Consolidated Financial Statements of

GREENFIELDS PETROLEUM CORPORATION

For the Three and Nine Months ended September 30, 2010 and 2009
(Unaudited)
(In United States Dollars)

GREENFIELDS PETROLEUM CORPORATION
CONSOLIDATED BALANCE SHEETS

(Unaudited)
(In United States Dollars)

	September 30, 2010 $	December 31, 2009 $
ASSETS		
Current assets		
Cash and cash equivalents (note 12)	13,100,537	1,326,135
Accounts receivable	32,101	84,758
Prepaid expenses and deposits	57,423	33,117
	13,190,061	1,444,010
Restricted cash (note 13)	1,000,000	-
Deferred share issue costs (note 3)	616,902	-
Investment (note 5)	290,822	326,085
Future income tax asset (note 9)	1,185,052	-
Equipment and leasehold improvements (note 6)	37,371	8,176
	16,320,208	1,778,271
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities		
Accounts payable and accrued liabilities	673,669	94,219
	673,669	94,219
Non-controlling interest (note 14)	885	5,494
	674,554	99,713
GOING CONCERN (note 2)		
COMMITMENTS AND CONTINGENCIES (note 15)		
SUBSEQUENT EVENTS (note 18)		
Shareholders' equity		
Common stock / membership units (note 10)	9,994	4,255,000
Paid in capital (note 10)	19,446,193	-
Treasury stock (note 10)	(21,010)	
Warrants (note 10)	1,198,313	-
Contributed surplus (note 10)	726,459	-
Deficit	(5,714,295)	(2,576,442)
	15,645,654	1,678,558
	16,320,208	1,778,271

See accompanying notes to the consolidated financial statements

John W. Harkins

Alex T. Warmath

GREENFIELDS PETROLEUM CORPORATION
CONSOLIDATED STATEMENTS OF OPERATIONS, COMPREHENSIVE (LOSS) INCOME AND DEFICIT

(Unaudited)
(In United States Dollars)

	Three Months Ended September 30		Nine Months Ended September 30	
	2010	2009	2010	2009
	$	$	$	$
Revenue				
Management service fees	84,000	109,998	252,000	323,330
Interest	-	378	-	584
	84,000	110,376	252,000	323,914
Expenses				
General and administrative	1,304,259	531,069	3,550,843	1,072,131
Stock-based compensation	743,165	-	925,284	-
Depreciation and amortization	3,550	-	8,123	-
Loss on transfer of investment interest (note 5)	-	-	226,040	-
Equity loss from investment	-	123,399	-	262,576
Interest	-	-	-	14,943
	2,050,974	654,468	4,710,290	1,349,650
Loss from continuing operations before income tax recovery	(1,966,974)	(544,092)	(4,458,290)	(1,025,736)
Future income tax recovery (note 9)	666,029	-	1,185,052	-
Loss from continuing operations before discontinued operations	(1,300,945)	(544,092)	(3,273,238)	(1,025,736)
(Loss) income from discontinued operations, net of tax (note 4)	(20)	369,750	135,385	2,369,824
Net (loss) income and comprehensive (loss) income	(1,300,965)	(174,342)	(3,137,853)	1,344,088
Deficit, beginning of period	(4,413,330)	(2,244,424)	(2,576,442)	(3,762,854)
Deficit, end of period	(5,714,295)	(2,418,766)	(5,714,295)	(2,418,766)
Per share (note 10)				
Net loss from continuing operations, basic and diluted	($0.16)	($0.09)	($0.42)	($0.16)
Net (loss) income from discontinued operations, basic and diluted	$0.00	$0.06	$0.02	$0.37
Net (loss) income, basic and diluted	($0.16)	($0.03)	($0.40)	$0.21

See accompanying notes to the consolidated financial statements

GREENFIELDS PETROLEUM CORPORATION
CONSOLIDATED STATEMENTS OF CASH FLOWS

(Unaudited)
(In United States Dollars)

	Three Months Ended		Nine Months Ended	
	September 30		September 30	
	2010	2009	2010	2009
	$	$	$	$
Cash and cash equivalents provided (used in)				
Operating activities				
Net (loss) income	(1,300,965)	(174,342)	(3,137,853)	1,344,088
Net loss (income) from discontinued operations	(20)	369,750	135,385	2,369,824
Net loss from continuing operations	(1,300,945)	(544,092)	(3,273,238)	(1,025,736)
Items not affecting cash:				
Stock-based compensation	743,165	-	925,284	-
Depreciation and amortization	3,550	-	8,123	-
Future income tax recovery	(666,029)	-	(1,185,052)	-
Loss on transfer of investment interest	-	-	217,390	-
Equity loss from investment	-	123,399	-	262,576
	(1,220,259)	(420,693)	(3,307,493)	(763,160)
Change in non-cash operating working capital related to continuing operations (note 11)	81,708	16,350	154,597	(27,265)
	(1,138,551)	(404,343)	(3,152,896)	(790,425)
Cash flow from discontinued operating activities (note 4)	(24)	368,192	159,276	3,714,815
	(1,138,575)	(36,151)	(2,993,620)	2,924,390
Financing activities				
Proceeds from short term bridge loan (note 8)	-	-	-	415,000
Repayment of notes payable (note 8)	-	-	-	(1,217,873)
Proceeds from private placement, net of issue costs (note 10)	11,655,544	-	16,204,274	-
Purchase of treasury shares (note 10)	(21,010)		(21,010)	
Deferred share issue costs	(113,519)	-	(616,901)	-
Distributions paid (note 10)	-	(78,334)	(3,600)	(78,334)
Non-controlling interest cash (distributions) contributions	-	-	(28,500)	202,789
Restricted cash held for use in a joint venture	(1,000,000)	-	(1,000,000)	-
Change in non-cash working capital relating to financing activities	129,489	-	453,204	-
	10,650,504	(78,334)	14,987,467	(678,418)
Investing activities				
Equipment and leasehold improvement purchases	(7,569)	(8,085)	(37,318)	(8,085)
Investments in equity investee (note 5)	-	(81,000)	(182,127)	(435,353)
	(7,569)	(89,085)	(219,445)	(443,438)
Change in cash and cash equivalents	9,504,360	(203,570)	11,774,402	1,802,534
Cash and cash equivalents, beginning of period	3,596,177	2,190,042	1,326,135	183,938
Cash and cash equivalents, end of period (note 12)	13,100,537	1,986,472	13,100,537	1,986,472

See accompanying notes to the consolidated financial statements

1. INCORPORATION AND NATURE OF OPERATIONS

Greenfields Petroleum, LLC was originally incorporated under the laws of the State of Texas as Greenfields Petroleum, Inc. on November 28, 2007, and subsequently converted to Greenfields Petroleum, LLC on April 4, 2008, a State of Texas Limited Liability Company. On February 19, 2010, the Company converted to an incorporated Company registered in the State of Delaware and concurrently changed its name to Greenfields Petroleum Corporation (the "Company"). The Company is engaged in the acquisition, development and production of oil and gas properties with a primary focus on international projects.

2. SIGNIFICANT ACCOUNTING POLICIES

The Company's consolidated financial statements have been prepared by management in accordance with Canadian generally accepted accounting principles ("GAAP"). The preparation of financial statements in accordance with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the period. Actual results could differ from those estimates.

These interim consolidated financial statements of the Company as at September 30, 2010, and for the three and nine months ended September 30, 2010, should be read in conjunction with the audited consolidated financial statements as at and for the year ended December 31, 2009. The notes to these interim consolidated financial statements do not conform in all aspects to the note disclosure requirements of GAAP for annual consolidated financial statements. These interim consolidated financial statements are prepared using the same accounting policies and methods computation as disclosed in the annual consolidated financial statements for the year ended December 31, 2009. The disclosures provided within are incremental to those included with the consolidated financial statements.

Going Concern

These financial statements have been prepared on the going concern basis, which assumes the realization of assets and settlement of liabilities in the normal course of business. At September 30, 2010, mainly as a result of two private placements of its common shares in February 2010 and September 2010, the Company has a working capital balance of $12,516,692. As at September 30, 2010, the Company has an accumulated deficit of $5,714,295 and has incurred losses since inception.

The Company has acquired and is now developing the rights to oil and gas properties primarily focused in the Republic of Azerbaijan. The Company also has plans to expand its oil and gas assets through further farm-ins and acquisitions focusing on previously discovered undeveloped and underdeveloped international oil and gas fields. On September 29, 2010, Bahar Energy Ltd, an indirect subsidiary of the Company, was notified by the State Oil Company of Azerbaijan ("SOCAR") that all conditions precedent of the Exploration, Rehabilitation, Development and Production Sharing Agreement (the "ERDPSA") were satisfied and the ERDPSA became effective as at October 1, 2010. – *See Subsequent Events*

The continuing operations of the Company are dependent upon generating sufficient cash flow from current and future oil and gas production from the ERDPSA and continuing to obtain necessary financing to meet the Company's commitments as they come due and to finance development and production from the properties, the discovery of economically recoverable reserves, securing and maintaining title and beneficial interest in the properties and upon future profitable production or proceeds from disposition of the oil and gas properties. Failure to continue as a going concern would require that assets and liabilities be recorded at their liquidation values, which might differ significantly from their carrying values. With the November 16, 2010 closing of a CDN$33,8 million (approximately US$33 million) initial public offering, management is of the opinion that sufficient working capital has been obtained to meet the Company's liabilities and commitments as they come due.

3. DEFERRED SHARE ISSUE COSTS

For the three and nine months ended September 30, 2010, the Company has incurred share issue costs in connection with the anticipated initial public offering of the Company's shares of $113,520 and $616,902, respectively. Upon completion of the initial public offering of shares, the deferred share issue costs will be offset to the proceeds received from the offering of shares.

4. 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 Company elected to divest its interest in Greenfields Petroleum (Lahat) Company. On April 14, 2009, the Company 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 US$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 the 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 US$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 US$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. 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 occurred 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.

Net income (loss) from discontinued operations is composed of the following:

	Three Months Ended September 30		**Nine Month Ended September 30**	
	2010	**2009**	**2010**	**2009**
	$	**$**	**$**	**$**
Management service fees	-	500,000	166,667	833,333
Project expenses	-	-	-	112,407
Exploration expenses	-	-	-	918,640
General and administrative expenses	24	131,808	7,391	951,382
Income (loss) from discontinued operations before non-controlling interest	(24)	368,192	159,276	(1,149,096)
Gain on sale of discontinued operations	-	-	-	3,828,513
Non-controlling interest	4	1,558	(23,891)	(309,593)
Net income (loss) from discontinued operations	(20)	369,750	135,385	2,369,824

The assets and liabilities of discontinued operations presented on the consolidated balance sheets are comprised of the following:

	September 30, 2010 $	December 31, 2009 $
Assets		
Total assets	-	-
Liabilities		
Total liabilities	-	-

5. INVESTMENT

The Company recorded equity losses of $123,399 and $262,576 for the three and nine months ended September 30, 2009, respectively, in connection with its 15% equity interest in earnings of an affiliated company GFPI-USA, LLC ("GFPI"), a private company engaged in the exploration and development of oil and gas properties primarily in the United States. On January 1, 2010 the Company 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 Company transferred 100,000 Class A Units in the GFPI-USA, LLC entity to the RCH funds for the termination of RCH's option to participate at 15% in international business opportunities generated by the Company and the requirement that certain officers and directors maintain a controlling interest in Greenfields. The impact of this agreement on the Company is that the ownership interest in the GFPI-USA, LLC entity was reduced from 15% to 5% effective January 1, 2010 and the Company is released from ownership restrictions so it can pursue various financing options for its international projects. As a result of the reduced ownership interest in the GFPI-USA, LLC affiliate, the Company recorded a $217,390 reduction in the carrying value of the investment and changed the accounting method to account for this investment from the equity method to the cost method, effective January 1, 2010. Using the cost method of accounting will result in changes in investment balance only when additional equity contributions are made or when it is determined that the fair market value of the investment is less than the book value of the investment. For the nine months ended September 30, 2010, the Company invested an additional $182,127, representing its 5% share of the Phase III drilling program currently being executed by GFPI-USA, LLC. At September 30, 2010, the Company has determined that there is no impairment in the value of this investment.

6. EQUIPMENT AND LEASEHOLD IMPROVEMENTS

	September 30, 2010 $	December 31, 2009 $
Office equipment and software	32,929	1,523
Leasehold improvements	13,997	8,085
	46,926	9,608
Accumulated depreciation and amortization	(9,555)	(1,432)
	37,371	8,176

For the three and nine months ended September 30, 2010 (December 31, 2009 – nil), the Company did not capitalize any general and administrative expenses.

7. RELATED PARTY TRANSACTIONS

Prior to January 1, 2010, GFPI was considered a related party by virtue of the Company's significant influence over the entity. Due to the loss of significant influence over GFPI resulting from the reduced ownership from 15% to 5% on January 1, 2010, the parties are no longer considered related for accounting purposes. For the three and nine months ended September 30, 2009, the Company recorded $109,998 and $323,330, respectively, in management service fees charged to GFPI. The Company also recorded credits for direct and indirect general and administrative expenses of $147,859 and $421,640, respectively, charged to GFPI for the three and nine months ended September 30, 2009. At September 30, 2009, the Company had $208,030 in accounts receivable due from GFPI related to unsettled management service fees and G&A charges which were ultimately settled in subsequent periods.

8. NOTES PAYABLE

In February 2009, the Company entered into a short term bridge loan agreement in the amount of $415,000 with an unrelated third party. The bridge loan was secured by the Company'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% per annum. The principal amount of the notes of $415,000, together with interest of $4,186, was repaid on April 28, 2009.

In June 2008, the Company entered into loan agreements with two officers of the Company whereby the officers loaned the Company a total of $802,872. 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 $802,872, together with interest of $29,069, was repaid to the officers in April, 2009.

9. INCOME TAXES

On February 19, 2010, the Company converted to a State of Delaware corporation and became subject to income tax on calculated taxable income. The Company recorded an estimated future income tax asset of $666,029 and $1,185,052 for the three and nine months ended September 30, 2010, respectively, which represented the estimated future income tax asset derived from the Company's operations from February 19, 2010 to September 30, 2010. Prior to the February 19, 2010, the Company 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 Company was included in the income tax returns of the individual members.

10. SHARE CAPITAL

On February 19, 2010, the Company was a State of Texas Limited Liability Company with issued and outstanding membership units. On February 19, 2010, the Company converted to a State of Delaware corporation, changed its name to Greenfields Petroleum Corporation and converted its issued and outstanding units to common shares of the Company.

Authorized

49,900,000 Common Shares with a $0.001 Par Value

100,000 Preferred Shares with a $0.001 Par Value

Issued and Outstanding

	Number of	Amount
	Units	$
Membership Units		
Balance, December 31, 2009	6,450,000	4,255,000
Issued pursuant to long term incentive plan	500,000	330,000
Value of unvested restricted units	-	(175,725)
Distributions to unitholders	-	(3,600)
	6,950,000	4,405,675
Conversion to common shares	(6,950,000)	(4,405,675)
Balance, February 19, 2010	-	-

		Common	**Paid-in**	**Treasury**	
	Number	**Stock**	**Capital**	**Stock**	**Total**
	of Shares	**$**	**$**	**$**	**$**
Common Shares					
Common shares issued on February 19, 2010 upon conversion in exchange for cancellation of membership units	6,950,000	6,950	4,398,725	-	4,405,675
Issued pursuant to private placements	2,984,077	2,984	15,995,891	-	15,998,875
Share issue costs	-	-	(1,202,103)	-	(1,202,103)
Issued as private placement broker commission	60,000	60	209,130	-	209,190
Stock Based Compensation			44,550		44,550
Treasury shares re-purchased [(1)] (3,306 shares)	-	-	-	(21,010)	(21,010)
Balance, September 30, 2010	9,994,077	9,994	19,446,193	(21,010)	19,435,177

[(1)] At September 30, 2010, the Company holds 3,306 common shares in Treasury Stock reducing the outstanding share total to 9,990,771.

On February 24, 2010, the Company 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 Company immediately converted the CDN $5,000,000 proceeds to U.S. dollars totaling $4,733,504. After deducting cash share issue costs of $184,774, the Company received net proceeds of $4,548,730. The $4,733,504 gross cash proceeds from the private placement were allocated $3,486,504 to the common shares and $1,247,000 to the 500,000 full warrants issued in the private placement. 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.

On September 14, 2010, the Company 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$12,896,500 (CDN$12,126,610 after deduction of the agents fees). The Company converted the net Canadian dollar proceeds to U.S. dollars and after deducting the cash share issue costs of $109,868, the Company received net proceeds of $11,655,544. Pursuant to the September 2010 Agency Agreement, the Company agreed with the Agents that, if the Company did not list the Common Shares on a recognized Canadian stock exchange, or complete a transaction that as a result, all or substantially all of the outstanding Common Shares are exchanged for cash or securities of another issuer listed on a recognized stock exchange by March 31, 2011, the subscribers would be entitled to receive one tenth of an additional Common Share in respect of each Common Share purchased in the September 2010 Private Placement. In addition, the Company also agreed that if Common Shares issued pursuant to the IPO are offered at a price which is less than CDN$6.50 per share (the "**Share Price**"), the Company would issue to each subscriber under the September 2010 Private Placement such number of additional Common Shares as is equal to the difference between the amount by which the Share Price exceeds the IPO Price, divided by the IPO Price. These liquidity entitlements are now expired with no financial effect as of the completion of the November 16, 2010 initial public offering at CDN$8.50 per common share and the commencement of Greenfields stock trading on the TSX Venture Exchange. *See Note 18 Subsequent Events*

On February 2, 2010, 500,000 units were issued to officers, employees and contractors as part of the Company's "Long Term Incentive Plan" ("LTIP") at value of US$0.66 per unit. As of February 19, 2010, 266,250 of the 500,000 units issued were not vested and therefore restricted from being sold. The 266,250 unvested units had a value of $175,725. The LTIP was subsequently cancelled after completion of the initial grant program. Upon conversion of the Company from a Texas Limited Liability Company to a Delaware corporation on February 19, 2010, all 500,000 units were converted to common shares of the Company, including the 266,250 unvested restricted units. In accordance with the original Unit Grant Agreement, the grantee is restricted from selling unvested shares 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, 2011, and vest at 25% of the original grant per year. The Company will amortize this balance on a straight-line basis over the vesting period. For the three and nine months ended September 30, 2010, the Company amortized $16,706 and $44,550, respectively, of the balance value in unvested restricted shares, reducing the unamortized balance value at September 30, 2010 to $131,175.

Loss per common share is calculated using the weighted average number of common shares outstanding during the period as follows:

	Three Months Ended September 30		**Nine Months Ended September 30**	
(Loss) Income Per Share	**2010**	**2009**	**2010**	**2009**
Weighted average common shares outstanding during the period – basic	8,376,300	6,450,000	7,865,163	6,450,000
Effect of warrants	-	-	-	-
Weighted average common shares outstanding during the period – diluted	8,376,300	6,450,000	7,865,163	6,450,000
Net (loss) income per share - basic and diluted	($0.16)	($0.03)	($0.40)	$0.21

For the three and nine months ended September 30, 2010, all outstanding warrants and options are anti-dilutive and have been excluded in calculating diluted per share figures.

For the three and nine months ended September 30, 2009, the Company had no dilutive securities outstanding.

Warrants

	Number of Warrants	**Weighted Average Exercise Price (Cdn $)**	**Amount $**
Balance, December 31, 2009	-	-	-
Issued pursuant to private placement	500,000	$5.00	1,247,000
Warrant issue costs, net of tax	-	-	(123,507)
Issued as private placement broker commission	30,000	$5.00	74,820
Balance, September 30, 2010	530,000	$5.00	1,198,313

The value of the one-half share purchase warrants issued on February 24, 2010 was calculated using the Black-Scholes pricing model over the 24 month term of the warrant with a 0.87% interest rate based on two year term US treasuries and a 104% volatility calculated based on a composite of six TSX traded companies with similar company profiles over a 90-day trading cycle. The calculated value was $1.2470 per one-half warrant which, reduced from the $4.7335 U.S. dollar realized price per unit from the private placement, resulted in a common share price of $3.4865 and a full warrant value of $2.494. The 60,000 compensation units issued to the brokers as commission were valued at the $4.7335 per unit price of the private placement for a total of $284,010 in non-cash commission cost which was allocated $209,190 to the 60,000 common shares and $74,820 to the 30,000 warrants issued to brokers.

Stock Options

	Number of Options	Weighted Average Exercise Price
Balance, January 1, 2010	-	-
Granted	986,000	$6.50
Exercised	-	-
Balance, September 30, 2010	986,000	$6.50
Exercisable, September 30, 2010	246,500	$6.50

	Stock options outstanding			Stock options exercisable	
Exercise Price	Outstanding Options	Weighted Average Exercise Price	Weighted Average Remaining Contractual Life (Years)	Options Exercisable	Weighted Average Exercise Price
$6.50	986,000	$6.50	9.9	246,500	$6.50

On August 31, 2010 the Company granted 986,000 stock options to officers, directors, employees and consultants of the Company in accordance with the Company's stock option plan. The exercise price of the stock options is CDN$6.50 per Common Share and all options expire on August 31, 2020. The stock options vest as to 25% on the date of grant and 25% on each of May 1, 2011, May 1, 2012 and May 1, 2013, except for stock options issued to a certain executive officer, which vest as to 25% on August 31, 2010 and 25% on each of the first, second and third anniversaries of February 1, 2010.

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

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

Contributed Surplus

The following table reconciles the Company's contributed surplus balance:

	2010 $
Balance, January 1, 2010	-
Stock-based compensation expense relating to stock options	726,459
Balance, September 30, 2010	726,459

11. SUPPLEMENTAL CASH FLOW INFORMATION

Changes in non-cash working capital items related to continuing operations	**Three Months Ended September 30, 2010 $**	**Nine Months Ended September 30, 2010 $**
Change in accounts receivable	(3,818)	52,657
Change in prepaid expenses and deposits	(18,487)	(24,306)
Change in accounts payable and accrued liabilities	233,502	579,450
	211,197	607,801
Relating to:		
Operating activities	81,708	154,597
Investing activities	-	-
Financing activities	129,489	453,204
	211,197	607,801
Cash interest paid	-	-
Cash taxes paid	-	-

Changes in non-cash working capital items related to continuing operations	**Three Months Ended September 30, 2009 $**	**Nine Months Ended September 30, 2009 $**
Change in accounts receivable	(35,308)	48,622
Change in prepaid expenses and deposits	(16,707)	(22,504)
Change in accounts payable and accrued liabilities	68,365	(26,862)
Change in interest payable on related party notes	-	(18,313)
Change in income taxes payable	-	(8,208)
	16,350	(27,265)
Relating to:		
Operating activities	16,350	(27,265)
Investing activities	-	-
Financing activities	-	-
	16,350	(27,265)
Cash interest paid	-	33,256
Cash taxes paid	-	8,208

12. CASH AND CASH EQUIVALENTS

The Company periodically invests its idle cash in investments and deposits with maturity dates of less than three months. At September 30, 2010 and December 31, 2009, the Company held all of its cash in interest bearing bank accounts and did not have any of its cash balances invested in cash equivalents.

13. RESTRICTED CASH

At September 30, 2010, the Company has $1,000,000 (December 31, 2009 - $ nil) of cash on hand, which is restricted for use in development activities for the ERDPSA project in Azerbaijan. This restricted cash arose from the September 15, 2010 funding of the Company's one third share of the first $3,000,000 equity cash call to shareholders of Bahar Energy Ltd, a subsidiary accounted for as a Joint Venture. This partner equity contribution to Bahar Energy Ltd is for initial project funding of start-up expenditures and bonus payment to SOCAR. At September 30, 2010, the partners' contributed equity was still held in cash in a Bahar Energy Ltd. bank account until the ERDPSA became effective October 1, 2010.

14. NON-CONTROLLING INTEREST

The Company owns an 85% controlling interest in Greenfields Petroleum (Indonesia) Company Ltd. ("Greenfields Indonesia"), a British Virgin Islands company. Greenfields Indonesia was the parent company of Greenfields Petroleum (Lahat) Company which was divested of in April, 2009 and its operations classified as discontinued operations in the consolidated statement of operations. Greenfields Petroleum (Lahat) Company's earnings are reflected in the Company's income (loss) from discontinued operations and adjusted to reflect the portion attributable to the non-controlling interest.

15. COMMITMENTS AND CONTINGENCIES

The following is a summary of the Company's contractual obligations and commitments as at September 30, 2010:

	2010	2011	2012	2013	2014	Thereafter
Operating leases	22,669	93,698	48,360	-	-	-
ERDPSA signing bonus	666,667	-	-	-	-	-
Annual land retention fees	-	72,000	72,000	72,000	-	-
	689,336	165,698	120,360	72,000	-	-

As part of an operating agreement, the Company has contractual commitments to GFPI-USA, LLC to contribute up to $1,500,000 to the Texas Limited Liability Company in which the Company has a 5% equity interest (note 5). As at September 30, 2010, the Company had contributed a total of $1,458,980 of this committed amount.

The Company 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 Company that owns a 33.33% interest in Bahar Energy Ltd. Management of the Corporation believes the claim is without merit.

16. FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT

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

a) Credit risk

Credit is the risk of financial loss to the Company if a counterparty to a financial instrument fails to meet its contractual obligations and arises principally from the Company's receivables from subsidiaries for services performed under certain administrative services agreements. The Company's current accounts receivable balances consist of outstanding amounts due from the entity in which the Company has an equity interest. The Company historically has not experienced any collection issues with its accounts receivable and does not have an allowance for doubtful accounts at September 30, 2010 or December 31, 2009. As at September 30, 2010, the Company has no past due receivables.

Cash and cash equivalents consist of bank balances and short term deposits held in a major United States or Canadian bank. The Company manages the credit exposure related to short term investments by selecting counterparties based on credit rating and monitors all investments to ensure a stable return, avoiding complex investment vehicles with higher risk such as asset backed commercial paper. Since the effective date of the ERDPSA, the Company has a concentration of credit risk with the State Oil Company of Azerbaijan for the Company's oil and gas sales and Company monitors this exposure for on an on-going basis.

The maximum credit exposure associated with cash and cash equivalents and accounts receivable is the carrying value.

b) Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they become due. The Company's approach to managing liquidity is to ensure, as much as possible, that it will have sufficient liquidity to meet its liabilities when due, under both normal and unusual conditions without incurring unacceptable losses, relinquishment of properties or risking harm to the Company's reputation.

The Company prepares annual capital expenditure budgets, which are regularly monitored and updated as considered necessary to provide current cash flow estimates. The Company also utilizes authorizations for expenditures on projects to further manage capital expenditures. To facilitate the capital expenditure program, the Company has raised capital through the issuance of units and common shares.

The Company's financial liabilities as at September 30, 2010, consists of accounts payable and accrued liabilities due within one year. Currently, the Company does not have any bank debt.

c) Currency risk

Foreign currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate as a result of changes in foreign currency exchange rates. The Company has minimal exposure to foreign currency fluctuations as a significant portion of the Company's transactions are denominated in the United States dollar and the Company holds all its excess cash in the United States dollar.

As at September 30, 2010, the Company had no forward exchange contracts in place.

d) Commodity price risk

Commodity price risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate as a result of changes in commodity prices. On completion of the ERDPSA for the Gum Deniz oil field and its sales under an evergreen marketing contract, which became effective October 1, 2010, the Company will be exposed to commodity prices for crude oil which are impacted by world economic events that dictate the levels of supply and demand. Gas sales for the Bahar gas field, also acquired under the ERDPSA, will be based on a fixed five year take or pay Bahar Gas Sales Agreement effective October 1, 2010, with a minimum delivered gas price of US$140 per 1000 standard cubic meters (approximately US$3.96 per Mcf). The gas price is not subject to escalation during the five year term.

At September 30, 2010, the Company has no outstanding financial instruments, financial derivatives, or physical delivery contracts subject to commodity price risk.

Fair value of financial instruments

Due to the short term nature of cash and cash equivalents, accounts receivable and accounts payable and accrued liabilities, their carrying values approximate their fair values.

17. CAPITAL DISCLOSURE

The Company's policy is to maintain a strong capital base for the objectives of maintaining financial flexibility, creditor and market confidence and to sustain the future development of the business. The Company manages its capital structure and makes adjustments to it in the light of changes in economic conditions and the risk characteristics of the underlying assets. The Company ensures as much as possible that it will have sufficient liquidity to meet liabilities when due. The Company considers its capital structure to include working capital and shareholders' equity. In order to maintain or adjust the capital structure, the Company may from time to time issue common stock or other securities, sell assets, incur indebtedness or adjust its capital spending to manage current and projected working capital levels.

The following table below outlines the composition of the Company's capital structure:

	September 30, 2010 **$**
Working capital	12,516,392
Shareholders' equity	15,645,654

The Company is not subject to any externally imposed capital requirements.

18. SUBSEQUENT EVENTS

On April 27, 2010, the Azerbaijan Parliament, also referred to as Milli Mejlis, ratified the Exploration, Rehabilitation, Development and Production Sharing Agreement (the "ERDPSA") with the State Oil Company of Azerbaijan ("SOCAR") and its affiliate SOCAR Oil Affiliate ("SOA") in respect of the offshore block known as the Bahar Project, which project consists of the Bahar Gas Field and the Gum Deniz Oil Field. On September 29, 2010, the Company 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 Company, 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 September 2010, BEOC as agent on behalf of the contractors to the ERDPSA, Bahar Energy and SOA, entered into the following agreements effective October 1, 2010:

- An evergreen oil sales agreement with SOCAR for the sale of oil from the ERDPSA. Pursuant to this oil sales agreement, SOCAR will purchase the oil from the ERDPSA and will 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 realize the same price that SOCAR receives as the sale price under its export contract, less a one percent (1%) commission and less 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.
- A natural gas sales agreement with SOCAR 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 minimum delivered gas price of US$140 per 1000 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 Designated 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 Daily Contract Quantity ("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.

Pursuant to the terms of an agency agreement dated September 30, 2010, the Company issued 4,235,000 common shares in an initial public offering on November 16, 2010 for gross proceeds of CDN$35,997,500, (CDN$33,162,650 after deducting 6% for agents commissions and estimated expenses of CDN$675,000). The Company also granted an over-allotment option for the issue of up to an additional 635,250 common shares exercisable within a period of 30 days following the closing date of the public offering. If the over-allotment is exercised in full the Company will receive estimated additional net proceeds of CDN$5,075,647 net of agents commissions of CDN$323,978.