MANAGEMENT'S DISCUSSION AND ANALYSIS

The following management discussion and analysis ("**MD&A**") of financial conditions and results of operations is as of May 2, 2011 and should be read in conjunction with the audited consolidated financial statements of Greenfields Petroleum Corporation, formerly Greenfields Petroleum, LLC ("**Greenfields** or the "**Corporation**") for the years ended December 31, 2010 and 2009. Additional information relating to Greenfields is available on SEDAR at **www.sedar.com** and on the Corporation's website at **www.greenfields-petroleum.com**. The Corporation reports its oil production in barrels.

Discussion with regard to Greenfields outlook is based on currently available information. The financial data presented below has been prepared in accordance with Canadian generally accepted accounting principles ("**GAAP**"). Unless stated otherwise, all references to monetary values are in the United States dollar.

SPECIAL NOTE REGARDING FORWARD-LOOKING STATEMENTS

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

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

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

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

Corporate Overview

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

The common share numbers and per share numbers for the comparative period have been reclassified throughout the MD&A and consolidated financial statements as if the common shares were outstanding throughout the years indicated.

Business of the Corporation

The Corporation is a junior oil and natural gas exploration and development corporation focused on the development and production of proven oil and gas reserves principally in the Republic of Azerbaijan ("**Azerbaijan**"). The board of directors and management of the Corporation are experienced in financing, developing and operating international oil and gas fields, and possess the requisite technical skills and business acumen to operate in diverse international environments. The Corporation plans to expand its oil and gas assets through further farm-ins and acquisitions of licenses focusing on previously discovered and undeveloped international oil and gas fields.

The Corporation's primary focus is Azerbaijan. On December 22, 2009, Bahar Energy Limited ("**Bahar Energy**"), a 33.33% joint venture of the Corporation, entered into an Exploration, Rehabilitation, Development and Production Sharing Agreement ("**ERDPSA**") with the State Oil Company of Azerbaijan ("**SOCAR**") and its affiliate SOCAR Oil Affiliate ("**SOA**") in respect of the offshore block known as the Bahar Project, which project consists of the Bahar gas field and the Gum Deniz oil field. Bahar Energy has an 80% participating interest, and SOA has a 20% participating interest, in the ERDPSA (together the "**Contractor Parties**").

On April 27, 2010, the Azerbaijan Parliament, also referred to as Milli Mejlis, ratified the ERDPSA with SOCAR and its affiliate SOA in respect of the offshore block known as the Bahar Project, which project consists of the Bahar gas field and the Gum Deniz oil field. On September 29, 2010, the Corporation was notified by SOCAR that all conditions precedent of the ERDPSA were satisfied and the ERDPSA became effective as at October 1, 2010.

On October 1, 2010, Bahar Energy, a subsidiary of the Corporation, entered into a joint operating agreement ("**JOA"**) with SOA and Bahar Energy Operating Company ("**BEOC"**) for the purpose of regulating operations under the ERDPSA.

In addition, BEOC as agent on behalf of the contractors to the ERDPSA, Bahar Energy and SOA, have entered into the following agreements which became effective October 1, 2010:

1) An oil sales agreement with SOCAR as the buyer for the sale of oil from the ERDPSA. Pursuant to the Oil Sales Agreement, SOCAR will purchase the oil and sell equivalent oil (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 at the same price that SOCAR receives under its export contract, less a one percent (1%) commission and costs, including transportation, not to exceed certain specified amounts. This oil sales agreement may be terminated by either party upon fourteen (14) days advance notice.

2) A natural gas sales agreement with SOCAR as the buyer for the sale of gas from the ERDPSA. 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 fixed gas price of US$140 per 1,000 standard cubic meters (approximately US$3.96 per Mcf) with a three year "Buildup Period" and two year "Firm Period". The gas price is not subject to escalation over the five year term. The first three years of the contract period allow the Contractor Parties to develop the Bahar Gas Field and increase the volume of gas deliveries to the buyer. All volumes correctly nominated by the Contractor Parties are subject to a take or pay by SOCAR.

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

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

The ERDPSA covers an area of approximately 76,500 acres and it is divided into a "rehabilitation area" ("**Rehabilitation Area**") and an "exploration area" ("**Exploration Area**"). The Rehabilitation Area includes the Bahar Gas Field and Gum Deniz Oil Field. 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 Contractor Parties are required to increase production in the Rehabilitation Area within three years 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 parties have acknowledged the 2008 production levels of the Gum Deniz oil field and the Bahar gas field were 1,233 bbl/d and 18.8 mmcfd, respectively. Failure to reach the Production Condition within three years may result in the termination of Bahar Energy's rights in respect of the Rehabilitation Area at SOCAR's discretion.

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

Pursuant to the terms of an agency agreement dated September 30, 2010, the Corporation issued 4,870,250 common shares to the public for estimated gross proceeds of approximately $40.4 million (CDN$41.4 million) including the issuance of 635,250 common shares upon closing of the over-allotment. After deducting commissions and estimated expenses of $3.4 million (CDN$3.8 million), estimated net proceeds received were $37.0 million (CDN$37.6 million). On November 16, 2010, the Corporation's common shares commenced trading on the TSX Venture Exchange under the symbol GNF.S.

During the period from inception to December 31, 2009, the Corporation owned 15% of the outstanding shares in GFPI-USA, LLC, a company that owns producing and non-producing petroleum assets located in the State of Kansas, USA. As of January 1, 2010, the Corporation reduced its investment in GFPI-USA, LLC to 5%.

Due to adverse market conditions arising from the worldwide financial crisis and the desire of the Corporation to focus management time and attention on Azerbaijan, the Corporation elected to divest its interest in Greenfields Petroleum (Lahat) Company. On April 14, 2009, Greenfields Petroleum (Indonesia) Company Ltd. entered into a sale and purchase agreement with APEC Indonesia Limited pursuant to which it sold "Lahat" to APEC Indonesia Limited for consideration of approximately $5.3 million, as well as a contingent net profits interest. The contingent net profits interest took the form of a deferred payment agreement dated April 24, 2009, pursuant to which APEC Indonesia Limited agreed to pay Greenfields Petroleum (Indonesia) Company Ltd. a deferred purchase price payment in installments equal to 4% of Bunga Mas International Company's ("**BMIC**") share of the crude oil remaining after the deduction of operating costs (otherwise known under the Bunga Mas PSC as "Profit Oil"), reduced by the amount of certain Indonesian taxes. Payments begin with the first production of Profit Oil from the area of the Bunga Mas PSC, and will terminate when the installment payments total $8 million. To date, no production has yet been realized by BMIC from the area of the Bunga Mas PSC. The Company did not undertake any field producing or drilling activities and only engaged in shooting a seismic program which was operated by the national oil company's seismic subsidiary. Greenfields Petroleum (Indonesia) Company Ltd. has agreed to indemnify up to a maximum of $150 thousand to the buyer of "Lahat" in respect of potential future reclamation efforts related to two previously established well locations, if required by the regulatory authorities. Greenfields Petroleum (Indonesia) Company Ltd. has also agreed to indemnify the buyer of "Lahat" for liabilities that might arise in the future for events that transpired during the period Greenfields Petroleum (Indonesia) Company Ltd. held its interest in "Lahat". The maximum amount of the latter indemnification cannot be reasonably estimated due to its nature nor are such events considered likely. Historically, Greenfields Petroleum (Indonesia) Company Ltd. has not made any payments relating to such indemnification.

Corporate Update

All legal requirements were completed with the Government of Azerbaijan and SOCAR, , which allowed for the Bahar ERDPSA to become fully effective on October 1, 2010. This completed the transfer of the interest in the Bahar ERDPSA to our subsidiary, Bahar Energy.

During the fourth quarter of 2010, the Corporation's net production averaged 496 bbls/d and 4,909 mcf/d or approximately 1,314 boe/d. This production was achieved from a total of 45 active wells, located in both the Gum Deniz and Bahar fields. No drilling or significant re-completion activity was undertaken since the effective date of October 1, 2010, due to the lack of available equipment. The major activity for the fourth quarter 2010 focused on accelerating the procurement of equipment required to start up both the extensive work-over and drilling programs found in the Phase 1 development program. Management had previously projected that the work-over program would start up in middle of the summer of 2011 and the drilling program to start up in the middle of the summer of 2012. Bahar Energy has recently obtained equipment from SOCAR to initiate the work-over program in May of this

year. The Corporation has engaged three SOCAR rigs which are currently being upgraded for service in the work-over program. It is anticipated that by May, all three rigs will be working several months ahead of the previous schedule. The SOCAR rigs are temporarily being used as work-over rigs and will ultimately be replaced in the fourth quarter of this year by two new purpose built work-over rigs, resulting in faster and more efficient operations on the work-over programs in both Gum Deniz and Bahar fields.

Bahar Energy has elected to accelerate the original oil drilling program to take advantage of the higher oil price environment. Efforts are underway that should allow for possibly one or two drilling rigs to be on site in the fourth quarter of this year. The program will start the drilling of the 57 proposed development wells located in Gum Deniz oil field contained in the Phase 1 redevelopment program originally scheduled for mid next year.

Bahar Energy is currently engaged in shooting two seismic programs in the Bahar ERDPSA over the two producing fields, which have not previously been shot with either 2-D or 3-D seismic, and the Bahar 2 exploration area. The acquisition of the 2-D program over the producing fields should be completed in June 2011. The 3-D seismic acquisition is underway on the Bahar 2 exploration area located between the Bahar gas field, found in the ERDPSA, and the Shah Deniz gas field operated by BP, which is located approximately 25 kilometers to the southeast of the Bahar field. Seventy-seven (77) square kilometers of 3-D seismic was acquired by SOCAR by year end 2010 and the balance of 63 square kilometers out of the planned total of 140 square kilometers is projected to be completed by August 2011.

The Corporation and its partners have approved a $60.8 million capital development program for Bahar Energy (Net $20.3 million to Greenfields) for the program year 2011. This capital work program is intended to create both growth and value in Greenfields existing assets by increasing its reserves and production from rehabilitation, exploitation and development activities. Funding will come from the Corporation's existing cash on hand and from future cash flows from Bahar Energy's operations. Greenfields expects to continue to remain debt free so that the it can be positioned to undertake new development and acquisition opportunities.

BEOC, on behalf of Bahar Energy and SOA, has submitted to SOCAR, a new multi stage (Phase 1, 2, and 3) longer term development plan for the Bahar and Gum Deniz fields. Approval of this new multiphase program is expected to be received by mid-year 2011.

Selected Information

($000s, except as noted)	Year Ended December 31, 2010	2009
Financial		
Revenues	$5,414	$177
Loss from continuing operations	(3,962)	(1,505)
Per share, basic and diluted	(0.44)	(0.23)
Net (loss) income	(3,827)	1,186
Per share, basic and diluted	($0.43)	$0.18
Operating (since effective date of ERDPSA on October 1, 2010)		
Average oil/condensate production (bbls/d) [(1)]	496	-
Average natural gas production (mcf/d) [(1)]	4,909	-
Average oil equivalent production (boe/d) [(1)]	1,314	-
Average oil price ($/bbl)	$82.96	-
Average natural gas price ($/mcf)	3.96	-
Average net back oil price ($/bbl)	$79.42	-
Average Brent oil price ($/bbl)	86.54	-

(1) Production volumes include compensatory petroleum and governments share of profit petroleum

Selected Information

($000s, except as noted)	Year Ended December 31, 2010	2009
Selected Balance Sheet Items		
Cash and cash equivalents	$44,839	$1,326
Total Assets	57,316	1,778
Working capital	46,573	1,350
Shareholders' equity	$52,676	$1,679

RESULTS OF OPERATIONS

PRODUCTION, PRICING AND NETBACK

($000s, except as noted)	Year Ended December 31, 2010	2009
Revenues		
Oil revenue	$3,592	-
Natural gas revenue	1,691	-
Royalty	(205)	
Total petroleum and natural gas revenue	5,078	-
Management service fees	336	$176
Interest income	-	1
Total revenue	$5,414	$177

Effective October 1, 2010, the Corporation was notified by SOCAR that the ERDPSA became effective clearing the way for Bahar Energy, in which the Corporation owns a 33.33% interest, to enter into joint venture agreements with SOA enabling the Bahar Energy to commence receiving petroleum and natural gas revenue on production sales. During the period from October 1 and December 31, 2010, Bahar Energy's share of oil and natural gas production was 496 bbls/d and 4,909 mcf/d, respectively, compared to no production during the year ended December 31, 2009.

For the period from commencement of petroleum sales, the average price received for oil was $82.96/bbl and the average price received for natural gas was $3.96/mcf. Throughout 2010, the Brent oil price steadily increased and now receives a considerable premium to the North American oil benchmark, West Texas Intermediate.

For the year ended December 31, 2010, the Corporation recorded $336 thousand in management service fees received under the Management Services Agreement with the Corporation's affiliate company GFPI-USA, LLC, a 91% increase compared to the same period in 2009. The increase in fees is a result of the renegotiation of the Management Services Agreement between the Corporation and the GFPI-USA, LLC affiliate resulting in the conversion to a fixed management fee beginning in January 1, 2010 covering all services provided by the Corporation to GFPI-USA, LLC. The management service fees going forward are to be determined each year based on the approved annual budget for GFPI-USA, LLC. Beginning in January 2010, the Corporation received a monthly management service fee of $28 thousand until December 31, 2010 for providing all necessary management, technical, and administrative services related to the ongoing operations of the affiliate. Due to the reduced involvement by corporate personnel in running the day to day business of GFPI-USA, LLC, management believes the $28 thousand per month fee was sufficient to cover costs of providing management, technical and administrative services to the GFPI-USA, LLC entity.

Royalties and Compensatory Payments

From October 1, 2010 ("Effective date") until October 1, 2013, five percent (5%) of the monthly production, referred to as "**Compensatory Production**" will be delivered to SOCAR. Post October 1, 2013, the rate increases to 10% of monthly production until the cumulative volumes delivered to SOCAR equals 1.251 million barrels of oil

and 22.248 billion cubic feet of natural gas. The Compensatory Production is calculated separately for oil and for natural gas.

The government's share of profit petroleum under the ERDPSA in Azerbaijan is considered royalties. Royalties fluctuate due to changes in the cost petroleum whereby the ERDPSA allows for recovery of operating and capital costs through a reduction in the government's share of production. The government's share of any profit petroleum available after the recovery of operating and allowable capital costs can range from 40% to 90% depending on the level of cumulative capital spending and amounts recovered to the relevant date through what is known as the R-factor. The actual amount of profit petroleum available for profit sharing, using the percentages defined by the R-factor, is dependent on the level of current operating, production and pricing levels. During periods of operations build-up royalties can be 0% if available cost recovery amounts are equal to or greater than the value of petroleum production.

Royalties from the commencement date of the ERDPSA on October 1, 2010 to December 31, 2010 totaled $205 thousand. As a percentage of petroleum and natural gas revenue, royalties were 3.8% of total sales. There were no royalties paid in the 2009 comparative period.

Operating Expenses

Operating expenses for the fourth quarter of 2010 were $2.5 million as compared to $nil operating costs in 2009. The fourth quarter of 2010 was the first period where the Corporation made petroleum and natural gas sales and therefore this is the first period of operating costs.

Transportation Expenses

Transportation expenses for the fourth quarter of 2010 were $153 thousand as compared to $nil transportation expenses for the corresponding period in 2009. Transportation expenses in Azerbaijan are Bahar Energy's obligation, as defined under the SOCAR oil sales agreement, for conveyance of oil to certain approved delivery points.

General and Administrative Expenses

($000s) **G&A Expenses from Continuing Operations**	**Year Ended December 31,** **2010**	 **2009**
Employee wages and benefits	$2,267	$1,355
Professional service costs	1,631	238
Legal Services	517	231
Office travel and other	1,364	473
Foreign office costs	3,216	-
	8,995	2,297
Recoveries	(2,510)	(902)
Net G&A expenses from continuing operations	$6,485	$1,395

($000s) **G&A Expenses from Discontinued Operations**	**Year Ended December 31,** **2010**	 **2009**
Employee wages and benefits	-	-
Professional service costs	$3	$370
Legal Services	4	10
Office travel and other	-	37
Allocated costs	-	515
	7	932
Recoveries	-	(87)
Net G&A expenses from discontinued operations	$7	$845

Gross general and administrative expenses from continuing operations for the year ended December 31, 2010 totaled $8.9 million compared to $2.3 million for same period in 2009, an increase of 387%. The increases relate to increases in professional services associated with the February 2010 private placement, additional professional and consulting costs associated with the initial public offering completed in November 2010, higher travel costs and contractor services related to the ERDPSA and the Corporation's proportional share of general and administrative expenses incurred at the Bahar Energy project in Azerbaijan. For the year ended December 31, 2010, the Corporation recovered $2.5 million of general and administrative expenses related to the ERDPSA pre-effective date petroleum operation activities. For the year ended December 31, 2009, the Corporation recovered $0.9 million of general and administrative expenses and allocated costs charged to an unconsolidated minority interest affiliate, from direct overhead charges to the Bunga Mas Petroleum Sharing Contract ("**PSC**")..

As result of the divestiture of Greenfield Petroleum (Lahat) Company in April 2009, the Corporation has classified the operations of "Lahat" as discontinued operations in the statement of operations for the year ended December 31, 2010 and 2009. General and administrative expenses from discontinued operations for the year ended December 31, 2010, were $7 thousand compared to $845 thousand for the same period in 2009, a decrease of 99%. The decrease is the result of the sale of the Bunga Mas PSC in April 2009. The Corporation's general and administrative expenses previously allocated to discontinued operations during the 2009 timeframe have been offset by G&A associated with new international projects in 2010.

The Corporation did not capitalize any of its general and administrative expenses for the year ended December 31, 2010 and 2009.

Stock-based Compensation

Stock-based compensation expense for the year ended December 31, 2010 was $1.6 million, compared to $nil for the same period in 2009. During 2010 the Corporation granted 1,211,000 stock options to officers, directors, employees and consultants of the Corporation in accordance with the Corporation's Stock Option Plan. The exercise prices of the stock options ranges from CDN$6.50 to CDN$8.50 per common share with all options expiring on various dates in 2020. For the initial grant of 986,000 stock options, 25% vested on the date of grant and 25% vests on each of May 1, 2011, May 1, 2012 and May 1, 2013, except for stock options issued to a certain executive officer, which vested as to 25% on August 31, 2010 and vest as to 25% on each of the first, second and third anniversaries of February 1, 2010. For the second grant of 225,000 stock options, 25% vested on the date of the grant and 25% vests on each November 1, 2011, November 1, 2012 and November 1, 2013.

The fair value of each stock option granted during the year December 31, 2010 was estimated on the date of grant using the Black Scholes option pricing model with the following assumptions:

	2010	2009
Risk-free interest rate range	1.33% - 1.49%	-
Expected life	4.0 years	-
Expected volatility	49.53%	-
Expected dividend	-	-
Fair value range of options at grant date	$2.42 - $3.30	-

In addition, during the year ended December 31, 2010, the Corporation approved a Long Term Incentive Plan and the granting of 500,000 shares to employees, officers and directors of the Corporation on February 2, 2010. Subsequent to the granting of the shares to employees, officers and directors, on April 7, 2010, the Corporation terminated the Long Term Incentive Plan in regards to future awards.

The Corporation did not capitalize any stock based compensation for the years ended December 31, 2010 and 2009.

Depreciation and Amortization

($000s)	Year Ended December 31,	
	2010	**2009**
Depreciation and amortization expense	$17	$1

Depreciation and amortization for the year ended December 31, 2010 was $17 thousand compared to $1 thousand for the same period in 2009. The increase is a result of the Corporation purchasing office equipment, geophysical software and hardware, and recording leasehold improvements during 2010.

Investment Related Losses

The Corporation recorded an equity investment loss of $226 thousand for the year ended December 31, 2010, as compared to $271 thousand for the year ended December 31, 2009, in connection with its equity interest in the earnings of the affiliated company GFPI-USA, LLC, a private company engaged in the exploration and development of oil and gas properties primarily in the United States.

On January 1, 2010, the Corporation entered into an Amending and Assigning Agreement with RCH Energy Opportunity Fund II and RCH Energy Opportunity Fund III (collectively "**RCH**"). The terms of the agreement were that the Corporation transferred 100,000 Class A Units in the GFPI-USA, LLC entity and made payment of $8,650 to the RCH funds for the termination of RCH's option to participate at 15% in international business opportunities generated by the Corporation and the requirement that certain officers and directors maintain a controlling interest in Greenfields. The impact of this agreement on the Corporation was that the ownership interest in the GFPI-USA, LLC entity was reduced from 15% to 5% effective January 1, 2010 and the Corporation was released from ownership restrictions so it could pursue various financing options for its international projects. As a result of the reduced ownership interest in the GFPI-USA, LLC affiliate, the Corporation recorded a non-cash $217 thousand reduction in the carrying value of the investment and inclusive of the $8,650 cash payment to RCH, recorded a $226 thousand loss on transfer of investment interest. Due to the reduced ownership interest and the resulting loss of significant influence, the Corporation changed the accounting method to account for this company from the equity method to the cost method effective January 1, 2010. Using the cost method of accounting results in changes in investment balance only when additional equity contributions are made, distributions are received, or when there has been a loss in value of the investment that is other than a temporary decline, in which case the investment should be written down to recognize the loss. The Corporation has used estimates of the discounted value of the GFPI's reserves and the estimated market value of the undeveloped leasehold and geological and geophysical assets to evaluate the fair market value of the investment. At December 31, 2010, the Corporation has determined that there is no impairment in the value of this investment.

Interest

Interest expense for the year ended December 31, 2010, was $nil as compared to $15 thousand for the year ended December 31, 2009. The 2009 interest expense was principally due to the related party notes payable with original

members of the LLC and the third party notes payable with RCH. The notes and accumulated interest payable were repaid in April 2009.

Discontinued Operations

Due to adverse market conditions as a result of the worldwide financial crisis and the desire of the Corporation to focus management time and attention on Azerbaijan, the Corporation elected to divest its interest in Greenfields Petroleum (Lahat) Company. On April 14, 2009, Greenfields Petroleum (Indonesia) Company Ltd. entered into a sale and purchase agreement with APEC Indonesia Limited pursuant to which it sold "Lahat" to APEC Indonesia Limited for consideration of approximately $5.3 million, as well as a contingent net profits interest. The contingent net profits interest took the form of a deferred payment agreement dated April 24, 2009, pursuant to which APEC Indonesia Limited agreed to pay Greenfields Petroleum (Indonesia) Company Ltd. a deferred purchase price payment in installments equal to 4% of BMIC's share of the crude oil remaining after the deduction of operating costs (otherwise known under the Bunga Mas PSC as "**Profit Oil**"), reduced by the amount of certain Indonesian taxes. Payments begin with the first production of Profit Oil from the area of the Bunga Mas PSC, and will terminate when the installment payments total $8 million. To date, no production has yet been realized by BMIC from the area of the Bunga Mas PSC. Greenfields Petroleum (Indonesia) Company Ltd. has agreed to indemnify up to a maximum of $150,000 to the buyer of "Lahat" in respect of potential future reclamation efforts related to two previously established well locations, if required by the regulatory authorities. The Corporation did not undertake any field producing or drilling activities and only engaged in shooting a seismic program which was operated by the national oil company's seismic subsidiary. Greenfields Petroleum (Indonesia) Company Ltd. has also agreed to indemnify the buyer of "Lahat" for liabilities that might arise in the future for events that transpired during the period Greenfields Petroleum (Indonesia) Company Ltd. held its interest in "Lahat". The maximum amount of the latter indemnification cannot be reasonably estimated due to its nature nor are such events considered likely. During the period in which the Corporation is liable the Corporation did not undertake any field producing or drilling activities and only engaged in shooting a seismic program, which was operated by the national oil company's seismic subsidiary. Historically, Greenfields Petroleum (Indonesia) Company Ltd. has not made any payments relating to such indemnification.

As result of the divestiture, the Corporation has classified the operations of Greenfield Petroleum (Lahat) Company as discontinued operations in the statement of operations for the years ended December 31, 2010 and 2009. The management service fee revenue received in January 2010 was the final installment of a consulting services agreement that was entered into whereby the Corporation provided administrative and technical assistance to the purchaser of the discontinued company, Greenfields Petroleum (Lahat) Company.

Net income from discontinued operations is composed of the following:

	Year Ended December 31,	
($000s)	**2010**	**2009**
Management service fees	$166	$1,333
Project expenses	-	197
Exploration expenses	-	919
General and administrative expenses	7	845
(Loss) income from discontinued operations before non-controlling interest	159	(628)
Gain on sale of discontinued operations	-	3,794
Non-controlling interest	(24)	(475)
Net income from discontinued operations	$135	$2,691

Income Taxes

The Corporation recorded a future income tax recovery of $1.588 million for the year ended December 31, 2010, as compared to $nil for the same period in 2009. In addition, the Corporation has recorded a future income tax asset on the balance sheet as at December 31, 2010 of $1.588 million. The future income tax recovery booked represents the estimated future income tax recovery derived from the Corporation's operations between February 19, 2010 and December 31, 2010. Prior to February 19, 2010, when the Corporation converted from a Texas Limited Liability Company to a State of Delaware corporation, the Corporation was not subject to income tax as it had elected to be taxed as a partnership for income tax reporting purposes and the income or loss of the Corporation was included in

the income tax returns of the individual members. Due to the high probability of realizing the future income tax asset as a result of future income generated from the Bahar Energy ERDPSA in Azerbaijan, no future income tax allowance has been booked. The effective tax rate of the Bahar Energy project in Azerbaijan is 22% versus the 35% marginal rate in the United States, so the incremental tax obligation in the United States can be offset with the net operating loss ("**NOL**") carry-forward generated by the Corporation.

Net (Loss) Income and Comprehensive (Loss) Income

($000s)	**Year Ended December 31,**	
	2010	**2009**
(Loss) from continuing operations	($3,952)	($1,505)
Income from discontinued operations	135	2,691
Net (loss) income and comprehensive (loss) income	($3,817)	$1,186

For the year ended December 31, 2010, the Corporation incurred net loss of $3.8 million compared to a net income of $1.2 million for the corresponding period in 2009. The loss for the year ended December 31, 2010 is primarily related to corporate expenses and business development expenditures related to new project development in Azerbaijan and stock-based compensation expenses related to the stock options issued during the year. During the year ended December 31, 2009, the Corporation completed the sale of its ownership in the shares of Greenfields Petroleum (Lahat) Company, resulting in the Corporation recording a gain on sale of $3.8 million which significantly contributed to the Corporation recording net income for the year ended December 31, 2009.

Per Share Information

	Year Ended December 31,	
	2010	**2009**
(Loss) from continuing operations, basic and diluted	($0.44)	($0.23)
Income from discontinued operations, basic and diluted	0.02	0.41
Net (loss) income and comprehensive (loss) income, basic and diluted	($0.43)	$0.18

Property and Equipment and Investments in Subsidiaries

The following table summarizes capital expenditures and investments in subsidiaries for the years ended December 31, 2010 and 2009:

($000s)	**Year Ended December 31,**	
	2010	**2009**
Office equipment and leasehold improvements	$75	$9
Investment in GFPI-USA, LLC	182	$527
Oil and gas properties	1,019	-
Total	$1,276	$536

During the year ended December 31, 2010, the Corporation made capital contributions of $182 thousand toward its 5% share of capital funding provided to the affiliated company GFPI-USA, LLC, a private company engaged in the exploration and development of oil and gas properties primarily in the United States. *(See also note for "Investment Related Losses").*

Shareholders' Equity

(Loss) Income Per Share	Year Ended December 31 2010	2009
Weighted average common shares outstanding during the period – basic	8,962,607	6,445,617
Effect of stock options and warrants	-	-
Weighted average common shares outstanding during the period – diluted	8,962,607	6,445,617
Net (loss) income per share - basic and diluted	($0.43)	$0.18

For the year ended December 31, 2010, all outstanding stock options and warrants are anti-dilutive and have been excluded in calculating the diluted shares outstanding.

For the year ended December 31, 2009, the Corporation had no dilutive securities outstanding.

Outstanding Share Capital

	Outstanding at December 31, 2010	December 31, 2009
Common Shares Outstanding	14,866,021	6,450,000
Stock Options	1,211,000	-
Share Purchase Warrants	525,000	-

The common shares and per share numbers have been adjusted to reflect the share split on the basis of one and one half (1.5) new shares for every one share previously outstanding which was completed on January 8, 2010.

On January 8, 2010, the board approved a Long Term Incentive Plan ("**LTIP**") for employees, officers and directors of the Corporation. A total of 500,000 shares were approved on February 1, 2010 and then granted on February 2, 2010. A total of 233,750 shares were granted to board members, officers, employees, and contractors of the Corporation fully vested when granted. The remaining 266,250 shares were granted to employees, officers, and contractors of the Corporation with the majority vesting at one third (1/3) per year beginning on the first anniversary of the date of grant. Subsequently, on April 7, 2010 the board of directors of the Corporation terminated the LTIP.

On February 2, 2010, the Corporation recorded $176 thousand in "value of unvested restricted shares" consisting of 266,250 restricted shares issued to officers, employees, and contractors originally as share grants at $0.66 per share as part of the Corporation's LTIP, which was subsequently cancelled after completion of the initial grant program. Upon conversion of the Corporation from a Texas Limited Liability Company to a Delaware corporation on February 19, 2010, all units were converted to common shares of the Corporation, including restricted shares. Under the original Unit Grant Agreement, the grantee is restricted from trading the restricted shares with third parties over the vesting period and the unvested shares are subject to forfeiture if the service requirements under the agreement are not met. The majority of the restricted shares vest over a three year period beginning on the first anniversary date of the original grant on February 2, 2010, and vested 25% at the grant date and 25% on each anniversary date thereafter. The Corporation will amortize the balance of "unvested restricted shares" on a straight line basis over the vesting periods. For the year ended December 31, 2010, the Corporation amortized $59 thousand of this balance to stock based compensation expense reducing the unamortized balance to $117 thousand at December 31, 2010.

On February 19, 2010, the Greenfields Petroleum, LLC effected the conversion from a Texas Limited Liability Company to an incorporated company registered in the State of Delaware. As a result of this change, the entity name was changed to Greenfields Petroleum Corporation. The 6,950,000 outstanding member units of the LLC were converted to an equivalent common shares of the Corporation. The unit numbers and per unit numbers for the comparative periods have been reclassified as common shares throughout the MD&A and consolidated financial statements as if common shares were outstanding throughout the periods indicated.

On February 24, 2010, the Corporation completed a private placement of 1,000,000 units at CDN$5.00 per unit, each unit consisting of one common share and one-half of one warrant. Each whole warrant entitles the holder to acquire one common share at a price of CDN$5.00 per share until February 24, 2012. The Corporation immediately converted the CDN$5.0 million proceeds to U.S. dollars totaling $4.7 million. An aggregate of 60,000 compensation units were issued to the brokers as commission pursuant to the private placement. Each compensation unit is comprised of one common share and one-half of one warrant issued on the same terms as provided to the private placement participants.

On September 14, 2010, the Corporation completed the September 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$12.9 million (CDN$12.1 million after deduction of the agents fees). The Corporation converted the net Canadian dollar proceeds to U.S. dollars and after deducting cash share issue costs of $0.1 million, the Corporation received net proceeds of $11.7 million.

Pursuant to the terms of an agency agreement dated September 30, 2010, the Corporation issued 4,870,250 common shares to the public for estimated gross proceeds of approximately $40.4 million (CDN$41.4 million) including the issuing of 635,250 common shares upon closing of the over-allotment. After deducting agents' commissions and estimated expenses of $3.4 million, estimated net proceeds received were $37.0 million (CDN$37.6 million). On November16, 2010, the Corporation's common shares commenced trading on the TSX Venture Exchange under the symbol GNF.S.

During 2010, the Corporation granted 1,211,000 stock options to officers, directors, employees and consultants of the Corporation in accordance with the Corporation's Stock Option Plan. The exercise prices of the stock options range from CDN$6.50 to CDN$8.50 per common share with all options expiring on various dates in 2020. For the initial grant of 986,000 stock options, 25% vested on the date of grant and 25% vests on each of May 1, 2011, May 1, 2012 and May 1, 2013, except for stock options issued to a certain executive officer, which vested as to 25% on August 31, 2010 and vest as to 25% on each of the first, second and third anniversaries of February 1, 2010. For the second grant of 225,000 stock options, 25% vested on the date of the grant and 25% vests on each November 1, 2011, November 1, 2012 and November 1, 2013.

As of the date of this MD&A, the Corporation has issued 14,872,327 common shares, 1,211,000 stock options outstanding and 522,000 share purchase warrants outstanding.

Oil and Natural Gas Reserves

The Corporation obtained an independent reserve evaluation of its Azerbaijan properties by Miller and Lents, Ltd. At December 31, 2010, reserves were evaluated on a total proved ("**1P**") and total proved plus probable ("**2P**") basis.

Corporation's Share of Bahar Energy Reserves – Using Forecasted Prices

	2010		2009	
	Oil & Cond (1)	Gas (1)	Oil & Cond	Gas
	Mbbl	MMcf	Mbbl	MMcf
Proved				
Developed Producing	473	4,466	-	-
Developed Non-Producing	1,184	23,268	-	-
Undeveloped (2)	1,278	-	-	-
Total Proved	**2,935**	**27,734**	**-**	**-**
Probable (2)	3,972	-	-	-
Total Proved Plus Probable	**6,907**	**27,734**	**-**	**-**

Net Present Value at 10% - After Tax Using Forecasted Prices

	2010	2009
($000s)	$	$
Proved		
Developed Producing	$2,085	-
Developed Non-Producing	34,059	-
Undeveloped	35,908	-
Total Proved	**72,051**	**-**
Probable	96,925	-
Total Proved Plus Probable	**$168,976**	**-**

(1) "Net Reserves" are the Corporation's 33.33% share of Bahar Energy's reserves pursuant to the ERDPSA after the deduction of the interest of SOA and other deductions.

(2) The reserves data required to be reported by Item 2.1.1 of the Form 51-101F1 must be a positive volume, as the reserves data is an estimate of what may be recovered. All negative reserves volumes from the Miller Lents Report as of December 31, 2010, have been replaced with zero volumes and the totals are not adjusted from the Miller Lents Report of April 19, 2011. The Production Sharing Agreement ("**PSA**") model is not applied to the fields separately. The PSA uses combined total gross production from both fields to calculate net production. Within net reserves of the proved undeveloped ("**PUD**") and probable ("**PRB**") reserves categories, there are apparent anomalies resulting from the PSA model for Bahar Energy. For example, there are years PUD and PRB categories may have negative net gas production while gross gas production in those same years is positive. The proved developed producing ("**PDP**"), total proved and proved plus probable cases do not have anomalies in the natural gas reserves. The anomalies show up only in incremental subtraction cases (e.g. PUD and PRB) as a result of how interest is calculated in the PSA. These anomalies within the incremental cases are mainly caused by the proportionate share that SOCAR will receive as stipulated in the PSA within a step function called R factor. A slight change in R-factor can cause a significant increase in the government share of reserves and net cash flow between two cases in a given year. When these two cases are subtracted or incremented to calculate incremental reserves in that year, it can result in negative reserves for the operating company.

Product Prices and Escalations as of December 31, 2010

Year	Oil Price US$/Bbl	Gas Price US$/Mcf	Cost Escalations % per year	
			Operating Expenses	Capital Costs
2011	99.29	3.96	2.50	2.50
2012	97.76	3.96	3.00	2.80
2013	95.60	3.96	3.00	3.00
2014	94.06	3.96	2.90	3.00
2015	93.47	3.96	2.80	2.95
2016	93.68	3.96	2.90	3.00
2017	93.82	3.96	3.00	3.00
2018	93.53	3.96	3.00	3.00
2019	93.38	3.96	2.90	3.00
Thereafter	93.46	3.96	0.00	0.00

Liquidity and Capital Resources

At December 31, 2010, the Corporation had no bank debt and working capital of $46.6 million including $44.8 million of cash and cash equivalents. At December 31, 2009 the Corporation had working capital of $1.4 million. The improvement in working capital compared to the same period in 2009 was mainly due to the issuance of equity upon the Corporation's initial public offering in November 2010.

The Corporation has a 33.33% interest in Bahar Energy, a company incorporated in the Jebel Ali Free Zone, Dubai, UAE. On December 22, 2009, Bahar Energy entered into ERDPSA with SOCAR in respect of the offshore block known as the Bahar Project, which project consists of the Bahar gas field and the Gum Deniz oil field. On April 27, 2010, the Azerbaijan Parliament, also referred to as Milli Mejlis, ratified the ERDPSA with SOCAR and its affiliate

SOA. On September 29, 2010, Bahar Energy was notified by SOCAR that all conditions precedent of the ERDPSA were satisfied and ERDPSA will become effective at October 1, 2010.

In order to satisfy the minimum contractual commitments under the ERDPSA, the Corporation will fund its commitments out of cash on hand and cash flow from Bahar Energy operations.

Off-Balance Sheet Arrangements

The Corporation does not have any special purpose entities, nor is it party to any transactions or arrangements that would be excluded from the Corporation's balance sheet.

Notes Payable

In February 2009 the Corporation entered into a short term bridge loan agreement in the amount of $0.4 million with an unrelated third party. The bridge loan was secured by the Corporation's unit holdings in GFPI-USA, LLC and bore interest at the six month LIBOR interest rate plus 4%, which equated to an annual interest rate of 5.75%. The principal amount of the notes together with accrued interest was repaid in April, 2009.

Related Party Transactions

In June 2008 the Corporation entered into loan agreements with two officers of the Corporation whereby the officers loaned the Corporation a total of $0.8 million. The loans were unsecured and bore interest at a rate of 4% per annum payable only when the notes are repaid. The principal amount of the notes of $0.8 million together with interest was repaid to the officers in April 2009.

Prior to January 1, 2010, GFPI-USA, LLC was considered a related party by virtue of Greenfields's significant influence over GFPI-USA. Due to the loss of significant influence over GFPI-USA on January 1, 2010, the parties are no longer considered related for accounting purposes. For the year ended December 31, 2010, the Corporation recorded $336 thousand in management service fees charged to GFPI-USA, an increase over the $176 thousand recorded for the year ended December 31, 2009. During 2009, the management service fees charged to GFPI-USA under the provisions of the Management Services Agreement between GFPI-USA and the Corporation were intended to cover the costs of services provided to the affiliate by the two key executives, Alex T. Warmath and Richard E. MacDougal. Indirect G&A allocated to GFPI-USA was based on quarterly department time analysis to determine the affiliate's prorata share of departmental expenses for the quarter for departments other than for Mr. Warmath and Mr. MacDougal. Direct expenses charged to the affiliate were based on the actual amounts invoiced to the Corporation.

As part of the revised Management Services Agreement between GFPI-USA and the Corporation effective from January 1, 2010, the management fees and allocation of G&A charged in prior years were replaced by a single fixed monthly management service fee of $28 thousand. The revised management service fee is intended to cover the cost of providing management oversight, technical and accounting services, and corporate overhead coverage associated with providing services to GFPI-USA. Management believes the fixed monthly service fee is adequate to cover the cost of providing the required services. Direct expenses incurred for the benefit of GFPI-USA will be charged at cost. (*Also see Investment Related Losses*)

At December 31, 2010, the Corporation had a $2.5 million accounts receivable balance with Bahar Energy, a subsidiary accounted for as a joint venture, which amount is the result of general and administrative expenses funded by Greenfields Petroleum International during the period following the signing of the ERDPSA on December 22, 2009 and the contract effective date of October 1, 2010. These expenses are considered cost recoverable under the ERDPSA "Pre-Effective Date Petroleum Operations" clause.

Financial Instruments

The Corporation's financial instruments recognized on the balance sheet include cash and cash equivalents, accounts receivable, assets available for sale, accounts payable and accrued liabilities. The fair value of cash and cash equivalents, accounts receivable, accounts payable and accrued liabilities approximates their carrying amounts due to their short term maturity. The assets available for sale consists of an equity investment that does not have a quoted

market price in an active market; therefore, the investment is measured at cost and the fair value of this instrument cannot be reliably determined.

To date, the Corporation has not used any derivative financial instruments, such as commodity price risk contracts to mitigate risk.

Contractual Commitments and Obligations

The following is a summary of the Corporation's contractual obligations and commitments as of December 31, 2010:

($000s)	**2011**	**2012**	**2013**	**2014**	**2015**	**Thereafter**
Operating leases	$93	$48	-	-	-	-
Annual lease retention fees	72	72	$72	-	-	-
	$165	$120	$72	-	-	-

The Corporation has committed to a lease of office space for its corporate headquarters in the United States expiring in June 2012.

As part of an operating agreement, the Corporation has contractual commitments to GFPI-USA, LLC to contribute up to $1.5 million. As of December 31, 2010, the Corporation had substantially paid its committed amount.

Pursuant to a production and sharing agreement, Bahar Energy Ltd. is obligated to pay annual acreage fees of $216 thousand, 33.33% net to the Company, for a period of three years to the State Oil Company of Azerbaijan. In addition to the acreage fees, Bahar Energy shall complete a "Minimum Exploration Work Program", which includes the shooting, processing and interpretation of a minimum of sixty (60) square kilometers of 3-D seismic over the contract area known as Bahar 2, the carrying out of sight survey in preparation for drilling operations and the drilling of a minimum of one exploration well. The Exploration Work Program is to be carried out during the three years from effective date of the ERDPSA.

The Corporation has been contacted by a former consultant claiming rights to a referral fee in the form of a small interest in Greenfields Petroleum International Company Ltd. the wholly-owned subsidiary of the Corporation that owns a 33.33% interest in Bahar Energy. Management of the Corporation believes the claim is without merit.

Quarterly Summary

Below is a summary of the Corporation's quarterly performance:

	2010			
Financial *($000s, except as noted)*	**First Quarter**	**Second Quarter**	**Third Quarter**	**Fourth Quarter**
Revenues	$84	$84	$84	$5,161
Loss from continuing operations	(1,124)	(848)	(1,301)	(689)
Per share, basic and diluted	(0.16)	(0.11)	(0.16)	(0.06)
Net (loss) income	(987)	(850)	(1,301)	(689)
Per share, basic and diluted	($0.14)	($0.11)	($0.16)	($0.06)
Operating				
Average oil production (bbls/d)	-	-	-	496
Average natural gas production (mcf/d)	-	-	-	4,909
Average oil equivalent production (boe/d)	-	-	-	1,314
Average oil price ($/bbl)	-	-	-	$82.96
Average natural gas price ($/mcf)	-	-	-	3.96

Selected Balance Sheet Items

($000s)				
Total assets	$5,789	$5,010	$16,320	$57,316
Cash and cash equivalents	5,362	3,596	13,101	44,839
Working capital	5,090	3,223	12,516	46,573
Shareholders' equity	$5,392	$4,569	$15,646	$52,676

	2009			
Financial *($000s, except as noted)*	**First Quarter**	**Second Quarter**	**Third Quarter**	**Fourth Quarter**
Revenues	$103	$110	$110	($147)
Loss from continuing operations	(119)	(362)	(544)	(479)
Per share, basic and diluted	(0.02)	(0.06)	(0.09)	(0.07)
Net (loss) income	(1,206)	2,724	(174)	(158)
Per share, basic and diluted	($0.19)	$0.42	($0.03)	($0.02)
Operating				
Average oil production (bbls/d)	-	-	-	-
Average natural gas production (mcf/d)	-	-	-	-
Average oil equivalent production (boe/d)	-	-	-	-
Average oil price ($/bbl)	-	-	-	-
Average natural gas price ($/mcf)	-	-	-	-

Selected Balance Sheet Items *($000s)*				
Total assets	$2,182	$2,709	$2,523	$1,778
Cash and cash equivalents	36	2,190	1,986	1,326
Working capital	(2,598)	1,837	1,617	1,350
Shareholders' equity	($668)	$2,346	$1,803	$1,679

Recent Accounting Standards

Transition to International Financial Reporting Standards ("IFRS")

In 2008 the Canadian Accounting Standards Board announced that International Financial Reporting Standards ("**IFRS**") would replace current Canadian standards as Canadian generally accepted accounting principles ("**Canadian GAAP**") for publicly accountable enterprises for financial periods beginning on January 1, 2011. The IFRS adoption date of January 1, 2011 will require the restatement for comparative purposes, of amounts reported for the year ended December 31, 2010 including the opening balance sheet as at January 1, 2010.

IFRS Project Plan

Management has identified key personnel with expertise to manage the transition to IFRS and has also engaged an external consultant specializing in IFRS to assist with the transition. The Corporation's IFRS transition project has three key phases: the scoping and planning phase, the assessment phase and the implementation phase.

1. *Scoping and Planning Phase*
   - Performing a high-level diagnostic to identify areas that may be affected by the transition to IFRS; the results of this analysis were given a priority ranking according to their complexity, risk and amount of time required to assess the impact of identified differences.
   - Developing a project plan, which includes assignment of roles and responsibilities, identification of key elements of the project and development of a timeline.

2. *Assessment Phase*

- Preparing a detailed comparison of the IFRS and Canadian standards to identify all applicable differences, IFRS 1 *First Time Adoption to IFRS* elections and exemptions and expected changes to the relative IFRS standards.
- Assessing the impact of the identified differences on accounting policies; business processes and data requirements; accounting and reporting systems; internal control over financial reporting, disclosure controls and procedures; financial reporting expertise; and other business activities and contracts that may be influenced.

3. *Implementation Phase*
   - Producing transitional opening IFRS financial statements and 2010 comparatives; implementing accounting policy changes; implementing and testing data, process, system and control changes; and training.

The diagnostic and planning phases of the project have been completed and the Corporation is currently completing the assessment phase.

Impact of Adoption

As Greenfields currently applies the successful efforts method to recognize and measure oil and gas assets and given the relatively short financial history of the Corporation, management is not anticipating significant adjustments or changes in accounting policies as a result of the transition. Accordingly, the transition is also not expected to have a significant impact on the Corporation's accounting and reporting system requirements or on internal controls. As management is in the process of finalizing its analysis of the relative standards and resulting IFRS accounting policies, the impact of adopting IFRS on the financial statements cannot be quantified at this time; however, a description of the most significant differences identified to date is included below.

First Time Adoption of IFRS

IFRS 1 *First Time Adoption of International Financial Reporting Standards* ("**IFRS 1**") prescribes requirements for preparing IFRS-compliant financial statements in the first reporting period after the changeover date. IFRS 1 also provides entities adopting IFRS for the first time with a number of mandatory exceptions and optional exemptions from the general requirement of full retrospective application of IFRS. Management is assessing the exemptions available under IFRS 1 and will implement those determined to be most appropriate for the Corporation. At present, Greenfields is expecting to use the IFRS 1 exemption pertaining to business combinations, which will allow the Corporation to apply IFRS 3 Business Combinations prospectively and therefore continue to value business combinations that occurred prior to the transition date of January 1, 2010 at the amount determined in accordance with existing Canadian standards.

*Exploration and Evaluation Expenditures ("**E&E**")*

Oil and gas companies are required to account for exploration and evaluation expenditures in accordance with IFRS 6 "Exploration for and Evaluation of Mineral Resources". This standard addresses the recognition, measurement, presentation and disclosure requirements for costs incurred in the exploration phase. IFRS requires the identification and presentation of E&E expenditures to be separated from those expenditures incurred on developed and producing properties. E&E expenditures are transferred to PP&E when technical feasibility and commercial viability has been proved. An impairment test is required to be performed on E&E expenditures when they are transferred to PP&E. Greenfields will re-classify E&E expenditures that are currently included in the PP&E balance, including any undeveloped land, exploratory wells or other capitalized expenditures that are outside of developed fields and for which oil and gas reserves have not yet been assigned. E&E assets will not be depleted but must be assessed for impairment when there are indicators for possible impairment, such as allowing the mineral rights lease to expire or a decision to no longer pursue exploration and evaluation of a specific E&E asset.

Warrant Classification

The warrants issued in conjunction with the private placement in February 2010 have an exercise price denominated in Canadian dollars while the Corporation's functional currency is U.S. dollars. As these warrants are denominated in a foreign currency, the amount of U.S. dollars that Greenfields will receive for each share issued is considered variable. IAS 39 requires a derivative that will be settled by the entity delivering a fixed number of its own equity instruments in exchange for a variable amount of cash to be classified as a liability unless certain conditions are met, including the derivative instrument being offered pro rata to all existing owners of the same class of its own shares.

As Greenfields does not meet these conditions the warrants must be classified as a derivative financial liability and measured at fair value each balance sheet date with changes in fair value recognized in profit or loss.

*Impairment of Property, Plant & Equipment ("**PP&E**")*

PP&E assets must be tested for impairment upon transition to IFRS; however, as the Corporation's PP&E assets consisted solely of corporate assets such as office equipment, software and leasehold improvements at the date of transition, no impairment is expected. On a go forward basis, impairment of PP&E assets will be assessed at the Cash Generating Unit ("**CGU**") level, using the greater of fair value less costs to sell or the value in use. It is anticipated that the CGUs identified will not differ significantly from the existing level of impairment assessment under the successful efforts method. However, the cost recovery test currently performed in accordance with successful efforts involves measuring book values of PP&E compared to undiscounted reserve values, where IFRS will require testing PP&E against fair value or value in use, which may result in more frequent impairment charges being recorded. Unlike existing Canadian standards, impairment charges can be reversed in future periods under IFRS if circumstances change.

Financial and Liquidity Risks

The Corporation anticipates that it will make capital expenditures for the farm-in, acquisition of licenses, exploration, development and production of oil and natural gas in the future. On an ongoing basis, the Corporation will typically plan to utilize three sources of funding to finance its capital expenditure program; internally generated cash flow from operations, debt where deemed appropriate and new equity issues, if available at favorable terms. In addition, the Corporation may contemplate the sale of producing properties or the sale of other assets to fund its contractual obligations.

Funds flow is influenced by many factors, which the Corporation cannot control, such as commodity prices, interest rates and changes to existing international government regulations and tax policies. Should circumstances affect cash flow in a detrimental way, the Corporation may have limited ability to expand the capital necessary to undertake or complete future drilling programs. In such circumstances, the Corporation would be required to either reduce the level of its capital expenditures or supplement its capital expenditure program with additional debt and/or equity financing. There can be no assurance that debt or equity financing will be available or sufficient to meet these requirements or, if debt or equity is available, that it will be on terms acceptable to the Corporation. Moreover, future activities may require the Corporation to alter its capitalization significantly. The inability of the Corporation to access sufficient capital for its operations could have a material adverse effect on the Corporation's financial condition, results of operations and prospects.

Issuance of Debt

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. 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 to take advantage of business opportunities that may arise.

Supply of Service and Production Equipment

The supply of service and production equipment at competitive prices is critical to the ability to add reserves at a competitive cost and produce these reserves in an economic and timely fashion. In periods of increased activity, these supplies and services can be difficult to obtain. Demand for such limited equipment or access restrictions may affect the availability of such equipment to the Corporation and may delay exploration and development activities. The Corporation attempts to mitigate this risk by developing strong long-term relationships with suppliers and contractors. There can be no assurances that these relationships will increase the availability of the supplies and services.