



Annual Information Form
Fiscal Year Ended December 31, 2010

Dated July 12, 2011

TABLE OF CONTENTS

CONVENTIONS	3
ABBREVIATIONS.....	3
CONVERSION.....	3
EXCHANGE RATES	3
DEFINITIONS.....	4
SPECIAL NOTE REGARDING FORWARD LOOKING STATEMENTS	6
THE CORPORATION.....	8
INTERCORPORATE RELATIONSHIPS	8
Intercorporate Relationships.....	8
Bahar Energy Governance.....	9
GENERAL DEVELOPMENT OF THE BUSINESS	11
History	11
Subsequent to Year Ended December 31, 2010.....	13
NARRATIVE DESCRIPTION OF THE BUSINESS	13
General	13
Business Strategy in Azerbaijan.....	14
Plan of Development	15
Description of the ERDPSA.....	17
Operational Matters.....	20
Economic	22
Pricing and Marketing	22
Acquisitions and Dispositions.....	23
Competitive Conditions.....	23
Cyclical Nature of Business.....	24
Specialized Skill and Knowledge.....	24
Foreign Operations	24
Personnel	24
Industry Conditions	24
Environmental Regulation.....	26
Social or Environmental Policies	26
Risk Factors	26
STATEMENT OF RESERVES DATA AND OTHER OIL AND GAS INFORMATION.....	37
DIVIDEND POLICY	37
DESCRIPTION OF SHARE CAPITAL	37
Common Shares	37
Preferred Shares	37
MARKET FOR SECURITIES	38
DIRECTORS AND OFFICERS	38
PROMOTERS.....	40
LEGAL PROCEEDINGS AND REGULATORY ACTIONS	41
INTEREST OF MANAGEMENT AND OTHERS IN MATERIAL TRANSACTIONS	41
TRANSFER AGENT AND REGISTRAR.....	41
MATERIAL CONTRACTS	42
INTERESTS OF EXPERTS.....	42
AUDIT COMMITTEE.....	43
ADDITIONAL INFORMATION.....	45
Appendix A.....	A-1

CONVENTIONS

The information in this annual information form (“**Annual Information Form**”) is stated as at December 31, 2010, unless otherwise indicated. For an explanation of the capitalized terms and expressions and certain defined terms, please refer to the section of this Annual Information Form titled “*Definitions*”.

ABBREVIATIONS

	Oil and Natural Gas Liquids		Natural Gas
bbl	barrel	Mcf	thousand cubic feet
bbl/d	barrels per day	MMcf	million cubic feet
Mbbl	thousands of barrels	Bcf	billion cubic feet
MMbbl	millions of barrels	Mcfd	thousand cubic feet per day
boe	barrels of oil equivalent includes of crude oil barrels plus natural gas, unless otherwise indicated	MMcfd	million cubic feet per day
boepd	barrels of oil equivalent per day	GJ	Gigajoule
Mboe	thousand boe	md	millidarcy
NGL	natural gas liquids		
MMBtu	million British thermal units		
Mbc	thousands of barrels of condensate		
BCPD	Barrels of condensate per day		
Other			
API	American Petroleum Institute		

CONVERSION

The following table sets forth certain standard conversions from Standard Imperial Units to the International System of Units (or metric units).

To Convert From	To	Multiply By
Mcf	Cubic metres	28.317
Cubic metres	Cubic feet	35.315
Bbls	Cubic metres	0.159
Cubic metres	Bbls oil	6.290
Feet	Metres	0.305
Metres	Feet	3.281
Miles	Kilometres	1.609
Kilometres	Miles	0.621
Acres	Hectares	0.405
Hectares	Acres	2.471

EXCHANGE RATES

Except as otherwise indicated, all dollar amounts referenced in this Annual Information Form are expressed in United States dollars. The following table sets forth: (i) the rates of exchange for United States dollars expressed in Canadian dollars, in effect at the end of each of the periods indicated; and (ii) the average of exchange rates during such periods, in each case based on the noon rate reported by the Bank of Canada.

	<u>Year Ended December 31, 2010</u>	<u>Year Ended December 31, 2009</u>	<u>Year Ended December 31, 2008</u>
Rate at end of period	\$0.9946	\$1.0466	\$1.2246
Average noon spot rate during period	\$1.0299	\$1.1420	\$1.0660

DEFINITIONS

Wherever used in this Annual Information Form, unless the context otherwise requires, the following words and phrases shall have the meanings set forth below:

“**ABCA**” means the *Business Corporations Act* (Alberta);

“**Agency Agreement**” means the agency agreement dated effective September 30, 2010 among the Corporation and the Agents, pursuant to which the Corporation engaged the Agents to act as the Corporation’s agents in connection with the IPO, on a commercially reasonable efforts basis;

“**Agents**” means, collectively, FirstEnergy, Raymond James and Haywood;

“**Audit Committee**” means the audit committee of the Board of Directors of the Corporation;

“**Azerbaijan**” means the Republic of Azerbaijan;

“**Baghlan**” means Baghlan Group FZCO, a company incorporated in the Jebel Ali Free Zone, Dubai, UAE;

“**Bahar Energy**” means Bahar Energy Limited, a company incorporated in the Jebel Ali Free Zone, Dubai, UAE owned as to 33.33% indirectly by the Corporation;

“**Bahar Gas Field**” means the gas field located in the offshore Caspian Sea area of Azerbaijan that is the subject of the ERDPSA and contains approximately 204 offshore wells;

“**Bahar Gas Sales Agreement**” means the gas sales agreement dated September 24, 2010 effective October 1, 2010 between SOCAR and BEOC on behalf of the Contractor Parties in respect of the sales of natural gas from the Bahar Gas Field;

“**Bahar Oil Sales Agreement**” means the oil sales agreement dated September 24, 2010 effective October 1, 2010 between SOCAR and the Contractor Parties in respect of the sales of oil from the Gum Deniz Oil Field;

“**Bahar Project**” means the wells, lands, reserves, facilities, equipment and other assets that are subject to the ERDPSA, including the Bahar Gas Field and the Gum Deniz Oil Field;

“**Bahar Shareholders Agreement**” means the shareholders agreement entered into among the shareholders of Bahar Energy dated October 21, 2009, as amended;

“**BEOC**” means Bahar Energy Operating Company Limited, a company incorporated in the Jebel Ali Free Zone, Dubai, UAE owned 80% by Bahar Energy and 20% to be owned by SOCAR on behalf of SOA, which company was formed for the purpose of conducting operations on behalf of the Contractor Parties under the ERDPSA in accordance with the terms of the Joint Operating Agreement;

“**Board**” or “**Board of Directors**” means the board of directors of the Corporation;

“**Bunga Mas PSC**” means the Bunga Mas production sharing contract in respect of certain prospective oil properties located onshore in South Sumatra, Indonesia;

“**Canadian GAAP**” means accounting principles generally accepted in Canada;

“**Carry**” means the obligations of Bahar Energy to carry the costs attributable to SOA’s 20% participating interest in respect of:

- (a) operations in the Rehabilitation Area from the effective date of the ERDPSA until the production from the Rehabilitation Area equals two times the 2008 production levels as provided in the ERDPSA; and
- (b) operations in the Exploration Area from the effective date of the ERDPSA until the commencement date of commercial production from the Exploration Area.

“**Common Shares**” means the common shares in the capital of the Corporation;

“**Compensation Units**” means the 60,000 Units issued by the Corporation to FirstEnergy and Raymond James as payment of commission, each Unit being comprised of one Common Share and one-half of one Warrant;

“**Contractor Parties**” means, collectively, SOA and Bahar Energy as contractors under the ERDPSA;

“**Corporation**” or “**GPC**” means Greenfields Petroleum Corporation;

“**ERDPSA**” means the exploration, rehabilitation, development and production sharing agreement in respect of the Bahar Project, which includes the Bahar Gas Field and the Gum Deniz Oil Field, dated December 22, 2009, among Bahar Energy, SOCAR and SOA;

“**February 2010 Private Placement**” means the private placement of 1,000,000 Units at a price of CDN\$5.00 per Unit for gross proceeds of CDN\$5,000,000 completed by the Corporation on February 24, 2010;

“**GFI**” means GFI Oil and Gas Corporation;

“**GFPI**” means GFPI-USA, LLC;

“**GPC Subsidiaries**” means, collectively, GFPI, Greenfields Petroleum USA, LLC, Greenfields Petroleum Holdings Ltd., Greenfields Petroleum International Company Ltd., Greenfields Petroleum (Indonesia) Company Ltd., Gabon Kiarsseny Marin Ltd., Bahar Energy and BEOC;

“**Greenfields LLC**” means Greenfields Petroleum, LLC;

“**Gum Deniz Oil Field**” means the oil field located in the offshore Caspian Sea area of Azerbaijan that is the subject of the ERDPSA, and contains approximately 484 offshore wells;

“**Haywood**” means Haywood Securities Inc.;

“**IPO**” has the meaning ascribed thereto under the heading “*General Development of the Business*”;

“**Joint Operating Agreement**” means the joint operating agreement for the Bahar Gas Field and the Gum Deniz Oil Field between Bahar Energy, SOA and BEOC entered into for the purpose of regulating operations under the ERDPSA;

“**Kansas Assets**” means the Corporation’s indirect interest in certain petroleum and natural gas assets located in the State of Kansas in the United States;

“**Miller Lents**” means Miller and Lents, Ltd., independent oil and gas reserve engineers based in Houston, Texas;

“**Miller Lents Report**” means the independent evaluation dated April 19, 2011, prepared by Miller Lents, evaluating the reserves contained in the Bahar Project effective December 31, 2010, as well as the Corporation’s indirect interest in such reserves;

“**NI-51-101**” means National Instrument 51-101 - *Standards of Disclosure for Oil and Gas Activities*;

“**NI-52-110**” means National Instrument 52-110 - *Audit Committees*;

“**PSA**” means a production sharing agreement;

“**RAFI**” means RAFI Oil FZE, a company incorporated in the Jebel Ali Free Zone, Dubai, UAE;

“**Raymond James**” means Raymond James Ltd.;

“**September 2010 Private Placement**” means the private placement of 1,984,077 Common Shares, at a price of CDN\$6.50 per share for gross proceeds of CDN\$12,896,500 completed by the Corporation on September 14, 2010;

“**September 2010 Agency Agreement**” means the agency agreement dated effective August 23, 2010 entered into among the Corporation and the Agents in connection with the September 2010 Private Placement;

“**SOA**” means SOCAR Oil Affiliate;

“**SOCAR**” means the State Oil Company of the Republic of Azerbaijan;

“**TSXV**” means the TSX Venture Exchange;

“**UAE**” means the United Arab Emirates;

“**Unit**” means a unit of the Corporation, each such unit consisting of one Common Share and one-half of one Warrant;

“**U.S.A.**” or “**United States**” or “**U.S.**” means the United States of America, its territories and possessions, any state of the United States of America and the District of Columbia; and

“**Warrant**” means a share purchase warrant of the Corporation comprising part of the Units, each whole Warrant entitling the holder thereof to acquire one Common Share at a price of CDN\$5.00 per share (subject to adjustment in certain events), until February 24, 2012.

SPECIAL NOTE REGARDING FORWARD LOOKING STATEMENTS

All forward-looking statements in this Annual Information Form and in certain documents incorporated by reference herein, are based on assumptions and the Corporation’s view of future events which reflect information available at the time the assumption was made. Certain statements contained in this Annual Information Form constitute forward-looking statements. The use of any of the words “anticipate”, “continue”, “estimate”, “expect”, “may”, “will”, “project”, “should”, “believe” and similar expressions are intended to identify forward-looking statements. These statements involve known and unknown risks, uncertainties and other factors that may cause actual results or events to differ materially from those anticipated in such forward-looking statements. Management of the Corporation believes the expectations reflected in those forward-looking statements are reasonable but no assurance can be given that these expectations will prove to be correct and such forward-looking statements included herein should not be unduly relied upon. These statements speak only as of the date hereof or at the date specified in the documents incorporated by reference into this Annual Information Form.

In particular, this Annual Information Form contains forward-looking statements pertaining to the following:

- capital expenditure programs and other expenditures;
- estimates, generally and the quality and quantity of future revenues derived from the Corporation’s reserves;
- performance characteristics of the Corporation’s property and assets;
- oil and natural gas production levels;
- planned development of oil and gas properties;
- projections of commodity prices, foreign currency exchange rates and interest rates and costs;
- supply and demand for crude oil and gas;
- expectations regarding the Corporation’s ability to raise capital and to continually add reserves through acquisitions, exploration and development;
- schedules and timing of certain projects and the Corporation’s strategy for growth;
- treatment under governmental and other regulatory regimes and tax, environmental and other laws;
- schedules and timing of certain projects and the Corporation’s strategy for growth;

- the Corporation's future operating and financial results;
- dependence on personnel; and
- operating risk liability.

Actual results could differ materially from those anticipated in these forward-looking statements as a result of the risk factors set forth below and elsewhere in this Annual Information Form:

- the Corporation's inability to raise sufficient proceeds in the future given the Corporation's substantial capital requirements;
- the Corporation drilling or completing wells that yield uneconomic reserves of hydrocarbons;
- the Corporation's inability to obtain drilling and completion services and equipment in sufficient time to meet expiration deadlines;
- uncertainties associated with the Corporation's operations in Azerbaijan, including political and legal framework instability;
- competition for, inter alia, capital, acquisitions of reserves, undeveloped lands and skilled personnel;
- the Corporation's operational dependency on other companies;
- a material decline in crude oil prices;
- volatility in market prices for oil and natural gas;
- liabilities inherent in oil and natural gas operations;
- uncertainties associated with estimating oil and natural gas reserves;
- incorrect assessments of the value of acquisitions;
- geological, technical, drilling and processing problems;
- fluctuations in foreign exchange or interest rates and stock market volatility;
- failure to realize the anticipated benefits of acquisitions; and
- the other factors discussed under "*Risk Factors*" herein.

Readers are cautioned not to place undue reliance on this forward-looking information, which is given as of the date it is expressed in this Annual Information Form or otherwise, and while the Corporation may choose to do so, it accepts no obligation to update publicly or revise any forward-looking information, whether as a result of new information, future events or otherwise, except as required by securities law.

THE CORPORATION

The Corporation was formed on November 28, 2007, as Greenfields Petroleum, Inc., a corporation formed under the laws of the State of Texas. On April 4, 2008, the Corporation was converted pursuant to a Certificate of Conversion to Greenfields LLC, a limited liability company formed under the laws of the State of Texas. Pursuant to a resolution passed by the board of Greenfields LLC on January 8, 2010, the outstanding units were split on the basis of 1.5 new units for each outstanding unit. On February 19, 2010, pursuant to a Certificate of Conversion, Greenfields LLC was converted back to a corporation named Greenfields Petroleum Corporation formed under the laws of the State of Delaware.

The head office of the Corporation is located at Suite 227, 211 Highland Cross Drive, Houston, Texas, 77073, U.S.A., and the registered office is located at 615 S. Dupont Highway, Dover, Kent County, Delaware, 19901 U.S.A.

INTERCORPORATE RELATIONSHIPS

Intercorporate Relationships

The Corporation's corporate structure parallels its United States and international oil and gas activities.

United States

In the United States, the Corporation owns a 5% interest in GFPI, a Texas limited liability company, which is the owner of the Kansas Assets, and whose registered office is located at 21 Waterway, Suite 200, The Woodlands, Texas, U.S.A. The Corporation also owns 100% of Greenfields Petroleum USA, LLC, a Texas limited liability company, which conducts no material business and has no material assets, and whose registered office is located at 211 Highland Cross, Suite 227, Houston, Texas, 77073, U.S.A.

International

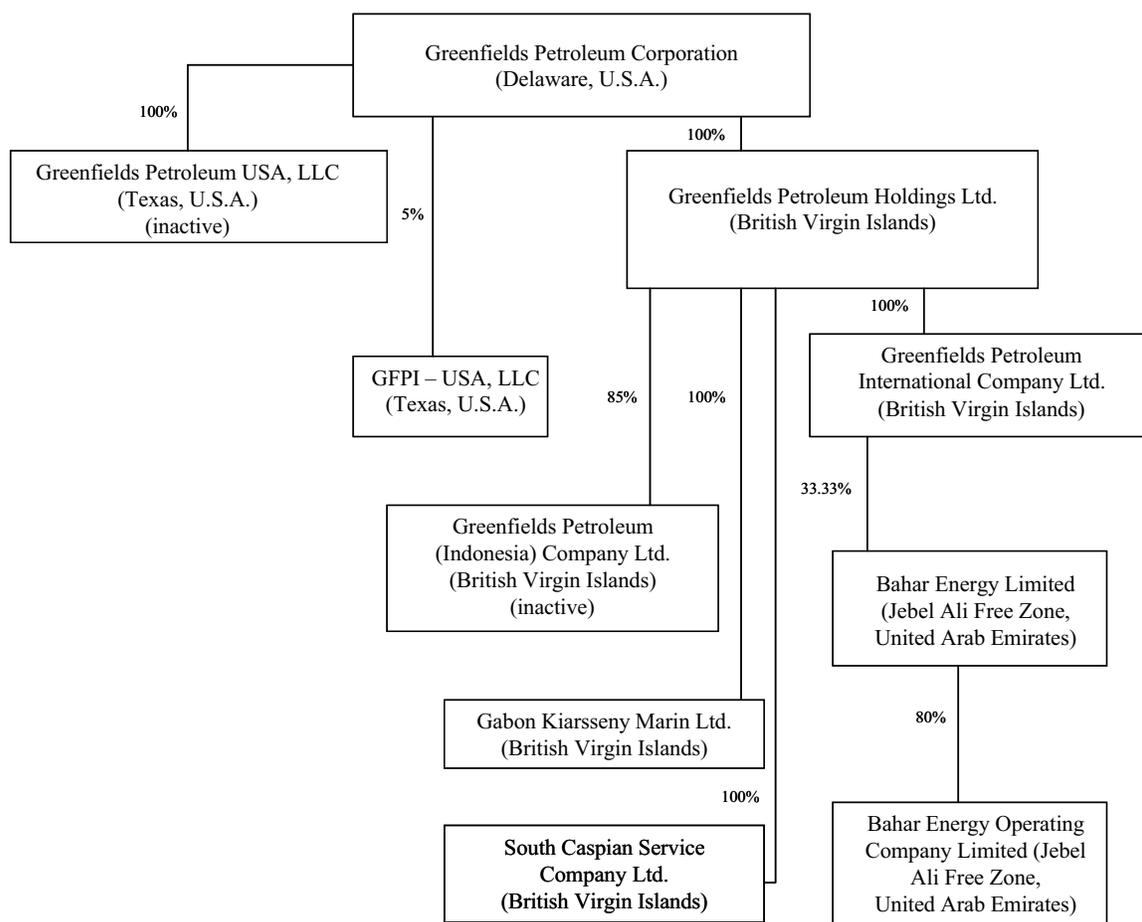
The Corporation owns 100% of Greenfields Petroleum Holdings Ltd., a British Virgin Islands company, through which it conducts its international oil and gas activities, and whose registered office is located at 56 Administration Drive, Wickhams Cay 1, Road Town, Tortola, British Virgin Islands.

Greenfields Petroleum Holdings Ltd. owns 100% of the outstanding shares of Greenfields Petroleum International Company Ltd, a British Virgin Islands company, whose registered office is located at 56 Administration Drive, Wickhams Cay 1, Road Town, Tortola, British Virgin Islands. The principal asset of Greenfields Petroleum International Company Ltd. is its ownership of 33.33% of the outstanding shares in Bahar Energy, a company formed in the Jebel Ali Free Zone, Dubai, UAE whose registered office is LOB 15-514, P.O. Box 17870, Jebel Ali Free Zone, Dubai, UAE. Bahar Energy is one of the Contractor Parties under the ERDPSA in Azerbaijan and owns an 80% participating interest in the Bahar Project. Bahar Energy owns 80% of BEOC, a company formed in the Jebel Ali Free Zone, Dubai, UAE for the purpose of acting as Operator of the Bahar Project on behalf of the Contractor Parties under the ERDPSA, and whose registered office is LOB 15-514, P.O. Box 17870, Jebel Ali Free Zone, Dubai, UAE.

Greenfields Petroleum Holdings Ltd. owns 85% of the outstanding shares of Greenfields Petroleum (Indonesia) Company Ltd., a British Virgin Islands company, which conducts no material business and currently has no material assets, other than pursuant to the Deferred Payment Agreement with APEC Indonesia Limited, and whose registered office is located at 56 Administration Drive, Wickhams Cay 1, Road Town, Tortola, British Virgin Islands. See "*Material Contracts*".

Greenfields Petroleum Holdings Ltd. owns 100% of the outstanding shares of Gabon Kiarsseny Marin Ltd., a British Virgin Islands company which conducts no material business and has no material assets and whose registered office is located at 56 Administration Drive, Wickhams Cay 1, Road Town, Tortola, British Virgin Islands.

The relationship between the Corporation and its related companies as at June 1, 2011, is set forth in the following organizational chart:



Bahar Energy Governance

Bahar Energy is owned 33.33% by RAFI, 33.34% by Baghlan and 33.33% by Greenfields Petroleum International Company Ltd. Greenfields Petroleum International Company Ltd. holds 166,650 shares of Bahar Energy with par value of Arab Emirates Durham 100 each.

Bahar Energy is governed by its Memorandum of Association and Articles of Association as filed with the Jebel Ali Free Zone Authority in Dubai, UAE, and the Bahar Shareholders Agreement. See “*Material Contracts*”.

Bahar Energy Memorandum and Articles of Association

The Memorandum and Articles of Association of Bahar Energy contain basic formation and governance provisions, the most significant of which is the requirement that all resolutions put to a vote of the shareholders must be approved by unanimous vote of the shareholders.

Description of the Bahar Shareholders Agreement

In order to regulate the operation and management of Bahar Energy, the shareholders of Bahar Energy entered into the Bahar Shareholders Agreement. The Bahar Shareholders Agreement contains the following terms.

Shareholders

The Bahar Shareholders Agreement recognizes that the shareholders are the supreme authority of Bahar Energy, and provides for both annual and extraordinary general meetings. The Bahar Shareholders Agreement is subject to the Memorandum and Articles of Association of Bahar Energy, which requires that all resolutions put to a vote of the shareholders be approved by unanimous vote.

Board

Each shareholder holding at least 25% of the outstanding shares in Bahar Energy is entitled to appoint two directors to the board. The original three shareholders, however, are at all times entitled to appoint one director to the board, for so long as such shareholder holds at least 8% of the outstanding shares.

Decisions of the board are to be made by unanimous vote of the directors, except in the following instances:

- (a) If the board cannot reach a unanimous decision to approve an annual work program and budget consistent with the obligations of the ERDPSA, then the proposal capable of satisfying the minimum work and production obligations for the calendar year in questions that receives the highest percentage vote shall be deemed approved by the board as the annual work program and budget.
- (b) If the board cannot reach a unanimous decision regarding dividends, then the proposal receiving the highest percentage vote will prevail.

Board meetings are held at least quarterly.

Officers

The board is responsible for appointing the President of Bahar Energy, who in turn is responsible for appointing all other officers and staff.

Annual Work Program and Budget

The board must each year approve an annual work program and budget consistent with the minimum work and production requirements of the ERDPSA.

Working Capital

The shareholders intend that the funds necessary to meet the expenses of Bahar Energy will be procured so far as possible by shareholder equity and shareholder loans. In 2012, the shareholders intend to fund through shareholder loans. If financing is not available, and the board and shareholders of Bahar Energy determine that further funds are necessary, additional shares of Bahar Energy will be offered to its shareholders. Shares of Bahar Energy not subscribed for by one shareholder will be offered to the other shareholders, meaning that the interest of a shareholder not subscribing will be subject to dilution.

Dividend Policy

All profits available for distribution at the end of each fiscal year will be distributed by way of dividend, subject to the retention of sufficient cash to meet normal and foreseeable working capital requirements, including any annual work program and budget and minimum work and production obligations under the ERDPSA.

Transfers

Shares of Bahar Energy may be transferred to affiliates of the shareholders; however, any other proposed share transfers are subject to a right of first offer to the other shareholders of Bahar Energy.

GENERAL DEVELOPMENT OF THE BUSINESS

History

General

On November 28, 2007, the Corporation was formed as Greenfields Petroleum, Inc., a corporation formed under the Texas *Business Organizations Code*. The Corporation did not conduct any material business activities until April 2008 as the founders of the Corporation were completing the sale of GFI to Salamander Energy, PLC. The historical results of operations and performance of GFI should not be relied upon as an indicator of how the Corporation will perform in the future.

On April 4, 2008, Greenfields Petroleum, Inc. was converted pursuant to a Certificate of Conversion to Greenfields LLC, a limited liability company formed under the laws of the Texas *Business Organizations Code*.

In February 2008, the Corporation entered into an operating agreement with regards to GFPI, pursuant to which the Corporation agreed to fund up to 15% of the costs of GFPI, resulting in a 15% indirect ownership by the Corporation of the Class A units of GFPI. RCH Energy Opportunity Fund II, L.P. (“**RCH II**”) and RCH Energy Opportunity Fund III, L.P. (“**RCH III**”) agreed to fund up to 85% of the costs of GFPI, resulting in an 85% ownership by RCH II and RCH III of the Class A units of GFPI. Class B units were reserved to the Corporation, with certain vesting requirements to be achieved which, as of the date of this Annual Information Form, have not been met. In conjunction with the operating agreement, the Corporation also entered into a management services agreement (the “**MSA**”) with GFPI and a business opportunities agreement (the “**BOA**”) with RCH II.

Pursuant to the MSA, the Corporation undertook to provide to GFPI, for a period of three years, certain management services in exchange for a monthly fee and reimbursement of expenses. The Corporation has the option to terminate the MSA without cause upon sixty (60) days notice, but such termination will result in the forfeiture of certain of the Class B units reserved to the Corporation in GFPI. Such Class B units are considered to hold no value at the date of this Annual Information Form.

Pursuant to the BOA, the Corporation, Alex T. Warmath and Richard E. MacDougal, individually, granted RCH II certain rights to participate in future upstream oil and gas business opportunities in both the United States and internationally (“**International Opportunities**”).

In May 2008, the Corporation acquired an indirect 51% working interest in and operatorship of the Bunga Mas PSC (the “**Indonesia Project**”). In June 2008, the Corporation opened an office in Jakarta, Indonesia, to shoot seismic and carry out its other work program obligations in respect of the Indonesia Project.

From April 2008 to August 2008, Greenfields LLC issued units representing limited liability company interests to investors for gross proceeds of approximately \$4,300,000. The Corporation spent the balance of 2008 attempting to secure financing for the Indonesia Project, as well as to pursue other international opportunities.

Azerbaijan

In April 2009, Bahar Energy signed a memorandum of understanding with SOCAR to evaluate several oil and natural gas opportunities in the offshore area of the Caspian Sea in Azerbaijan.

In April 2009, as a result of adverse capital market conditions due to the worldwide financial crisis and the Corporation’s desire to focus management time and attention to Azerbaijan, the Corporation sold its interest in the Indonesia Project for net proceeds to the Corporation of approximately \$5,264,000. See “*Narrative Description of the Business – Acquisitions and Dispositions*”.

In November 2009, the President of Azerbaijan signed a decree authorizing SOCAR to negotiate the ERDPSA with Bahar Energy. On December 22, 2009, Bahar Energy, in which the Corporation owns an indirect 33.330% interest through its

wholly-owned subsidiaries, entered into the ERDPSA with SOCAR and its wholly-owned oil affiliate SOA in respect of the offshore block known as the Bahar Project. The Bahar Project consists of the Bahar Gas Field and the Gum Deniz Oil Field. Bahar Energy has an 80% participating interest, and SOA is to be assigned a 20% participating interest, in the Bahar Project pursuant to the ERDPSA. On April 27, 2010, the Azerbaijan Parliament, also referred to as Milli Mejlis, ratified the ERDPSA. The ERDPSA became effective on October 1, 2010 and has the force of law in accordance with the existing legislation of Azerbaijan, a feature that management of the Corporation believes will provide greater protection from changes in local law than enjoyed by other PSAs in Azerbaijan that do not share that feature.

The ERDPSA covers an area of approximately 76,500 acres and is divided into a Rehabilitation Area and an Exploration Area. The Rehabilitation Area includes the Bahar Gas Field and Gum Deniz Oil Field, which had approximate average gross production for the period between October 1, 2010 to December 31, 2010 of 1,497 bbl/d and 14,997 Mcfd, or, in total, 3,997 boepd.

The development and production period in the Rehabilitation Area has a term of 25 years which may be extended by mutual agreement for an additional five years. The Exploration Area does not currently contain any commercial oil or gas fields. The exploration period in the Exploration Area has an initial term of three years, which can be extended for one year at the request of the Contractor Parties. In the event of a commercial discovery in the Exploration Area, the development and production period for the Exploration Area will have a term of 25 years.

The Corporation's estimated working interest production for the Corporation's 33.330% indirect ownership in Bahar Energy was 452 bbl/d and 4,455 Mcfd, or 1,194 boepd, based on average production for the year ended December 31, 2010. The average working interest production (net) from the Rehabilitation Area through March 31, 2011 was 448 bbl/d and 4,349 Mcfd, or, in total, 1,172 boepd.

Kansas

In Kansas during 2009, GFPI shot five 3 D seismic surveys, acquired one seismic survey, and drilled twelve exploration wells. The drilling program resulted in four (0.6 net) discovery wells and eight (1.2 net) plugged and abandoned wells. In 2010, GFPI shot 24.6 square miles of additional 3 D seismic programs and drilled a total of 11 wells in addition to drilling jet laterals in two producing wells in Kansas. As of December 31, 2010, GFPI has participated in 23 wells of which 9 have been successfully completed as producing commercial wells. The production net to the Corporation's indirect ownership in GFPI in 2010 was 1,413 bbls.

Effective January 1, 2010, in consideration for the release by RCH II of the rights that RCH II held to participate in the International Opportunities pursuant to the BOA, the Corporation, Alex T. Warmath and Richard E. MacDougal, and RCH II and RCH III entered into an amending agreement which amended the Operating Agreement, the MSA and the BOA (the "**Amending Agreement**"). Pursuant to the Amending Agreement, the Corporation retained a 5% interest in GFPI, and transferred the balance of its interest in GFPI to RCH II and RCH III, and adjusted its compensation under the MSA. The Corporation also agreed to make the services of Alex T. Warmath available to GFPI on a first priority basis pursuant to the amended MSA.

On February 19, 2010, Greenfields LLC was converted back to a corporation formed under the laws of the State of Delaware.

Private Placements, ERDPSA "Effectiveness" and Initial Public Offering

On February 24, 2010, the Corporation completed the February 2010 Private Placement of 1,000,000 Units at a price of CDN\$5.00 per Unit, for gross proceeds of CDN\$5,000,000. The Corporation also issued an aggregate of 60,000 Compensation Units to FirstEnergy and Raymond James.

On September 14, 2010, the Corporation completed the September 2010 Private Placement involving the issuance of 1,984,077 Common Shares at a price of CDN\$6.50 per share for gross proceeds of approximately CDN\$12,896,500.

On September 29, 2010, the Corporation was notified by SOCAR that all conditions precedent of the ERDPSA were satisfied and the ERDPSA became effective as of October 1, 2010.

On November 16, 2010, the Corporation completed its initial public offering (the “**IPO**”) of 4,235,000 Common Shares at a price of CDN\$8.50 per share for gross proceeds of CDN\$35,997,500. The Common Shares began trading on the TSXV on November 16, 2010 under the symbol “GNF.S”. On December 3, 2010, the Agents exercised in full the over-allotment option granted to the Agents pursuant to the Agency Agreement, under which an additional 635,250 Common Shares were sold at a price of CDN\$8.50 per share for additional gross proceeds of CDN\$5,399,625.

Subsequent to Year Ended December 31, 2010

On January 7, 2011, A. Wayne Curzadd was appointed as the acting Chief Financial Officer of the Corporation replacing Mark N. Witt.

On April 19, 2011, Donald R. Ingram, Director and Chairman of the Audit Committee, resigned from his role as a director of the Corporation, accepting an advisory role with the Corporation.

NARRATIVE DESCRIPTION OF THE BUSINESS

General

The Corporation is a junior oil and natural gas corporation focused on the development and production of proven oil and gas reserves principally in Azerbaijan. The Board of Directors and management of the Corporation are experienced in financing and operating international oil and gas companies and are believed to possess the requisite technical skills and business acumen to operate in diverse international environments.

The Corporation also plans to expand its oil and gas assets through farm-ins and acquisitions of PSA’s from foreign governments of previously discovered but undeveloped international oil and gas fields, also known as “greenfields”. Greenfields are characterized by existing proven hydrocarbons which require further delineation or infrastructure (as opposed to wildcat exploration), have current production or near-term production, and frequently contain significant potential exploration upside. The Corporation has identified over nine hundred greenfields worldwide and, some of which the Corporation expects to focus on, particularly in areas where the management of the Corporation has past operating experience and local relationships.

The Corporation believes that many international greenfields opportunities provide significantly lower risk profiles than traditional exploration programs, and that greenfields frequently offer the upside of size and scale. Management believes these often underappreciated opportunities remain available today for a variety of reasons including political, pricing and technical challenges. Based upon years of experience, management of the Corporation anticipates that perceived risks can be managed in a way that allows for building significant value in countries where management has an appreciation of how to manage these risks in diverse political and business environments. The Corporation’s management team has a proven track record with well known energy companies and are believed to possess the expertise to quickly capture, develop and manage an identified portfolio of target greenfields.

The Corporation is building an oil and gas company to capture and exploit a small number of the most attractive previously identified undeveloped oil and gas fields. The Corporation plans to harvest the unrecognized value from these already discovered, but likely underappreciated, oil and gas fields and anticipates that it will take advantage of selected exploration opportunities from time to time.

Although there are small and medium-size independent operators working outside the United States, many remain focused on traditional methods of building wealth via the higher risk exploration portion of the exploration and production process. Due to the overwhelming competition for hydrocarbons and the significant infrastructure found in Canada and the United States, the Corporation believes that North American greenfields are scarce and over-priced when compared to international greenfields opportunities. The Corporation will focus on the higher-value generation it sees in the delineation and development phase of the exploration and production process, with what is believed to be its comparatively lower risk profile. When a field reaches the mature development phase, the Corporation plans to consider selling its interest in that

field, as new value growth tends to plateau during the production phase. However, such a field might be retained if from information gained during the original development work it is determined that the location or character of the field allows for upside development through additional exploitation and/or exploration efforts. Management holds the view that exploration upside can be acquired along with the acquisition of a greenfield with little or no cost, but that exploration component can add significantly to the overall project value.

Central to the Corporation's business plan is the belief that while both the delineation and field development phase and the exploration phase of the upstream oil and gas business can both create new value, the delineation and field development phase generally has a much lower investment risk profile. The Corporation plans to focus its efforts on that phase of the process where it has the opportunity to create significant shareholder value with lower below ground risk than is usually the case in the traditional exploration approach.

Following the successful sale of GFI to Salamander Energy, PLC, a South East Asia focused company, in March 2008, the former GFI management team began to pursue other greenfields opportunities. The former GFI management team formed the Corporation and the Corporation identified and captured the ERDPSA containing the Bahar Gas Field and Gum Deniz Oil Field located in the shallow waters of the Caspian Sea directly offshore of Azerbaijan. The historical results of operations and performance of GFI should not be relied upon as an indicator of how the Corporation will perform in the future.

Azerbaijan has a long history of oil and gas production. By the end of World War II, the fields around Baku, Azerbaijan accounted for approximately 70% of the production of the Soviet Union. Over 140 fields have been discovered in this very oil and gas rich south Caspian Sea area. Since the 1990's, the Azerbaijan government has been promoting its oil and gas industry to foreign investors by actively promoting Economic Rehabilitation and Development Production Sharing Contracts for its aging oil and gas fields which still hold large quantities of oil and gas reserves. The government of Azerbaijan recognized that they could accelerate the country's wealth by encouraging western oil and gas companies to invest capital and technology in Azerbaijan. Many major international oil and natural gas companies have a presence in Azerbaijan and are actively producing oil and natural gas, including companies from the United Kingdom, the United States, Turkey, Russia, Germany and Canada. Over 28 contracts have been signed with foreign oil and natural gas companies to develop and produce hydrocarbons both onshore and offshore in Azerbaijan.

Business Strategy in Azerbaijan

Redevelopment Plan

Management's strategy in the Bahar Gas Field and the Gum Deniz Oil Field is to increase existing production and develop previously discovered proved undeveloped reserves. Management of the Corporation intends to accomplish its plan of development by implementing modern production techniques, including:

- (a) repair and upgrading of platforms and facilities;
- (b) introduction of high rate gas compression;
- (c) installation of down-hole electric submersible pumps;
- (d) utilize modern completion techniques not associated with Soviet style oil and gas field operations;
- (e) complete previously unperforated pay-zones in existing wellbores;
- (f) capitalizing on understanding of reservoirs gained from analysis of data from over 700 previous wells drilled; and
- (g) sidetrack existing wellbores and drill new development wells, using modern seismic data.

Plan of Development

History and Technical Analysis of Bahar Gas Field

Initial production of the Bahar Gas Field began in September 1969 and as of December 31, 2010 the Bahar Gas Field has produced approximately 4.3 trillion cubic feet of gas and 84 million barrels of condensate. Due to the slow Soviet era style of development, the maximum daily gas production rate of 591 MMcfd was not achieved until 1985. The Bahar Gas Field had average monthly production of approximately 14,000 Mcfd for the month of December, 2010. The maximum condensate production rate of approximately 13,900 Bcpd was achieved on October 6, 1975. The Bahar Gas Field was producing approximately 120 Bcpd for the month of December, 2010.

The Bahar structure in the Bahar Gas Field was discovered in the period between 1955 to 1957 by using seismic and electrical offshore surveys. After two non-commercial exploratory wells were drilled in 1955 and 1961, respectively, a third well drilled in 1968 became the initial discovery well for the Bahar Gas Field after significant gas potential was established in the Balakhany formation.

The stratigraphic interval, which includes several productive formations of Pliocene age, embraces the productive series section from the top of the Balakhany formation through the PK suite of rocks. The following productive horizons that have been identified include: I and V, VI, VII, VIII, IX, X (all in the Balakhany formation), "Perery", NKP, and PK suites. These productive units are separated by shale beds and differ from one another by fluid and petrophysical properties. Subsequent field development has established production over a stratigraphic interval of more than 1,615 m. Found inside the 1,675 m interval are 12 separate pay zones with individual pay sands ranging in thickness up to 115 m. Total net sand pay in an average well can exceed over 300 m.

The Bahar structure was initially defined by more than 120 exploratory and development wells. As at the date hereof, 204 wells have been drilled in the Bahar Gas Field. The structure is a north-south-trending anticline found along the Fatmai - Gum anticline trend with a field length of 9.5 km and width of 3.5 km. Vertical closure varies with depth but at zone IX (found approximately in the middle of the pay intervals), closure is in excess of 450 m. The structure is slightly asymmetrical; the western flank dips 16-18°, the eastern flank, 19-20°, the northern plunge, 6-7°, and the southern plunge, 17-18°. The structure is divided into three sections by faults. The main portion of the Bahar structure (area of production) includes the central part, eastern flank and plunge areas, and is divided into three fault blocks (I, II, III) by two transverse faults. The transverse faults, which separate the northern plunge (Block I) from the central portion of the structure (Block II) are clearly identified. Transverse faults between Blocks I, II and III are characterized by small displacements, which explains why these faults were barriers only before the beginning of production.

Gas and condensate distributed within the stratigraphic section indicate that these multi-bedded gas and condensate accumulations occur within a single hydrodynamic system. Gas accumulations contain a significant amount of condensate, which increase in richness with depth. Reservoir rocks (sandstone and siltstones) are of good quality. Average porosity ranges from 14 to 22% and average permeability ranges from 12 to 166 md. Water saturation in the pay intervals ranges from 8 to 56%.

Development Plan for Bahar Gas Field

Bahar Energy's activity plan for the Bahar Gas Field is divided into three phases. Due to the large number of available wellbores, no new wells are planned to be drilled in the first three phases. Repair, recompletion and sidetrack of existing wells will increase the production and develop additional reserves. Due to the number of the existing facilities, only upgrades to such facilities are planned to increase production and reserves. The principal objectives are as follows for the near term program:

- (a) Increase daily production and develop additional reserves from the existing active wells;
- (b) Increase daily production and develop additional reserves from zones found behind pipe in existing wellbores;

- (c) Increase daily production and develop additional reserves from zones via a sidetrack program to allow for access into zones not available in the existing wellbores found inside the field; and
- (d) The programmed activity is expected to raise field daily production to over 110 MMcfd of gas which will bring the field back to approximately 20% of the former established production levels.

In Phase 1, the installation of compressors and de-bottlenecking activities are planned to improve production rates from the existing producing wells. In addition, 16 existing producing wells will undergo a downhole optimization program, and selected facilities and platforms will be upgraded.

In Phase 2, recompletion activities on approximately 53 wells are planned in zones that have not previously been perforated and produced, as many of the wells in the Bahar Gas Field have more than seven separate pay zones, and a large number of proved developed non-producing (behind pipe) reserves remain unproduced throughout the field.

Phase 3 is expected to focus on sidetracking approximately 6 wellbores to access deeper zones that have yet to be perforated and produced.

History and Technical Analysis of Gum Deniz Oil Field Development

The Gum Deniz Oil Field was discovered in the early 1950's, and was previously known by the names Pescheny-More and Pescheny Island Field. Production began from the Gum Deniz Oil Field in 1955. The Gum Deniz Oil Field is located in shallow water (less than 10 m) approximately 20 km southeast of Baku immediately off the coast of Azerbaijan.

The productive stratigraphic interval found in the Gum Deniz Oil Field includes several productive formations. Specifically, the productive series section is from the top of the Balakhany suite of rocks through the PK suite of rocks. The following productive units have been identified: IV, V, VI, VII, VIII, IX, X (all in the Balakhany Suite), "Perery", NKP, SP, PK and KAS suites. In total, 12 separate, vertical pays zones are found across the field. In several blocks, all 7 zones have been found productive. On average, 3-4 pay zones are found trapped in each of the productive fault blocks located inside the Gum Deniz Oil Field.

The Gum Deniz Oil Field was initially drilled and developed from an island and from a causeway built from the shore to what was believed to be the location of the field. Approximately 484 wells have been drilled in the field. The Gum Deniz Oil Field is located along the Fatmai - Gum anticline trend up dip from the Bahar Gas Field. The faulted anticline is broken into 16 fault blocks, 11 of which have established commercial production.

The oil accumulations in the Gum Deniz Oil Field contain oil gravity ranging from 20° to 44°. Shallow horizons have lower gravity crude while the deeper horizons have increased gravity. Overall crude gravity is found to be approximately 36°. The reservoir rocks (sandstone and siltstones) are of good quality. Average porosity ranges from 10 to 22% and permeability ranges from 10 to 1,200 md. Most producing zones display permeabilities in the 100 to 230 md range.

Current development in the Gum Deniz Oil Field has established production over a stratigraphic interval of more than 5,200 feet containing as many as 12 individual pay zones within this interval. The field started producing in 1955 and has produced approximately 207 MMbl and 581 Bcf of gas as of December 31, 2010. Due to the slow style of Soviet era development, the maximum daily oil production of 46,400 bbl/d was not achieved until 10 years later in 1964.

Development Plan for Gum Deniz Oil Field

Bahr Energy's near term activity plan is broken into four phases of specific work. Due to the number of available wellbores no new well drilling is planned until Phase 4. The main objectives are as follows for the near term program:

- (a) a well optimization program to increase daily production during the first six months;
- (b) a recompletion and side track program to increase daily production and to add proved producing reserves;

- (c) install three new platforms and drill 36 new development wells to develop reservoirs found in fault blocks that could not be accessed from the causeway development program; and
- (d) to increase daily production to approximately 12,500 bbl/d or approximately 30% of the level previously established in the field.

In Phase 1, an aggregate of 24 well optimization upgrades are planned on active producing wells, and will focus on replacing failed tubing and place downhole electric submersible pumps on selected wells. The Phase 1 program is expected to result in an increase in daily production.

Phase 2 includes recompletion activities in zones of wells that have not previously been perforated and produced. An aggregate of 25 recompletions are planned in Phase 2.

Phase 3 includes sidetracking approximately 4 existing wellbores to access zones that have yet to be perforated and produced. These wells are deeper than the existing wellbore depths. In addition, Bahar Energy plans to construct and install 5 new offshore platforms.

Phase 4 includes drilling up to 36 new development wells in the field. The Corporation will utilize new directional drilling technology to access parts of the field that could not previously be reached from the Soviet causeway systems. On the southeastern portion of the field, it is anticipated that one of the platforms will be used to expand the field area that is currently only partially developed.

Description of the ERDPSA

Terms of the ERDPSA

Pursuant to the ERDPSA, the Contractor Parties are obligated to:

- (a) pay SOCAR a signing bonus of \$2,000,000 (\$666,667 of which is allocated to the Corporation) within 30 days after the effective date of the ERDPSA, which signing bonus was received by SOCAR on October 28, 2010; and
- (b) pay annual acreage fees to SOCAR for three years (or four years if the exploration period is extended) in the amount of \$216,000 per annum (\$72,000 per annum of which is allocated to the Corporation).

These bonus and acreage fees are not recoverable by Bahar Energy from production revenue pursuant to the ERDPSA.

Pursuant to the ERDPSA, the Contractor Parties are required to increase production in the Rehabilitation Area within three years from SOCAR's approval of the rehabilitation and production program related to the Rehabilitation Area, which approval was received on June 22, 2011, to 1.5 times the 2008 production levels from the Bahar Gas Field and the Gum Deniz Oil Field of each of oil and natural gas (the "**Production Condition**"). For the purposes of the ERDPSA, the parties have acknowledged the 2008 production levels of the Gum Deniz Oil Field and the Bahar Gas Field were 1,233 bbl/d and 18.8 MMcfd, respectively. If the Production Condition is met, Bahar Energy will pay a bonus of \$2,000,000 to SOCAR (\$667,000 of which is allocated to the Corporation). This payment is not recoverable by Bahar Energy from production revenue pursuant to the ERDPSA. Failure to reach the Production Condition within the referenced three years may result in the termination of Bahar Energy's rights in respect of the Rehabilitation Area at SOCAR's discretion.

In the Exploration Area of the ERDPSA, the Contractor parties are required to:

- (a) acquire a minimum of 60 square kilometres of 3-D seismic (estimated cost to the Corporation is \$1,550,000); and
- (b) drill at least one exploration well.

Failure to acquire such seismic or to drill such exploration well within the exploration period of three years from the effective date of the ERDPSA gives SOCAR the right to terminate Bahar Energy's rights in respect of the Exploration Area. Bahar Energy will assess the economic merit of drilling an exploration well based on the results of the analysis of the 3-D seismic data.

In the event that either the Rehabilitation Area or Exploration Area is terminated, Bahar Energy will not be able to recover costs incurred in relation to such area in the Bahar Project.

Bahar Energy has the obligation to carry the costs attributable to SOA's 20% participating interest in respect of:

- (a) operations in the Rehabilitation Area from the effective date of the ERDPSA until the production from the Rehabilitation Area equals two times the 2008 production levels described above; and
- (b) operations in the Exploration Area from the effective date of the ERDPSA until the commencement date of commercial production from the Exploration Area (collectively, the "Carry").

These costs carried by Bahar Energy on behalf of SOA are to be repaid from SOA's share of cost recovery and profit production from the Rehabilitation Area and the Exploration Area, respectively. Further, as the Rehabilitation Area is currently producing both oil and gas, 5% of the production (referred to as "**Compensatory Production**") for the first three years of the ERDPSA is to be delivered to SOCAR as Compensatory Production. The percentage increases to 10% of production commencing in the fourth year of the ERDPSA until the amount of production delivered is the equivalent of 1,230,000 Bbbl of oil and 22.2 Bcf of gas. After this threshold is reached, no additional Compensatory Production is required to be paid to SOCAR.

The Corporation's cash requirements necessary to satisfy past and estimated future commitments total \$39,868,622, consisting of the Corporation's share of capital expenditures on the Bahar Project through the date of estimated positive cash flows for: (i) recompletions and workovers of \$13,951,084; (ii) platforms and facilities of \$18,407,538; (iii) equipment, including workover rigs, liftboat, barge, cranes and crewboat of \$4,630,000; (iv) Exploration Area seismic costs of \$1,550,000; and (v) ERDPSA signing bonus and production payments of approximately \$1,330,000 (\$666,667, and \$667,000, respectively).

Production revenue under the ERDPSA is allocated as follows:

- (a) the Contractor Parties recover operating costs;
- (b) the Contractor Parties recover capital costs up to a maximum of 50% of sales revenue after deducting operating costs. Unrecovered capital costs are considered to be financed, and these are carried forward and earn interest equal to LIBOR plus 4% of the amount of any unrecovered capital costs; and
- (c) the balance of sales revenue ("**Profit Oil**") is split between SOCAR and the Contractor Parties based on a series of "R" factors.

This mechanism for dividing profit oil, including the proportions allocated to SOCAR and the Contractor Parties, is comparable to other Azerbaijan PSAs.

There is neither a minimum nor a maximum restriction on the revenues that may accrue to Bahar Energy with respect to the division of revenues between SOCAR and Bahar Energy.

ERDPSA Tax Provisions

Pursuant to the ERDPSA, a tax credit equivalent to 22% of the profit is paid by SOCAR, on behalf of the Contractor Parties, to the government of Azerbaijan. The Corporation anticipates that it will be in a tax paying position in the U.S. in approximately two years and that such taxes can be partially offset by the aforementioned tax credit. In addition, the Contractor Parties are exempt from all other taxes, duties and royalties in Azerbaijan, other than customs fees, personal income tax and contributions to the state social insurance funds of Azerbaijan.

Facilities Access and Environmental Matters

Pursuant to the ERDPSA, the Contractor Parties have complete access during the term of the ERDPSA of all existing wells and facilities necessary to carry out operations in the Bahar Gas Field and Gum Deniz Oil Field. SOCAR has agreed to indemnify the Contractor Parties for all environmental conditions prior to the effective date of the ERDPSA and SOCAR has assumed all remediation obligations for these environmental liabilities. An environmental assessment and baseline is to be completed by Bahar Energy to establish conditions as at the effective date of the ERDPSA.

Governing Law

The ERDPSA is governed by principles of law common to the laws of Azerbaijan and English law, and to the extent that no common principles exist, then in accordance with the laws of the Province of Alberta (except for laws regarding conflict of laws). In addition, the ERDPSA contains provisions for international dispute resolution, arbitration, confidentiality, waiver of sovereign immunity, and economic stabilization for the protection of the foreign contractor.

Force of Law

The terms of the ERDPSA provide that since it is now ratified by the Parliament of Azerbaijan, the ERDPSA will have the force of law in Azerbaijan and became effective as at October 1, 2010, a feature that management of the Corporation believes will provide greater protection from changes in local law than enjoyed by other PSAs in Azerbaijan that do not share that feature.

Guarantee

To meet one of the conditions precedent under the ERDPSA, the shareholders of Bahar Energy, including the Corporation's subsidiary Greenfields Petroleum International Company Ltd., executed a joint ultimate parent company guarantee dated effective February 19, 2010 (the "**Guarantee**") in favour of SOCAR, guaranteeing to provide Bahar Energy with all funds necessary for it to fulfill all of its obligations, financial or otherwise, under the ERDPSA. Payment under the Guarantee is due only after a default by Bahar Energy under the ERDPSA has been established pursuant to an arbitration award against Bahar Energy. Any dispute under the Guarantee is to be resolved by arbitration in the same manner as provided for in the ERDPSA.

Description of Government Guarantee

In connection with the ERDPSA and pursuant to the Government Guarantee, the Government of Azerbaijan has guaranteed and undertaken, among other things:

- (a) the rights granted or to be granted by SOCAR to the Contractor Parties under the ERDPSA;
- (b) those obligations undertaken or to be undertaken by SOCAR under the ERDPSA;
- (c) that SOCAR has the authority to grant the rights to the Contractor Parties under the ERDPSA;
- (d) that the Government of Azerbaijan shall not enter into treaties, intergovernmental agreements or other arrangements that would diminish or infringe upon the rights and interests of the Contractor Parties under the ERDPSA;

- (e) that none of the Contractor Parties' rights, interests or property shall be expropriated, nationalized or taken by reason of any act of any authority of the Government of Azerbaijan; and
- (f) that no grant of rights to explore for and develop reserves in the area governed by the ERDPSA shall be given or permitted to be given to any parties other than the Contractor Parties during the term of the ERDPSA, or any extension thereof.

In addition, the Government of Azerbaijan has agreed and undertaken to take all measures necessary within the framework of its authority to ensure that all rights, privileges and exemptions granted under the ERDPSA and the Government Guarantee have full legal force and effect. The Government Guarantee is governed by the same choice of law and dispute resolution mechanism as the ERDPSA.

Operational Matters

Description of the Joint Operating Agreement

BEOC was formed pursuant to the terms of the ERDPSA, which requires the establishment of an operating company to conduct the operations under the ERDPSA on behalf of the Contractor Parties. For the purpose of regulating operations and the relations between the Contractor Parties and BEOC in the exercise of each of their respective rights and obligations under the ERDPSA, Bahar Energy, SOA and BEOC entered into the Joint Operating Agreement which contains, among other things, the following terms:

- (a) Participating Interests - All rights, obligations and interests under the ERDPSA, including the production attributable thereto, will be held by the Contractor Parties in accordance with their participating interests as follows:

SOA	20% (to be assigned as stipulated in the ERDPSA)
Bahar Energy	80%

The obligations of the Contractor Parties under the ERDPSA will be charged to a joint account and paid by each as to its participating interest except as are attributable to bonus payments and other specified expenses to be paid by Bahar Energy only, including costs attributable to the Carry.

- (b) Operating Company - Operations under the ERDPSA and Joint Operating Agreement will be conducted by BEOC in accordance with the directions of an established management committee acting in accordance with the ERDPSA. BEOC will represent the Contractor Parties in all dealings with the Government of Azerbaijan relating to the ERDPSA and operations thereunder. BEOC as the operating company will neither suffer a loss nor gain a profit as a result of joint operations under the ERDPSA, and will be indemnified by the Contractor Parties for liabilities associated therewith. BEOC is prevented from undertaking any business activity except as provided in the Joint Operating Agreement.
- (c) Management Committee - A management committee will be established to supervise operations, including approving work programs and budgets relating to exploration and development operations, and will consist of one representative appointed by each of SOA and Bahar Energy. Each representative has a vote equal to the participating interest of the Contractor Party such person represents. Decisions of the management committee will be made by the affirmative vote of at least 80% of the participating interests. Following the termination of the Carry, certain limited decisions will require unanimity, including amendment or termination of the Joint Operating Agreement or ERDPSA. The management committee will meet at least twice a year.
- (d) Default – A Contractor Party (except SOA during the period of the Carry) which fails to pay its participating interest share of any cash call is deemed to be in default, and may be subject to interest

payments, production penalties and other restrictions. Should the default continue for more than 60 days, the defaulting party may lose its participating interest to the non-defaulting parties.

- (e) Sole Risk – Provisions are included for sole risk operations, meaning operations permitted to be performed exclusively by one party under certain circumstances, with significant penalties to the non participating party should such party desire to participate in the sole risk operation at a later stage.
- (f) Assignment - The Assignment of a participating interest by a Contractor Party is subject to a right of first refusal of the other Contractor Party exercisable within 30 days of notice. Assignments to affiliates are not subject to such right of first refusal.
- (g) Dispute Resolution – The Joint Operating Agreement is governed by English law, and disputes are resolved by an international dispute resolution procedure.
- (h) Other Provisions - In addition to the foregoing, the Joint Operating Agreement contains provisions typical and expected in similar agreements, including those relating to insurance, third party claims, work programs and budgets, force majeure and confidentiality, which may impose additional obligations on the Contractor Parties and BEOC.

Description of the BEOC Shareholders Agreement

BEOC was formed as a not for profit company pursuant to the terms of the ERDPSA, which requires the establishment of an operating company to conduct operations under the ERDPSA on behalf of the Contractor Parties. BEOC is owned 80% by Bahar Energy and 20% by SOCAR on behalf of SOA, effective as of October 1, 2010. In order to regulate the operation and management of BEOC, the shareholders of BEOC entered into a shareholders' agreement ("**BEOC Shareholders Agreement**"), effective October 1, 2010. The BEOC Shareholders Agreement contains, among other things, the following terms:

- (a) Shareholders - The BEOC Shareholders Agreement recognizes that the shareholders are the supreme authority of BEOC, and provides for both annual and extraordinary general meetings. The BEOC Shareholders Agreement provides that all resolutions put to a vote of the shareholders be approved by not less than 80% of the shares having the right to vote on the relevant matter.
- (b) Board - The board is comprised of five directors, four being appointed by Bahar Energy and one by SOA. Decisions of the board are to be made by affirmative vote of 80% of the directors, except that the director appointed by SOA shall not have the right to participate in any decisions on matters regarding the implementation of work financed by Bahar Energy pursuant the Carry. Board meetings will be held at least annually.
- (c) Officers - The board is responsible for appointing the President of BEOC, who in turn is responsible for appointing all other officers in accordance with the terms of the Joint Operating Agreement.
- (d) Share Transfers - Shares of BEOC may be transferred only to the extent that a corresponding interest in the ERDPSA is transferred. Conversely, shares of BEOC must be transferred if and to the extent that a participating interest in the ERDPSA is transferred.
- (e) Compliance with ERDPSA - BEOC must comply with all instructions of the management committee formed under the Joint Operating Agreement and conduct its operations in accordance with the Joint Operating Agreement in compliance with the ERDPSA.

Economic

Pursuant to the economic stabilization clause of the ERDPSA, in the event that any government authority in Azerbaijan adversely affects the rights of Bahar Energy under the ERDPSA, SOCAR has agreed to re-establish the economic equilibrium for Bahar Energy in order to return Bahar Energy to the same economic position prior to such event.

Pricing and Marketing

Oil Sales

In Azerbaijan, SOCAR, and any foreign company producers of oil, such as Bahar Energy, negotiate sales contracts directly with oil purchasers, at selling prices that are generally derived from benchmark crude oil reference prices such as Brent Index. Actual selling prices may vary from posted benchmark selling prices to reflect factors such as oil quality, prices of competing fuels, distance to market, the value of refined products and the supply/demand balance.

BEOC, as agent on behalf of the Contractor Parties, has entered into the Bahar Oil Sales Agreement with SOCAR as the buyer for the sale of oil from the ERDPSA. Pursuant to the Bahar Oil Sales Agreement, SOCAR will purchase the oil attributable to production from the ERDPSA and sell an equivalent volume of oil, less capped transportation losses, (on behalf of Bahar Energy) at the export point as part of larger lots of SOCAR's export oil. Bahar Energy will sell the oil to SOCAR at the same price that SOCAR receives as the sale price under its export contract, less a one percent (1%) commission and costs, including transportation, not to exceed certain specified amounts. The Bahar Oil Sales Agreement may be terminated by either party upon fourteen (14) days advance notice.

The Bahar Oil Sales Agreement is governed by the laws of Azerbaijan and contains an international dispute resolution procedure, confidentiality provisions, and a waiver of sovereign immunity for the protection of the Contractor Parties.

Through SOCAR, Bahar Energy has access to various pipeline and commercial railcar options to any of the four regional export points: Batumi, Georgia by rail cars; Supsa, Georgia by Western pipeline; Novorossiysk, Russia by Northern pipeline; or Ceyhan, Turkey by BTC pipeline. From these ports, the Bahar Energy 33 degree API crude will trade as Azeri Light oil, which recently has traded at a slight premium to the Brent Index oil price.

The Corporation believes that each of these transportation alternatives and quality adjustments will cost approximately \$3.00 per barrel, resulting in a net price at the field of approximately Brent Index minus \$3.00 per barrel.

Gas Sales

BEOC, as agent on behalf of the Contractor Parties, has entered into the Bahar Gas Sales Agreement with SOCAR as the buyer for the sale of gas from the Bahar Gas Field.

The five year take or pay Bahar Gas Sales Agreement commenced on October 1, 2010 and is renewable by mutual agreement. The agreement provides for a minimum gas price of \$140 per 1000 standard cubic meters (approximately \$3.96 per Mcf) with a three year "Buildup Period" and two year "Firm Period". The gas price is not subject to escalation over the five year term. The first three years of the contract period allow the Contractor Parties to develop the Bahar Gas Field and increase the volume of gas deliveries to the Buyer. All volumes correctly nominated by the Contractor Parties are subject to a take or pay by SOCAR.

The final two years of the Bahar Gas Sales Agreement are a "Firm Period" in which the daily contract quantity ("DCQ") is fixed 180 days before the beginning of the fourth year. All volumes correctly nominated by the Seller up to the DCQ are subject to a take or pay by SOCAR. All excess gas sales requested by SOCAR above the DCQ are priced at contract gas prices.

If in any month during the term of the agreement, the volume of gas deliveries falls below the DCQ and the Contractor Parties are unable to make up the short fall in the current month, these short fall volumes would be sold to SOCAR at a discount of up to 20% below the contract price in the following month.

The Bahar Gas Sales Agreement is governed by English law and contains an international dispute settlement procedure, confidentiality provisions, and a waiver of sovereign immunity for the protection of the Contractor Parties.

Acquisitions and Dispositions

Effective January 1, 2010, in consideration for the release by RCH II of the rights that RCH II held to participate in the International Opportunities pursuant to the BOA, the Corporation, Alex T. Warmath and Richard E. MacDougal, and RCH II and RCH III entered into the Amending Agreement. See “*General Development of the Business*” for a further description.

In May 2008, Greenfields Petroleum (Indonesia) Company Ltd., at the time a direct wholly-owned subsidiary of the Corporation, purchased for approximately \$1,900,000 a company with assets in Indonesia which it renamed Greenfields Petroleum (Lahat) Company. Greenfields Petroleum (Lahat) Company owned 100% of Bunga Mas International Company (“**BMIC**”), a company holding a 51% interest in the Bunga Mas PSC. In June 2008, BMIC opened an office in Jakarta, Indonesia and commenced operations. At such time, the Corporation also commenced activities to procure funding for BMIC’s share of the work obligations under the Bunga Mas PSC. In the fall of 2008, the Corporation sold a 15% interest in Greenfields Petroleum (Indonesia) Company Ltd. to an unaffiliated third party.

Due to adverse market conditions as a result of the worldwide financial crisis and the desire of the Corporation to focus management time and attention on Azerbaijan, the Corporation elected to divest its interest in Greenfields Petroleum (Lahat) Company which indirectly owns a 51% working interest through its wholly owned subsidiary, Bunga Mas International Company (“**BMIC**”) in the Bunga Mas PSC in South Sumatra, Indonesia. On April 14, 2009, Greenfields Petroleum (Lahat) Company’s parent company, Greenfields Petroleum (Indonesia) Company Ltd., entered into a sale and purchase agreement with APEC Indonesia Limited pursuant to which it sold Greenfields Petroleum (Lahat) Company to APEC Indonesia Limited for consideration of approximately \$5,300,000, as well as a contingent net profits interest. The contingent net profits interest took the form of a deferred payment agreement dated April 24, 2009, pursuant to which APEC Indonesia Limited agreed to pay Greenfields Petroleum (Indonesia) Company Ltd. a deferred purchase price payment in instalments equal to 4% of BMIC’s share of the crude oil remaining after the deduction of operating costs (otherwise known under the Bunga Mas PSC as “**Profit Oil**”), reduced by the amount of certain Indonesian taxes. Payments begin with the first production of Profit Oil from the area of the Bunga Mas PSC and will terminate when the instalment payments total \$8,000,000. To date, no production has been realized by BMIC from the area of the Bunga Mas PSC. Greenfields Petroleum (Indonesia) Company Ltd. has agreed to indemnify up to a maximum of \$150,000 to APEC Indonesia Limited Company in respect of potential future reclamation efforts related to two previously established well locations, if required by the regulatory authorities. Greenfields Petroleum (Indonesia) Company Ltd. has also agreed to indemnify the buyer of Greenfields Petroleum (Lahat) Company for liabilities that might arise in the future for events that transpired during the period Greenfields Petroleum (Indonesia) Company Ltd. held its interest in Greenfields Petroleum (Lahat) Company. The maximum amount of the latter indemnification cannot be reasonably estimated due to its nature nor are such events considered likely. Historically, Greenfields Petroleum (Indonesia) Company Ltd. has not made any payments relating to such indemnification.

Competitive Conditions

Companies involved in the petroleum industry must manage many risks which are beyond their direct control. Among these risks are risks associated with exploration, environment, commodity prices, foreign exchange and interest rates.

The oil and natural gas industry is intensely competitive and the Corporation competes with a substantial number of other companies, many of whom have greater financial resources. Many of such companies not only explore for and produce oil and natural gas, but also carry on refining operations and market petroleum and other products on a world-wide basis. There is also competition between the petroleum industry and other industries supplying energy and fuel to industrial, commercial and individual customers. There is no assurance that the Corporation will be able to successfully compete against its competitors. See also “*Risk Factors*”.

Cyclical Nature of Business

The Corporation's business is generally not cyclical. The exploration and development of oil and natural gas reserves is dependent on access to areas where production is to be conducted. Seasonal weather variation, including rainy seasons, affects access in certain circumstances. See also "*Risk Factors*".

Specialized Skill and Knowledge

Operations in the oil and natural gas industry mean that the Corporation requires professionals with skills and knowledge in diverse fields of expertise. In the course of its exploration, development and production of hydrocarbons, the Corporation utilizes the expertise of geophysicists, geologists, petroleum engineers and landmen. The Corporation faces the challenge of attracting and retaining sufficient employees to meet its needs. See also "*Risk Factors*".

Foreign Operations

The Corporation's oil and gas operations and assets are located in foreign jurisdictions. As a result, the Corporation is subject to political, economic and other uncertainties, including but not limited to changes, sometimes frequent, in energy policies or the personnel administering them, nationalization, expropriation of property without fair compensation, cancellation or modification of contract rights, foreign exchange restrictions, currency fluctuations, royalty and tax increases, and other risks arising out of foreign governmental sovereignty over the areas in which the Corporation's operations are conducted, as well as risks of loss due to civil strife, acts of war, guerrilla activities and insurrections. Changes in legislation may affect the Corporation's oil and natural gas exploration and production activities. The Corporation's international operations may also be adversely affected by laws and policies of Canada as they pertain to foreign trade, taxation and investment. See also "*Risk Factors*".

Personnel

As at December 31, 2010, the Corporation had 11 full-time employees and 5 full-time consultants. It also regularly utilizes the services of additional professionals on a part-time contract or consulting basis.

The executive management team of the Corporation includes oil and gas professionals with over 200 years of combined industry experience. Relying on the knowledge and experience of this team, the Corporation intends to focus on the development of its assets in Azerbaijan, as well as selectively pursue other international oil and gas opportunities with similar commercial development and production profiles.

Industry Conditions

Overview of Oil and Gas Industry in Azerbaijan

The oil and gas industry plays a key role in the economy of Azerbaijan. Azerbaijan is emerging as an important exporter of oil and natural gas, mainly through production from offshore exploration in the Caspian Sea, where its largest hydrocarbon reserves are located. Azerbaijan also has strategic importance as a transport corridor between Europe and Central Asia, and has three major oil export pipelines, being the Baku-Tbilisi-Ceyhan ("**BTC**") pipeline, the Baku-Novorossiysk pipeline and the Baku-Supsa pipeline, and one major natural gas pipeline, being the Baku-T'bilisi-Erzurum pipeline (also known as the "**South Caucasus Pipeline**").

During the declining years of the USSR, each of its constituent republics drew up various estimates of the prospective wealth that sovereignty would bring. These views of an independent political and economic future differed. Azerbaijan saw its economic future in the development of its oil reserves. The economic independence act adopted on May 25, 1991, coupled with the de jure re-instatement of political independence on October 18, 1991, paved the legal path for Azerbaijan to start independently producing and selling its oil production. Production, however, was declining amid the degeneration of economic and political stability. The depletion of existing fields and the lack of independent financing and local know-how made turning to foreign oil companies for offshore upstream development an unavoidable choice. To provide a basic legal guideline, with respect to foreign investment into its economy, Azerbaijan adopted a law on the protection of

foreign investment in January 1992. On the administrative side, in September 1992 SOCAR was established by consolidating Azerineft and Azneftkimya, the two state entities that previously managed oil exploration, extraction, transportation and refining in Azerbaijan.

SOCAR is responsible for producing oil and natural gas in Azerbaijan, operating the country's refineries, running the pipeline system and managing Azerbaijan's oil and gas imports and exports. SOCAR is a party to all of the international consortia developing oil and gas projects in Azerbaijan, and the Ministry of Industry and Energy of Azerbaijan handles exports, as well as exploration and production agreements with foreign companies.

With virtually no legal landscape existing for PSAs in Azerbaijan, investors were left with a choice of having the PSA conform to the scarcely existing legal landscape or to negotiate benefits that would then be passed into law to fill the existing legislative gaps. On September 20, 1994, when the first major PSA was signed, Azerbaijan agreed to submit the government's most important commercial deals to the legislature for their approval and adoption into law paving the way for subsequent PSAs and eventually the government's approval of the Corporation's ERDPSA.

According to the United States Federal Department of Energy - Energy Information Administration ("EIA"), total oil production in Azerbaijan increased from 180,000 bbl/d in 1997 to above 1,000,000 bbl/d in 2009, and Azerbaijan had estimated net oil exports in 2010 of 700,000 bbl/d. Most of Azerbaijan's oil is exported via pipeline, but small amounts are shipped by truck and railway. The majority of oil exports pass through the BTC pipeline system which runs 1,110 miles from certain fields in the Caspian Sea, via Georgia, to the Mediterranean port of Ceyhan, Turkey. From there the oil is shipped by tanker, principally to European markets.

Azerbaijan Economic and Political Environment

Since the fall of the Soviet Union, Azerbaijan has grown its economy from revenues from large oil development projects.

Contract stability is built into the legislative process of parliamentary approval, thus giving contracts force of law and economic certainty.

Azerbaijan is still technically at war with its neighbour, Armenia, but has been living under a truce of hostilities.

Azerbaijan has relatively good relations with its neighbour to the south, Iran, as Iran's population is approximately 30% Azeri. There is some minor tension with Turkmenistan across the Caspian to the east due to border disputes over a discovered oil deposit in the central region along the Absheron sill (an extension of the Absheron peninsula which runs as an underwater mountain ridge across the Caspian to the Turkmenistan side). Azerbaijan enjoys good relations with its neighbours across the Caspian Sea (Kazakhstan and to some extent Turkmenistan) due to its transit ability for oil movements into its rail and pipeline systems to the Georgian (Black Sea) coast and through Turkey to the Mediterranean port of Ceyhan.

Many major international oil and natural gas companies have a presence in Azerbaijan and are actively producing oil and natural gas, including companies from Turkey, Russia, Germany, the United Kingdom, the United States and Canada. Over 28 contracts have been signed with foreign oil and natural gas companies to develop and produce hydrocarbons both onshore and offshore in Azerbaijan.

Environmental Regulation

Globally, the oil and natural gas industry is subject to environmental regulation pursuant to local, provincial and federal legislation in each of the countries with oil and natural gas operations. In emerging nations, such as Azerbaijan, where environmental regulations and legislation are evolving, many oil and natural gas exploration and production companies operate in accordance with standards prevailing in established oil and natural gas producing jurisdictions, such as the United States. The Corporation is committed to conducting its operations in Azerbaijan in accordance with environmental standards used by other international oil and natural gas exploration and production companies. In most countries, environmental legislation includes restrictions and prohibitions on releases or emissions of various substances produced in association with certain oil and natural gas industry operations. Such legislation can affect the location and operation of wells and facilities and the extent to which exploration and development is permitted. In addition, typical legislation requires that well and facilities sites are abandoned and reclaimed to the satisfaction of regulatory authorities. A breach of such legislation may result in the imposition of fines or issuance of clean-up orders. In many jurisdictions, new legislation, environmental standards and compliance for releases, site restoration and reporting are becoming stricter and more onerous. Also, the range of enforcement actions available and the severity of penalties have also been significantly increased.

Social or Environmental Policies

The health and safety of employees, contractors and the public, as well as the protection of the environment, is of utmost importance to the Corporation. To this end the Corporation has instituted a comprehensive environmental policy to which it, as well as its employees and contractors are required to adhere. The Corporation endeavours to conduct its operations in a manner that will minimize both adverse effects and consequences of emergency situations by:

- complying with government regulations and standards, particularly relating to the environment, health and safety;
- operations consistent with industry codes, practises and guidelines;
- ensuring prompt, effective response and repair to emergency situations and environmental incidents;
- providing training to employees and contractors to ensure compliance with corporate safety and environmental rules and procedures; and
- communicating openly with members of the public regarding its activities.

GPC believes that all employees have a vital role in achieving excellence in environmental, health and safety performance. This is best achieved through careful planning and the support and active participation of everyone involved. To further ensure that the Corporation achieves excellence in health and safety performance an emergency response plan and a corporate safety policy are being developed. Furthermore, the Corporation aligns itself with the best industry practices to ensure positive results.

Risk Factors

Global Financial Crisis

Recent market events and conditions, including disruptions in the international credit markets and other financial systems and the deterioration of global economic conditions, have caused significant volatility to commodity prices. These events and conditions have caused a loss of confidence in the broader United States and global credit and financial markets and have resulted in the collapse of, and government intervention in, major banks, financial institutions and insurers and have created a climate of greater volatility, less liquidity, widening of credit spreads, a lack of price transparency, increased credit losses and tighter credit conditions. Notwithstanding various actions by governments, concerns about the general condition of the capital markets, financial instruments, banks, investment banks, insurers and other financial institutions caused the broader credit markets to further deteriorate and stock markets to decline substantially. While there are signs of

economic recovery, these factors have negatively impacted company valuations and are likely to continue to impact the performance of the global economy going forward.

Petroleum prices are expected to remain volatile for the near future as a result of market uncertainties over the supply and demand of these commodities due to the current state of the world economies, instability in the Middle East and North Africa, actions taken by the Organization of Petroleum Exporting Countries (“OPEC”) and the ongoing global credit and liquidity concerns.

Non-Resident Directors and Officers

A majority of the directors, officers and promoters of the Corporation reside outside of Canada and substantially all of the assets of these persons are located outside of Canada. As these individuals that reside outside of Canada, it may not be possible for investors to collect from such individuals judgments obtained in Canadian courts predicated on the civil liability provisions of securities legislation.

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 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 difficult to project the costs of implementing or the success of exploration, rehabilitation or development drilling programs due to the inherent uncertainties of drilling in unknown formations, the uncertainty of the condition of existing well bores, the costs associated with encountering various drilling conditions such as over-pressurized geological zones and tools lost in the hole, and changes in drilling plans and locations as a result of prior exploratory wells or additional seismic data and interpretations thereof.

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

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

formations. Losses resulting from the occurrence of any of these risks could have a material adverse effect on the Corporation and its financial condition.

Reserves Estimates

There are numerous uncertainties inherent in estimating quantities of oil, natural gas reserves and cash flows to be derived therefrom, including many factors beyond the Corporation's control. The reserve and associated cash flow information set forth in this Annual Information Form represents estimates only. In general, estimates of economically recoverable oil and natural gas reserves and the future net cash flows derived therefrom are based upon a number of variable factors and assumptions, such as historical production from the properties, production rates, ultimate reserve recovery, timing and amount of capital expenditures, marketability of oil and natural gas, royalty rates, the assumed effects of regulation by governmental agencies and future operating costs, all of which may vary from actual results. Estimates of the economically recoverable oil and natural gas reserves attributable to any particular group of properties, classification of such reserves based on risk of recovery and estimates of future net revenues expected therefrom and prepared by different engineers, or by the same engineers at different times, may vary. The Corporation's actual production, revenues, taxes and development and operating expenditures with respect to its reserves will vary from estimates thereof and such variations could be material.

In accordance with applicable securities laws, the Miller Lents Report used both constant and forecast price and cost estimates in calculating oil and natural gas reserve quantities included within the reports. Actual future net revenue will be affected by other factors such as actual production levels, supply and demand for oil and natural gas, curtailments or increases in consumption by oil and natural gas purchasers, changes in governmental regulation or taxation and the impact of inflation on costs. Actual production and revenues derived therefrom will vary from the estimates contained in the Miller Lents Report, and such variations could be material. The Miller Lents Report is based in part on the assumed success of activities the Corporation intends to undertake in future years. The oil and natural gas reserves and estimated cash flows to be derived therefrom contained in the Miller Lents Report will be reduced to the extent that such activities do not achieve the level of success assumed in the Miller Lents Report.

The oil and natural gas reserve estimates given in the Miller Lents Report represent oil and natural gas reserves owned by Bahar Energy, a company 33.330% owned indirectly by the Corporation.

External Factors

The value of the Common Shares might be affected by matters not related to the Corporation's own operating performance for reasons that include the following:

- Azerbaijani and worldwide supplies, prices of and demand for oil and natural gas;
- political conditions in oil and natural gas producing regions, including Azerbaijan;
- investor perception of the oil and gas industry;
- change in environmental and other governmental regulations;
- announcements relating to the Corporation's business or the business of the Corporation's competitors;
- the Corporation's liquidity;
- the Corporation's ability to raise additional funds; and
- limited trading volume of the Common Shares.

Companies that have experienced volatility in their value have been the subject of securities class action litigation. The Corporation might become involved in securities class action litigation in the future. Such litigation often results in substantial costs and diversion of management's attention and resources and could have a negative effect on the Corporation's business and its results of operations.

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 available or sufficient 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 capitalization significantly. 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 may 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 favourable 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, 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 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, bank borrowings 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 bank credit available to the Corporation which could require that a portion, or all, of any potential bank 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, the value of refined products, the supply/demand balance, and other contractual terms.

The price of natural gas is determined by negotiation between buyers and sellers. Recent gas negotiations continue to be influenced by increasing gas exports from Azerbaijan to Russia, Turkey and throughout the region. In respect of the Bahar Project, sales of natural gas will be governed by the Bahar Gas Sales Agreement for the next five years.

Project Risks

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

- the availability of processing capacity;
- the availability and proximity of pipeline capacity;
- the availability of storage capacity;
- the supply of and demand for oil and natural gas;
- the availability of alternative fuel services;
- the effects of inclement weather;
- the availability of drilling and related equipment;
- unexpected cost increases;
- accidental events;
- currency fluctuations;
- changes in regulations;
- the availability and productivity of skilled labour;
- 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 effect 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 principal oil and natural gas properties are currently located in Azerbaijan. As such, the Corporation is subject to political, economic, and other uncertainties, including, expropriation of property without fair compensation, changes in energy policies or the personnel administering them, nationalization, currency fluctuations and devaluations, exchange controls and royalty and tax increases and other risks arising out of foreign governmental sovereignty over areas in which the Corporation's operations are conducted, as well as the risks of loss due to civil strife, acts of war, acts of terrorism, guerrilla activities and insurrections. In the event of a dispute arising in connection with the Corporation's operations outside of the United States, the Corporation may be subject to the exclusive jurisdiction of foreign courts or may not be successful in subjecting foreign persons to the jurisdictions of the courts of the United States or enforcing judgments from the United States in other jurisdictions. The Corporation may also be hindered or prevented from enforcing its rights with respect to a governmental instrumentality because of the doctrine of sovereign immunity. Accordingly, the Corporation's exploration, development and production activities outside of the United States could be substantially impacted by factors beyond the Corporation's control, any of which could have a material impact on the Corporation.

The Corporation's operations may be adversely affected by changes in governmental policies and legislation or social instability and other factors which are not within control of the Corporation including, among other things, a change in crude oil or natural gas pricing policy, the actions of national labour 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, restrictions on the use of expatriates in operations and other matters.

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. Non-compliance may have consequences which are out of proportion to the severity of the non-compliance. Contracts may be susceptible to conflicting interpretations, revision or cancellation and legal redress may be uncertain, delayed or unavailable. It is possible that Azerbaijan may make changes to laws, decrees, rules or regulations which may restrict the rights or benefits accruing to the Corporation or which may increase its financial obligations.

Regional Risk

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

Reliance on Industry Partners

The Corporation relies on industry partners, including specifically Baghlan and RAFI, the Corporation's partners in Bahar Energy. The Corporation relies on these partners with respect to the evaluation, acquisition, development funding and timing of activities, as well as future production from, the Bahar Project, and a failure or inability to perform by such partners could materially affect the prospects of the Corporation.

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.

Competition

The oil and gas industry is highly competitive particularly as it pertains to the search for and development of new sources of oil and natural gas reserves, the construction and operation of oil and natural gas pipelines and facilities, and the transportation and marketing of oil, natural gas, sulphur and other petroleum products. The Corporation's competitors include major integrated oil and gas companies and numerous other independent oil and gas companies, some of which have greater financial, technical and other resources than the Corporation. The Corporation's ability to establish reserves in the future will depend not only on its ability to explore and develop its present properties, but also on its ability to select and acquire suitable producing properties or prospects for exploratory drilling. There is no assurance that the Corporation will be able to successfully compete against its competitors.

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 maintain 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.

Reserve Replacement

The Corporation's future oil and natural gas reserves, production, if any, and cash flows to be derived therefrom are entirely dependent on the Corporation successfully acquiring, discovering and developing new reserves. Without the initial establishment and the continual addition of new reserves, any existing reserves the Corporation may have at any particular time and the production therefrom will decline over time as such existing reserves are exploited, which would adversely affect the Corporation's results of operations, cash flows and financial condition of the Corporation. Establishment of the Corporation's reserves will depend not only on the Corporation's ability to develop any properties it may have from time to time, but also on its ability to select and acquire suitable producing properties or prospects. There can be no assurance that the Corporation's future exploration and development efforts will result in the discovery and development of commercial accumulations of oil and natural gas.

Reliance on Key Personnel

The Corporation's success will depend in large measure on certain key personnel. The loss of the services of such key personnel could have a material adverse affect on the Corporation. The Corporation does not have key person insurance in effect for management of the Corporation. The contributions of these individuals to the immediate operations of the Corporation are likely to be of central importance. In addition, the competition for qualified personnel in the oil and natural gas industry is intense and there can be no assurance that the Corporation will be able to continue to attract and retain all personnel necessary for the development and operation of its business.

Assessments of Value of Acquisitions

Acquisitions of oil and natural gas companies and assets are typically based on engineering and economic assessments made by independent engineers and the Corporation's own assessments. These assessments will include a series of assumptions regarding such factors as recoverability and marketability of oil and natural gas, future prices of oil and natural gas and operating costs, future capital expenditures and royalties, and other government levies which will be imposed over the producing life of the reserves. Many of these factors are subject to change and are beyond the Corporation's control. In particular, the prices of, and markets for, oil and natural gas products may change from those anticipated at the time of making such assessment. In addition, all such assessments involve a measure of geologic and engineering uncertainty which could result in lower production and reserves than anticipated. Initial assessments of acquisitions may be based on reports by a firm of independent engineers that are not the same as the firm that the Corporation uses for its year-end reserve evaluations. Because each of these firms may have different evaluation methods and approaches, these initial assessments may differ significantly from the assessments of the firm used by the Corporation. Any such instance may result in a reduction in the price of the Common Shares.

Acquisition Risks

Although the Corporation intends to perform a review of properties prior to obtaining licenses or acquiring them that it believes is consistent with industry practice, such reviews are inherently incomplete. It is generally not feasible to review in depth every individual property involved in each acquisition. Generally, the Corporation plans to focus its due diligence efforts on higher valued properties and will sample the remainder. However, even an in-depth review of all properties and records may not necessarily reveal existing or potential problems, nor will it permit a buyer to become sufficiently familiar with the properties to assess fully their deficiencies and capabilities. The Corporation may be required to assume pre-closing liabilities, including environmental liabilities, and may acquire interest in properties on an “as is” basis.

Failure to Realize Anticipated Benefits of Acquisitions and Dispositions

The Corporation intends to obtain licenses and make acquisitions and dispositions of businesses and assets in the ordinary course of business. Achieving the benefits of acquisitions depends in part on successfully consolidating functions and integrating operations and procedures in a timely and efficient manner as well as the Corporation’s ability to realize the anticipated growth opportunities and synergies from combining the acquired businesses and operations with those of the Corporation. The integration of acquired businesses may require substantial management effort, time and resources and may divert management’s focus from other strategic opportunities and operational matters. Management continually assesses the value and contribution of services provided and assets required to provide such services. In this regard, non-core assets are periodically disposed of, so that the Corporation can focus its efforts and resources more efficiently. Depending on the state of the market for such non-core assets, certain non-core assets of the Corporation, if disposed of, could be expected to realize less than their carrying value on the consolidated financial statements of the Corporation.

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 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.

Alternatives to and Changing Demand for Petroleum Products

Fuel conservation measures, alternative fuel requirements, increasing consumer demand for alternatives to oil and natural gas, and technological advances in fuel economy and energy generation devices could reduce the demand for oil and other liquid hydrocarbons. The Corporation cannot predict the impact of changing demand for oil and natural gas products, and any major changes may have a material adverse effect on the Corporation's business, financial condition, results of operations and cash flows.

Financial Instruments and Hedging

At such time as oil and/or natural gas production is achieved by the Corporation and from time to time thereafter, the Corporation may enter into agreements to receive fixed prices on such production to offset the risk of revenue losses if commodity prices decline; however, if commodity prices increase beyond the levels set in such agreements, the Corporation will not benefit from such increases and the Corporation may nevertheless be obligated to pay royalties on such higher prices, even though not received by it, after giving effect to such agreements.

Issuance of Debt and Borrowing

From time to time, the Corporation may enter into transactions to acquire assets or the shares of other corporations. These transactions may be financed partially or wholly with debt, which may increase the Corporation's debt levels above industry standards. Depending on future exploration and development plans, the Corporation may require additional equity and/or debt financing that may not be available or, if available, may not be available on favourable terms. Neither the Corporation's articles nor its by-laws limit the amount of indebtedness that the Corporation may incur. The level of the Corporation's indebtedness, from time to time, could impair the Corporation's ability to obtain additional financing in the future on a timely basis, impairing its ability to take advantage of business opportunities that may arise.

The Corporation's potential lenders will likely require security over substantially all of the assets of the Corporation. If the Corporation becomes unable to pay its debt service charges or otherwise commits an event of default, such as bankruptcy, these lenders may foreclose on or sell some or potentially all of the Corporation's properties. The proceeds of any such sale would be applied to satisfy amounts owed to the Corporation's lenders and other creditors and only the remainder, if any, would be available to the Corporation.

Third Party Credit Risk

The Corporation may be exposed to third party credit risk through its contractual arrangements with joint venture partners, with marketers of petroleum and natural gas production and other parties. In the event such entities fail to meet their contractual obligations to the Corporation, 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 a joint venture partner's willingness to participate in the Corporation's ongoing capital program, potentially delaying the program and the results of such program 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.

Litigation Matters

Claims may be made against the Corporation and in the event of such claims arising, management of the Corporation will undertake a review to determine what, if any, action the Corporation should take. Any claim, whether or not without merit, may prove time-consuming to evaluate, result in costly litigation and may cause delay in the operations and/or business of the Corporation.

Labour

The Corporation may be dependent on local labour to carry out site work relating to its international operations. The Corporation may directly employ local workers and may be subject to local labour laws. There can be no assurance that labour 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.

Costs of New Technologies

The oil and gas industry is characterized by rapid and significant technological advancements and introductions of new products and services utilizing new technologies. Other oil and gas companies may have greater financial, technical and personnel resources that allow them to enjoy technological advantages and may in the future allow them to implement new technologies before the Corporation does. There can be no assurance that the Corporation will be able to respond to such competitive pressures and implement such technologies on a timely basis or at an acceptable cost. One or more of the technologies currently utilized by the Corporation or implemented in the future may become obsolete. In such case, the Corporation's business, financial condition and results of operations could be materially adversely affected. If the Corporation is unable to utilize the most advanced commercially available technology, the Corporation's business, financial condition and results of operations could be materially adversely affected.

Conflicts of Interest

Certain directors and officers of the Corporation are also directors of other companies and as such may, in certain circumstances, have a conflict of interest requiring them to abstain from certain decisions. Conflicts, if any, will be subject to the procedures as established by the Board.

Share Price Volatility

The market price of the Common Shares could be subject to wide fluctuations in response to the Corporation's results of operations, changes in earnings estimates by analysts, changing conditions in the oil and gas industry, or changes in general market, economic or political conditions.

STATEMENT OF RESERVES DATA AND OTHER OIL AND GAS INFORMATION

In accordance with National Instrument 51-101, Miller Lents prepared the Miller Lents Report. The statement of reserves data and other oil and gas information of the Corporation in Form 51-101F1 under NI 51-101 and the corresponding report on reserves data in Form 51-101F2 and the report of management and the directors on oil and gas disclosure in Form 51-101F3 for the year ended December 31, 2010 were previously filed in accordance with NI 51-101 and are incorporated by reference into this Annual Information Form as well as being available for viewing through the Corporation's profile on SEDAR website at www.sedar.com.

DIVIDEND POLICY

The Corporation has not declared or paid any dividends since its conversion to a corporation on February 19, 2010, and while it may pay dividends in the future, the Corporation does not anticipate the declaration or payment of dividends in the foreseeable future. Any decision to pay dividends on its shares will be made by the Board based on the Corporation's earnings, financial requirements and other conditions existing at such future time.

DESCRIPTION OF SHARE CAPITAL

The Corporation's authorized share capital consists of (i) 49,900,000 Common Shares ("**Common Shares**"), and (ii) 100,000 Preferred Shares ("**Preferred Shares**").

Common Shares

The holders of the Common Shares are entitled to vote upon all matters submitted to a vote of holders of Common Shares and are entitled to one vote in respect of each Common Share held. The holders of the Common Shares are entitled to receive such dividends (payable in cash, stock or otherwise) as may be declared by the Board at any time and from time to time out of any funds of the Corporation legally available therefore. In the event of any voluntary or involuntary liquidation, dissolution or wind-up of the Corporation, after payment or provision for payment of the debts and other liabilities of the Corporation and subject to the preferential or other rights (if any) of the holders of shares of any issued and outstanding Preferred Shares in respect thereof, the holders of Common Shares shall be entitled to receive all of the remaining assets of the Corporation available for distribution to its shareholders, prorated in proportion to the number of shares of Common Shares held by them.

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, 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.

MARKET FOR SECURITIES

Trading Price and Volume

The Common Shares of the Corporation are listed and posted for trading on the TSXV under the symbols “GNF.S”. The following table sets forth the price range and trading volume of these securities as reported by the TSXV for the period January 1, 2010 to December 31, 2010:

Month	Common Shares		
	High	Low	Volume
2010			
November	10.00	8.50	455,940
December	9.25	9.00	491,228

Note:

(1) The Common Shares commenced trading on the TSXV on November 16, 2010.

DIRECTORS AND OFFICERS

The names, municipality of residence and principal occupation during the last five years of each of the directors and senior officers of the Corporation are as follows:

Name and Municipality of Residence	Principal Occupation During the Past 5 Years	Director or Officer Since	Position(s) Presently Held
John W. Harkins ⁽⁴⁾ The Woodlands, Texas U.S.A.	President and Chief Executive Officer of the Corporation since February 11, 2010; prior thereto, a Vice-President, Business Development of the Corporation from July 2008 to February 2010; Manager of Anadarko Petroleum Corporation from June 2001 to June 2008.	October 1, 2008	President, Chief Executive Officer and Director
Richard E. MacDougal ⁽³⁾ The Woodlands, Texas U.S.A.	Senior Vice-President and Chief Operating Officer of the Corporation since February 11, 2010; prior thereto, President of the Corporation from November 30, 2007 to February 2010; Chief Operating Officer of GFI Oil and Gas Corporation and its predecessor from March 2005 to April 2008.	November 30, 2007	Co-founder, Senior Vice-President, Chief Operating Officer and Director
Alex T. Warmath ⁽²⁾ The Woodlands, Texas U.S.A.	Senior Vice-President and Chief Technical Officer of the Corporation since February 11, 2010; prior thereto, Chief Executive Officer of the Corporation from November 30, 2007 to February 11, 2010; Chief Executive Officer of GFI from March 2005 to April 2008.	November 30, 2007	Co-founder, Senior Vice-President, Chief Technical Officer and Director
A. Wayne Curzadd Katy, Texas U.S.A.	Interim Chief Financial Officer of the Corporation since January 2011; Vice-President and Controller of the Corporation since October 2008; prior thereto, Manager of Financial Reporting of GFI from April 2007 to September 2008; Regional Consulting Manager of Wellpoint Systems Inc. and its predecessor IDEAS International Inc. from June 1994 to April 2007.	October 1, 2008	Interim Chief Financial Officer, Vice-President and Comptroller
Michael J. Hibberd ⁽¹⁾⁽⁴⁾ Calgary, Alberta Canada	Chairman and President of MJH Services Inc., a corporate finance advisory business established in 1995. Chairman of Heritage Oil Plc., Heritage Oil Corporation and Canacol Energy Ltd., public oil and gas exploration companies. Co-Chairman of Sunshine Oilsands Ltd. Current director of Montana Exploration Corp. and Pan Orient Energy Corp., all public oil and gas companies.	February 23, 2010	Chairman and Director

Name and Municipality of Residence	Principal Occupation During the Past 5 Years	Director or Officer Since	Position(s) Presently Held
Garry P. Mihaichuk ⁽¹⁾⁽²⁾⁽³⁾⁽⁴⁾ Calgary, Alberta Canada	Businessman whose principal business activities since May 2009 have been corporate and community directorships, as well as acting as President of GWM Resources Ltd. Prior thereto, President and Chief Executive Officer of Toromont Energy Systems Inc. from November 2007 to May 2009; Vice-President of Heavy Oil and Oil Sands for Husky Energy Inc. from 2005 to 2007; Senior Vice-President of Mancal Corporation from 2001 to 2005.	February 23, 2010	Director
Christopher C. Rivett-Carnac ⁽¹⁾⁽²⁾⁽⁴⁾ London United Kingdom	Geological Consultant since June 2005. Director of Worldwide Petroleum Services Ltd. since February 2007. Prior thereto, Chief Executive Officer of Serica Energy Corporation, a public oil and gas company listed on the TSXV, from December 2003 to June 2005.	June 30, 2008	Director
Glenn F. Miller Houston, Texas U.S.A.	Vice-President, Operations of the Corporation since October 1, 2008; prior thereto an independent consultant.	October 1, 2008	Vice-President, Operations
Janet A. Nussbaum Houston, Texas U.S.A.	General Counsel and Secretary of the Corporation since October 2008. Prior thereto, Independent legal counsel for various international oil and gas companies since March 2000.	October 1, 2008	General Counsel and Secretary
Douglas M. Stuve Calgary, Alberta Canada	Partner with Burstall Winger LLP, Barrister & Solicitors, since April 1, 1998.	February 23, 2010	Assistant Secretary

Notes:

- (1) Member of the Audit Committee.
- (2) Member of the Reserves Committee.
- (3) Member of the Compensation Committee.
- (4) Member of the Corporate Governance and Nominating Committee.

The term of office of all directors will expire at the next annual meeting of the shareholders of the Corporation.

As of June 7, 2011 the directors, officers and senior management of the Corporation, as a group, beneficially own, directly or indirectly 4,298,436 Common Shares of the Corporation or approximately 28.95% of the issued and outstanding Common Shares.

Each of Messrs. Harkins, MacDougal, Warmath, Curzadd and Miller devotes their full time and attention to the business and affairs of the Corporation. The other directors of the Corporation and Ms. Nussbaum and Mr. Stuve will devote their time and attention to the affairs of the Corporation as required.

Cease Trade Orders

To the knowledge of management, no director or executive officer of the Corporation is, as of the date of this Annual Information Form, or was, within the 10 years before the date hereof, a director, chief executive officer or chief financial officer of any company that was the subject of a cease trade order, an order similar to a cease trade order or an order that denied the company access to any exemption under securities legislation that was in effect for a period of more than 30 consecutive days, that was issued (i) while such person was acting in that capacity, or (ii) after such person was acting in such capacity and which resulted from an event that occurred while that person was acting in such capacity.

Bankruptcies

Other than as disclosed below, to the knowledge of management, no director or executive officer of the Corporation, or shareholder holding a sufficient number of securities to affect materially the control of the Corporation is, as of the date of

this Annual Information Form, or has been, within 10 years before the date hereof, a director or executive officer of any company that, while such person was acting in that capacity, or within a year of that person ceasing to act in that capacity, became bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency or was subject to or instituted any proceedings, arrangement or compromise with creditors or had a receiver, receiver manager or trustee appointed to hold its assets.

Mr. Hibberd was an independent director of Challenger Energy Corp. (“**Challenger**”) from December 1, 2005 until September 16, 2009. Challenger obtained a creditor protection order under the *Companies’ Creditors Arrangement Act* (Canada), on February 27, 2009. On June 19, 2009, Challenger announced that it had entered into an arrangement agreement in respect of the acquisition of Challenger by Canadian Superior Energy Inc. (“**Canadian Superior**”). On September 17, 2009, all of the common shares of Challenger were exchanged for shares of Canadian Superior Energy Inc. and all creditor claims of Challenger were fully honoured.

To the knowledge of management, no director or executive officer of the Corporation, or shareholder holding a sufficient number of securities to affect materially the control of the Corporation has, within the 10 years before the date of this Annual Information Form, become bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency, or become subject to or instituted any proceedings, arrangement or compromise with creditors, or had a receiver, receiver manager or trustee appointed to hold the assets of the director, executive officer or shareholder.

Penalties or Sanctions

To the knowledge of management, no director or executive officer of the Corporation, or shareholder holding a sufficient number of securities to affect materially the control of the Corporation has been subject to any penalties or sanctions imposed by a court relating to securities legislation or by a securities regulatory authority or has entered into a settlement agreement with a securities regulatory authority, or has been subject to any other penalties or sanctions imposed by a court or regulatory body that would likely be considered important to a reasonable investor in making an investment decision.

Conflicts of Interest

There are potential conflicts of interest to which the directors and officers of the Corporation will be subject in connection with the operations of the Corporation. The Board of Directors have adopted a set of related-party transaction policies designed to minimize potential conflicts of interest arising from any dealings the Corporation may have with its affiliates and to provide appropriate procedures for the disclosure, approval and resolution of any actual or potential conflicts of interest that may exist from time to time. Such policies provide, among other things, that all related-party transactions, including any loans between the Corporation and its principal shareholders and its affiliates, will be approved by the Audit Committee of the Board of Directors, after considering all relevant facts and circumstances, including without limitation the commercial reasonableness of the terms, the benefit and perceived benefit, or lack thereof, to the Corporation, opportunity costs of alternative transactions, the materiality and character of the related party’s direct or indirect interest, and the actual or apparent conflict of interest of the related party, and after determining that the transaction is in, or not inconsistent with, the Corporation’s and its shareholders’ best interests.

Douglas M. Stuve, the Assistant Secretary of the Corporation, is a partner with the law firm Burstall Winger LLP. As Canadian legal counsel to the Corporation, Burstall Winger LLP is paid legal fees for its services provided to the Corporation in the ordinary course of business.

PROMOTERS

Richard E. MacDougal, Alex T. Warmath and John W. Harkins may be considered promoters of the Corporation by virtue of their initiative in founding and organizing the business and affairs of the Corporation. As of the date of this Annual Information Form, Richard E. MacDougal beneficially owns, controls or directs, directly or indirectly, 1,508,319 Common Shares (representing 10.2% of outstanding Common Shares as of the date hereof), Alex T. Warmath beneficially owns, controls or directs, directly or indirectly, 1,452,319 Common Shares (representing 10.0% of the outstanding Common Shares as of the date hereof) and John W. Harkins beneficially owns, controls or directs, directly or indirectly 966,319 Common Shares (representing 6.5% of the outstanding Common Shares as at the date hereof).

LEGAL PROCEEDINGS AND REGULATORY ACTIONS

Other than as described below, to the knowledge of the Corporation, since the beginning of the most recently completed financial year for which financial statements of the Corporation are included in this Annual Information Form, there are no legal proceedings or regulatory actions material to the Corporation to which the Corporation is a party or of which any of its properties are the subject matter, nor are any such proceedings known to the Corporation to be contemplated.

The Corporation has been contacted by a former consultant claiming rights to a referral fee in the form of a small interest in Greenfields Petroleum International Company Ltd., the wholly-owned subsidiary of the Corporation that owns a 33.33% interest in Bahar Energy. Management of the Corporation believe the claim is without merit, but have engaged in discussions in an attempt to resolve his concerns.

Since incorporation, there have not been any penalties or sanctions imposed against the Corporation by a court relating to provincial and territorial securities legislation or by a securities regulatory authority, nor have there been any other penalties or sanctions imposed by a court or regulatory body against the Corporation and the Corporation has not entered into any settlement agreements before a court relating to provincial and territorial securities legislation or with a securities regulatory authority.

INTEREST OF MANAGEMENT AND OTHERS IN MATERIAL TRANSACTIONS

Except as disclosed elsewhere herein, none of the directors, officers or principal shareholders of the Corporation, and no associate or affiliate of any of them, has or has had any material interest in any transaction which has materially affected or is reasonably expected to materially affect the Corporation.

There are potential conflicts of interest to which the directors and officers of the Corporation will be subject in connection with the operations of the Corporation. In particular, certain of the directors and officers of the Corporation are involved in managerial and/or director positions with other oil and gas companies whose operations may, from time to time, be in direct competition with those of the Corporation or with entities which may, from time to time, provide financing to, or make equity investments in, competitors of the Corporation. The Board of Directors have adopted a set of related-party transaction policies designed to minimize potential conflicts of interest arising from any dealings the Corporation may have with affiliates and to provide appropriate procedures for the disclosure, approval and resolution of any actual or potential conflicts of interest that may exist from time to time. Such policies provide, among other things, that all related-party transactions, including any loans between the Corporation, its principal shareholders and affiliates, will be approved by the Audit Committee of the Board of Directors, after considering all relevant facts and circumstances, including without limitation the commercial reasonableness of the terms, the benefit and perceived benefit, or lack thereof, to the Corporation, opportunity costs of alternative transactions, the materiality and character of the related party's direct or indirect interest, and the actual or apparent conflict of interest of the related party, and after determining that the transaction is in, or not inconsistent with, the Corporation and its shareholders' best interests.

TRANSFER AGENT AND REGISTRAR

Transfer agent and registrar for the Common Shares is Alliance Trust Company at its office in Calgary, Alberta.

MATERIAL CONTRACTS

The only material contracts entered into or proposed to be entered into by the Corporation on its behalf, since incorporation, other than contracts in the ordinary course of business, are as follows:

1. The ERDPSA. See “General Development of the Business” and “Narrative Description of the Business”.
2. The agency agreement dated effective February 19, 2010 among GPC, FirstEnergy and Raymond James entered into in connection with the February 2010 Private Placement. See “*General Development of the Business*”.
3. The sale and purchase agreement between Greenfields Petroleum (Indonesia) Company Ltd. and APEC Indonesia Limited dated April 14, 2009. See “*General Development of the Business*” and “*Narrative Description of the Business*”.
4. The Agency Agreement among the Corporation and the Agents relating to the IPO. See “*General Development of the Business*”.
5. The Bahar Shareholders Agreement. See “*Narrative Description of the Business*”.
6. The September 2010 Agency Agreement. See “*General Development of the Business*”.
7. The Bahar Gas Sales Agreement. See “*Narrative Description of the Business - Description of the ERDPSA - Gas Sales*”.
8. The Bahar Oil Sales Agreement. See “*Narrative Description of the Business - Description of the ERDPSA - Oil Sales*”.
9. The BEOC Shareholders Agreement. See “*Narrative Description of the Business - Description of the ERDPSA - Description of the BEOC Shareholders Agreement*”.
10. The Joint Operating Agreement. See “*Narrative Description of the Business - Description of the ERDPSA - Operational Matters*”.

Copies of these agreements, when executed, may be inspected at the head office of the Corporation at Suite 227, 211 Highland Cross, Houston, Texas, 77073, U.S.A. or at the offices of Canadian Counsel to the Corporation, Burstall Winger LLP located at Suite 1600, 333 - 7th Avenue, S.W., Calgary, Alberta T2P 2Z1 during normal business hours during the course of distribution of the Common Shares.

Copies of these documents as well as additional information relating to the Corporation contained in documents filed by the Corporation with the Canadian securities regulatory authorities may also be accessed through the SEDAR website at www.sedar.com.

INTERESTS OF EXPERTS

There is no person or company whose profession or business gives authority to a statement made by such person or company and who is named as having prepared or certified a statement, report or valuation described or included in a filing, or referred to in a filing, made under NI 51-102 - *Continuous Disclosure Obligations* by the Corporation during, or related to, the Corporation’s most recently completed financial year other than Miller Lents, the Corporation’s independent engineering evaluator. As at the date hereof, to the knowledge of management of the Corporation, none of the aforementioned persons or companies, or principals thereof, had any registered or beneficial interests, direct or indirect, in any securities or other property of the Corporation or of our associates or affiliates either at the time they prepared the statement, report or valuation prepared by it, at any time thereafter or to be received by them.

In addition, the financial statements of the Corporation for the year ended December 31, 2010 were audited by Deloitte & Touche LLP. Deloitte & Touche LLP is independent in accordance with the Rules of Professional Conduct of the Institute of Chartered Accountants of Alberta.

AUDIT COMMITTEE

The purpose of the Corporation's Audit Committee is to provide assistance to the Board of Directors of GPC in fulfilling its legal fiduciary obligations with respect to matters involving the accounting, auditing, financial reporting, internal control and legal compliance functions of the Corporation. It is the objective of the Audit Committee to maintain a free and open means of communications among the Board of Directors of the Corporation, the independent auditors and the financial and senior management of the Corporation.

The full text of the Audit Committee's Charter is included as Appendix "A" to this Annual Information Form.

Composition of the Audit Committee

The Audit Committee is comprised of three individuals, all of whom are "financially literate" and all of whom are considered to be "independent" within the meanings given to such terms in NI 52-110. The current members of the Audit Committee are Mr. Michael J. Hibberd (Chairman), Mr. Christopher C. Rivett-Carnac and Mr. Garry P. Mihaichuk.

Relevant Education and Experience

Michael J. Hibberd, B.A., M.B.A. and LL.B, Chairman of the Board

Mr. Hibberd has significant energy project planning and capital markets experience. He spent 12 years with ScotiaMcLeod in corporate finance in Toronto and Calgary focusing on oil and gas, mining and communications companies. Mr. Hibberd was a Director and Senior Vice-President, Corporate Finance at ScotiaMcLeod until 1995.

In 1995, Mr. Hibberd established a corporate finance advisory business focused on providing advice to companies based in Calgary with North American and international operations. He has been actively involved in privatization projects in North America, Central Asia, the Middle East and South America. In addition to advising on Western Canadian and Nova Scotia projects that involved significant financing, Mr. Hibberd has been directly involved in projects, or in project financing and advisory work in the United States, Mexico, Chile, Colombia, Argentina, Kazakhstan, Ukraine, Oman, Qatar, Pakistan, Egypt, Iran, China, Thailand, Sudan, Tanzania and several other African nations.

Mr. Hibberd is currently President and Chairman of MJH Services Inc. and serves as a director of Montana Exploration Corp. (TSXV, symbol MTZ), Canacol Energy Ltd. (Chairman of the Board; TSXV: symbol CNE, and BVC Columbia, symbol CNE.C), Pan Orient Energy Corp. (TSXV, symbol POE), Heritage Oil Plc (Chairman of the Board) (LSE, symbol HOIL) and Heritage Oil Corporation (Chairman of the Board) (TSX, symbol HOC). Mr. Hibberd served as a director of Rally Energy Corp. until October 2007, as a director of Challenger Energy Corp. until September 2009, as a director of Zapata Energy Corporation until April 2010, as a director of Iteration Energy Inc. until June 2010, as a director of Avalite Inc. until June 2010 and as a director of Sagres Energy Inc. until March 2011. Mr. Hibberd also served as a director of Deer Creek Energy Limited until December 2005.

Garry P. Mihaichuk

Garry P. Mihaichuk is a senior executive with over 35 years of experience building and developing global businesses in energy, petrochemicals and infrastructure. Mr. Mihaichuk started his career in the oil and gas industry in positions with Texaco Exploration Canada Ltd., Dome Petroleum Limited and Amoco Corporation and its subsidiaries.

From 1996 to 2001, Mr. Mihaichuk worked with TransCanada Pipelines Ltd., and held various positions including Executive Vice-President, President of TransCanada Transmission where he was responsible for the operational and technical aspects for TransCanada in these business lines and President and Chief Executive Officer of TransCanada International where he was responsible for all aspects of business development and operations of investments in over 20

countries. He was the President and Chief Executive Officer of TC Pipelines LP where he was responsible for all business, financial, shareholder and board aspects of the US limited partnership.

After three and a half years as Senior Vice-President, Business Development of Mancal Corporation, Mr. Mihaichuk returned to the oil and gas exploration and development industry with Husky. From April 2005 to 2006, he was the Vice-President, Heavy Oil of Husky where he was responsible for optimizing the value of the heavy oil assets of Husky by increasing both reserves and production and by controlling costs. From 2006 to 2007, Mr. Mihaichuk was the Vice-President, Oil Sands of Husky where he was responsible for developing Husky's oil sands assets.

Mr. Mihaichuk joined Toromont Energy Systems Inc. ("**Toromont**") in 2007 as President and Chief Executive Officer. During his two year tenure at Toromont, he prepared the energy division (which was involved in gas compression and processing fabrication as well as service) for a going-public transaction, and positioned the business to grow through acquisition.

Mr. Mihaichuk holds a Bachelor of Science degree (Honours) in Mechanical Engineering from Queen's University. He has also completed post graduate studies at the University of Calgary, Harvard Business School and Michigan University.

Mr. Mihaichuk is currently the President of GWM Resources Ltd., director of Badger Income Fund, director of Alberta Economic Development Authority, Managing Director of Translang Technologies Ltd., director of Social Sciences Advisory Board for the University of Calgary and director of the Friends of Calgary Philharmonic Orchestra.

Christopher C. Rivett-Carnac

Christopher C. Rivett-Carnac is a commercial petroleum geologist with thirty-nine years experience in the oil industry. He spent the first ten years of his career with major and large independent oil and gas companies, followed by twenty-nine years as an independent petroleum geologist with extensive commercial experience, specializing in conceptualization, initial funding and management of start-up independent oil and gas companies and projects.

He has a proven track record of generating oil and gas plays and projects, securing funding through industry farm-outs, private placements, public companies, reverse take-overs and initial public offerings.

Mr. Rivett-Carnac is currently an Executive Director of Worldwide Petroleum Services (Pte) Limited and Transition Resources Limited, both Singapore-based oil and gas companies seeking oil and gas opportunities particularly in Asia.

From 2003 to 2006 he was the Chief Executive Officer and an Executive Director of Serica Resources Limited ("**Serica**"), a TSXV listed oil and gas company, which had discoveries in the North Sea and Asia (Indonesia). Prior to this, he was one of the founders and Commercial Director of Petroleum Development Associates ("**PDA**"), Serica's predecessor). As Commercial Director he instigated, negotiated and managed the reverse take-over of a Canadian public company by PDA to form Serica.

He has been involved with several internationally listed companies before and after Serica, including as: Executive Director of Tuskar Resources PLC, a company with oil interests in Colombia, U.S.A., Turkey and Ireland; Exploration Director of Arabex Petroleum NL, an Australian public company with oil interests in Colombia and United Arab Emirates; Managing Director of Trident Petroleum NL, an Australian public company with oil interests in Papua New Guinea, Indonesia and Australia; and Non-Executive Director of Tiger Petroleum, a company with oil interests in Thailand.

Mr. Rivett-Carnac holds a Bachelor of Science degree (Honours) in Geology with Math from Reading University, United Kingdom, and a Master of Science degree (with distinction) from Leicester University, United Kingdom. He was a lecturer at Imperial College, London, United Kingdom for the Petroleum Geology Master of Science course in 1976 and 1977.

Audit Committee Oversight

At no time was a recommendation of the Audit Committee to nominate or compensate an external auditor not adopted by the Board of Directors.

Reliance on Certain Exemptions

The Corporation has not relied on any exemptions from the requirements of Section 2.4, Part 3 or Part 8 of NI 52-110.

Pre-Approval Policies and Procedures

Any proposed audit and permitted non-audit services (as identified by the Audit Committee at the time the annual audit engagement is approved) to be provided by the external auditor to the Corporation or its subsidiaries must receive prior approval from the Audit Committee. The Corporation has not adopted specific policies and procedures for the engagement of non-audit services. The Audit Committee will review the engagement of non-audit services as may be required.

The Chief Financial Officer shall act as the primary contact to receive and assess any proposed engagements from the external auditor. Following receipt and initial review for eligibility by the primary contact, a proposal would then be forwarded to the Audit Committee for review and confirmation that a proposed engagement is permitted. In the majority of such instances, proposals may be received and considered by the Chair of the Audit Committee (or such other member of the Audit Committee who may be delegated authority to approve audit and permitted non-audit services), for approval of the proposal on behalf of the Audit Committee. The Audit Committee Chair will then inform the Audit Committee of any approvals granted at the next scheduled meeting.

External Auditor Service Fees

Financial Year Ending	Audit Fees ⁽¹⁾	Audit-Related Fees ⁽²⁾	Tax Fees ⁽³⁾	All Other Fees ⁽⁴⁾
December 31, 2010	\$222,167	\$121,532	Nil	Nil
December 31, 2009	Nil	Nil	Nil	Nil

Notes:

- (1) The aggregate fees billed by the Corporation's auditor for audit fees.
- (2) The aggregate fees billed for assurance and related services by the Corporation's auditor that are reasonably related to the performance of the audit or review of the Corporation's financial statements and are not disclosed in the "Audit fees" column.
- (3) The aggregate fees billed for professional services rendered by the Corporation's auditor for tax compliance, tax advice, and tax planning.
- (4) The aggregate fees billed for professional services rendered by the Corporation's auditor in relation to private placements and prospectus filings.

ADDITIONAL INFORMATION

Additional information, including directors' and officers' remuneration and indebtedness, principal holders of Common Shares and securities authorized for issuance under equity compensation plans, is contained in the Corporation's Information Circular for the most recent annual meeting of shareholders that involved the election of directors.

Additional financial information is provided for in our financial statements and management's discussion and analysis for the year ended December 31, 2010. Documents affecting the rights of securityholders, along with other information relating to the Corporation, may be found on SEDAR at www.sedar.com and on the Corporation's website at www.greenfields-petroleum.com.

APPENDIX A
GREENFIELDS PETROLEUM CORPORATION
AUDIT COMMITTEE CHARTER

OVERALL ROLE AND RESPONSIBILITY

The Audit Committee of the Corporation shall:

- (a) assist the Board of Directors in its oversight role with respect to:
 - (i) the quality and integrity of financial information;
 - (ii) the independent auditor's performance, qualifications and independence;
 - (iii) the performance of the Corporation's internal audit function, if applicable;
 - (iv) the Corporation's compliance with legal and regulatory requirements; and
- (b) prepare such reports of the Audit Committee required to be included in the Annual Information Circular in accordance with applicable laws or the rules of applicable securities regulatory authorities.

MEMBERSHIP AND MEETINGS

The Audit Committee shall consist of three or more Directors appointed by the Board of Directors, all of whom shall be independent and unrelated to the Corporation and as such shall not be officers (other than a non-executive Chairman or Corporate Secretary who is not an employee of the Corporation) or employees of or have a meaningful business relationship with the Corporation or any of the Corporation's affiliates or be an immediate family member of any of the foregoing. Each of the members of the Audit Committee shall satisfy the applicable independence and financial literacy requirements of the laws governing the Corporation, the applicable stock exchanges on which the Corporation's securities are listed and applicable securities regulatory authorities.

The Board of Directors shall designate one member of the Audit Committee as the Committee Chair. Each member of the Audit Committee shall be financially literate within the meaning of applicable securities laws and as such qualification is interpreted by the Board of Directors in its business judgment.

STRUCTURE AND OPERATIONS

The affirmative vote of a majority of the members of the Audit Committee participating in any meeting of the Audit Committee is necessary for the adoption of any resolution.

The Audit Committee shall meet as often as it determines, but not less frequently than quarterly. The Committee shall report to the Board of Directors on its activities after each of its meetings at which time minutes of the prior Committee meeting shall be tabled for the Board.

The Audit Committee shall review and assess the adequacy of this Charter periodically and, where necessary, will recommend changes to the Board of Directors for its approval.

The Audit Committee is expected to establish and maintain free and open communication with management and the independent auditor and shall periodically meet separately with each of them.

SPECIFIC DUTIES

Oversight of the Independent Auditor

- Make recommendations to the board for the appointment and replacement of the independent auditor.
- Responsibility for the compensation and oversight of the work of the independent auditor (including resolution of disagreements between management and the independent auditor regarding financial reporting) for the purpose of preparing or issuing an audit report or related work. The independent auditor shall report directly to the Audit Committee.
- Authority to pre-approve all audit services and permitted non-audit services (including the fees, terms and conditions for the performance of such services) to be performed by the independent auditor.
- Evaluate the qualifications, performance and independence of the independent auditor, including (i) reviewing and evaluating the lead partner on the independent auditor's engagement with the Corporation, and (ii) considering whether the auditor's quality controls are adequate and the provision of permitted non-audit services is compatible with maintaining the auditor's independence.
- Ensure the rotation of the lead (or coordinating) audit partner having primary responsibility for the audit and the audit partner responsible for reviewing the audit as required by law (currently at least every 5 years).

Financial Reporting

- Review and discuss with management and the independent auditor:
 - prior to the annual audit the scope, planning and staffing of the annual audit,
 - the annual audited financial statements,
 - the Corporation's annual and quarterly disclosures made in management's discussion and analysis,
 - approval of any reports for inclusion in the Corporation's Annual Report, as required by applicable legislation,
 - the Corporation's quarterly financial statements, including the results of the independent auditor's review of the quarterly financial statements and any matters required to be communicated by the independent auditor under applicable review standards,
 - significant financial reporting issues and judgments made in connection with the preparation of the Corporation's financial statements,
 - any significant changes in the Corporation's selection or application of accounting principles,
 - any major issues as to the adequacy of the Corporation's internal controls and any special steps adopted in light of material control deficiencies, and
 - other material written communications between the independent auditor and management, such as any management letter or schedule of unadjusted differences.
- Discuss with the independent auditor matters relating to the conduct of the audit, including any difficulties encountered in the course of the audit work, any restrictions on the scope of activities or access to requested information and any significant disagreements with management.

AUDIT COMMITTEE'S ROLE

The Audit Committee has the oversight role set out in this Charter. Management, the Board of Directors, the independent auditor and the internal auditor (if any) all play important roles in respect of compliance and the preparation and presentation of financial information. Management is responsible for compliance and the preparation of financial statements and periodic reports. Management is responsible for ensuring the Corporation's financial statements and disclosures are complete, accurate, in accordance with generally accepted accounting principles and applicable laws. The Board of Directors in its oversight role is responsible for ensuring that management fulfills its responsibilities. The independent auditor, following the completion of its annual audit, opines on the presentation, in all material respects, of

the financial position and results of operations of the Corporation in accordance with Canadian generally accepted accounting principles.

FUNDING FOR THE INDEPENDENT AUDITOR AND RETENTION OF OTHER INDEPENDENT ADVISORS

The Corporation shall provide for appropriate funding, as determined by the Audit Committee, for payment of compensation to the independent auditor for the purpose of issuing an audit report. The Audit Committee shall also have the authority to retain such other independent advisors as it may from time to time deem necessary or advisable for its purposes and the payment of compensation therefore shall also be funded by the Corporation.

Approval of Audit and Remitted Non-Audit Services Provided by External Auditors

Over the course of any year there will be two levels of approvals that will be provided. The first is the existing annual Audit Committee approval of the audit engagement and identifiable permitted non-audit services for the coming year. The second is in-year Audit Committee pre-approvals of proposed audit and permitted non-audit services as they arise.

Any proposed audit and permitted non-audit services to be provided by the external auditor to the Corporation or its subsidiaries must receive prior approval from the Audit Committee, in accordance with this Charter. The CFO shall act as the primary contact to receive and assess any proposed engagements from the external auditor.

Following receipt and initial review for eligibility by the primary contacts, a proposal would then be forwarded to the Audit Committee for review and confirmation that a proposed engagement is permitted.

In the majority of such instances, proposals may be received and considered by the Chair of the Audit Committee (or such other member of the Audit Committee who may be delegated authority to approve audit and permitted non-audit services), for approval of the proposal on behalf of the Audit Committee. The Audit Committee Chair will then inform the Audit Committee of any approvals granted at the next scheduled meeting.