation or its independent auditors discover a material weakness, the disclosure of that fact, even if quickly remedied, could reduce the market's confidence in the Corporation's financial statements.

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

Environmental Risks and Regulations

All phases of the oil and gas industry present environmental risks and are subject to environmental regulation pursuant to a variety of international conventions and local laws and regulations. Such legislation provides for, among other things, restrictions and prohibitions on the release or emission of various substances produced in association with certain oil and gas industry operations. In addition, such legislation requires that well and facility sites to be operated, maintained, abandoned and reclaimed to the satisfaction of applicable authorities. Compliance with such legislation can require significant expenditures and a breach of such requirements may result in suspension or revocation of necessary licenses and authorizations, civil liability for pollution damage, and the imposition of fines and penalties any of which may materially adversely affect the Corporation's financial condition and results of operations.

Environmental legislation is becoming increasingly stringent and the costs of regulatory compliance are increasing. No assurance can be given that environmental legislation will not result in a curtailment of production or a material increase in the costs of exploration, development or production activities or otherwise adversely affect the Corporation's financial condition, results of operations or prospects.

Insurance

The Corporation's involvement in the exploration for and development of oil and gas properties may result in the Corporation becoming subject to liability for pollution, blow outs, property damage, personal injury or other hazards. The insurance the Corporation maintains may not be sufficient to cover the full extent of such liabilities. In addition, such risks may not be insurable or, in certain circumstances, the Corporation may elect not to obtain insurance to deal with specific risks due to the high premiums associated with such insurance or other reasons. The payment of such uninsured liabilities would reduce the funds available to the Corporation. The occurrence of a significant event that the Corporation is not fully insured against, or the insolvency of the insurer of such event, could have a material adverse effect on the Corporation's financial position, results of operations and prospects.

Delays in Business Operations

In addition to the usual delays in payments by purchasers of oil and natural gas to the Corporation, payments to the Corporation may be delayed due to restrictions imposed by lenders, accounting delays, delays in the sale or delivery of products, delays in the connections of wells to a gathering system, adjustment for prior periods, or recovery of expenses incurred in the operation of the properties. Any of these delays could reduce the amount of cash flow available for the Corporation in a given period and expose the Corporation to additional third party credit risks.

Third Party Credit Risk

The Corporation may be exposed to third party credit risk through its contractual arrangements with joint venture partners, purchasers of petroleum and natural gas production and other parties. In the event such entities fail to meet their contractual obligations, such failures could have a material adverse effect on the Corporation and its cash flow from operations. In addition, poor credit conditions in the industry and of joint venture partners of the Corporation may impact their capacity and willingness to participate in ongoing capital programs, potentially delaying the programs and the results of such programs until the Corporation finds a suitable alternative partner.

Governmental Regulation

The petroleum industry is subject to regulation and intervention by governments in such matters as the awarding of exploration and production interests, the imposition of specific drilling obligations, environmental protection controls, control over the development and abandonment of fields (including restrictions on production) and possibly expropriation or cancellation of contract rights. As well, governments may regulate or intervene with respect to price, taxes, royalties and the exportation of oil and natural gas. Such regulations may be changed from time to time in response to economic or political conditions. The implementation of new regulations or the modification of existing regulations affecting the oil and gas industry could reduce demand for natural gas and oil, increase costs and may have a material adverse impact on the Corporation. Export sales are subject to the authorization of provincial and federal government agencies and the corresponding governmental policies of foreign countries. Development of reserves and rates of return are also susceptible to changes in governmental fiscal policy. Generally, government and other regulatory licenses and permits are required to conduct exploration, rehabilitation, development and production activities. The issuance of such licenses and permits is subject to the discretion of the applicable governments or governmental agencies and offices, and there can be no assurance that the Corporation will be able to obtain all necessary licenses and permits that may be required to carry out its exploration, rehabilitation, development and production activities at its properties. The Corporation must comply with known standards, existing laws and regulations. New laws and regulations, amendments to existing laws and regulations or more stringent enforcement of existing laws and regulations could have a material adverse impact on the Corporation and its results of operations, financial condition and prospects.

Development of the Corporation's properties requires the approval by applicable regulatory authorities of the plans of the Corporation with respect to the drilling and development of such properties. A failure to obtain such approval on a timely basis or the imposition of material conditions by such authority in connection with the approval may materially affect the prospects of the Corporation.

Labor

The Corporation may be dependent on local labor to carry out site work relating to its international operations. The Corporation may directly employ local workers and may be subject to local labor laws. There can be no assurance that labor related disputes, developments or actions, including strikes, may not occur in the future. Such occurrences may have a material adverse impact on the business, operations, prospects and financial condition of the Corporation.

Future Financing

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

Market Conditions

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

Negative Operating Cash Flow

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

LIQUIDITY AND CAPITAL RESOURCES

Liquidity Risk

Liquidity risk is the risk that the Corporation will not be able to meet its financial obligations as they become payable. The Corporation's approach to managing liquidity is to ensure, as much as possible, that it will have sufficient cash or cash equivalents to pay its obligations when due, under both normal and unusual conditions and without incurring unacceptable costs, relinquishment of properties or risking harm to the Corporation's reputation. However, the Corporation's current cash balance of \$1.5 million does not allow for meeting its current obligations, thereby requiring additional funding to continue providing working capital for the Bahar project and corporate purposes. The timing or likelihood of such funding is uncertain.

The Corporation's existing financial liabilities for the three and nine months ended September 30, 2016 arose primarily from corporate obligations related to its participation in the Bahar Energy venture. The Corporation's venture is producing, developing and exploring oil and gas properties which require extensive capital investments. The recovery of the Corporation's investment in the venture is dependent upon the venture's ability to complete the development of properties, which includes meeting the related financing requirements. The 2016 Work Plan and Budget ("**WP&B**") for ERDPSA reflects a positive cash flow generated for the Bahar Project. Based on this estimate, the Corporation has not made additional funding commitments for the year.

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

The Corporation's ability to continue as a going concern depends on the Corporation being successful in raising additional capital through debt financing or issuance of equity on favorable terms. Without access to additional funding in 2016 and beyond, there is significant doubt that the Corporation will be able to continue as a going concern.

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

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

Capital Structure

<i>(US\$000's)</i>	September 30, 2016	December 31, 2015
Working capital ⁽¹⁾	(1,173)	(6,478)
Long term debt and shareholders' equity ⁽²⁾	188,285	55,600
Ratios of working capital to long term loan, convertible debt and shareholders' equity ⁽²⁾	(1%)	(12%)

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

⁽²⁾ As at September 30, 2016, long term debt and shareholder's equity no longer includes convertible debt due to the conversion of the Corporation's debentures to common shares on August 26, 2016. Prior to August 26, 2016, convertible debt was combined with shareholder's equity due to the Corporation's right to settle the debt by issuing shares.

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

Off-balance sheet arrangements

The Corporation does not have any special purpose entities, nor is it party to any transactions or arrangements that would be excluded from the Corporation's Unaudited Condensed Consolidated Statements of Financial Position for the three and nine months ended September 30, 2016.

Related party transactions

A detailed discussion of related party transactions is included in Notes 5, 6 and 12 to the Corporation's Unaudited Condensed Consolidated Statements of Financial Position for the three and nine months ended September 30, 2016.

Contractual commitments and contingencies

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

<i>(US\$000's)</i>	2016	2017	Thereafter
Operating leases ⁽¹⁾	12	47	-
Long term loans - interest ⁽²⁾	-	6,000	2,548
Long term loans - principal ⁽²⁾	-	-	44,173
	12	6,047	46,721

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

⁽²⁾ Principal and accrued interest on senior secured debt post restructuring per Ninth Amendment Agreement on August 19, 2016 to the Loan Agreement dated November 23, 2013 and the Additional Loan Agreements dated September 9, 2016.

The Corporation's commitments to fund the Bahar Project are based on the annual Work Program and Budget ("WP&B") approved by the BEOC Steering Committee. The annual WP&B must be approved 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 Corporation, the Corporation maintains control of the approval of the annual WP&B. While crude oil and natural gas prices remain depressed and technical studies are underway to optimize work programs, the Corporation expects to only approve budgets that can be fully funded from project operating cash flows. The Corporation remains committed to restart drilling once crude oil prices begin to recover.

Financial instruments

A summary of the Corporation's financial instruments is included in Note 21 to the Corporation's Unaudited Condensed Consolidated Financial Statements for the three and nine months ended September 30, 2016.

SUBSEQUENT EVENTS

Share Options Granted

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

ABBREVIATIONS

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

