GREENFIELDS PETROLEUM CORPORATION

Condensed Consolidated Financial Statements

(Unaudited)

June 30, 2014

GREENFIELDS PETROLEUM CORPORATION
CONDENSED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
Unaudited, US$000's

	Notes	As at June 30, 2014	As at December 31, 2013
Assets			
Current Assets			
Cash and cash equivalents		4,910	3,068
Receivables from related party	4	1,253	367
Other receivables		7	11
Prepaid expenses and deposits	5	665	701
		6,835	4,147
Non-Current Assets			
Investment in joint venture	6	58,868	45,084
Property and equipment		69	106
		65,772	49,337
Liabilities and Equity			
Current Liabilities			
Accounts payable and accrued liabilities	7	1,970	2,413
Non-Current Liabilities			
Long term loans	8	21,519	2,739
Convertible debentures	9	18,274	18,284
		39,793	21,023
Shareholders' Equity	10		
Common shares		20	20
Paid in capital		74,055	72,410
Share-based payments reserve	11	5,109	4,847
Deficit		(55,175)	(51,376)
Total Shareholders' Equity		24,009	25,901
(Basis of presentation and going concern – Note 2 and Commitments and contingencies – Note 14)		65,772	49,337

The accompanying notes are an integral part of these condensed consolidated financial statements

(signed) "John W. Harkins"
John W. Harkins
Director

(signed) "Gerald F. Clark"
Gerald F. Clark
Director

GREENFIELDS PETROLEUM CORPORATION
CONDENSED CONSOLIDATED STATEMENTS OF INCOME (LOSS)
Unaudited, US$000's except per share amounts

	Three Months Ended June 30,		Six Months Ended June 30,	
	2014	2013	2014	2013
Revenues				
Management service fees	469	684	896	1,371
Expenses				
Administrative	2,594	2,419	4,446	4,840
Depreciation and amortization	18	24	37	49
	2,612	2,443	4,483	4,889
Loss from operating activities	(2,143)	(1,759)	(3,587)	(3,518)
(Gain)Loss on sale of investments	(16)	-	(16)	-
(Income)Loss on investment in joint venture *(Note 6)*	186	(1,090)	(3,032)	967
Dividends, interest and other income *(Note 12)*	-	-	-	(23)
Interest expense *(Note 12)*	2,261	779	3,831	1,561
Foreign exchange (gain) loss	656	(708)	(35)	(1,060)
Change in fair value of derivative liability *(Note 9)*	(330)	(1,257)	(536)	(1,677)
Income(Loss) before income taxes	(4,900)	517	(3,799)	(3,286)
Net Income(Loss)	(4,900)	517	(3,799)	(3,286)
Per share				
Net income(loss) per share, basic and diluted *(Note 10)*	($0.24)	$0.03	($0.20)	($0.21)

CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (LOSS)
Unaudited, US$000's

	Three Months Ended June 30,		Six Months Ended June 30,	
	2014	2013	2014	2013
Net Income(Loss)	(4,900)	517	(3,799)	(3,286)
Gain (loss) arising from revaluation of available for sale financial assets during the period	-	-	-	(11)
	-	-	-	(11)
Total comprehensive income(loss)	(4,900)	517	(3,799)	(3,297)

The accompanying notes are an integral part of these condensed consolidated financial statements

GREENFIELDS PETROLEUM CORPORATION
CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
Unaudited, US$000's

	Six Months Ended June 30, 2014	2013
Common shares *(Note 10)*		
Balance, beginning of period	20	16
Issuance of common shares	-	2
Balance, end of period	20	18
Paid in capital		
Balance, beginning of period	72,410	61,519
Shares issued pursuant to private placement	-	6,455
Shares issued - long term loan agreement	1,625	-
Repurchase of common shares	(10)	(92)
Share-based payments	30	470
Balance, end of period	74,055	68,352
Share-based payments reserve *(Note 11)*		
Balance, beginning of period	4,847	4,337
Share-based payments	262	100
Balance, end of period	5,109	4,437
Deficit		
Balance, beginning of period	(51,376)	(48,098)
Net income (loss)	(3,799)	(3,286)
Balance, end of period	(55,175)	(51,384)
Investment revaluation reserve		
Balance, beginning of period	-	11
Other comprehensive income for the period	-	(11)
Balance, end of period	-	-
Total Shareholders' Equity	24,009	21,423

The accompanying notes are an integral part of these condensed consolidated financial statements

GREENFIELDS PETROLEUM CORPORATION
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
Unaudited, US$000's

	Three Months Ended June 30,		Six Months Ended June 30,	
	2014	2013	2014	2013
Operating Activities				
Income(Loss) before income taxes	(4,900)	517	(3,799)	(3,286)
Items not affecting cash:				
Share-based compensation *(Note 11)*	170	414	292	571
Depreciation and amortization	18	24	37	49
(Income)Loss on investment in joint venture	186	(1,090)	(3,032)	967
Dividends and interest from short term investments	-	-	-	(23)
Interest expense	2,261	785	3,831	1,561
Unrealized foreign exchange (gain)loss	658	(697)	(31)	(1,055)
(Gain)Loss from derivative liability *(Note 9)*	(330)	(1,257)	(536)	(1,677)
Cash used in operating activities before changes in non-cash working capital	(1,937)	(1,304)	(3,238)	(2,893)
Change in non-cash operating working capital *(Note 13)*	(289)	(233)	(775)	1,261
Cash Used in Operating Activities	(2,226)	(1,537)	(4,013)	(1,632)
Financing Activities				
Proceeds from issue of common shares	-	6,457	-	6,457
Deferred share issue costs	-	(223)	-	(223)
Proceeds from long term loans, net of structuring fees	9,750	-	19,500	-
Long term loan transaction costs	(125)	-	(245)	-
Cash interest paid on convertible debentures and loans	(2,054)	(1,030)	(2,611)	(1,030)
Repurchase of common shares	-	(14)	(10)	(92)
Change in non-cash working capital *(Note 13)*	69	223	-	223
Cash From Financing Activities	7,640	5,413	16,634	5,335
Investing Activities				
Investment in joint venture *(Note 6)*	(3,261)	-	(10,752)	(11,069)
Short term investments	-	-	-	1,693
Cash interest received	-	-	-	32
Dividends from equity investment	-	-	-	11
Cash Used in Investing Activities	(3,261)	-	(10,752)	(9,333)
Effect of exchange rates on changes on cash	(6)	8	(27)	(53)
(Decrease) Increase in Cash and Cash Equivalents	2,147	3,884	1,842	(5,683)
Cash and Cash Equivalents, beginning of period	2,763	2,837	3,068	12,404
Cash and Cash Equivalents, end of period	4,910	6,721	4,910	6,721

The accompanying notes are an integral part of these condensed consolidated financial statements

1. INCORPORATION AND NATURE OF OPERATIONS

Greenfields Petroleum Corporation ("**Greenfields**" or the "**Company**"), incorporated in the Cayman Islands, 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 head office of the Company is located at 211 Highland Cross Drive, Suite 227, Houston, Texas, 77073, U.S.A., and the registered office is located at 190 Elgin Avenue, George Town, Grand Cayman, KY1-9005, Cayman Islands. The Company's common shares and convertible debentures are listed on Toronto's TSX – Venture Exchange ("**TSX-V**") under the trading symbols "GNF" and "GNF.DB", respectively.

The Company owns 33.33% interest in Bahar Energy Limited ("**Bahar Energy**"), a joint venture ("**Joint Venture**") that on December 22, 2009 entered into an 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 ("**Bahar Project**"), which consists of the Contract Rehabilitation Area ("**Contract Rehabilitation Area**") including the Bahar Gas Field and the Gum Deniz Oil Field and the Exploration Area ("**Exploration Area**"). Bahar Energy has an 80% participating interest and SOA has a 20% participating interest in the ERDPSA (together the "**Contractors** or **Contractor Parties**"). Bahar Energy formed Bahar Energy Operating Company Limited ("**BEOC**") for the purpose of acting as Operator of the Bahar Project on behalf of the Contractor Parties under the ERDPSA.

2. BASIS OF PRESENTATION AND GOING CONCERN

These condensed consolidated financial statements have been prepared in accordance with International Accounting Standard 34, *Interim Financial Reporting* ("**IAS 34**"). The condensed consolidated financial statements have been prepared on the historical cost basis except for derivative financial instruments (convertible debentures) and share-based compensation transactions which are measured at fair value.

The presentation and functional currency of the Company is the United States dollar ("**USD**") and all values are presented in thousands of US dollars except where otherwise indicated.

These condensed consolidated financial statements do not include all the information and disclosures required in the annual financial statements and should be read in conjunction with the Company's annual financial statements for the year ended December 31, 2013 prepared in accordance with *International Financial Reporting Standards* ("**IFRS**") as issued by the *International Accounting Standards Board* *("**IASB**")*. The accounting policies adopted in the preparation of the condensed consolidated financial statements are consistent with those followed in the preparation of the Company's annual consolidated financial statements for the year ended December 31, 2013, except for the adoption of new standards and interpretations effective as of January 1, 2014 which details are discussed in Note 3.

These condensed consolidated financial statements were approved for issue by the Audit Committee of the Company's Board of Directors on August 26, 2014.

The Corporation's joint venture is producing, developing and exploring oil and gas properties which require extensive capital investments. The recovery of the Corporation's investment in the joint venture is dependent upon the joint venture's ability to complete the development of properties which includes meeting the related financing requirements. As at June 30, 2014 the Corporation's ability to continue as a going concern is dependent on management's ability to secure adequate financing, either directly or indirectly at the project level. There is no certainty that such financing will be obtained on terms acceptable to management which may cast significant doubt about the Corporation's ability to continue as going concern.

On November 25, 2013, the Company secured additional funding through a $25 million loan facility with the proceeds primarily dedicated to finance the Company's ongoing development operations for the Bahar Project over the next 12 to 18 months. The Company has a $10 million loan commitment to Bahar Energy for the funding of deficit cash flows associated with the 2014 Bahar Annual Work Program and Budget, which is subject to change. See Note 14 – "*Commitments and Contingencies*".

Under the ERDPSA, Bahar Energy, through the operating company of the project, had a contractual obligation to increase the average daily production rate for the Bahar Project to 6,944 boe/d and to maintain that rate over a consecutive 90 days period (TPR1). On January 31, 2014, BEOC informed SOCAR that they had maintained an average rate of 7,081 boe/d for the previous 92 consecutive days meeting the TPR1 requirement in accordance with the ERDPSA. Meeting the TPR1 requirement secures for the Contractor Parties in the ERDPSA the rights under the ERDPSA to the full twenty-five (25) year development and production period.

On April 17, 2014, BEOC informed SOCAR that TPR2, as required under the ERDPSA, was achieved on March 31, 2014. TPR2 refers to Target Production Rate 2 whereby BEOC must maintain a daily production rate for 30 consecutive days equal to 2 times the average 2008 production rate, that target rate being 9,258 boe/d. With that obligation met, SOA, with a 20% interest in the Bahar project, is obligated to begin paying its share of costs going forward in the next calendar quarter. The repayment of Bahar Energy for the carry of SOA's share of expenditures since the effective date of the project will begin at the same time from SOA's share of petroleum revenues attributable to cost recovery.

These condensed consolidated financial statements have been prepared on a going concern basis, under which the Company is assumed to be able to realize its assets and discharge its liabilities in the normal course of operations. These condensed consolidated financial statements do not give effect to adjustments that would be necessary to the carrying values and classifications of assets and liabilities should the Company be unable to continue as a going concern.

3. NEW STANDARDS, INTERPRETATIONS AND AMENDMENTS ADOPTED BY THE COMPANY

On January 1, 2014, the Company adopted the following new IFRS standards and amendments in accordance with the transitional provisions of each standard. The adoption of these standards did not have a material impact on the Company's condensed consolidated financial statements. A brief description of each new standard follows below:

IAS 32 "Financial Instruments: Presentation"

In December 2011, the IASB issued amendments to IAS 32 to address inconsistencies when applying the offsetting criteria outlined in this standard. These amendments clarify the criteria required to be met in order to permit the offsetting of financial assets and financial liabilities.

IFRIC 21 "Levies"

In May 2013, the IASB issued IFRIC 21 Levies which was developed by the IFRS Interpretations Committee ("**IFRIC**"). IFRIC 21 clarifies that an entity recognizes a liability for a levy when the activity that triggers payment, as identified by the relevant legislation, occurs. The interpretation also clarifies that no liability should be recognized before the specified minimum threshold to trigger that levy is reached. The adoption of this standard had no impact on the amounts recorded in these condensed consolidated financial statements for the periods reported.

IFRS 9 "Financial Instruments"

In November 2013, the IASB issued a new version of IFRS 9 (IFRS 9 (2013)) which includes the new hedge accounting requirements and some related amendments to IAS 39 *Financial Instruments: Recognition and Measurement* and IFRS 7 *Financial Instruments: Disclosures*. The amendments to IFRS 9 are applied retrospectively for annual periods beginning on or after January 1, 2018, with early adoption allowed. The Company is currently assessing the effect on its financial statements.

4. RECEIVABLES FROM RELATED PARTY

At June 30, 2014, the Company had a balance of $1.3 million (December 31, 2013 - $0.4 million) in accounts receivable with BEOC. Balances due are attributable to work performed under BEOC approved "Affiliate Service Orders" ("**ASO**") and Personnel Secondment Agreements. Management does not believe balances due pose collection risk as these charges are associated with amounts invoiced in the normal course of business.

For the three and six months ended June 30, 2014 the Company recorded $0.5 million and $0.9 million, respectively, (June 30, 2013 - $0.7 million and $1.4 million, respectively) in management service fees for management, administrative and technical services performed at cost for BEOC in the normal course of business under ASO's and Personnel Secondment Agreements noted above.

5. PREPAID EXPENSES AND DEPOSITS

At June 30, 2014, the Company had prepaid expenses and deposits of $0.7 million (December 31, 2013 - $0.7 million). The current balance includes $0.5 million in deferred long term loan structuring fees which will be recognized as an expense over the term of the respective loan.

6. INVESTMENT IN JOINT VENTURE

The Company owns a 33.33% interest in Bahar Energy, a joint venture that on December 22, 2009 entered into an ERDPSA with the SOCAR and SOA in respect of the offshore block known as the Bahar Project, which consists of the Bahar gas field, the Gum Deniz oil field and the Bahar Exploration area. Bahar Energy has an 80% participating interest and SOA has a 20% participating interest in the ERDPSA. Bahar Energy formed BEOC for the purpose of acting as Operator of the Bahar Project on behalf of the Contractor Parties under the ERDPSA.

Continuity of Investment in Joint Venture

US$000's

	Investment in Joint Venture
At January 1, 2013	21,510
Funding	11,069
Share of Loss of Joint Venture	(967)
At June 30, 2013	31,612
Funding	10,076
Share of Income of Joint Venture	3,396
At December 31, 2013	45,084
Funding	10,752
Share of Income of Joint Venture	3,032
At June 30, 2014	58,868

Bahar Energy, formed for the sole purpose of acquiring the rights to the ERDPSA, is a limited liability entity incorporated in the Jebel Ali Free Zone ("**JAFZA**") in Dubai, United Arab Emirates. Bahar Energy is currently owned 2/3 by Baghlan Group Limited and 1/3 by Greenfields Petroleum International Company Limited. Bahar Energy is governed by its Articles of Association and Bahar Shareholders Agreement ("**BSA**"). The registered office of Bahar Energy is LOB 15-514, P.O. Box 17870, Dubai, United Arab Emirates.

In accordance with the IFRS 11 guidance, the Company determined that the BSA represents a joint arrangement structured through Bahar Energy, a separate vehicle and entity in its own right, whose legal form creates a separation between the jointly controlling parties in the arrangement and the assets and liabilities of said vehicle. Bahar Energy meets the definition of a joint venture in which the Company has contractually agreed sharing of control therefore representing a joint venturer in the arrangement.

The BSA requires that all resolutions put to a vote of the shareholders be approved by unanimous vote. Similarly, all resolutions put to a vote of the directors must be approved by unanimous vote, except in the following instances:

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

(b) If the board cannot reach a unanimous decision regarding dividends, then the proposal receiving the highest percentage vote will prevail.

Bahar Energy funding needs are primarily covered by entitled revenue, equity contributions and shareholders' loans. To the extent that additional funds are required, the Bahar Energy shareholders have entered into a Common Terms Agreement ("**CTA**") pursuant to which each shareholder agrees to grant Bahar Energy a credit facility to be made available by way of an annual loan agreement up to a specific amount based on the annual work plan approved by the directors. It is anticipated that future cash flows from operations under the ERDPSA would be used to repay the loans.

Defaulting Shareholder

Should a shareholder fail to execute a loan agreement or fail to make a required loan funding payment, the other shareholders by additional loan agreement will fund the amount that would otherwise be due from the defaulting shareholder. Any existing loan balance of a defaulting shareholder will be considered a "last in" loan and only repaid after all amounts outstanding from other funding shareholders are repaid in full. The defaulting shareholder will also temporarily lose voting rights on the Bahar Energy board and as a shareholder. At any time the defaulting shareholder may remedy the default by payment of any loan amounts due with interest. Once remedied, the shareholder's position in loan payment rights and board and shareholder voting rights are restored.

The following tables summarize the financial information of the Joint Venture and reconcile the financial information to the carrying amount of the Company's interest in the Joint Venture.

Bahar Energy Limited
Condensed Consolidated Statement of Financial Position as at
Unaudited, US$000's

Assets	June 30, 2014	December 31, 2013
Current Assets		
Cash and cash equivalents	1,203	1,404
Trade receivables	12,539	16,085
Other receivable	3,810	198
Advances for operating activities	2,187	2,466
Inventories	6,850	6,355
	26,589	26,508
Non-Current Assets		
Restricted cash [1]	7,489	6,865
Advances for capital equipment	450	471
Property and equipment	164,764	141,659
	199,292	175,503
Liabilities and Equity		
Current Liabilities		
Accounts payable and accrued liabilities	33,843	38,974
Payables to related parties	8,335	7,810
	42,178	46,784
Net Assets	157,114	128,719
Company's share of net assets (33.33%)	52,366	42,902
Timing differences in Joint Venture funding	6,502	2,182
Carrying amount of Investment in Joint Venture	58,868	45,084

[1] Funds held for related party and not available for operations.

Bahar Energy Limited
Condensed Consolidated Statement of Net Income (Loss)
Unaudited, US$000's except per share amounts

	Three Months Ended June 30,		Six Months Ended June 30,	
	2014	2013	2014	2013
Revenues				
Petroleum and natural gas	16,487	19,817	38,110	36,340
Transportation and storage fees	966	1,179	2,241	2,406
	17,453	20,996	40,351	38,746
Expenses				
Operating & administrative	15,545	17,066	25,719	40,459
Depreciation and amortization	2,466	660	5,533	1,188
	18,011	17,726	31,252	41,647
Income(Loss) from operating activities	(558)	3,270	9,099	(2,901)
Net Income(Loss)	(558)	3,270	9,099	(2,901)
Company's Share of Income(Loss) of Joint Venture	(186)	1,090	3,032	(967)

7. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

(US$000's)	June 30, 2014	December 31, 2013
Trade accounts payable	86	195
Accrued liabilities	1,884	2,218
	1,970	2,413

8. LONG TERM LOANS

On November 25, 2013 the Company secured a $25 million loan facility ("**Loan**") through an arm's length third party (the "**Lender**"). Pursuant to the terms of the loan agreement (the "**Loan Agreement**") among the Lender, the Company, Greenfields Petroleum Holdings Ltd. and Greenfields Petroleum International Company Ltd., as guarantors ("**Guarantors**"), the Company is entitled to draw up to an aggregate of $25 million in tranches based upon the achievement of certain operational milestones.

The Loan is subject to a cash structuring fee of 2.5% payable on each tranche advanced in accordance with the Loan Agreement. The amounts drawn bear interest rates between 15% and 20% and mature on December 31, 2015. The Loan is secured by first priority liens on the existing and future assets of the Company and the Guarantors. Also in consideration of the Loan, the Company has agreed to issue to the Lender common shares of the Company as bonus shares (the "**Bonus Shares**") which will be subject to resale restrictions expiring four months from the date of issuance. At June 30, 2014 the Company had drawn available advances of $25 million ($24.375 million net of 2.5% cash structuring fees) of the secured Loan and recorded transaction costs of $0.7 million. In addition, the Company issued 1,200,627 Bonus Shares to the Lender with a value of $3.5 million. The transaction costs and the value of Bonus Shares will be accreted over the life of the loan. See also *Note 11 – Share Based Payments.*

(US$000's)	June 30, 2014	December 31, 2013
Loan facility	25,000	25,000
Unused portion of loan facility	-	(20,000)
Total loans drawn down	25,000	5,000
Unamortized debt issue costs	(3,481)	(2,261)
Carrying value of long term loans	**21,519**	**2,739**

9. CONVERTIBLE DEBENTURES

On May 30, 2012 the Company issued CAD$23.7 million of convertible unsecured subordinated debentures (the "**Debentures**") for equivalent proceeds of USD$22.9 million. The Debentures pay a 9.0% annual rate of interest from the date of issue with interest payable semi-annually in arrears on May 31 and November 30 of each year starting on November 30, 2012 and will mature and be repayable on May 31, 2017 (the "**Maturity Date**"). Each CAD$1,000 Debenture principal amount can be convertible, at the option of the holder, at any time prior to the close of business on the earlier of the business day immediately preceding the Maturity Date and, if applicable, the last business day immediately preceding the date fixed for redemption, into approximately 117 common shares of the Company. The redemption ratio results from conversion price (the "**Conversion Price**") of CAD$8.55 per common share of the Company.

The Debentures cannot be redeemable by the Company prior to May 31, 2015. On or after June 1, 2015 and prior to the Maturity Date, the Debentures can be redeemable by the Company, in whole or in part, from time to time, at a price equal to the principal amount thereof, plus accrued and unpaid interest, at the Company's sole option provided that the common share current market price on the date on which notice of redemption is given is not less than 125% of the Conversion Price.

The Company has the option to satisfy its obligations to repay the principal amount of the Debentures upon redemption or at maturity by issuing and delivering that number of freely tradable common shares obtained by dividing the principal amount of the Debentures by 95% of the common share current market price on the date fixed for redemption or maturity, as the case may be.

The following table summarizes the liability and derivative liability components of the Debentures:

	Financial Statement Components			
(US$000's)	Liability	Derivative Liability (1)	Carrying Value	Principal Amount
Balance December 31, 2013	**16,952**	**1,332**	**18,284**	**22,307**
Accretion	577	-	577	-
Change in fair value of derivative	-	(536)	(536)	-
Foreign exchange loss	(39)	(12)	(51)	(71)
Balance June 30, 2014	**17,490**	**784**	**18,274**	**22,236**

(1) On May 30, 2012 the Company issued CAD$23.725 million convertible debentures, equivalent to approximately USD$22.9 million as described above. The balance of the liability and derivative liability are net of transaction costs of approximately USD$1.6 million; USD$1.2 million was allocated to the liability and USD$0.4 million related to the derivative liability was expensed.

The liability portion of the Debentures is measured at amortized cost and accreted up to the principal balance at maturity using an effective interest rate of 18.8 percent. The accretion and the interest paid are expensed as interest expense in the consolidated statement of net income (loss). The derivative financial liability is measured at fair value through profit or loss, with adjustments recorded in "changes in fair value of derivative liability".

The fair value of the derivative financial liability is determined using a Binomial valuation model with the following assumptions:

	June 30, 2014	December 31, 2013
Market price per common share – CAD$	3.00	3.30
Conversion price per common share – CAD$	8.55	8.55
Risk-free interest rate range	1.35%	1.35%
Expected life – years	2.92	3.42
Expected volatility	54%	56%
Shares issuable at conversion	2,775,825	2,775,825

10. SHAREHOLDERS' EQUITY

Authorized Share Capital

Authorized share capital of the Company consists of 49,900,000 common shares and 100,000 preferred shares, each at US $.001 par value.

Common Shares

Each common share carries equal voting rights, is non-preferential and participates evenly in the event of a dividend payment or in the winding up of the Company.

Preferred Shares

The Board may issue Preferred Shares at any time and from time to time in one or more series. The Board has the authority to issue Preferred Shares in series and determine the price, number, designation, rights, privileges, restrictions and conditions, including dividend rights, conversion rights, and rights with respect to the distribution of assets in the event of the dissolution or winding up of the Corporation and preferential rights, of each series without further vote or action by shareholders.

There were no preferred shares issued and outstanding at June 30, 2014 and December 31, 2013.

Common shares continuity schedule:

Outstanding common shares *(US$000's, except for share numbers)*	Number of Common Shares	Amount
As at December 31, 2013	19,147,409	72,430
Shares issued per loan consideration	548,165	1,625
Repurchase of common shares	(3,265)	(10)
Amortization of restricted share awards	-	30
As at June 30, 2014	19,692,309	74,075

Reconciliation of issued and outstanding shares

	June 30, 2014	December 31, 2013
Issued	19,748,125	19,199,960
Shares acquired by Company	(66,849)	(63,584)
Shares issued from treasury	11,033	11,033
Total outstanding	19,692,309	19,147,409

Per Share Information

Per share gain(loss)				
(US$000's, except for per share amounts)	Three Months Ended June 30,		Six Months Ended June 30,	
	2014	2013	2014	2013
Weighted average number of common shares outstanding (1)	20,102,309	15,672,425	19,224,141	15,577,288
Net gain(loss)	(4,900)	517	(3,799)	(3,286)
Basic and diluted gain(loss) per share	($0.24)	$0.03	($0.20)	($0.21)

(1) The weighted average number of common shares outstanding for the three and six months ended June 30, 2014 includes a total of 410,000 contingent shares used in the calculation which were awarded In September and October 2013 to certain officers and a director of the Company. See also *Note 11 – Share Based Payments*.

The average market value of the Company's common shares used for purposes of calculating the dilutive effect of share options and convertible debentures is based on quoted market prices for the period that the equity instruments were outstanding. For the six months ended June 30, 2014 the 1,875,000 share options (June 30, 2013 – 1,259,750 share options) and 2,775,825 (June 30, 2013 – 2,775,825) shares issuable at conversion of debentures were excluded from calculating dilutive earnings per share as they were anti-dilutive.

Common shares issued in consideration of long term loan costs

Pursuant to the terms of the Loan Agreement, the Company agreed to issue to the Lender common shares of the Company as bonus shares which will be subject to resale restrictions expiring four months from the date of issuance. At June 30, 2014 the Company had issued 1,200,627 bonus shares to the Lender at an average price of CAD$3.11 (USD$2.92) per common share.

Acquisition of common shares

In February 2014 the Company acquired 3,265 common shares at fair market value of CAD$3.35 per share (February 2013 – 15,509 at fair market value of CAD$5.00) from certain employees as a result of share grants vesting. The Share Grants Agreement provides the opportunity to employees to pay cash or sell to the Company the number of shares equal to their statutory withholding tax due at vesting date in order to reimburse the Company for remitting the employees' withholding tax obligation to the US Internal Revenue Service.

At June 30, 2014 and December 31, 2013 the Company did not hold any common shares in treasury.

11. SHARE BASED PAYMENTS

The share-based payments recorded by the Company are associated with share options, restricted share awards, shareholder settled transactions and restricted cash bonus obligations. Share-based payment expenses for the three and six months ended June 30, 2014 were $610 thousand and $1.1 million, respectively, (June 30, 2013 - $371 thousand and $741 thousand, respectively).

(Unaudited) All tabular amounts are expressed in US$000's unless otherwise stated except for share and per share amounts

Share Options

The Company has a stock option plan that governs the granting of options to employees, officers and directors. All options issued by the Company permit the holder to purchase a specific number of common shares of the Company at the stated exercise price. The Company has not issued stock options that permit the recipient to receive a cash payment equal to the appreciated value in lieu of stock. As a provision of the Company's Stock Option Plan, the optionee may make the following election when exercising options at the discretion of the Compensation Committee:

When an optionee incurs a tax liability in connection with an option which is subject to tax withholding under applicable tax laws and the optionee is obligated to pay the Company the required withholding amount due, the optionee may satisfy the tax withholding obligation in two methods other than payment in cash; (i) by surrendering to the Company common shares that have been owned by the optionee for more than six months on the date of surrender with a market value equal to the withholding tax obligation or (ii) by electing to have the Company withhold from the common shares to be issued upon exercise of the options the number of common shares having a market value equal to the tax amount required to be withheld.

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

Risk-free interest rate range	0.7% - 2%
Expected life	4.0 years
Expected volatility range	40% - 57%
Expected dividend	-
Weighted average forfeiture rate	2%
Weighted average fair value	$2.09

Continuity of Stock Options

	June 30, 2014		December 31, 2013	
	Number of shares underlying options	Average exercise price (CAD$)	Number of shares underlying options	Average exercise price (CAD$)
Outstanding, beginning of period	1,825,000	5.99	1,291,000	7.83
Granted	140,000	3.25	720,000	3.17
Forfeited	(90,000)	6.50	(186,000)	7.84
Outstanding, end of period	1,875,000	5.76	1,825,000	5.99
Exercisable, end of period	1,262,500	6.97	1,030,000	7.74

On May 7, 2014 the Company completed the award of 140,000 share options to officers and employees at an exercise price of CAD$3.25 per common share. These share options vest 25% at date of grant and 25% on each of the first, second and third anniversaries of the grant date.

The exercise prices of the share options ranges from CAD$2.90 to CAD$14.00 per common share with all options expiring on various dates between years 2016 and 2021. With the exception of the June 2012 150,000 share options award and the "**TPR1 Share Options**" granted in October 2013, the share options vest 25% at date of grant and 25% on each of the first, second and third anniversaries of the grant date.

The exercisable options as at June 30, 2014 have remaining contractual lives ranging from 2.6 to 6.9 years.

Share option expenses for the three and six months ended June 30, 2014 were $155 thousand and $262 thousand, respectively, (June 30, 2013 – ($37) thousand and $50 thousand, respectively). The share options expense is offset to the Company's share-based payment reserve.

Restricted Share Awards

On February 1, 2012 a 40,000 restricted share grant was awarded and shares issued by the Company to a new officer at the value of CAD$6.00 per share, the closing price of the Company's share on January 31, 2012. The shares vest 25% at grant date and 25% on the anniversary date thereafter in 2013, 2014 and 2015. For the three and six months ended June 30, 2014, the Company recorded share-based payments expense related to restricted share awards of $15 thousand and $30 thousand, respectively (June 30, 2013 - $15 thousand and $34 thousand, respectively). Expenses associated with restricted share awards are recorded with an offset to share capital of the Company.

In September and October 2013 the Company authorized the awards of 186,000 and 230,000 restricted shares, respectively, to certain officers and a director of the Company. The awards are contingent to the achievement of TPR1, TPR2, the closing by December 31, 2013 of a debt facility and completion of a downhole study for Bahar and implementation of study recommendations. The shares awarded upon the achievement of each indicated milestone will vest 50% on each July 1, 2014 and 2015. As of June 30, 2014, all but 6,000 contingent share awards have been earned. The Company has established a constructive obligation in relation to the issuance of 410,000 shares at the estimated price of CAD$3.00 per common share.

For the three and six months ended June 30, 2014, the Company has accrued obligations in the amount of $428 thousand and $718 thousand, respectively (June 30, 2013 - $nil). Expenses associated with this award are recorded with an offset to accrued share based bonuses.

Restricted Cash Bonus Program

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

The FVBCB incentive awards vest in three tranches, 1/3 on each January 1 of the year immediately following the grant date and have a cash settlement on such vesting dates. The fair value of FVBCB awards were estimated considering forfeiture rates of 5% and 10% respectively for the second and third year of the award. The estimated FVBCB liability is amortized over the three year vesting period with each vesting tranche fully amortized at vesting date. The liability is also fair valued at each reporting date with adjustments recorded through profit and loss. The estimated FVBCB liability at June 30, 2014 was $0.3 million (June 30, 2013 - $0.3 million).

The ABCB incentive awards vest in four tranches, 25% at grant date and 25% on each January 1 of the year immediately following the grant date. The ABCB awards have a contractual life of five years and were fair valued using the Black-Scholes option pricing model assuming an average risk-free interest rate of 1.09%, two year expected life from its vesting date, average expected volatility of 58% and average forfeiture rate of 13%. The estimated ABCB liability is amortized over the vesting period and fair valued at each reporting date with the same Black-Scholes pricing model with adjustments recorded through profit and loss. The estimated ABCB liability at June 30, 2014 was $0.2 million (June 30, 2013 - $0.3 million).

Grant Date	FVBCB Units	ABCB Units	ABCB Units: Grant Price $CAD	ABCB Units: Exercisable	ABCB Units: Expiration Date	ABCB Units: Remaining Contractual Life - Years
June 4, 2012	41,667	145,000	4.80	108,750	June 4, 2017	2.9
Sept. 4, 2012	3,333	10,000	5.65	7,500	Sept. 4, 2017	3.2
Oct. 5, 2012	6,667	30,000	5.63	22,500	Oct. 5, 2017	3.3
Dec. 1, 2012	1,200	3,600	4.80	2,700	Dec. 1, 2017	3.4
Dec. 24, 2012	100,000	180,000	3.50	90,000	Dec. 24, 2018	4.5
	152,867	368,600		231,450		

For the three and six months ended June 30, 2014, the Company recorded restricted cash bonus expense of $12 thousand and $55 thousand, respectively (June 30, 2013 – ($43) thousand and $170 thousand, respectively).

Share-based payments reserve	
(US$000's)	Amount
Balance December 31, 2013	4,847
Stock options share-based payments	262
Balance June 30, 2014	5,109

12. DIVIDENDS, INTEREST INCOME AND INTEREST EXPENSE

	Three Months Ended June 30,		Six Months Ended June 30,	
(US$000's)	2014	2013	2014	2013
Dividend income	-	-	-	(11)
Interest income	-	-	-	(12)
Interest expense – long term debt [1]	1,471	-	2,279	-
Interest expense – convertible debentures[1]	790	779	1,552	1,561
	2,261	779	3,831	1,538

(1) Interest expense includes accretion of debentures and long term loan transaction costs.

13. SUPPLEMENTAL CASH FLOW INFORMATION

Changes in non-cash working capital items related to operating activities:

	Three Months Ended June 30,		Six Months Ended June 30,	
(US$000's)	2014	2013	2014	2013
Receivables from related parties	(467)	(273)	(886)	1,532
Other receivable	1	(38)	4	(38)
Prepaid expenses and deposits	28	(27)	36	(34)
Accounts payable and accrued liabilities	149	105	71	(199)
	(289)	(233)	(775)	1,261

Changes in non-cash working capital items related to financing activities:

	Three Months Ended June 30,		Six Months Ended June 30,	
(US$000's)	2014	2013	2014	2013
Accounts payable and accrued liabilities	69	223	-	223
	69	223	-	223

14. COMMITMENTS AND CONTINGENCIES

The following is a summary of the Company's contractual obligations and commitments as of March 31, 2014:

(US$000's)	**2014**	**2015**	**Thereafter**
Operating leases (1)	42	83	-
Long term loans – interest payments (2)	2,168	4,300	
Debentures – interest payments (3)	1,001	2,001	3,002
	3,211	6,384	3,002

(1) The Corporation has extended its lease of office space for its corporate headquarters in the United States through December 2015.
(2) Represents interest on $25 million long term loan at June 30, 2014.
(3) The coupon interest payments are denominated in Canadian Dollars. The USD value of the scheduled interest payments has been calculated at the June 30, 2014 exchange rate of 1.067 USD/CAD.

The commitments of the Corporation include a $10 million loan commitment to Bahar Energy for the funding of the deficit cash flows associated with the 2014 Bahar Annual Work Program and Budget ("**WP&B**"), which is subject to change. As of June 30, 2014 the Company has funded $8.8 million and expects the remaining funding under this commitment to be minimal for the remainder of the year due to downward revisions to the WP&B.

The Company's commitments to fund the Bahar Project are based on the annual WP&B approved by the board of Bahar Energy. Greenfields' management, through their participation at the project Steering Committee, Management Committee and Bahar Energy board of directors, provides significant input and technical guidance to the proposed annual work plan. Proposed budgets are reviewed and approved by the Management Committee (comprised of representatives from Bahar Energy and SOCAR), Bahar

Energy board of directors and Greenfields board of directors. Budget approval by Bahar Energy must be unanimous. Failing unanimity on a work program and budget, the proposal capable of satisfying the minimum work and production obligations under the ERDPSA for the calendar year in question that receives the highest percentage vote is deemed approved. Greenfields' President and Chief Executive Officer currently serves as the Bahar Energy representative to the Steering Committee under the ERDPSA and to the Management Committee for BEOC. The latter has the authority under a Joint Operating Agreement to exercise day to day supervision and direction of all matters pertaining to the joint operations.

15. FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT

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

a) Credit risk

Credit risk is the risk of financial loss to the Company if counterparty to a financial instrument fails to meet its contractual obligations and arises principally from the Company's receivables from subsidiaries and affiliates for services performed under certain administrative services agreements and from advances made under certain joint venture agreements.

The Company's current accounts receivable balances mainly consist of receivables from related parties as result of the funding of administrative expenses and costs in connection with Bahar Energy operations under the ERDPSA, and management fees for administrative and technical support provided to an entity the Company has an equity interest. The Company historically has not experienced any collection issues with its accounts receivable and all of the balances due are considered by management to be collectable at June 30, 2014. See *Note 4 – Related Party Transactions*.

Cash and cash equivalents consist of bank deposits and short term money market investments held in major United States banks. 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. Cash held in bank accounts are exposed to the risk of bank failure. That risk is mitigated by keeping accounts in only the largest and most reputable financial institutions.

The Company's maximum exposure to credit risk at the statement of financial position date is as follows:

Credit risk *(US$000's)*	June 30, 2014	December 31, 2013
Cash and cash equivalents	4,910	3,068
Receivables from related parties	1,253	367
Other receivable	7	11
	6,170	3,446

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 obligations when due, under both normal and unusual conditions without incurring unacceptable costs, relinquishment of properties or risking harm to the Company's reputation.

The Company prepares annual and interim period 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 may raise debt and capital through the issuance of shares

The Company's financial liabilities as at June 30, 2014 and December 31, 2013 arose primarily from corporate obligations related to the management of its participation in the Bahar Energy joint venture. Payment terms on the Company's accounts payable and accrued liabilities are typically 30 to 60 days from invoice date and generally do not bear interest.

The following table summarizes the remaining contractual maturities of the Company's financial liabilities:

Liquidity Risk	June 30, 2014				December 31, 2013
(US$000's)	Within 1 year	Within 1 – 3 years	Over 3 years	Total	Total
Accounts payable and accrued liabilities	613	1,190	-	1,803	2,230
Long term loans – interest	2,168	4,300	-	6,468	2,000
Long term loans	-	25,000	-	25,000	5,000
Debentures - interest (1)	1,001	5,003	-	6,004	7,027
Debentures	-	-	22,236	22,236	22,307
	3,782	35,493	22,236	61,511	38,564

(1) The coupon interest payments are denominated in Canadian Dollars. The USD value of the scheduled interest payments through maturity of the Debentures has been calculated at the June 30, 2014 exchange rate of 1.067 USD/CAD. Interest payable with maturity within 1 year includes the accrual of $167 thousand towards the next coupon interest payment due by 11/30/2014. For Liquidity Risk presentation purposes, the accounts payable and accrued liabilities, as shown above, are net of $167 thousand in accrued debentures interest.

c) Currency risk

Foreign currency risk is the risk that the fair value of 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 almost all of its excess cash in United States dollars.

At June 30, 2014 and December 31, 2013 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. Commodity prices for petroleum and natural gas are affected by the international economy that governs the level of supply and demand.

At June 30, 2014 and December 31, 2013, the Company has no outstanding financial instruments, financial derivatives or physical delivery contracts subject to commodity price risk. Purchases and sales of financial assets are recognized on the settlement date, the date on which the Company receives or delivers the asset.

e) Interest rate risk

Interest rate risk arises from changes in market interest rates that may affect the fair value or future cash flows from the Company's financial assets or liabilities. The Company mitigates its exposure to interest rate changes by holding fixed rate debt.

At June 30, 2014, the sensitivity in net earnings for each one percent change in interest rates is not significant.

Fair value of financial instruments

The fair values of financial instruments as at June 30, 2014 and December 31, 2013 are disclosed below by financial instrument category as follows:

		June 30, 2014		December 31, 2013	
(US$000's)	Level	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Assets at FVTPL					
Cash and cash equivalents	1	4,910	4,910	3,068	3,068
Loans and receivables					
Receivables from related party (a)	-	1,253	1,253	367	367
Other receivables	-	7	7	11	11
Other financial liabilities					
Accounts payable and accrued liabilities	-	780	780	1,676	1,676
Long term loans	-	21,519	21,519	2,739	2,739
Convertible debentures	-	18,274	18,274	18,284	18,284
Liabilities at FVTPL					
Share based bonus	2	1,190	1,190	737	737
Derivative liability	2	784	784	1,332	1,332

a. Balances consist of receivables from Bahar Energy resulting from amounts invoiced on "Affiliate Service Orders" ("ASO"), Personnel Secondment Agreements and other direct services provided to Bahar Energy Operating Company Ltd. ("BEOC").

Fair Value Hierarchy
Level 1 – Fair value measurement is determined by reference to unadjusted quoted prices in active markets for identical assets or liabilities.
Level 2 – Fair value measurement is based on inputs other than unadjusted quoted prices that are observable, either directly or indirectly.

16. CAPITAL STRUCTURE AND MANAGEMENT

The Company considers its capital structure to include common share capital and working capital (a measurement defined as current assets less current liabilities). In order to maintain or adjust the capital structure, the Company may from time to time issue common shares or other securities, sell assets, issue debt or adjust its operating or capital spending to manage current and projected working capital levels. *See Note 2 – Basis of Presentation and Going Concern.*

Composition of the Company's capital structure *(US$000's)*	June 30, 2014	December 31, 2013
Working capital	4,865	1,734
Long term loans, convertible debt and shareholders' equity	63,802	46,924
Ratios of working capital to long term loan, convertible debt and shareholders' equity	8%	4%

17. SUBSEQUENT EVENTS

Issuing of Common Shares

On July 2, 2014 the Company completed the award of 410,000 common shares ("**Common Shares**") for certain officers and a director of the Company ("**Grantees**") pursuant to existing agreements with the Grantees. The Common Shares vest in two tranches, with 50% of the Common Shares vesting on July 1, 2014 and the remaining 50% of the Common Shares vesting on July 1, 2015. The deemed price of the Common Shares vested on July 1, 2014 was CAD$3.00.

Closing of Loan Agreement

On July 2, 2014 the Company closed on a US$21 million loan facility ("**Loan**") with an arm's length third party (the "**Lender**") arranged through Meridian SEZC. Pursuant to the terms of the Loan, the Company is entitled to draw up to an aggregate of US$21 million as needed for the purposes of operations to meet obligations under the Bahar Energy Limited shareholders agreement. The Loan pays a 0.15% commitment fee and will mature on June 30, 2018. In addition, the amounts drawn by the Company bear interest at a rate of 12% per annum.

Funding the Default of Baghlan Energy Limited

On July 16, 2014 the Company drew US$16.5 million of the US$21 million available loan facility to enable Greenfields Petroleum International Company Ltd. ("**GPIC**"), a wholly-owned subsidiary of the Company, to fund the defaulted obligations of Baghlan Energy Limited **("Baghlan")**, the other shareholder of Bahar Energy Limited. With the funding of defaulted obligations, GPIC provides protection to the interest of Bahar Energy in the ERDPSA and ensures the Bahar Project has adequate working capital for operations. All transaction and financing costs resulting from using loan facility funds are subject to reimbursement by the defaulting partner. GPIC expects the remaining balance of the loan facility will also be drawn down to address Baghlan's additional 2014 funding defaults. (*See Defaulting Shareholder paragraph in Note 6 – Investment in Joint Venture)*