



**Annual Information Form
Fiscal Year Ended December 31, 2012**

Dated: May 15, 2013

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CONVENTIONS

The information in this annual information form (“**Annual Information Form**”) is stated as at December 31, 2012, 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	scf	standard cubic feet
bb/d	barrels per day	Mcf	thousand cubic feet
Mbbl	thousands of barrels	MMcf	million cubic feet
MMbbl	millions of barrels	Bcf	billion cubic feet
boe	barrels of oil equivalent includes of crude oil barrels plus natural gas, unless otherwise indicated	Mcf/d	thousand cubic feet per day
boe/d	barrels of oil equivalent per day	MMcf/d	million cubic feet per day
Mboe	thousand boe	GJ	Gigajoule
NGL	natural gas liquids	md	millidarcy
MMBtu	million British thermal units	mm	millimetre
Mbc	thousands of barrels of condensate		
Bcpd	Barrels of condensate per day		
API	American Petroleum Institute		
TVD	true vertical depth		

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.

	Year Ended December 31, 2012	Year Ended December 31, 2011	Year Ended December 31, 2010
Rate at end of period	0.9949	1.0170	0.9946
Average noon spot rate during period	0.9996	0.9891	1.0299

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:

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

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

“**Baghlan**” means Baghlan Group Ltd., a company incorporated in the British Virgin Islands and a wholly-owned subsidiary of Baghlan FZCO;

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

“**BEOC**” means Bahar Energy Operating Company Limited, a company incorporated in the Jebel Ali Free Zone, Dubai, UAE 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, and which is currently owned 100% by Bahar Energy, subject to a 20% interest assignable to SOA pursuant to the ERDPSA;

“**BEOC Shareholders’ Agreement**” has the meaning ascribed to thereto under the heading “*Narrative Description of the Business – Description of the BEOC Shareholders’ Agreement*”;

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

“**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 (as defined in the ERDPSA) 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 (as defined in the ERDPSA) 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 the agents of the February 2010 Private Placement as payment of commission, each Unit being comprised of one Common Share and one-half of one Warrant;

“**Compensatory Petroleum**” is the obligation of the ERDPSA Contractor Parties to deliver hydrocarbon products in-kind to SOCAR from 5% of the gross production of crude oil and non-associated natural gas in the first three years of the ERDPSA and thereafter to deliver 10% of gross production until the sum of crude oil deliveries to SOCAR are 170,000 tons and non-associated natural gas are 630,000,000 cubic metres;

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

“Corporate Redomestication” has the meaning ascribed thereto in *“The Corporation”*;

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

“Debentures” means the 9.0% convertible unsecured subordinated debentures of the Corporation.

“Debenture Indenture” has the meaning ascribed thereto under the heading *“General Development of the Business – Year Ended 2012”*.

“ERDPSA” means the Agreement on the Exploration, Rehabilitation, Development and Production Sharing for the Block including the Bahar Field and Gum-Deniz Field in the Azerbaijan Sector of the Caspian Sea, dated December 22, 2009, between 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;

“GLJ” means GLJ Petroleum Consultants Ltd., independent qualified reserves evaluators;

“GLJ Report” means the report of GLJ dated April 29, 2013 evaluating the crude oil, natural gas liquids and natural gas reserves of the Corporation as at December 31, 2012 and prepared on information provided on March 7, 2013;

“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;

“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;

“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;

“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;

“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;
- the Corporation's future business strategy with respect to, among other things, greenfields, development plans and redevelopment;
- 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 hydrocarbons reserves;
- 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;
- the Corporation's ability to maintain systems of internal controls;
- incorrect assessments of the value of acquisitions;
- geological, technical, drilling and processing problems;
- fluctuations in foreign exchange or interest rates and stock market volatility;
- a change in the Corporation's business strategy;
- 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., 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 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 to a corporation named Greenfields Petroleum Corporation under the laws of the State of Delaware.

On August 18, 2011, the Corporation completed a corporate redomestication from the State of Delaware to the Cayman Islands (the "**Corporate Redomestication**"). The Corporate Redomestication included three primary steps: (i) a merger with a wholly-owned subsidiary incorporated pursuant to the laws of the State of Arizona; (ii) a transfer of domicile procedure under Arizona law and continuation procedure under Cayman Islands law; and (iii) a scheme of arrangement pursuant to sections 86 and 87 of the *Cayman Islands Companies Law* (2010 Revision).

Prior to the Corporate Redomestication, the Common Shares were subject to a one year distribution compliance period and deemed to be "restricted securities" under United States securities laws and were therefore subject to certain restrictions on transfers to U.S. persons ("**Resale Restrictions**"). As such, all certificates evidencing the Common Shares ("**Share Certificates**") bore a restrictive transfer legend and GPC's trading symbol on the TSXV contained an ".S" qualifier to alert investors to the existence of the Resale Restrictions. As a result of the Corporate Redomestication, GPC qualifies as a "foreign private issuer" for the purposes of the United States securities laws, resulting in no restrictive transfer legend on Share Certificates currently outstanding, the ".S" qualifier not applying to the Common Shares, and the trading symbol of GPC and the Common Shares becoming generally freely tradeable by its U.S. shareholders.

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 Walker House, 87 Mary Street, Grand Cayman, KY1-9005, Cayman Islands.

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-USA, LLC, a Texas limited liability company, which was the owner of the Kansas Assets, and whose registered office is located at 21 Waterway, Suite 200, The Woodlands, Texas, U.S.A. Effective September 1, 2012, GFPI sold its interest in the Kansas Assets, reserving a right to participate in certain wells until October 1, 2013, with a distribution net to the Corporation of \$95,000.

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 ERDPSA. BEOC is currently owned 100% by Bahar Energy, subject to a 20% interest transferrable to SOA, effective as of October 1, 2010, upon completion of the final legal documentation for the assignment, which has not yet been completed at SOA's election. BEOC is a company formed in the Jebel Ali Free Zone, Dubai, UAE for the purpose of acting as operator under the ERDPSA on behalf of the Contractor Parties, and whose registered office is LOB 15 514, P.O. Box 17870, Jebel Ali Free Zone, Dubai, UAE.

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:

1. 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.

2. 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.

3. Officers

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

4. 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.

5. Working Capital

The shareholders intend that the funds necessary to meet the expenses of Bahar Energy will be procured so far as possible by third party financing, shareholder equity and/or shareholder loans. In 2013, the shareholders intend to fund Bahar Energy through shareholder loans. If at some point neither third party financing nor shareholder loans are available, however, 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.

6. 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.

7. 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

Incorporation to Year Ended 2009

On November 28, 2007, the Corporation was formed as Greenfields Petroleum, Inc., a corporation formed under the Texas *Business Organizations Code*.

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*.

Azerbaijan

On December 22, 2009, Bahar Energy, in which the Corporation owns an indirect 33.33% 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 which includes the Bahar Gas Field and Gum Deniz Oil Field in the Azerbaijan sector of the Caspian Sea. Bahar Energy has an 80% participating interest and SOA has a 20% participating interest in the ERDPSA.

Kansas

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.

Year Ended 2010

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.

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 November 16, 2010, the Corporation completed its initial public offering (“**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 of the IPO exercised in full the over allotment option granted to the agents of the IPO pursuant to 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.

Azerbaijan

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 Bahar Gas Field and Gum Deniz Oil Field are in the Rehabilitation Area. 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 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.

Kansas

Effective January 1, 2010, in consideration for the release by RCH Energy Opportunity Fund II, L.P. of certain rights to participate in international opportunities, the Corporation entered into an amending agreement whereby the Corporation retained a 5% interest in GFPI, and transferred the balance of its interest in GFPI to RCH Energy Opportunity Fund II, L.P. and RCH Energy Opportunity Fund III, L.P.

Year Ended 2011

On August 18, 2011, the Corporation completed the Corporation Redomestication from the State of Delaware to the Cayman Islands. The Corporate Redomestication included three primary steps: (i) a merger with a wholly-owned subsidiary incorporated pursuant to the laws of the State of Arizona; (ii) a transfer of domicile procedure under Arizona law and continuation procedure under Cayman Islands law; and (iii) a scheme of arrangement pursuant to sections 86 and 87 of the Cayman Islands Companies Law (2010 Revision).

Azerbaijan

On June 22, 2011, approval for the Plan of Development (“**POD**”) for rehabilitation and development of the Bahar Gas Field and the Gum Deniz Oil Field was received from SOCAR. Approval of the POD from SOCAR commenced the performance period. The performance period requires the Contractor Parties to increase production in the rehabilitation area to 150% of the 2008 oil and natural gas production levels from the Bahar Gas Field and the Gum Deniz Oil Field, for a period of ninety consecutive days. This production increase is required to be accomplished within three years of that approval date. The gross 2008 production levels of the Bahar Gas Field and the Gum Deniz Oil Field were 18.8 MMcf/d and 1,233 bbl/d, respectively. The Bahar Gas Field and the Gum Deniz Oil Field had approximate average gross production for the year ended December 31, 2012 of 1,358 bbl/d and 12.6 Mcf/d or, in total, 3,453 boe/d.

Year Ended 2012

On May 30, 2012, the Corporation closed the public offering of the Debentures for aggregate gross proceeds of \$23,725,000. The Corporation issued \$23,725,000 aggregate principal amount of Debentures, at a price of \$1,000 per Debenture, which includes the exercise, in part, of an option granted to the underwriters to purchase up to an additional \$5,000,000 aggregate principal amount of Debentures at a price of \$1,000 per Debenture. Pursuant to the sale of the Debentures, the Corporation entered into a debenture indenture (“**Debenture Indenture**”) dated May 30, 2012 with Alliance Trust Company, providing for the issue of the Debentures.

The Debentures bear interest at 9.0% per annum, payable semi-annually in arrears on May 31 and November 30 commencing on November 30, 2012 and will mature and be repayable on May 31, 2017 (the “**Maturity Date**”).

Each \$1,000 principal amount of the Debentures is convertible at the option of the holder at any time prior to the close of business on the earlier of the business day immediately preceding the Maturity Date and, if applicable, the last business day immediately preceding the date fixed for redemption, into approximately 117 Common Shares, based on a conversion price of \$8.55 per Common Share (the “**Conversion Price**”), subject to certain anti-dilution provisions. Holders who convert their Debentures will receive accrued and unpaid interest for the period from the date of the latest interest payment date to the date of conversion.

The Debentures will not be redeemable by the Corporation before May 31, 2015. On and after June 1, 2015 and prior to Maturity Date, the Debentures may be redeemed in whole or in part from time to time at the option of the Corporation on not more than 60 days and not less than 40 days prior notice, at a price equal to their principal amount plus accrued and unpaid interest, provided that the weighted average trading price of the Common Shares on the TSXV for the 20 consecutive trading days ending five trading days preceding the date on which the notice of redemption is given is at least 125% of the Conversion Price.

Azerbaijan

During the year ended December 31, 2012, Bahar Energy prepared platform 2 in the Gum Deniz Oil Field and #196 well in the Bahar Gas Field for receiving the drilling rig PSG-1 and workover rig PSG-2 respectively. These upgrades to the existing structures enabled Bahar Energy to spud the #715 well in the Gum Deniz Oil Field on December 14, 2012, and begin working over the #196 well on November 25, 2012.

A land rig was brought in to develop the Gum Deniz field’s #601 well, which successfully placed 70 bbl/d on production. The land rig was subsequently released.

Two 14,600 bbl storage tanks were completed and put into service.

Kansas

GFPI sold its interest in the Kansas Assets effective September 1, 2012, retaining a right to participate in certain wells until October 1, 2013, with a net distribution to the Corporation of \$95,000.

Subsequent to Year Ended 2012

Drilling of the Gum Deniz 715 well reached a total depth of 3,587 (3,491 TVD) on February 17, 2013, and after conditioning the hole, was logged and production casing set to 3,581 (3,486 TVD). The well was tested through selected perforations over an interval from 2,814 (2,818 TVD) – 3,473 (3,377 TVD) flowing at the sustained rate of 600 bbl/d and 90 barrels of water per day through a 13 mm choke. The well was released to production on April 8, 2013.

During 2013, Bahar Energy expects to continue work related to construction and upgrades of platforms 2, 208a, 209 and 168. Areas of focus include platform design and construction for extending platform 2, oil and gas processing facility upgrades, pipeline replacement, water disposal, electric power line installation, support infrastructure and safety monitoring. At year end, the topsides on platform 208a have been removed. Pile caps have been fabricated and installed and skid beams ready for installation to accept the drilling rig PSG3 during 2013.

During 2013 Bahar Energy expects to drill at least 6 wells in the Gum Deniz Oil Field and to recompleate approximately 16 wells in both Gum Deniz Oil and Bahar Gas Fields. The drilling program is expected to continue in 2014 and beyond, and schedules 83 new wells in the Gum Deniz Oil Field and 7 new wells in the Bahar Gas Field. Total planned recompletions include 29 in the Gum Deniz Oil Field and 40 in the Bahar Gas Field.

Bahar Energy plans to focus greater effort in the development of the Gum Deniz Oil Field during 2013. Bahar Energy plans to have 3 drilling rigs operating in Gum Deniz Oil Field during the year. The Corporation expects rig PSG-2, assigned to the Bahar Gas Field, to undergo modifications to allow it to begin drilling operations later in the year. This will combine with the PSG-3 presently in preparation to commence drilling and the actively drilling PSG-1.

Bahar Energy plans to upgrade the capability of two old Soviet workover rigs to allow for more efficient operations in late 2013. Well service interventions and selected workovers and recompletions will have increased options for the work that can be performed using these rigs after they are upgraded. The Corporation intends to use the upgraded workover rigs to continue the workover operations in the Bahar Gas field.

NARRATIVE DESCRIPTION OF THE BUSINESS

General

The Corporation is a junior oil and natural gas company 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, some of which the Corporation expects to focus on, and particularly in areas where the management of the Corporation has past operating experience and local relationships.

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.

Business Strategy in Azerbaijan

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

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 MMcf/d 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.

Development Plan for Gum Deniz Oil Field

Bahar 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 net 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 net 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 (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 "**Target Production Rate**"). 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 MMcf/d, respectively. If the Target Production Rate 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 Target Production Rate 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 2012, SOCAR and the Contractor Parties entered into a protocol relative to the ERDPSA which established a mechanism for converting gas to a boe for the purpose of calculating the above referenced 2008 production levels and the Target Production Rate such that five thousand five hundred and fifty nine scf of gas equals one boe (5,559 scf/boe).

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

- (a) acquire a minimum of 60 square kilometres of 3D 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 3D 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 under the ERDPSA.

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 bbl of oil and 22.2 Bcf of gas. After this threshold is reached, no additional Compensatory Production is required to be paid to SOCAR.

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.

Stabilization

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 of the parties.

Tax

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 not be in a tax paying position in the U.S. for at least four to six years but 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.

Parent Company 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 favor 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.

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:

1. **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%
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.

2. **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.
3. **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.
4. **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.
5. **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.
6. **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.
7. **Dispute Resolution:** The Joint Operating Agreement is governed by English law, and disputes are resolved by an international dispute resolution procedure.
8. **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 currently owned 100% by Bahar Energy, subject to a 20% interest assignable to SOA pursuant to the ERDPSA. In order to regulate the operation and management of BEOC, the Bahar Energy, SOA and BEOC entered into a shareholders' agreement ("**BEOC Shareholders' Agreement**"), effective October 1, 2010. The BEOC Shareholders' Agreement contains, among other things, the following terms:

1. **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.
2. **Board:** The board is intended to be comprised of five directors, four being appointed by Bahar Energy and one by SOA. At the current time, and at the request of SOC, all directors are appointed by Bahar Energy. 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.
3. **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.
4. **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.
5. **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 of the parties.

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 at a percentage of Brent oil.

The Corporation believes that each of these transportation alternatives and quality adjustments will result in a net price at the field of approximately 92% of Brent pricing.

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 metres (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**") may be modified 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.

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, 2012, the Corporation had 15 full-time employees and 1 part-time consultant. 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.

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;
- conducting 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 play 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 and officers 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 a project or the Corporation depends on its ability to find, acquire, license, develop and commercially produce oil and natural gas reserves. Without the continual addition of new reserves, any existing reserves that the Corporation may have at any particular time and the production therefrom will decline over time as such existing reserves are exploited. A future increase in the Corporation’s reserves will depend not only on its ability to exploit and develop any properties it may have from time to time, but also on its ability to select, acquire and rehabilitate suitable producing properties or prospects. No assurance can be given that the Corporation will be able to locate and continue to locate satisfactory properties for acquisition or participation. Moreover, if such acquisitions or participations are identified, the Corporation may determine that current markets, terms of acquisition and participation or pricing conditions make such acquisitions or participations uneconomic. There is no assurance that commercial quantities of oil and natural gas will be discovered or acquired by the Corporation. It is project specific and at times it is difficult to project the costs of implementing or the success of exploration, rehabilitation or development drilling programs due to the inherent uncertainties of drilling in unknown formations, the uncertainty of the condition of existing well bores, the costs associated with encountering various drilling conditions such as over pressurized geological zones and tools lost in the hole, and changes in drilling plans and locations as a result of prior exploratory wells or additional seismic data and interpretations thereof.

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

Oil and natural gas exploration, development, rehabilitation and production operations are subject to all the risks and hazards typically associated with such operations, including but not limited to hazards such as fire, explosion, blowouts, cratering, sour gas releases and spills, each of which could result in substantial damage to oil and natural gas wells, production facilities, other property and the environment or personal injury. In accordance with industry

practice, the Corporation is not fully insured against all of these risks, nor are all such risks generally insurable. The Corporation will maintain liability insurance in an amount that it considers consistent with industry practice, however, the nature of these risks is such that liabilities could exceed policy limits, in which event the Corporation could incur significant costs that could have a material adverse effect upon its financial condition. Oil and natural gas exploration, development, rehabilitation and production operations are also subject to all the risks typically associated with such operations, including encountering unexpected formations or pressures, premature decline of reservoirs and the invasion of water into producing formations. Losses resulting from the occurrence of any of these risks could have a material adverse effect on the Corporation and its financial condition.

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 the GLJ Report 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 GLJ 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 GLJ Report, and such variations could be material. The GLJ 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 GLJ Report will be reduced to the extent that such activities do not achieve the level of success assumed in the GLJ Report.

The oil and natural gas reserve estimates given in the GLJ Report represent oil and natural gas reserves of Bahar Energy. Greenfields Petroleum International Company Ltd. holds an 33.33% interest in Bahar Energy.

Negative Operating Cash Flow

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

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 sufficient or available to meet these requirements or for other corporate purposes or, if debt or equity financing is available, that it will be on terms acceptable to the Corporation. Moreover, future activities may require the Corporation to alter its capitalization. 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 full 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 favorable terms. The availability of equity or debt financing is affected by many factors, including world and regional economic conditions; the state of international relations; the stability and the legal, regulatory, fiscal and tax policies of various governments in areas of operation; fluctuations in the world and regional price of oil and gas and in interest rates; the outlook for the oil and gas industry in general and in areas in which the Corporation has or intends to have operations; and competition for investment funds among alternative investment projects. The terms of any such equity financing may be dilutive to holders of Common Shares. Potential investors and lenders will be influenced by their evaluations of the Corporation and its projects, including their technical difficulty, and comparison with available alternative investment opportunities. If adequate funds are not available, the Corporation may be required to scale back or reduce its interest in certain projects. If additional financing is raised by the issuance of shares, control of the Corporation may change and existing shareholders may suffer dilution. In addition, the Corporation may make future property or corporate acquisitions or enter into other transactions involving the issuance of securities of the Corporation which may also be dilutive.

Commodity Prices

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

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

In addition, 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, value of refined products, supply/demand balance, and other contractual terms. In respect of the ERDPSA, sales of natural gas will be governed by the Bahar Gas Sales Agreement for the next five years. The price of natural gas sold from the Bahar Gas Field is fixed until October 2015 at \$3.96 per mcf. Subsequent to October 2015, the price of natural gas sold from the Bahar Gas Field will be determined by negotiation between buyers and sellers.

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 labor;
- the regulation of the oil and natural gas industry by various levels of government and governmental agencies; and
- industry partner conflicts of interest.

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

Availability of and Access to Drilling and Related Equipment

Oil and natural gas exploration and development activities are dependent on the availability of drilling, recompletion and related equipment in the particular areas where such activities will be conducted. Demand for such limited equipment or access restrictions may affect the availability of such equipment to the Corporation and may delay

exploration, rehabilitation and development activities and affect the Corporation's results of operations. If the demand for, and wage rates of, qualified rig crews and other personnel rise, then the oil and gas industry and the Corporation may experience shortages of qualified personnel to operate drilling rigs and to conduct other work. This may delay the Corporation's exploration, rehabilitation, development and production operations and may adversely affect the Corporation and its results of operations. To the extent the Corporation is not the operator of its oil and gas properties, the Corporation will be dependent on such operators for the timing of activities related to such properties and will be limited in its ability to direct or control the operations.

Risk of Foreign Operations

The Corporation's 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 labor unions, the risks of war, terrorism, abduction, expropriation, nationalization, renegotiation or nullification of existing concessions and contracts, changes in taxation policies, economic sanctions and the imposition of specific drilling obligations and the development and abandonment of oil or natural gas fields.

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

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

Risk Factors Relating to Operations in Azerbaijan

Beyond the risks inherent in the oil and natural gas industry, the Corporation is subject to additional risks resulting from doing business in Azerbaijan. While the Corporation will attempt to reduce many of these risks through agreements with the Government of Azerbaijan and others, no assurance can be given that such risks have been mitigated. The risks include matters arising from the evolving laws and policies of Azerbaijan, the imposition of special taxes or similar charges, oil export or pipeline restrictions, foreign exchange fluctuations and currency controls, the unenforceability of contractual rights or the taking of property without fair compensation, restrictions on the use of expatriates in operations and other matters.

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

Regulatory Regime

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

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

Legal Risks

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

Regional Risk

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

Reliance on Industry Partners

The Corporation relies on industry partners, including Baghlan, the other shareholder 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 ERDPSA, 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.

Under the ERDPSA, Bahar Energy will have the obligation to achieve, not later than three (3) years from the date of SOCAR's approval of the Rehabilitation and Production Program, an average daily rate of petroleum production from the Rehabilitation Area during ninety (90) consecutive days 150% of the average 2008 production rates. Meeting the 150% production rate will result in the realization of the full 25 year term of the agreement for the Rehabilitation Area. If Bahar Energy fails to meet the 150% production target within the three year timeframe, SOCAR shall have the right to terminate the ERDPSA in relation to the Rehabilitation Area. Approval of the Rehabilitation and Production Program was received from SOCAR on June 22, 2011 establishing the start date for the three year period in which the production target must be met.

See "*Narrative Description of the Business – Description of the ERDPSA*".

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 effect 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.

Internal Controls

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

At the operational level, BEOC is an entity in which the Corporation has an indirect interest through its minority shareholder position in Bahar Energy. As such, the Corporation relies upon certain employees of BEOC for the accumulation and reporting of financial data in respect of the Corporation's interests in Azerbaijan, and on regular physical visits to Azerbaijan by the Corporation's management and Auditors to overview this activity. A major disruption in the flow of information from Bahar Energy and BEOC could impact the accuracy of financial reporting and management information.

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

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

Environmental Risks and Regulations

All phases of the oil and gas industry present environmental risks and are subject to environmental regulation pursuant to a variety of international conventions and local laws and regulations. Such legislation provides for, among other things, restrictions and prohibitions on the release or emission of various substances produced in association with certain oil and gas industry operations. In addition, such legislation requires that well and facility sites 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 favorable 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.

Labor

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

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.

Future Financing

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

Market Conditions

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

STATEMENT OF RESERVES DATA AND OTHER OIL AND GAS INFORMATION

Disclosure of Reserve Data

The GLJ Report was prepared in accordance with NI 51-101, and Forms 51-101F1, 51-101F2 and 51-101F3 for the period ended December 31, 2012 were filed on SEDAR on April 30, 2013. The GLJ Report estimates the reserves of Bahar Energy as of December 31, 2012 (which includes the wells, lands, reserves, facilities, equipment and other assets including the Bahar Gas Field and the Gum Deniz Oil Field) which it holds pursuant to the ERDPSA. The estimated reserves included in the GLJ Report include all of Bahar Energy's interest in the ERDPSA. The Corporation owns a 33.33% indirect interest in Bahar Energy who in turn owns an 80% participating interest in the ERDPSA, and, as such, the reserve estimates and other data provided which are derived from the GLJ Report reflect the Corporation's 33.33% indirect interest in Bahar Energy.

The Forms 51-101F1, 51-101F2 and 51-101F3 of the Corporation for the period ended December 31, 2012 filed on SEDAR on April 30, 2013 are specifically incorporated by reference herein and are available on the Corporation's SEDAR profile 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

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**"). As of the date hereof, an aggregate of 15,584,327 Common Shares are issued 15,535,878 are outstanding after the cancellation of all treasury shares on May 7, 2013. As of the date hereof, no Preferred Shares are issued and outstanding.

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.

Debentures – May, 2012

On May 30, 2012, the Corporation issued \$23,725,000 aggregate principal amount of Debentures, at a price of \$1,000 per Debenture, which includes the exercise, in part, of an option granted to the underwriters to purchase up to an additional \$5,000,000 aggregate principal amount of Debentures at a price of \$1,000 per Debenture.

The Debentures bear interest at 9.0% per annum, payable semi-annually in arrears on May 31 and November 30 commencing on November 30, 2012 and will mature and be repayable on May 31, 2017.

Each \$1,000 principal amount of the Debentures is convertible at the option of the holder at any time prior to the close of business on the earlier of the business day immediately preceding the Maturity Date and, if applicable, the last business day immediately preceding the date fixed for redemption, into approximately 117 Common Shares, based on a conversion price of \$8.55 per Common Share, subject to certain anti-dilution provisions. Holders who convert their Debentures will receive accrued and unpaid interest for the period from the date of the latest interest payment date to the date of conversion.

The Debentures will not be redeemable by the Corporation before May 31, 2015. On and after June 1, 2015 and prior to Maturity Date, the Debentures may be redeemed in whole or in part from time to time at the option of the Corporation on not more than 60 days and not less than 40 days prior notice, at a price equal to their principal amount plus accrued and unpaid interest, provided that the weighted average trading price of the Common Shares on the TSXV for the 20 consecutive trading days ending five trading days preceding the date on which the notice of redemption is given is at least 125% of the Conversion Price.

See "*General Development of the Business - Year Ended 2012*".

MARKET FOR SECURITIES

Trading Price and Volume

The Common Shares are listed and posted for trading on the TSXV under the symbol "GNF". The following table sets forth the price range and trading volume of the Common Shares as reported by the TSXV for the period January 1, 2012 to December 31, 2012:

Period	Price Range (CDN\$)		Trading Volume
	High	Low	
2012			
January	6.90	6.00	1,538,253
February	6.50	4.25	171,889
March	6.19	5.72	74,334
April	6.25	4.99	476,550
May	6.52	4.60	283,760
June	6.20	4.80	310,453
July	4.81	3.20	985,010
August	6.20	4.05	216,422
September	6.20	4.75	142,675
October	5.90	4.75	159,897
November	5.50	4.80	75,625
December	4.75	3.30	255,340

The Debentures are listed and posted for trading on the TSXV under the symbol "GNF.DB". The following table sets forth the price range and trading volume of the Debentures as reported by the TSXV for the period June 1, 2012, the date on which the Debentures were listed, to December 31, 2012:

Period	Price Range (CDN\$)		Trading Volume
	High	Low	
2012			
June	94.00	82.00	7,960
July	82.00	76.01	1,090
August	92.00	76.00	2,840
September	89.00	89.00	150
October	89.00	85.00	1,490
November	81.00	80.00	1,090
December	79.50	70.00	8,260

Prior Sales

The Corporation granted the following options to purchase Common Shares during the year ended December 31, 2012:

Date of Grant	Number of Options to Purchase Common Shares Granted	Exercise Price per Common Share	Vesting Provisions	Expiry Date
January 31, 2012	80,000	CDN\$6.00	1/4 on January 31, 2012 thereafter, 1/4 on each February 1 for 3 years	January 26, 2017
June 25, 2012	150,000	50,000 at CDN\$12.00 50,000 at CDN\$13.00 50,000 at CDN\$14.00	1/12 on June 25, 2012 thereafter, 1/12 on the first day of each month for 11 months	June 25, 2017

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
A. Wayne Curzadd Houston, Texas Katy, Texas U.S.A.	Senior Vice President and Chief Financial Officer since August 9, 2012; prior thereto, Vice President and Controller of the Corporation from March 2008; Director Financial Reporting of GFI Oil and Gas Corporation from April 2007 to September 2008.	October 1, 2008	Senior Vice President, Finance, Treasurer and Chief Financial Officer
Richard E. MacDougal ⁽²⁾ 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
Michael J. Hibberd ⁽¹⁾⁽³⁾⁽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. and Co-Chairman of Sunshine Oilsands Ltd., public oil and gas exploration companies. Current director of Montana Exploration Corp. and Pan Orient Energy Corp., all public oil and gas companies.	February 23, 2010	Chairman and Director
Garry P. Mihaichuk ⁽¹⁾⁽²⁾⁽³⁾ 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
Gerald F. Clark ⁽¹⁾⁽⁴⁾ Houston, Texas U.S.A.	Director since September 3, 2012. Business Consultant since January, 2012. Prior thereto, CEO and CFO of Ciris Energy, Inc. from September 2009 to November 2011; CFO of the Corporation from March 2008 to July 2009; CFO of GFI from June 2007 to March 2008.	September 3, 2012	Director

Name and Municipally of Residence	Principal Occupation During the Past 5 years	Director or Officer Since	Position(s) Presently Held
Alex T. Warmath ⁽²⁾⁽³⁾ The Woodlands, Texas U.S.A.	President of ACOGIF LLC an oil and gas company established in January of 2012. Co-founder and Director of NEGRI Environmental LLC and Co-founder and Director of GFI Petroleum (Central America) Limited. All companies are private concerns engaged either in the oil and gas exploration and development or providing services to the oil and gas business in the Permian Basin in Texas. Also serves on the Advisory Board for the University of Arkansas. Chief Executive Officer of GFI Oil and Gas Inc. from March 2005 to April 2008. Chief Executive Officer of the Corporation from November 30, 2007 to February 11, 2010 and Senior Vice President and Chief Technical Officer of the Corporation from February 11, 2010 to January 5, 2012, prior to retirement.	November 30, 2007	Co-founder and Director
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 the date of this Annual Information Form, the directors, officers and senior management of the Corporation, as a group, beneficially own, directly or indirectly 3,617,023 Common Shares of the Corporation or approximately 23.3% of the issued and outstanding Common Shares.

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.

Creditor Proceedings and 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. 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.

Mr. Hibberd was formerly a director of Skope Energy Inc. (a TSX listed oil and gas company), which commenced proceedings in the Court of Queen's Bench of Alberta under the *Companies and Creditors Arrangement Act* (Canada) to implement a restructuring in November 2012, which was completed on February 19, 2013.

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.

LEGAL PROCEEDINGS AND REGULATORY ACTIONS

Other than as described below, to the knowledge of the Corporation, since the beginning of the most recently completed fiscal 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, alone or in the aggregate, 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.

In May, 2012, the Corporation settled a claim from a former consultant alleging rights to, among other things, a referral fee in the form of a small interest in Greenfields Petroleum International Company Ltd., the wholly-owned subsidiary of the Corporation which owns a 33.33% interest in Bahar Energy, with no impact to the ownership of Greenfields Petroleum International Company Ltd.

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, which are still in effect are as follows:

1. The ERDPSA. See "*General Development of the Business*" and "*Narrative Description of the Business – Description of the ERDPSA*".
2. The Bahar Shareholders' Agreement. See "*Intercorporate Relationships – Description of the Bahar Shareholders' Agreement*".
3. The Bahar Gas Sales Agreement. See "*Narrative Description of the Business – Pricing and Marketing*".
4. The Bahar Oil Sales Agreement. See "*Narrative Description of the Business – Pricing and Marketing*".
5. The BEOC Shareholders' Agreement. See "*Narrative Description of the Business - Description of the BEOC Shareholders' Agreement*".
6. The Joint Operating Agreement. See "*Narrative Description of the Business - Description of the Joint Operating Agreement*".
7. The Debenture Indenture. See "*General Development of the Business – Year Ended 2012*".

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 Burstall Winger LLP located at Suite 1600, 333 - 7th Avenue, S.W., Calgary, Alberta, T2P 2Z1 during normal business hours.

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 fiscal year other than GLJ, 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, 2012 were audited by Deloitte LLP. Deloitte LLP is independent in accordance with the Rules of Professional Conduct of the Institute of Chartered Accountants of Alberta.

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, 2012. 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.