

*A copy of this amended and restated preliminary short form prospectus has been filed with the securities regulatory authorities in each of the provinces of Canada, other than Québec but has not yet become final for the purpose of the sale of securities. Information contained in this amended and restated preliminary short form prospectus may not be complete and may have to be amended. The securities may not be sold until a receipt for the amended and restated short form prospectus is obtained from the securities regulatory authorities.*

*No securities regulatory authority has expressed an opinion about these securities and it is an offence to claim otherwise. This amended and restated short form prospectus constitutes a public offering of these securities only in those jurisdictions where they may be lawfully offered for sale and therein only by persons permitted to sell such securities. The securities offered hereby have not been, and will not be, registered under the United States Securities Act of 1933, as amended (the “U.S. Securities Act”), or the securities laws of any state of the United States and may not be offered, sold or delivered in the United States of America, its territories, its possessions and other areas subject to its jurisdiction (collectively, the “United States”), except in transactions exempt from the registration requirements of the U.S. Securities Act and applicable state securities laws. This amended and restated short form prospectus does not constitute an offer to sell or a solicitation of an offer to buy any of the securities offered hereby within the United States. See “Plan of Distribution”.*

*Information has been incorporated by reference in this amended and restated short form prospectus from documents filed with securities commissions or similar authorities in Canada. Copies of the documents incorporated herein by reference may be obtained on request without charge from the Senior Vice President, Treasurer and Chief Financial Officer of Greenfields Petroleum Corporation, at Suite 227, 211 Highland Cross Dr., Houston, Texas, 77073, United States, telephone (832) 234-0800, and are also available electronically at [www.sedar.com](http://www.sedar.com).*

**AMENDED AND RESTATED PRELIMINARY SHORT FORM PROSPECTUS DATED MAY 8, 2012  
AMENDING AND RESTATING THE PRELIMINARY SHORT FORM PROSPECTUS  
DATED MAY 7, 2012**

New Issue

May 8, 2012



**\$20,000,000**  
**9.0% Convertible Unsecured Subordinated Debentures due May 31, 2017**

---

Price:  
\$1,000 per Debenture

---

Greenfields Petroleum Corporation (“**Greenfields**” or the “**Corporation**”) is hereby qualifying for distribution \$20,000,000 aggregate principal amount of 9.0% convertible unsecured subordinated debentures (the “**Debentures**”) maturing on May 31, 2017 (the “**Maturity Date**”) at a price of \$1,000 per Debenture (the “**Offering**”). The Debentures will bear interest at an annual rate of 9.0% payable semi-annually in arrears on May 31<sup>st</sup> and November 30<sup>th</sup> of each year (each, an “**Interest Payment Date**”), commencing November 30, 2012. The November 30, 2012 interest payment will represent accrued interest for the period from, and including, the closing of the Offering up to, but excluding, November 30, 2012.

**Debenture Conversion Privilege**

Each Debenture will be convertible into common shares in the capital of the Corporation (“**Common Share**”) at the option of the holder at any time prior to the close of business on the earlier of: (i) the business day immediately preceding the Maturity Date; (ii) if called for redemption, on the business day immediately preceding the date specified by the Corporation for redemption of the Debentures; or (iii) if called for repurchase pursuant to a Change of Control (as defined herein), on the business day immediately preceding the payment date, at a conversion price of \$8.55 per Common Share (the “**Conversion Price**”), being a conversion rate of approximately 117 Common Shares per \$1,000 principal amount of Debentures, subject to adjustment in certain circumstances as described in the Indenture (as defined herein). Holders converting their Debentures will receive accrued and unpaid interest thereon from the last Interest Payment Date on their Debentures prior to the date of conversion, to the date that is one day prior to the date of conversion. Further particulars concerning the conversion privilege, including provisions for the adjustment of the conversion price, are set out under “*Detail of Debentures*”.

The issued and outstanding Common Shares are listed and posted for trading on the TSX Venture Exchange (the “**TSXV**”) under the symbol “**GNF**”. On May 7, 2012, the last trading day prior to the date of this amended and restated short form prospectus (“**short form prospectus**”), the closing price of the Common Shares on the TSXV was \$6.25 per Common Share. The Corporation has applied to list the Debentures distributed under this short form prospectus and the Common Shares issuable upon conversion, redemption or maturity thereof on the TSXV. Listing is subject to the Corporation fulfilling all of the requirements of the TSXV.

**There is currently no market through which the Debentures may be sold and purchasers may not be able to resell the Debentures purchased under this short form prospectus. No assurance can be given that an active or liquid trading market for the Debentures will develop or be sustained. If an active or liquid trading market for the Debentures does not develop or is not sustained, this may affect the price of the Debentures in the secondary market, the transparency and availability of trading prices, the liquidity of the Debentures and the extent of the issuer regulation. See “Risk Factors”.**

The offering price of \$1,000 per Debenture (the “**Issue Price**”) and the terms of the Offering were determined by negotiation among the Corporation and FirstEnergy Capital Corp. (“**FirstEnergy**”) and CIBC World Markets Inc. (“**CIBC**”, and together with FirstEnergy, the “**Co-Lead Underwriters**”), on their own behalf and on behalf of Casimir Capital Ltd., Stonecap Securities Inc., Cormark Securities Inc., Haywood Securities Inc. and Raymond James Ltd. (together with the Co-Lead Underwriters, the “**Underwriters**”). See “*Plan of Distribution*”.

|                      | <u>Price to Public</u> | <u>Underwriters’ Fee <sup>(2)</sup></u> | <u>Net Proceeds to the Corporation <sup>(3)</sup></u> |
|----------------------|------------------------|---|---|
| Per Debenture        | \$1,000                | \$42.50                                 | \$957.50  |
| Total <sup>(1)</sup> | \$20,000,000           | \$850,000                               | \$19,150,000  |

**Notes:**

- (1) The Corporation has granted to the Underwriters an option (the “**Underwriters’ Option**”), exercisable in whole or in part at the sole discretion of the Underwriters, at any time up to 48 hours prior to the Closing Date (as defined herein), to purchase up to an additional 5,000 Debentures at the Issue Price (the “**Additional Debentures**”), on the same terms and conditions as the Offering. If the Underwriters’ Option is exercised in full, the total Offering, Underwriters’ Fee (as defined herein) and net proceeds to the Corporation (before deducting expenses of the Offering) will be \$25,000,000, \$1,062,500 and \$23,937,500, respectively. This short form prospectus also qualifies for distribution the grant of the Underwriters’ Option and the issuance of the Additional Debentures pursuant to the exercise of the Underwriters’ Option. See “*Plan of Distribution*” and the table below.
- (2) Upon closing of the Offering, the Corporation will pay the Underwriters a cash commission equal to 4.25% of the gross proceeds of the Offering (the “**Underwriters’ Fee**”). See “*Plan of Distribution*”.
- (3) Before deducting expenses of the Offering, estimated to be \$450,000, which will be paid from general funds of the Corporation.

The following table sets forth the number of Additional Debentures that may be issued by the Corporation pursuant to the Underwriters’ Option.

| <u>Underwriters’ Position</u> | <u>Maximum Size or Number of Securities Available</u> | <u>Exercise period</u>                               | <u>Exercise price</u> |
|-------------------------------|---|--|-----------------------|
| Underwriters’ Option          | 5,000 Debentures                                      | At any time up to 48 hours prior to the Closing Date | \$1,000 per Debenture |

In the opinion of McCarthy Tétrault LLP, counsel to Greenfields, and Torys LLP, counsel to the Underwriters, on the basis of the applicable legislation in effect on the date hereof, and subject to the qualifications and assumptions discussed under the heading “*Eligibility For Investment*”, provided the Debentures are listed on a designated stock exchange in Canada (which includes the TSXV) at a particular time, the Debentures will be qualified investments under the *Income Tax Act* (Canada) and the regulations thereunder (the “**Tax Act**”) at such time for trusts governed by registered retirement savings plans, registered retirement income funds, deferred profit sharing plans, registered disability savings plans, tax-free savings accounts and registered education savings plans (each, a “**Registered Plan**”).

The Debentures will not be redeemable by the Corporation prior to May 31, 2015. On or after June 1, 2015, and prior to the Maturity Date, the Debentures will be redeemable by the Corporation, 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 Corporation’s sole option on not more than 60 days and not less than 40 days prior notice, provided that the Current Market Price (as defined herein) on the date on which notice of redemption is given is not less than 125% of the Conversion Price. In the event that a

holder of Debentures exercises their conversion right following a notice of redemption by the Corporation, such holder shall be entitled to receive accrued and unpaid interest, in addition to the applicable number of Common Shares to be received on conversion, for the period from the latest Interest Payment Date to the date of conversion.

Subject to required regulatory approval and provided that there is not a current Event of Default (as defined in the Indenture and summarized herein), the Corporation has the option to satisfy its obligation to repay the principal amount of the Debentures, due at redemption or maturity, upon not less than 40 days and not more than 60 days prior notice, by issuing and delivering that number of freely tradeable Common Shares obtained by dividing the principal amount of the Debentures by 95% of the Current Market Price on the date of redemption or maturity, as applicable. Further particulars concerning the interest, repurchase and maturity provisions of the Debentures are set out under “*Details of the Debentures*” below.

The Underwriters will, as principals, conditionally offer the Debentures, subject to prior sale, if, as and when issued by the Corporation and delivered and accepted by the Underwriters in accordance with the conditions contained in the Underwriting Agreement referred to under “*Plan of Distribution*” and subject to approval of certain legal matters relating to the Offering on behalf of the Corporation by McCarthy Tétrault LLP and on behalf of the Underwriters by Torys LLP.

**The Underwriters propose to offer the Debentures initially at the Issue Price specified above. After a reasonable effort has been made to sell all of the Debentures at such Issue Price, the Underwriters may subsequently reduce the selling price to investors from time to time in order to sell any of the Debentures remaining unsold. Any such reduction will not affect the proceeds received by the Corporation. See “*Plan of Distribution*”.**

**An investment in the securities offered hereunder should be considered highly speculative due to various factors, including the nature of Greenfields’ business. Greenfields’ business is subject to the risks normally encountered in the oil and natural gas industry such as the marketability of oil and natural gas, competition with companies having greater resources than Greenfields, acquisition, exploration and production risks, need for capital, fluctuations in the market price and demand for oil and natural gas and the regulation of the oil and natural gas industry by various levels of government. The oil and natural gas reserves and recovery information incorporated by reference in this short form prospectus are estimates only and the actual production and ultimate reserves recovered from Greenfields’ properties may be greater or less than the estimates contained in this short form prospectus. The success of acquisitions and further exploration or development projects cannot be assured. Investors must rely upon the ability, expertise, judgment, discretion, integrity and good faith of the management of Greenfields. Prospective investors should carefully consider and evaluate the risk factors described in this short form prospectus under “*Risk Factors*” and “*Cautionary Statement Regarding Forward-Looking Statements*”, as well as the risk factors contained in the AIF (as defined herein), which is incorporated by reference in this short form prospectus.**

Greenfields is not offering the Debentures in any jurisdiction in which the Offering is not permitted.

Investors should not assume that the information contained in this short form prospectus is accurate as of any date other than the date of this short form prospectus. Subject to Greenfields’ obligations under applicable Canadian securities laws, the information contained in this short form prospectus is accurate only as of the date of this short form prospectus regardless of the time of delivery of this short form prospectus or of any sale of the Debentures.

Subscriptions for Debentures will be received subject to rejection or allotment, in whole or in part, by the Underwriters and the Underwriters reserve the right to close the subscription books at any time without notice. It is expected that closing of the Offering will occur on or about May 30, 2012, or such other date as may be agreed between the Corporation and the Underwriters, but in any event not later than 42 days following the date of the receipt for this short form prospectus (the “**Closing Date**”). The Debentures will be represented by one or more global certificates issued in registered form to CDS Clearing and Depository Services Inc. (“**CDS**”) or its nominee under the book-based system administered by CDS. No certificates evidencing the Debentures will be issued to subscribers except to U.S. subscribers and in certain other limited circumstances, and registration will be made in the depository service of CDS. Subscribers for the Debentures will receive only a customer confirmation from the Underwriter or

other registered dealer who is a CDS participant and from or through whom a beneficial interest in the Debentures is purchased. See “*Details of the Debentures*”.

**The earnings coverage ratio in respect of the Debentures for the 12 month period ended December 31, 2011 is less than one to one. See “*Earnings Coverage Ratio*”.**

Greenfields is incorporated, continued or otherwise organized under the laws of a foreign jurisdiction or resides outside of Canada. Although the Corporation has appointed McCarthy Tétrault LLP as its agent for services of process in Canada it may not be possible for investors to enforce judgments obtained in Canada against the Corporation.

The registered office of Greenfields is located at Walker House, 87 Mary Street, George Town, Grand Cayman, KY1-9005, Cayman Islands and its head and principal office is located at Suite 227, 211 Highland Cross Dr., Houston, Texas, 77073, United States.

## TABLE OF CONTENTS

|  |    |
|--|----|
| DEFINITIONS.....   | 1  |
| SELECTED ABBREVIATIONS AND CONVERSIONS.....                    | 3  |
| CONVERSION.....  | 3  |
| BARREL OF OIL EQUIVALENCY.....                                 | 3  |
| NOTE TO READERS.....   | 3  |
| IFRS MATTERS.....  | 4  |
| DOCUMENTS INCORPORATED BY REFERENCE.....                       | 4  |
| CAUTIONARY STATEMENT REGARDING FORWARD-LOOKING STATEMENTS..... | 5  |
| SUMMARY OF THE OFFERING.....                                   | 8  |
| SUMMARY OF THE DEBENTURES.....                                 | 8  |
| GREENFIELDS PETROLEUM CORPORATION.....                         | 11 |
| DETAILS OF THE DEBENTURES.....                                 | 11 |
| CAPITALIZATION OF GREENFIELDS.....                             | 24 |
| EARNINGS COVERAGE RATIO.....                                   | 24 |
| DESCRIPTION OF SHARE CAPITAL.....                              | 25 |
| PRIOR SALES.....   | 26 |
| PRICE RANGE AND TRADING VOLUME OF SECURITIES.....              | 26 |
| USE OF PROCEEDS.....   | 27 |
| PLAN OF DISTRIBUTION.....                                      | 28 |
| CERTAIN CANADIAN FEDERAL INCOME TAX CONSIDERATIONS.....        | 30 |
| ELIGIBILITY FOR INVESTMENT.....                                | 34 |
| CERTAIN UNITED STATES FEDERAL INCOME TAX CONSIDERATIONS.....   | 34 |
| RISK FACTORS.....  | 38 |
| PROMOTERS.....   | 42 |
| LEGAL PROCEEDINGS.....   | 42 |
| AUDITOR, REGISTRAR AND TRANSFER AGENT OF GREENFIELDS.....      | 42 |

INTERESTS OF EXPERTS .....42

STATUTORY RIGHTS OF WITHDRAWAL AND RESCISSION.....43

INDEPENDENT AUDITOR’S CONSENT .....44

CERTIFICATE OF THE CORPORATION.....C-1

CERTIFICATE OF THE PROMOTERS .....C-2

CERTIFICATE OF THE UNDERWRITERS .....C-3

## DEFINITIONS

Unless the context indicates otherwise, the following terms and abbreviations shall have the meanings set out below when used in this short form prospectus. Additional terms relating to oil and natural gas reserves and operations have the meanings set forth under “*Abbreviations*” and “*Statement of Reserves Data and Other Oil and Gas Information*” in the AIF.

“**AIF**” means the annual information form of the Corporation dated April 30, 2012 and for the fiscal year ended December 31, 2011;

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

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

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

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

“**Co-Lead Underwriters**” mean FirstEnergy and CIBC;

“**CDS**” means CDS Clearing and Depository Services Inc;

“**Closing Date**” means May 30, 2012;

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

“**Conversion Price**” means \$8.55 per Common Share, being a conversion rate of approximately 117 Common Shares per \$1,000 principal amount of Debentures, subject to adjustment in certain circumstances as described in the Indenture;

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

“**Debenture**” or “**Debentures**” mean the debentures being qualified for distribution in this prospectus;

“**Debenture Trustee**” means Alliance Trust Company;

“**ERDPSA**” means the exploration, rehabilitation, development and production sharing agreement in respect of the Bahar Project, which includes the Bahar Gas Field and the Gum Deniz Oil Field, dated December 22, 2009, with an effective date of October 1, 2010, among Bahar Energy, SOCAR and SOA;

“**GAAP**” and “**IFRS**” means accounting principles generally accepted in Canada (GAAP) and International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board;

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

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

“**Indenture**” means the indenture to be entered into between the Corporation and the Debenture Trustee on the Closing Date;

“**Interest Payment Date**” means May 31<sup>st</sup> and November 30<sup>th</sup> of each year commencing on November 30, 2012;

“**Issue Price**” means \$1,000 per Debenture;

“**Maturity Date**” means May 31, 2017;

“**Registered Plan**” means registered retirement savings plans, registered retirement income funds, deferred profit sharing plans, registered disability savings plans, tax-free savings accounts and registered education savings plans;

“**SOA**” means SOCAR Oil Affiliate;

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

“**Tax Act**” means the *Income Tax Act* (Canada), as amended, including the regulations promulgated thereunder;

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

“**Underwriting Agreement**” means the underwriting agreement dated effective May 8, 2012, among Greenfields and the Underwriters.

In this short form prospectus, unless otherwise indicated, all dollar amounts are expressed in Canadian dollars and all references to “\$” are to Canadian dollars. For all dollar amounts expressed in United States dollars (US\$), the assumed exchange rate is one Canadian dollar to one United States dollar.

## SELECTED ABBREVIATIONS AND CONVERSIONS

In this short form prospectus, the abbreviations set forth below have the following meanings:

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

### Other

API American Petroleum Institute

## CONVERSION

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

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

## BARREL OF OIL EQUIVALENCY

The term boe may be misleading, particularly if used in isolation. A boe conversion ratio of six Mcf of natural gas per bbl of oil (6 Mcf: 1 bbl) is based on an energy equivalency conversion method primarily applicable at the burner tip and does not represent a value equivalency at the wellhead. Additionally, given the value ratio based on the current price of crude oil as compared to natural gas is significantly different from the energy equivalency of 6:1, utilizing a conversion ratio at 6:1 may be misleading as an indication of value.

## NOTE TO READERS

Readers should rely only on the information contained or incorporated by reference in this short form prospectus. The Corporation has not authorized any person to provide different information. If an investor is provided with different or inconsistent information, he or she should not rely on it. The Debentures and the Common Shares issuable upon conversion, redemption or maturity of the Debentures offered hereunder may be sold only in those jurisdictions where

offers and sales are permitted. This short form prospectus is not an offer to sell or a solicitation of any offer to buy the Debentures or the Common Shares issuable upon conversion, redemption or maturity of the Debentures in any jurisdiction where it is unlawful. The information contained in this short form prospectus is accurate only as of the date of this short form prospectus, regardless of the time of delivery of this short form prospectus or the time of any sale of the Debentures offered hereunder.

### IFRS MATTERS

The AIF statements incorporated by reference herein were prepared in accordance with GAAP. As a result of the adoption of IFRS as of January 1, 2011, changes to the Corporation's accounting policies that are applied in the recognition, measurement and disclosure of balance and transactions in the Corporation's financial statements were applied to the consolidated financial statements incorporated by reference herein. The consolidated financial statements for the year ended December 31, 2011 have been prepared in accordance with IFRS as published by the International Accounting Standards Board.

For more information on the Corporation's IFRS accounting policies, see "*Transition to International Financial Reporting Standards*" in the Corporation's management's discussion and analysis of financial condition and results of operations of Greenfields for the year ended December 31, 2011.

### DOCUMENTS INCORPORATED BY REFERENCE

**Information has been incorporated by reference in this short form prospectus from documents filed with securities commissions or similar authorities in Canada other than the Province of Québec.** Copies of the documents incorporated herein by reference may be obtained on request without charge from the Senior Vice President, Treasurer and Chief Financial Officer of the Corporation, at Suite 227, 211 Highland Cross Dr., Houston, Texas, 77073, United States., telephone (832) 234-0800. These documents are also available electronically on the System for Electronic Document Analysis and Retrieval (SEDAR), which can be accessed at [www.sedar.com](http://www.sedar.com).

The following documents, filed with the securities commissions or similar authorities in each of the provinces of Canada other than the Province of Québec, are specifically incorporated by reference in, and form an integral part of, this short form prospectus, provided that such documents are not incorporated by reference to the extent that their contents are modified or superseded by a statement contained in this short form prospectus or in any other subsequently filed document that is also incorporated by reference in this short form prospectus:

- (a) the AIF;
- (b) the audited consolidated statements of financial position of the Corporation as at December 31, 2011, December 31, 2010 and January 1, 2010 and the consolidated statements of net loss, consolidated statements of comprehensive loss, consolidated statements of changes in equity and consolidated statements of cash flows for the years ended December 31, 2011 and December 31, 2010, together with the notes thereto and the independent auditor's report thereon;
- (c) the management's discussion and analysis of financial condition and results of operations of the Corporation for the year ended December 31, 2011 ("**MD&A**"); and
- (d) the management's information circular of the Corporation dated July 13, 2011, relating to the annual general and special meeting of shareholders held on August 11, 2011.

Any documents of the type required by National Instrument 44-101 – *Short Form Prospectus Distributions* to be incorporated by reference in a short form prospectus, including any annual information form, annual financial statements and the independent auditor's report thereon, interim financial statements, management's discussion and analysis of financial condition and results of operations, material change report (except a confidential material change report), business acquisition report and information circular, filed by the Corporation with the securities commissions

or similar authorities in Canada subsequent to the date of this short form prospectus and before the termination of the distribution are deemed to be incorporated by reference in this short form prospectus.

**Any statement contained in this short form prospectus or in a document incorporated or deemed to be incorporated by reference herein will be deemed to be modified or superseded for purposes of this short form prospectus to the extent that a statement contained in this short form prospectus or in any other subsequently filed document which also is, or is deemed to be, incorporated by reference into this short form prospectus modifies or supersedes that statement. The modifying or superseding statement need not state that it has modified or superseded a prior statement or include any other information set forth in the document that it modifies or supersedes. The making of a modifying or superseding statement shall not be deemed an admission for any purposes that the modified or superseded statement, when made, constituted a misrepresentation, an untrue statement of a material fact or an omission to state a material fact that is required to be stated or that is necessary to make a statement not misleading in light of the circumstances in which it was made. Any statement so modified or superseded shall not be deemed, except as so modified or superseded, to constitute part of this short form prospectus.**

### CAUTIONARY STATEMENT REGARDING FORWARD-LOOKING STATEMENTS

Certain statements contained in this short form prospectus and in certain documents incorporated by reference into this short form prospectus constitute forward-looking statements. These statements relate to future events or Greenfields' future plans and performance. All statements other than statements of historical fact are forward-looking statements. The use of any of the words "seek", "anticipate", "continue", "estimate", "expect", "may", "will", "project", "should", "believe" and similar expressions are intended to identify forward-looking statements. These statements involve known and unknown risks, uncertainties and other factors that may cause actual results or events to differ materially from those anticipated in such forward-looking statements. Greenfields' believes the expectations reflected in those forward-looking statements are reasonable but no assurance can be given that these expectations will prove to be correct and such forward-looking statements included in, or incorporated by reference into, this short form prospectus should not be unduly relied upon.

In particular, this short form prospectus, and the documents incorporated by reference herein may contain forward-looking statements pertaining to the following:

- estimates generally, and the quality and the quantity of, and future net revenues derived from, the Corporation's reserves;
- crude oil and natural gas production levels;
- commodity prices, foreign currency exchange rates and interest rates;
- capital expenditure programs, drilling programs (including expansion of the Corporation's drilling inventory and acceleration of its drilling program) and other future expenditures;
- future production and productive capabilities;
- supply and demand for oil and natural gas;
- performance characteristics of the Corporation's owned property and assets;
- the Corporation's business strategy and planned acquisition and development strategy, including information regarding the Corporation's 2011 capital program;
- the Corporation's plans regarding the use of proceeds of the Offering;
- expectations regarding the Corporation's ability to raise capital and to continually add to reserves through acquisitions, exploration and development;
- estimated earnings coverage ratio;
- projections of market prices and costs;
- schedules for and timing of certain projects and the Corporation's strategy for growth;
- the Corporation's future operating and financial results;
- planned development of oil and gas properties;
- improvements in drilling techniques and execution and rig releases of new wells;

- future abandonment and reclamation costs;
- the Corporation's tax pools and the time at which Greenfields may incur certain income or other taxes;
- treatment under governmental and other regulatory regimes and tax, environmental and other laws;
- future income tax laws and royalty regimes;
- statements regarding the potential future market price of the Common Shares;
- dependence on personnel;
- operating risk liability; and
- the expected closing date of the Offering.

The Corporation's actual results could differ materially from those anticipated in these forward-looking statements and information as a result of both known and unknown risks, including risk factors set forth under "*Risk Factors*" in this short form prospectus and in the AIF and those set forth below:

- the Corporation's inability to raise sufficient proceeds in the future given its substantial capital requirements;
- the Corporation's drilling or completing wells that yield uneconomic reserves of hydrocarbons;
- the Corporation's inability to obtain drilling and completion services and equipment in sufficient time to meet expiration deadlines;
- uncertainties associated with the Corporation's operations in Azerbaijan, including political and legal framework instability;
- the classification of the Debentures as an equity interest for U.S. federal tax purposes resulting in U.S. withholding tax on payments of interest on the Debentures and any resultant obligation to gross-up or indemnify non-U.S. holders of Debentures;
- volatility in market prices for oil and natural gas;
- actions by governmental or regulatory authorities including changes in tax laws, royalty regimes and incentive programs relating to the oil and gas industry;
- changes or fluctuations in oil and natural gas production levels;
- changes in foreign currency exchange rates and interest rates;
- changes in capital and other expenditure requirements and debt service requirements;
- liabilities and unexpected events inherent in oil and gas operations, including geological, technical, drilling and processing risks;
- actions of industry partners;
- the Corporation's operational dependency on other companies;
- uncertainties associated with estimating reserves;
- the Corporation's ability to maintain effective internal controls over financial reporting of the Corporation's operations in Azerbaijan;
- competition for, among other things, capital, acquisitions of reserves, undeveloped lands and skilled personnel;
- incorrect assessments of the value of acquisitions;
- failure to realize the anticipated benefits of acquisitions;
- constraints on, or the unavailability of, adequate pipeline and transportation capacity to deliver the Corporation's production to market;
- the Corporation's success at the acquisition, exploitation and development of reserves;
- changes in the business focus of management of the Corporation and new opportunities available to the Corporation which change the Corporation's business plans or the planned use of proceeds of the Offering;
- changes in general economic, market (including credit market) and business conditions in Canada, the United States, Azerbaijan and worldwide;
- potential volatility in the market price for the Common Shares in the future;

- changes in environmental, regulatory or other legislation applicable to the Corporation's operations, and the Corporation's ability to comply with current and future environmental legislation and regulations and other laws and regulations; and
- other factors discussed under "*Risk Factors*" herein and in the AIF.

Statements relating to reserves are deemed to be forward-looking statements, as they involve the implied assessment, based on certain estimates and assumptions that the reserves described can be profitably produced in the future. Readers are cautioned that the foregoing list of factors is not exhaustive.

**Readers are cautioned that these factors and risks are difficult to predict. Accordingly, readers are cautioned that the actual results achieved will vary from the information provided herein and the variations may be material. Readers are also cautioned that the list of factors above and the risk factors set forth under the heading "*Risk Factors*" are not exhaustive. Before placing any reliance on any forward-looking statements to make decisions with respect to an investment in securities of Greenfields, prospective investors and others should carefully consider the factors identified above and other risks, uncertainties and potential changes that may cause actual results or events to differ materially from those anticipated in such forward-looking statements. In addition, the forward-looking statements contained in this short form prospectus or in any of the documents incorporated by reference herein are made as of the date of the respective document. Neither Greenfields, nor any of the Underwriters undertake any obligation to publicly update or to revise any forward-looking statements except as expressly required by applicable securities laws. The forward-looking statements contained in this short form prospectus and the documents incorporated by reference herein are expressly qualified by the cautionary statements contained herein.**

## SUMMARY OF THE OFFERING

This summary is qualified by, and should be read in conjunction with, the detailed information contained elsewhere in this short form prospectus. For a more complete description of the terms of the Debentures, and for the definitions of the capitalized terms used in this summary, see “*Details of the Offering*”.

## SUMMARY OF THE DEBENTURES

- Issue:** 20,000 Debentures, with the Underwriters’ Option entitling the Underwriters to purchase up to 5,000 Additional Debentures at any time up to 48 hours prior to the Closing Date.
- Amount of Offering:** \$20,000,000 (up to \$25,000,000 if the Underwriters’ Option is exercised in full).
- Price:** \$1,000 per Debenture.
- Maturity:** May 31, 2017.
- Interest:** 9.0% per annum, which will be payable semi-annually in arrears on May 31<sup>st</sup> and November 30<sup>th</sup> of each year, commencing on November 30, 2012. The first interest payment will include any interest accrued from (and including) the Closing Date up to (but excluding) November 30, 2012. It is estimated that the first interest payment, payable on November 30, 2012, will be \$45.25 per \$1,000 principal amount of Debentures. See “*Details of the Debentures*”.
- Rank and Subordination:** The Debentures will be direct, subordinated, unsecured obligations of the Corporation and will rank equally with one another and subordinate to all other existing and future senior secured and senior unsecured indebtedness of the Corporation, including all trade creditors, and will rank *pari passu* to all future subordinated unsecured indebtedness. The Indenture will not restrict the Corporation or its subsidiaries from incurring additional indebtedness or from mortgaging, pledging or charging its properties to secure any indebtedness or liabilities.
- The payment of the principal and premium, if any, of, and interest on, the Debentures will be subordinated in right of payment, as set forth in the Indenture, to the prior payment in full of all Senior Indebtedness (as defined in the Indenture and summarized herein) of the Corporation. The Debentures will also be effectively subordinated to claims of creditors of the Corporation except to the extent the Corporation is a creditor ranking at least *pari passu* with such other creditors.
- See “*Details of the Debentures – Rank and Subordination*”.
- Conversion:** Each Debenture will be convertible into fully paid and non-assessable freely tradeable Common Shares at the option of the holder thereof at any time prior to the close of business on the earlier of: (i) the business day immediately preceding the Maturity Date; (ii) if called for redemption, on the business day immediately preceding the date specified by the Corporation for redemption of the Debentures or (iii) if called for repurchase pursuant to a Change of Control, on the business day immediately preceding the payment date, at the Conversion Price of \$8.55 per Common Share, being a conversion rate of approximately 117 Common Shares per \$1,000 principal amount of Debentures, subject to adjustment as provided in the Indenture. Holders converting their Debentures will receive accrued and unpaid interest thereon up to, but excluding, the conversion date. See “*Details of the Debentures – Conversion Privilege*”.

- Redemption:** The Debentures shall not be redeemed by the Corporation prior to May 31, 2015. On and after June 1, 2015 and prior to the Maturity Date, the Debentures may be redeemed by the Corporation, in whole or in part from time to time, on not more than 60 days and not less than 40 days prior notice at a redemption price equal to their principal amount plus accrued and unpaid interest, if any, up to but excluding the date set for redemption, provided that the Current Market Price on the date on which notice of redemption is provided is at least 125% of the Conversion Price. In the event that a holder of Debentures exercises its conversion right following a notice of redemption by the Corporation, such holder shall be entitled to receive accrued and unpaid interest, in addition to the applicable number of Common Shares to be received on conversion, for the period from the latest Interest Payment Date to the date of conversion. See “*Details of the Debentures – Optional Redemption*”.
- Payment of Principal Amount in Common Shares:** The Corporation has the option, subject to regulatory approval, to satisfy its obligations to repay the principal amount of the Debentures upon redemption or at maturity, provided no Event of Default has occurred and is continuing at such time, upon not less than 40 days and not more than 60 days prior notice, by issuing and delivering that number of freely tradable Common Shares obtained by dividing the principal amount of the Debentures by 95% of the Current Market Price on the date fixed for redemption or maturity, as the case may be. See “*Details of the Debentures – Method of Payment*”.
- Change of Control:** Within 30 days following the occurrence of a Change of Control, Greenfields will be required to make an offer in writing to holders of the Debentures to repurchase the Debentures then outstanding at a price equal to 100% of the principal amount of the Debentures plus accrued and unpaid interest thereon.
- A “Change of Control” will be defined in the Indenture as the acquisition of voting control or direction over at least 50% of the aggregate voting rights attached to the Common Shares then outstanding by any person or group of persons acting jointly or in concert.
- Additionally, if a Change of Control occurs in which 10% or more of the consideration for the Common Shares in the transaction or transactions constituting a Change of Control consists of: (a) cash; (b) equity securities that are not traded or intended to be traded immediately following such transactions on a recognized stock exchange; or (c) other property that is not traded or intended to be traded immediately following such transactions on a recognized stock exchange, then, subject to regulatory approvals, during the period beginning ten trading days before the anticipated date on which the Change of Control becomes effective and ending 30 days after the Change of Control purchase offer is delivered, holders of Debentures will be entitled to convert their Debentures and, subject to certain limitations, receive, in addition to the number of Common Shares they would otherwise be entitled to receive, an additional number of Common Shares per \$1,000 principal amount of Debentures as set forth in a table in the Indenture and subject to stock exchange requirements.
- See “*Details of the Debentures – Change of Control*”.
- Events of Default:** The Indenture will provide that an Event of Default in respect of the Debentures will occur if any one or more of the following described events has occurred and is continuing with respect of the Debentures: (a) failure for 30 days to pay interest on the Debentures when due; (b) failure to pay principal or premium (whether by way of payment of cash or delivery of Common Shares), if any, on the Debentures when due, whether at maturity, upon redemption, on a Change of Control, by declaration or otherwise; (c) default in the delivery, when due, of any Common Shares or other consideration, including any make whole premium, payable

upon conversion with respect to the Debentures, which default continues for 15 days; (d) default in the observance or performance of any other covenant or condition of the Indenture and the failure to cure (or obtain a waiver for) such default for a period of 30 days after notice in writing has been given by the Debenture Trustee (as defined herein) or from holders of not less than 25% in aggregate principal amount of the Debentures to the Corporation specifying such default and requiring the Corporation to rectify or obtain a waiver for same; and (e) certain events of bankruptcy, insolvency or reorganization of the Corporation under bankruptcy or insolvency laws. An Event of Default shall also be deemed to occur with respect to the Debentures in the event any indebtedness in excess of \$10,000,000 of the Corporation is declared due and payable prior to the date on which it would otherwise become due and payable, unless such default is cured or waived pursuant to the terms of the indebtedness. See “*Details of the Debentures – Events of Default*”.

- Form and Denomination:** The Debentures will be issued in minimum denominations of \$1,000 and any integral multiples thereof.
- Global Debentures:** Except for U.S. subscribers who will receive physical certificates and in certain other limited circumstances, the Debentures will be issued in “book-entry only” form (a “**Global Debenture**”) and must be purchased or transferred through a participant in the depository service of CDS (a “**Participant**”). On the Closing Date the Debenture Trustee will cause the Debentures to be delivered to CDS and registered in the name of its nominee. The Debentures will be evidenced by one or more book-entry only global certificates. Registration of interests in and transfers of the Debentures will be made only through the depository service of CDS. See “*Details of the Debentures – Global Debentures*”.
- Governing Law:** The Debentures and the Indenture under which the Debentures will be issued will be governed by the laws of the Province of Alberta.
- Risk Factors:** See “*Risk Factors*” and the other information included in or incorporated by reference in this short form prospectus for a discussion of the factors that should be carefully considered before making a decision to invest in the Debentures.

## GREENFIELDS PETROLEUM CORPORATION

### General

Greenfields is a junior oil and natural gas corporation focused on the development and production of proven oil and gas reserves principally in Azerbaijan. The Board and management are experienced in financing and operating international oil and gas companies. The Corporation's business plan is to expand its oil and gas assets through further farm-ins and acquisitions of production sharing agreements from and with foreign governments of previously discovered but undeveloped international oil and gas fields, also known as "greenfields".

The Corporation's primary focus is Azerbaijan. On December 22, 2009, Bahar Energy, in which the Corporation owns a 33.33% interest through its wholly-owned subsidiaries, entered into the ERDPSA with SOCAR and its affiliate SOA in respect of the offshore block known as the Bahar Project, consisting of the Bahar Gas Field and the Gum Deniz Oil Field. Bahar Energy has an 80% participating interest and SOA has a 20% participating interest in the ERDPSA. On April 27, 2010, the Azerbaijan Parliament, also referred to as Milli Mejlis, ratified the ERDPSA. The ERDPSA became effective on October 1, 2010 and has the force of law in accordance with the existing legislation of Azerbaijan, a feature that management of the Corporation believes will provide greater protection from changes in local law than enjoyed by other production sharing agreements in Azerbaijan that do not share that feature.

### Business of Greenfields

The business of Greenfields is described in the AIF. The AIF is incorporated by reference in this short form prospectus.

## DETAILS OF THE DEBENTURES

The Debentures offered hereby will be created and issued under the Indenture. After execution, the Indenture will be available for inspection at the offices of the Corporation and will be filed on SEDAR at [www.sedar.com](http://www.sedar.com).

The Offering consists of 20,000 Debentures at a price of \$1,000 per Debenture. In addition, the Corporation has granted to the Underwriters the Underwriters' Option, exercisable, in whole or in part at the sole discretion of the Underwriters, at any time up to 48 hours prior to the Closing Date, to purchase up to 5,000 Additional Debentures at the Issue Price, on the same terms and conditions as the Offering.

The Debentures are limited to \$25,000,000 aggregate principal amount, including the exercise in full of the Underwriters' Option. The Debentures will be issued in denominations of \$1,000 or in integral multiples thereof. The Debentures will be dated as of the Closing Date and unless previously converted, redeemed or purchased, as described below, the Debentures will mature on May 31, 2017. The principal amount of the Debentures is payable at maturity in cash or, at the Corporation's option and subject to satisfaction of certain conditions, by delivery of freely tradeable Common Shares or a combination of cash and freely tradeable Common Shares as further described below under "*Method of Payment*". The Debentures will be payable at the principal corporate trust office of the Debenture Trustee.

The Debentures will bear interest from the date of issue at 9.0% per annum, which will be payable semi-annually in arrears on May 31<sup>st</sup> and November 30<sup>th</sup> of each year, commencing on November 30, 2012, to holders of record at the close of business on the preceding May 15 or the preceding November 15, respectively (or the first business day prior to such date if not a business day). The first interest payment will include any interest accrued from (and including) the Closing Date to (but excluding) November 30, 2012. It is estimated that the first interest payment, payable on November 30, 2012, will be \$45.25 per \$1,000 principal amount of Debentures. Each payment of cash interest on the Debentures will include any interest accrued for the period commencing on and including the immediately preceding Interest Payment Date (or, if none, the initial issuance date of the Debentures) through and including the day before the applicable Interest Payment Date (or redemption or purchase date, as the case may be). Any payment required to be made on any day that is not a business day will be made on the next succeeding business day. Interest for all periods shall be computed on the basis of a 360 day year comprised of twelve 30 day months.

## Rank and Subordination

The Debentures will be direct, subordinated, unsecured obligations of the Corporation and will rank equally with one another and subordinate to all other existing and future senior secured and senior unsecured indebtedness of the Corporation, including all trade creditors, and will rank *pari passu* to all future subordinated unsecured indebtedness, except as prescribed by law as described below. The Indenture will not restrict the Corporation or its subsidiaries from incurring additional indebtedness or from mortgaging, pledging or charging its properties to secure any indebtedness or liabilities.

The payment of the principal and premium, if any, of, and interest on, the Debentures will be subordinated in right of payment, as set forth in the Indenture, to the prior payment in full of all Senior Indebtedness of the Corporation. “**Senior Indebtedness**” of the Corporation will be defined in the Indenture but will include all obligations, liabilities and indebtedness of the Corporation and its subsidiaries which would, in accordance with GAAP, be classified upon a consolidated statement of financial position of the Corporation as liabilities of the Corporation and its subsidiaries and, whether or not so classified, shall include (without duplication): (a) indebtedness of the Corporation and its subsidiaries for borrowed money; (b) obligations of the Corporation and its subsidiaries evidenced by bonds, debentures, notes or other similar instruments; (c) obligations of the Corporation and its subsidiaries arising pursuant to or in relation to bankers’ acceptances, letters of credit and letters of guarantee (including payment and reimbursement obligations in respect thereof) or indemnities issued in connection therewith; (d) obligations of the Corporation and its subsidiaries under any swap, hedging or other similar contracts or arrangements; (e) obligations of the Corporation and its subsidiaries under Guarantees (as defined in the Indenture), indemnities, assurances, legally binding comfort letters or other contingent obligations relating to Senior Indebtedness or other obligations of any other person which would otherwise constitute Senior Indebtedness within the meaning of this definition; (f) all indebtedness of the Corporation and its subsidiaries representing deferred purchase price of any property including, without limitation, purchase money mortgages; (g) accounts payable to trade creditors; (h) all renewals, extensions and refinancing of any of the foregoing; and (i) all costs and expenses incurred by or on behalf of the holder of any Senior Indebtedness in enforcing payment or collection of any such Senior Indebtedness, including enforcing any security interest securing the same; provided that Senior Indebtedness will not include any indebtedness that would otherwise be Senior Indebtedness if it is expressly stated to be subordinate and rank *pari passu* with the Debentures.

The Indenture will provide that in the event of any insolvency or bankruptcy proceedings, or any receivership, liquidation, reorganization or other similar proceedings relative to the Corporation, or to its property or assets, or in the event of any proceedings for voluntary liquidation, dissolution or other winding-up of the Corporation, whether or not involving insolvency or bankruptcy, or any marshalling of the assets and liabilities of the Corporation, then holders of Senior Indebtedness will receive payment in full before the holders of Debentures will be entitled to receive any payment or distribution of any kind or character, whether in cash, property or securities, which may be payable or deliverable in any such event in respect of any of the Debentures or any unpaid interest accrued thereon. The Indenture will also provide that the Corporation will not make any payment, and the holders of the Debentures will not be entitled to demand, institute proceedings for the collection of, or receive any payment or benefit (including, without any limitation, by set-off, combination of accounts or realization of security or otherwise in any manner whatsoever) on account of indebtedness represented by the Debentures (a) in a manner inconsistent with the terms (as they exist on the date of issue) of the Debentures or (b) at any time when a default or an event of default has occurred under the Senior Indebtedness and is continuing or upon the acceleration of certain Senior Indebtedness and the notice of such default, event of default or acceleration has been given by or on behalf of holders of Senior Indebtedness to the Corporation, unless the Senior Indebtedness has been repaid in full as defined in the Indenture.

The Debenture Trustee and the Corporation will also be authorized (and will be obligated upon any request from certain holders of Senior Indebtedness) under the Indenture to enter into subordination agreements on behalf of the holders of Debentures with any holder of Senior Indebtedness.

## Optional Redemption

The Debentures are not redeemable by the Corporation prior to May 31, 2015. On and after June 1, 2015 and at any time prior to the Maturity Date, the Debentures may be redeemed at the option of the Corporation, in whole or in part from time to time, on not more than 60 days and not less than 40 days prior notice at a redemption price equal to 125% of their principal amount plus any accrued and unpaid interest thereon up to (but excluding) the date set for redemption, provided that the Current Market Price is at least 125% of the Conversion Price. “**Current Market Price**” will be defined in the Indenture but means, generally, the volume weighted average trading price of the Common Shares on the TSXV, if the Common Shares are listed on the TSXV, for the twenty consecutive trading days ending five trading days before the applicable date. If the Common Shares are not listed on the TSXV, reference shall be made for the purpose of the above calculation to the principal securities exchange or market on which the Common Shares are listed or quoted or if no such prices are available, then the current market price shall be the fair value of a Common Share as reasonably determined by the Board.

In the case of redemption of less than all of the Debentures, the Debentures to be redeemed will be selected by the Debenture Trustee on a *pro rata* basis or in such other manner as the Debenture Trustee deems equitable, subject to regulatory approvals.

In the event that a holder of Debentures exercises its conversion privilege following a notice of redemption by the Corporation and during the period from the close of business on any regular record date to the opening of business on the next succeeding Interest Payment Date, such holder shall be entitled to receive any accrued and unpaid interest in addition to the applicable number of Common Shares, for the period from the last Interest Payment Date to (but excluding) the date of conversion.

## Conversion Privilege

Holders may convert their Debentures into Common Shares at any time prior to the close of business on the earlier of: (i) the business day immediately preceding the Maturity Date; (ii) if called for redemption, on the business day immediately preceding the date specified by the Corporation for redemption of the Debentures, or (iii) if called for to repurchase pursuant to a Change of Control on the business day immediately preceding the payment date, based on an initial conversion ratio of approximately 117 Common Shares per \$1,000 principal amount of Debentures (equivalent to an initial conversion price of \$8.55 per Common Share). The conversion rate is subject to adjustment in certain circumstances described below.

A Debenture in respect of which a holder has accepted a notice in respect of a Change of Control Purchase Offer (as defined herein), requiring the Corporation to purchase the Debenture may be surrendered for conversion only if such notice is withdrawn in accordance with the Indenture. A holder may convert fewer than all of such holder's Debentures so long as the Debentures converted are an integral multiple of \$1,000 principal amount of Debentures. A holder of a Debenture otherwise entitled to a fractional Common Share will receive cash equal to the fraction of the Common Share multiplied by the Current Market Price as at the date of conversion.

No adjustment to the Conversion Price for the Debentures will be made for distributions or dividends (except as set forth below) on Common Shares issuable upon conversion; however, holders converting their Debentures shall be entitled to receive, in addition to the applicable number of Common Shares, accrued and unpaid interest (less any taxes required to be deducted) in respect thereof for the period up to, but excluding, the date of conversion from, and including, the most recent Interest Payment Date. For clarity, payment of such interest in cash may, at the option of the Corporation, be paid on the next regularly scheduled Interest Payment Date following the date of conversion.

Holders of Debentures surrendered for conversion during the period from the close of business on any regular record date to the opening of business on the next succeeding Interest Payment Date will receive the semi-annual interest payable on such Debentures on the corresponding Interest Payment Date, notwithstanding the conversion. In the event that a holder of Debentures exercises its conversion right following a notice of redemption by the Corporation (as further described under “*Optional Redemption*” above), and during the period from the close of business on any

regular record date to the opening of business on the next succeeding Interest Payment Date, such holder will be entitled to receive accrued and unpaid interest, in addition to the applicable number of Common Shares to be received on conversion, for the period from the last Interest Payment Date to the date of conversion.

The conversion rate will not be adjusted for accrued interest.

For a discussion of the tax treatment of a holder receiving Common Shares upon converting Debentures, see “*Certain Canadian Federal Income Tax Considerations*” and “*Certain United States Federal Income Tax Considerations*”.

Subject to the provisions thereof, the Indenture will provide for the adjustment of the conversion rate in certain events including:

- (a) the subdivision or consolidation of the outstanding Common Shares;
- (b) the distribution of Common Shares to holders of Common Shares by way of dividend or distribution or otherwise;
- (c) the payment of a cash dividend or distribution to all the holders of Common Shares;
- (d) the issuance of options, rights or warrants to holders of Common Shares entitling them to acquire Common Shares or other securities convertible into Common Shares at less than 95% of the then Current Market Price of the Common Shares;
- (e) the distribution to all holders of Common Shares of any securities or evidences of indebtedness or other assets; and
- (f) the payment to all holders of Common Shares of cash or any other consideration in respect of an issuer bid for Common Shares by the Corporation or any of the Corporation’s subsidiaries to the extent that the cash and fair market value of any other consideration included in the payment per Common Share exceeds the Current Market Price of the Common Shares on the date of expiry of such tender offer, take over bid or exchange offer.

In the event that the Corporation pays a dividend or makes a distribution to all holders of Common Shares consisting of capital stock of, or similar equity interests in, a subsidiary or other business of the Corporation, the conversion rate will be adjusted based on the market value of the securities so distributed relative to the market value of Common Shares, in each case based on the weighted average trading price of those securities for the 20 consecutive trading days commencing on and including the fifth trading day after the date on which “ex-dividend trading” commences for such dividend or distribution on the TSXV, or such other national or regional exchange or market on which the securities are then listed or quoted. No conversion rate adjustment will be made to the extent that the Corporation makes an equivalent distribution to holders of Debentures.

There will be no adjustment of the Conversion Price in respect of any event described in (a), (b), (c), (d), (e) or (f) above if the holders of the Debentures are allowed to participate as though they had converted their Debentures prior to the applicable record date or effective date. The Corporation will not be required to make adjustments in the Conversion Price unless the cumulative effect of such adjustments would change the conversion price by at least 1%. However, the Corporation will carry forward any adjustments that are less than 1% of the conversion rate and take them into account when determining subsequent adjustments.

If there is (i) a reclassification, recapitalization or other change of the Common Shares, (ii) a consolidation, amalgamation, statutory arrangement, merger, binding share exchange, acquisition of the Corporation or other combination pursuant to which the Common Shares are converted into or acquired for cash, securities or other property, or (iii) any sale or conveyance of the property or assets of the Corporation as an entirety or substantially as an entirety to any person (other than a direct or indirect wholly-owned subsidiary) or a liquidation, dissolution or winding up of the Corporation, at the effective time of the transaction the right to convert a Debenture into Common

Shares will be changed into the right to convert it into the kind and amount of cash, securities or other property which the holder would have received if the holder had converted its Debenture immediately prior to the transaction. The Corporation shall give notice to the holders of Debentures at least 30 days prior to the effective date of such transaction in writing and by release to a business newswire stating the consideration into which the Debentures will be convertible after the effective date of such transaction.

### **Change of Control**

In the event of a Change of Control, the Corporation shall be required to offer to purchase all of the outstanding Debentures (a “**Change of Control Purchase Offer**”) on the date (the “**Change of Control Purchase Date**”) that is 30 business days after the date that such offer is delivered, at a purchase price equal to 100% of the principal amount of the Debentures plus any accrued and unpaid interest (“**Change of Control Purchase Price**”), to, but not including, the purchase date. If such purchase date is after a record date but on or prior to an Interest Payment Date, however, then the interest payable on such date will be paid to the holder of record of the Debentures on the relevant record date.

Within 30 days following the occurrence of a Change of Control, the Corporation shall be required to give written notice to all holders of record of Debentures, as provided in the Indenture, stating among other things, the occurrence of a Change of Control and setting out the terms of the Change of Control Purchase Offer. The Corporation must also deliver a copy of the notice to the Debenture Trustee.

If 90% or more of the aggregate principal amount of the Debentures outstanding on the date of the giving of notice of the Change of Control have been tendered to the Corporation pursuant to the Change of Control Purchase Offer, the Corporation will have the right to redeem all the remaining Debentures at the Change of Control Purchase Price. Notice of such redemption must be given by the Corporation to the Debenture Trustee within 10 days following the expiry of the Change of Control Purchase Offer, and as soon as possible thereafter, by the Debenture Trustee to the holders of the Debentures not tendered pursuant to the Change of Control Purchase Offer.

Under the Indenture, a “**Change of Control**” of the Corporation will be deemed to have occurred at such time after the original issuance of the Debentures upon: (i) the acquisition by any person, or group of persons acting jointly or in concert (within the meaning of MI 62-104 (as defined herein)), of voting control or direction of an aggregate of 50% or more of the outstanding Common Shares; or (ii) the sale of all or substantially all of the assets of the Corporation, but shall not include a sale, merger, reorganization, arrangement, combination or other similar transaction if the previous holders of Common Shares hold at least 50% of the voting control or direction in such merged, reorganized, arranged, combined or other continuing entity (and in the case of a sale of all or substantially all of the assets, in the entity which has acquired such assets) immediately following the completion of such transaction.

Beneficial ownership will be determined in accordance with Multilateral Instrument 62-104 – *Take-Over Bids and Issuer Bids* (“**MI 62-104**”). The term “person” includes any syndicate or group that would be deemed to be a “person” under MI 62-104.

The Corporation could, in the future, enter into certain transactions, including certain recapitalizations, that would not constitute a Change of Control for purposes of the Indenture but that could increase the amount of the Corporation’s or its subsidiaries’ outstanding indebtedness.

The Corporation’s ability to purchase Debentures upon a Change of Control may be limited by the terms of its then outstanding credit agreements.

### **Cash Change of Control**

In addition to the requirement for the Corporation to make a Change of Control Purchase Offer in the event of a Change of Control, if a Change of Control occurs in which 10% or more of the consideration for the Common Shares in the transaction or transactions constituting a Change of Control consists of:



The actual Stock Price and Effective Date may not be set forth on the table, in which case:

- (a) if the actual Stock Price on the Effective Date is between two Stock Prices on the table or the actual Effective Date is between two Effective Dates on the table, the Make Whole Premium will be determined by a straight-line interpolation between the Make Whole Premiums set forth for the two Stock Prices and the two Effective Dates on the table based on a 365-day year, as applicable;
- (b) if the Stock Price on the Effective Date exceeds \$25.00 per Common Share, subject to adjustment as described below, the Make Whole Premium will be zero; and
- (c) if the Stock Price on the Effective Date is less than \$6.25 per Common Share, subject to adjustment as described below, the Make Whole Premium will be zero.

The Stock Prices set forth in the first row of the table above will be adjusted as of any date on which the conversion rate of the Debentures is adjusted. The adjusted Stock Prices will equal the Stock Prices applicable immediately prior to such adjustment multiplied by a fraction, the numerator of which is the conversion rate immediately prior to the adjustment giving rise to the Stock Price adjustment and the denominator of which is the conversion rate as so adjusted. The number of additional Common Shares set forth in the table above will be adjusted in the same manner as the conversion rate as set forth above under “*Conversion Privilege*”, other than by operation of an adjustment to the conversion rate by adding the Make Whole Premium as described above.

### **Method of Payment**

On redemption or at maturity of the Debentures, the Corporation will repay the indebtedness represented by the Debentures by paying to the Debenture Trustee in lawful money of Canada the amount required to repay the principal amount of the outstanding Debentures, together with accrued and unpaid interest thereon. Subject to required regulatory approvals and provided that there is not a current Event of Default under the Indenture, the Corporation may, at its option, elect to satisfy its obligation to pay all or a portion of the principal amount of the Debentures, on redemption or at maturity through, in whole or in part, the issuance of Common Shares.

The number of Common Shares a holder will receive in respect of each Debenture will be determined by dividing the principal amount of the Debentures that are to be redeemed or repaid at maturity, as the case may be, and that are to be paid in Common Shares, by 95% of the Current Market Price of the Common Shares. No fractional Common Shares will be issued on redemption or repayment at maturity but in lieu thereof, the Corporation shall satisfy fractional interests by a cash payment equal to the fraction of the Common Share multiplied by the Current Market Price of the Common Shares.

The Corporation may not satisfy its obligation to pay the principal amount of a Debenture by delivering Common Shares unless the Corporation satisfies the requirements of applicable securities laws and certain other conditions, as provided in the Indenture, prior to the Maturity Date, the redemption date or the purchase date, as applicable, including the following conditions:

- (a) there is not a current Event of Default under the Indenture;
- (b) the Common Shares to be issued upon redemption or repayment at maturity of Debentures shall not be subject to any “restricted period” or “seasoning period” under National Instrument 45-102 – *Resale of Securities* (“NI 45-102”) other than in respect of a “control distribution” (as defined in NI 45-102) or a transaction or series of transactions incidental to a control distribution; and
- (c) the Common Shares to be issued upon redemption or repayment at maturity of Debentures shall be listed on the TSXV or a national securities exchange or quoted in an inter-dealer quotation system of any registered national securities association.

If the conditions are not satisfied (or waived) with respect to a holder prior to the close of business on the applicable payment date, the Corporation will make the required payment entirely in cash. If the Corporation elects to satisfy any amount payable on redemption of the Debentures by issuing Common Shares, the Corporation will advise the holders of Debentures of such election in the applicable redemption notice. If the Corporation elects to satisfy any amount payable on repayment or maturity of the Debentures by issuing Common Shares, the Corporation will provide notice of such election to the holders of Debentures not more than 60 days and not less than 40 days before the payment date.

The Corporation may not change the form of components or percentages of consideration to be paid for the Debentures once it has given the notice that it is required to give holders of Debentures, except as described in the preceding paragraph. When the Corporation determines the actual number of Common Shares in accordance with the foregoing procedures, it will issue a press release on a national newswire.

As the Current Market Price of the Common Shares will be determined prior to the applicable payment date, holders of the Debentures will bear the market risk with respect to the value of the Common Shares to be received from the date such price is determined to such payment date.

### **Purchase for Cancellation**

The Corporation may, to the extent permitted by applicable law, at any time purchase the Debentures in the open market or by tender at any price or by private agreement. Any Debenture purchased by the Corporation will be surrendered to the Debenture Trustee for cancellation. Any Debentures surrendered to the Debenture Trustee may not be reissued or resold and will be cancelled promptly.

### **Events of Default**

The Indenture will provide that an event of default (“**Event of Default**”) in respect of the Debentures will occur if any one or more of the following described events has occurred and is continuing with respect of the Debentures: (a) failure for 30 days to pay interest on the Debentures when due; (b) failure to pay principal or premium (whether by way of payment of cash or delivery of Common Shares), if any, on the Debentures when due, whether at maturity, upon redemption, following a Change of Control, by declaration or otherwise; (c) default in the delivery, when due, of any Common Shares or other consideration, including any Make Whole Premium, payable upon conversion with respect to the Debentures, which default continues for 15 days; (d) default in the observance or performance of any other covenant or condition of the Indenture and the failure to cure (or obtain a waiver for) such default for a period of 30 days after notice in writing has been given by the Debenture Trustee or from holders of not less than 25% in aggregate principal amount of the Debentures to the Corporation specifying such default and requiring the Corporation to rectify or obtain a waiver for same; (e) certain events of bankruptcy, insolvency or reorganization of the Corporation or any material subsidiary under bankruptcy or insolvency laws; (f) if an event of default occurs or exists under any indenture, agreement or other instrument evidencing or governing indebtedness for borrowed money (other than non-recourse debt) of the Corporation or any Material Subsidiary (as defined in the Indenture) thereof and as a result of such event of default (i) indebtedness for borrowed money thereunder in excess of \$10,000,000 (or the equivalent amount in any other currency) has become due and payable before the date it would otherwise have been due and payable and (ii) the holders of such indebtedness are entitled to commence, and have commenced, the enforcement of security they hold for such indebtedness (if any) or the exercise of any other creditors’ remedies to collect such indebtedness. If an Event of Default has occurred and is continuing, the Debenture Trustee may, in its discretion, and shall upon request of holders of not less than 25% of the principal amount of Debentures then outstanding, declare the principal of and interest on all outstanding Debentures to be immediately due and payable. In the case of certain events of bankruptcy or insolvency, the principal amount of the Debentures, together with any accrued and unpaid interest through the occurrence of such event, shall automatically become due and payable. In certain cases, the holders of more than 50% of the principal amount of the Debentures then outstanding may, on behalf of the holders of all Debentures, waive any Event of Default and/or cancel any such declaration upon such terms and conditions as such holders shall prescribe.

### **Consolidation, Mergers or Sales of Assets**

The Indenture will provide that the Corporation may not, subject to the provisions of the Indenture, consolidate or amalgamate with or merge into any person or sell, convey, transfer or lease all or substantially all of the Corporation's properties and assets to another person (other than a direct or indirect wholly-owned subsidiary of the Corporation) unless:

- (a) the resulting, surviving, continuing or transferee person (if other than the Corporation) expressly assumes all the obligations of the Corporation under the Debentures and the Indenture;
- (b) after giving effect to the transaction, no Event of Default, and no event that, after notice or lapse of time, or both, would become an Event of Default, has occurred and is continuing; and
- (c) other conditions described in the Indenture are met,

provided, however, that the sale, conveyance, transfer or lease (in a single transaction or a series of transactions) of the properties or assets of one or more subsidiaries (other than to the Corporation or another direct or indirect wholly-owned subsidiary) which, if such properties or assets were directly owned by the Corporation, would constitute all or substantially all of the properties and assets of the Corporation on a consolidated basis, shall be deemed to be a sale, conveyance, transfer or lease of all or substantially all of the properties and assets of the Corporation.

Upon the assumption of the Corporation's obligations by such corporation in such circumstances, subject to certain exceptions, the Corporation shall be discharged from all obligations under the Debentures and the Indenture. Although such transactions are permitted under the Indenture, certain of the foregoing transactions occurring could constitute a Change of Control of the Corporation, which would require the Corporation to offer to purchase the Debentures as described above. An assumption of the Corporation's obligations under the Debentures and the Indenture by such corporation might be deemed for Canadian federal income tax purposes to be an exchange of the Debentures for new Debentures by the holders thereof, resulting in recognition of gain or loss for such purposes and possibly other adverse tax consequences to the holders. Holders should consult their own tax advisors regarding the tax consequences of such an assumption.

### **Modifications of the Indenture**

The rights of the holders of the Debentures as well as any other series of debentures that may be issued under the Indenture may be modified in accordance with the terms of the Indenture. For that purpose, among others, the Indenture will contain certain provisions which will make binding on all Debenture holders resolutions passed at meetings of the holders of Debentures by votes cast thereat by holders of not less than 66  $\frac{2}{3}$ % of the principal amount of the Debentures present at the meeting or represented by proxy, or rendered by instruments in writing signed by the holders of not less than 66  $\frac{2}{3}$ % of the principal amount of the Debentures then outstanding. In certain cases, the modification will, instead or in addition, require assent by the holders of the required percentage of Debentures of each particularly affected series.

### **Offers for Debentures**

The Indenture will contain provisions to the effect that if an offer is made for the Debentures which is a take-over bid for Debentures within the meaning of MI 62-104 and not less than 90% of the Debentures (other than Debentures held at the date of the take-over bid by or on behalf of the offeror or associates or affiliates of the offeror) are taken up and paid for by the offeror, the offeror will be entitled to acquire the Debentures held by the holders of Debentures who did not accept the offer on the terms offered by the offeror.

## **Discharge of the Indenture**

The Corporation may satisfy and discharge the Corporation's obligations under the Indenture in certain circumstances, including by delivering to the Debenture Trustee for cancellation all outstanding Debentures or by depositing with the Debenture Trustee, or the paying agent, if applicable, after the Debentures have become due and payable, whether at stated maturity or any redemption date, or any purchase date, or a Change of Control Purchase Date, or upon conversion or otherwise, cash or Common Shares (as applicable under the terms of the Indenture) sufficient to pay all of the outstanding Debentures and paying all other sums payable under the Indenture.

## **Calculations in Respect of Debentures**

The Corporation is responsible for making all calculations called for under the Debentures. These calculations include, but are not limited to, determination of the Current Market Price of Common Shares. The Corporation will make all these calculations in good faith and, absent manifest error, the Corporation's calculations are final and binding on holders of Debentures and the Debenture Trustee. The Corporation will provide a schedule of the Corporation's calculations to the Debenture Trustee, and the Debenture Trustee is entitled to conclusively rely upon the accuracy of the Corporation's calculations without independent verification.

## **No Personal Liability of Board of Directors, Officers, Employees, Subsidiaries, Incorporators and Shareholders**

No past, present or future director, officer, employee, or shareholder of the Corporation or any successor, as such, shall have any liability for any of the obligations of the Corporation under the Debentures or the Indenture or for any claim based on, in respect of, or by reason of, such obligations or their creation. Each holder of Debentures by accepting a Debenture waives and releases all such liability. The waiver and release are part of the consideration for issuance of the Debentures.

## **Governing Law**

The Indenture and the Debentures will be governed by and construed in accordance with the laws of the Province of Alberta. The Corporation will submit to the non-exclusive jurisdiction of any court of the Province of Alberta for purposes of all legal actions and proceedings instituted in connection with the Indenture and the Debentures.

## **Global Debentures**

Except in certain limited circumstances, the Debentures will be issued by a Global Debenture and must be purchased or transferred through a Participant. On the Closing Date the Debenture Trustee will cause the Debentures to be delivered to CDS and registered in the name of its nominee. The Debentures will be evidenced by one or more book-entry only global certificates. Registration of interests in and transfers of the Debentures will be made only through the depository service of CDS.

Except as described below, a purchaser acquiring a beneficial interest in the Debentures (a "**Beneficial Owner**") will not be entitled to a certificate or other instrument from the Debenture Trustee or CDS evidencing that purchaser's interest therein, and such purchaser will not be shown on the records maintained by CDS, except through a Participant. Such purchaser will receive a confirmation of purchase from the Underwriter or other registered dealer from whom Debentures are purchased.

Neither the Corporation nor the Underwriters will assume any liability for: (a) any aspect of the records relating to the beneficial ownership of the Debentures held by CDS or the payments relating thereto; (b) maintaining, supervising or reviewing any records relating to the Debentures; or (c) any advice or representation made by or with respect to CDS and contained in this short form prospectus and relating to the rules governing CDS or any action to be taken by CDS or at the direction of its Participants. The rules governing CDS provide that it acts as the agent and depository for the Participants. As a result, Participants must look solely to CDS and Beneficial Owners must look solely to Participants for the payment of the principal and interest on the Debentures paid by or on behalf of the Corporation to CDS.

As indirect holders of Debentures, investors should be aware that they (subject to the situations described below): (a) may not have Debentures registered in their name; (b) may not have physical certificates or other instruments representing their interest in the Debentures; (c) may not be able to sell the Debentures to institutions required by law to hold physical certificates for securities they own; and (d) may be unable to pledge Debentures as security.

The Debentures will be issued to Beneficial Owners in fully registered form (the “**Debenture Certificates**”) to all U.S. subscribers and only if: (a) required to do so by applicable law; (b) the book-entry only system ceases to exist; (c) the Corporation or CDS advises the Debenture Trustee that CDS is no longer willing or able to properly discharge its responsibilities as depository with respect to the Debentures and the Corporation is unable to locate a qualified successor; (d) the Corporation, at its option, decides to terminate the book-entry only system through CDS; or (e) after the occurrence of an Event of Default (as defined herein), provided that Participants acting on behalf of Beneficial Owners representing, in the aggregate, more than 25% of the aggregate principal amount of the Debentures then outstanding advise CDS in writing that the continuation of a book-entry only system through CDS is no longer in their best interest, and provided further that the Debenture Trustee has not waived the Event of Default in accordance with the terms of the Indenture.

Upon the occurrence of any of the events described in the immediately preceding paragraph, the Debenture Trustee must notify CDS, for and on behalf of Participants and Beneficial Owners, of the availability through CDS of Debenture Certificates. Upon surrender by CDS of the global certificates representing the Debentures and receipt of instructions from CDS for the new registrations, the Debenture Trustee will deliver the Debentures in the form of Debenture Certificates and thereafter the Corporation will recognize the holders of such Debenture Certificates as debentureholders under the Indenture.

### **Transfer and Exchange of Debentures**

Transfers of beneficial ownership in Debentures represented by Global Debentures will be effected through records maintained by CDS for such Global Debentures or its nominees (with respect to interests of Participants) and on the records of participants (with respect to interests of persons other than Participants). Unless the Corporation elects in its sole discretion to prepare and deliver Debenture Certificates, beneficial owners who are not Participants in CDS’ book-entry system, but who desire to purchase, sell or otherwise transfer ownership of or other interest in Global Debentures may do so only through Participants in CDS’ book-entry system.

The ability of a beneficial owner of an interest in a Debenture represented by a Global Debenture to pledge the Debenture, or otherwise take action with respect to such owner’s interest in a Debenture represented by a Global Debenture (other than through a Participant), may be limited due to the lack of a physical certificate.

Registered holders of Debenture Certificates, if issued, may transfer such Debentures upon payment of taxes or other charges incidental thereto, if any, by executing and delivering a form of transfer together with the Debenture Certificates to the Debenture Trustee at its principal offices in Calgary and Toronto, or such other city or cities as may from time to time be designated by the Corporation, whereupon new Debenture Certificates will be issued in authorized denominations in the same aggregate principal amount as the Debenture Certificates so transferred, registered in the names of the transferees. No transfer or exchange of a Debenture Certificate will be registered during the period from the date of any selection by the Debenture Trustee of any Debentures to be redeemed or during the 15 preceding days or thereafter until the close of business on the date upon which notice of redemption of such Debentures is given. In addition, no transfer or exchange of any Debentures which have been selected or called for redemption will be registered.

### **Payments**

Payments of interest and principal on each Global Debenture will be made to CDS or its nominee, as the case may be, as the registered holder of the Global Debenture, so long as the book-entry only system is in effect. As long as CDS or its nominee is the registered owner of a Global Debenture, CDS or its nominee, as the case may be, will be considered the sole legal owner of the Global Debenture for the purposes of receiving payments of interest and principal on the

Debentures and for all other purposes under the Indenture and the Debentures. The record dates for the payment of interest will be May 31 and November 30 in each year (or the first business day prior to such date if not a business day). Interest payments on Global Debentures will be made by electronic funds transfer on the day interest is payable and delivered to CDS or its nominee, as the case may be.

The Corporation understands that CDS or its nominee, upon receipt of any payment of interest or principal in respect of a Global Debenture, will credit Participants' accounts, on the date interest or principal is payable, with payments in amounts proportionate to their respective beneficial interest in the principal amount of such Global Debenture as shown on the records of CDS or its nominee. The Corporation also understands that payments of interest and principal by Participants to the owners of beneficial interest in such Global Debenture held through such Participants will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name", and will be the responsibility of such Participants. The Corporation's responsibility and liability in respect of payments on Debentures represented by the Global Debentures is limited solely and exclusively, while the Debentures are registered in global form, to making payment of any interest and principal due on such Global Debenture to CDS or its nominee.

If Debenture Certificates are issued instead of or in place of a Global Debenture, payments of interest on each Debenture Certificate will be made by the Corporation or by the Debenture Trustee as paying agent for the Corporation. Payment of principal at maturity will be made at the principal office of the Debenture Trustee in Toronto and Calgary (or in such other city or cities as may from time to time be designated by the Corporation) against surrender of the Debenture Certificates, if any, or the Global Debenture.

Subject to and as otherwise described in the discussion under the heading "*Certain United States Federal Income Tax Considerations*", no withholding for taxes are anticipated in respect of the payments of interest and principal, in respect of the Debentures.

### **Additional Amounts**

All payments made by the Corporation under or in respect of the Debentures will be made without withholding or deduction for or on account of any present or future taxes, duties, assessments or governmental charges (together, "**Taxes**") imposed or levied by or on behalf of the Government of the United States or any state thereof, or by any authority or agency therein or thereof having power to tax (a "taxing jurisdiction"), unless such withholding or deduction is required by applicable law or by the interpretation or administration thereof by the relevant governmental authority. In the event that the Corporation is required to withhold or deduct any amount for or on account of Taxes from any payment made under or in respect of the Debentures, the Corporation will pay such additional amounts to the Holders that are Non-U.S. Persons (defined below) that, after making any required deduction or withholding on such additional amounts, will result in receipt by such Holders of such amounts as would have been received by them had no such withholding or deduction been required from such payment ("**Additional Amounts**"). The Corporation will remit the full amount of any deduction or withholding to the relevant taxation authority in accordance with applicable law. No Additional Amounts will be payable with respect to:

- (a) any Tax by reason of the existence of any present or former connection between such Holder or beneficial owner (or between a fiduciary, settlor, beneficiary, member or shareholder of, or possessor of power over, such Holder or beneficial owner, if such Holder or beneficial owner is an estate, trust, partnership, limited liability company or corporation) and the taxing jurisdiction other than the mere holding, or receiving payments or enforcing any rights in respect of, a Debenture (such as citizenship, nationality, residence, domicile, or existence of a business, a permanent establishment, a dependent agent, a place of business or a place of management, present or deemed present within the taxing jurisdiction);
- (b) any estate, inheritance, gift, sales, transfer, wealth, excise or personal property Tax or any similar Taxes;

- (c) any Tax imposed as a result of the failure of a Holder or beneficial owner of a Debenture to comply with certification, identification, declaration or similar reporting requirements concerning the nationality, residence, identity or connection with the relevant taxing jurisdiction of the Holder or beneficial owner of such Debenture, if such compliance is required by statute, treaty, regulation or administrative pronouncement, as a precondition to relief or exemption from such Tax;
- (d) any Tax that is payable otherwise than by deduction or withholding from payment of the principal of or interest on any Debenture;
- (e) any Tax imposed on, or measured by, net income;
- (f) any Tax imposed by reason of the past or present status of a Holder or beneficial owner of a Debenture as a passive foreign investment company, a controlled foreign corporation or a personal holding company with respect to the United States, as a private foundation or other tax exempt organization for United States federal income tax purposes, or as a corporation which accumulates earnings to avoid United States federal income tax;
- (g) any Tax imposed on interest received by a Holder or beneficial owner of a Debenture that is (i) a “10-percent shareholder” (as defined in Section 871(h)(3)(B) of the Code (defined below)) of the Corporation; or (ii) a bank receiving interest described in Section 881(c)(3)(A) of the Code;
- (h) any Tax that is imposed or withheld solely because of a change in law, regulation, or administrative or judicial interpretation that becomes effective more than 15 days after the day on which the payment becomes due or is duly provided for, whichever occurs later;
- (i) any Tax that any paying agent (which term may include the Corporation) must withhold from any payment of principal of or interest on any Debenture, if such payment can be made without such withholding by any other paying agent;
- (j) any Tax which the Holder could have avoided by requesting that a payment on the Debentures be made by, or presenting the Debentures for payment to, another paying agent of the Corporation;
- (k) where the Holder would have been able to avoid the Tax by taking reasonable measures (i.e. measures having no material cost to the Holder) available to such Holder; or
- (l) any combination of items (a) through (k) above;

nor will such Additional Amounts be paid with respect to any payment on any Debenture to a Holder or beneficial owner who is a fiduciary or partnership or other than the sole beneficial owner of such Debenture to the extent that a beneficiary or settlor with respect to such fiduciary, or a member of such partnership or a beneficial owner thereof would not have been entitled to receive a payment of such Additional Amounts had such beneficiary, settlor, member or beneficial owner received directly its beneficial or distributive share of such payment.

If the Corporation is required by any applicable law, as modified by the interpretation or administration thereof by the relevant governmental authority, to make any deduction or withholding of any Taxes in respect of which the Corporation would otherwise would have been required to pay any Additional Amount in respect of such Taxes, but for any reason does not make such deduction or withholding with the result that a liability in respect of such Taxes is assessed directly against the Holder of any Debenture, and such Holder pays such liability, then the Holder will be entitled to be reimbursed by the Corporation for such payment of Taxes by the Holder upon demand by such Holder accompanied by an official receipt (or a duly certified copy thereof) issued by the relevant governmental authority of the taxing jurisdiction evidencing the payment of such Taxes once it is definitively determined that such Taxes were properly due and payable in accordance with applicable laws.

## CAPITALIZATION OF GREENFIELDS

The following table sets forth the capitalization of Greenfields as at December 31, 2011, both before and after giving effect to the Offering.

|                                    | <b>Authorized</b> | <b>Outstanding as at December 31, 2011<br/>before giving effect to the Offering</b> | <b>Outstanding as at December 31, 2011<br/>after giving effect to the Offering<sup>(1)</sup></b> |
|------------------------------------|-------------------|---|--|
| Common Shares <sup>(2)(3)(4)</sup> | 49,900,000        | 14,850,880 Common Shares  | 14,850,880 Common Shares   |
| Share Capital                      | -                 | \$56,720,000  | \$56,720,000   |
| Preferred Shares                   | 100,000           | Nil   | Nil  |
| Warrants <sup>(4)</sup>            | 530,000           | 519,500   | 519,500  |
| Debentures                         | 20,000            | -   | 20,000 Debentures  |
| Debenture Liability <sup>(1)</sup> | -                 | -   | \$18,700,000   |

### Notes:

- (1) Based on the issuance of 20,000 Debentures pursuant to the Offering for aggregate gross proceeds of \$20,000,000 less the Underwriters' Fee of \$850,000 and estimated expenses of the Offering of \$450,000. If the Underwriters' Option is exercised in full, the Debenture capitalization outstanding as at December 31, 2011 after giving effect to the Offering will be \$23,487,500. See "*Plan of Distribution*".
- (2) As at the date hereof, the Corporation has issued 15,584,327 Common Shares and has 15,540,354 Common Shares outstanding. The Corporation has acquired and cancelled 23,947 Common Shares and currently holds 20,026 Common Shares of treasury stock. See "*Prior Sales*".
- (3) Between December, 2011 and February, 2012, the warrants were exercised for Common Shares at an exercise price of \$5.00. See "*Prior Sales*".
- (4) Table does not include 1,322,250 options to purchase Common Shares. See "*Prior Sales*".

## EARNINGS COVERAGE RATIO

The following earnings coverage ratio is calculated for the twelve months ended December 31, 2011 under current Canadian GAAP (IFRS) and is in respect of the earnings coverage ratio after giving effect to the Offering and is derived from the audited financial statements of Greenfields for the financial year ended December 31, 2011.

After giving pro forma effect to the issuance of the Debentures to be distributed under this short form prospectus subsequent to the respective calculation periods (assuming the Underwriters' Option is not exercised) as if the issuance of the Debentures had occurred at the beginning of the respective calculation periods and the related servicing costs had been incurred during the respective calculation periods, the Corporation's pro forma interest requirements for the twelve months ended December 31, 2011 would have been \$1,800,000 and the Corporation's pro forma net loss before deducting interest and income taxes for such period would have been approximately \$14,321,000, which is a deficiency of \$16,121,000 (-7.96 times). **This earnings coverage ratio is less than one to one.**

The Corporation would have required a net income of \$1,800,000 for the twelve months ended December 31, 2011 in order to achieve an earnings coverage ratio of one to one for such period.

The following table sets out the pro forma earnings coverage ratio discussed above.

| <b>Smillions, except Earnings Coverage Ratio</b>  | <b>Pro Forma for the 12 months ended December 31, 2011</b> |
|---|--|
| Interest expense (denominator for earnings coverage ratio) <sup>(1)(2)</sup>                | \$1,800,000  |
| Net loss before deducting interest and income taxes (numerator for earnings coverage ratio) | (\$14,321,000)   |
| <b>Earnings Coverage Ratio<sup>(2)</sup></b>  | <b>(7.96)</b>  |

**Notes:**

- (1) Under IFRS, the Debentures will be classified as a liability with a portion allocated to the conversion feature and with the related interest expensed as incurred and financing charges amortized over the term of such Debentures. The entire amount of the annual carrying charges for the Debentures is reflected in interest expense and, accordingly, the coverage ratio described above would be unchanged had the entire amount of the Debentures been classified as a liability. The portion of the Debentures allocated to the conversion feature will be accreted to interest expense over the term of such Debentures to increase the carrying value of the liability to the face value of the Debentures.
- (2) The interest expense has been calculated assuming that the Underwriters' Option is not exercised.

### **DESCRIPTION OF SHARE CAPITAL**

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

#### **Common Shares**

The holders of the Common Shares are entitled to vote upon all matters submitted to a vote of holders of Common Shares and are entitled to one vote in respect of each Common Share held. The holders of the Common Shares are entitled to receive such dividends (payable in cash, stock or otherwise) as may be declared by the Board at any time and from time to time out of any funds of the Corporation legally available therefore. In the event of any voluntary or involuntary liquidation, dissolution or wind up of the Corporation, after payment or provision for payment of the debts and other liabilities of the Corporation and subject to the preferential or other rights (if any) of the holders of shares of any issued and outstanding Preferred Shares in respect thereof, the holders of Common Shares shall be entitled to receive all of the remaining assets of the Corporation available for distribution to its shareholders, prorated in proportion to the number of shares of Common Shares held by them. As at the date of this short form prospectus, there are 15,540,354 Common Shares outstanding.

#### **Preferred Shares**

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

**PRIOR SALES**

For the 12 month period preceding the date of this short form prospectus, Greenfields has issued the following Common Shares and securities convertible into Common Shares:

| <b>Date</b>      | <b>Securities</b> | <b>Price Per Security</b> | <b>Number of Securities</b> |
|------------------|-------------------|---------------------------|-----------------------------|
| May, 2011        | Options           | \$9.00 <sup>(1)(5)</sup>  | 100,000                     |
| September, 2011  | Options           | \$8.00 <sup>(2)(5)</sup>  | 100,000                     |
| December, 2011   | Common Shares     | \$5.00 <sup>(3)</sup>     | 2,500                       |
| January, 2012    | Common Shares     | \$5.00 <sup>(3)</sup>     | 20,000                      |
| February, 2012   | Common Shares     | \$5.00 <sup>(3)</sup>     | 499,500                     |
| February 1, 2012 | Common Shares     | \$6.00 <sup>(4)</sup>     | 40,000                      |
| February 1, 2012 | Options           | \$6.00 <sup>(4)(5)</sup>  | 80,000                      |
| April 12, 2012   | Common Shares     | \$6.50 <sup>(6)</sup>     | 150,000                     |

**Notes:**

- (1) Granted to Mr. Benson in conjunction with the appointment of Mr. Benson as Senior Vice President, Engineering.
- (2) Granted to Mr. Gullickson in conjunction with the appointment of Mr. Gullickson as and Chief Financial Officer, Senior Vice President, Finance and Treasurer.
- (3) Issued pursuant to the exercise of purchase warrants.
- (4) Granted to Mr. Greene in conjunction with the appointment of Mr. Greene as Senior Vice President, Exploration and Exploitation.
- (5) Value listed is the exercise price of the options granted. No funds are received by the Corporation until such time as the options are exercised for Common Shares.
- (6) Issued pursuant to the exercise of stock options.

Other than as set forth in the preceding table, Greenfields has not sold or issued any Common Shares or securities convertible into or exchangeable for Common Shares during the 12 month period prior to the date hereof.

**PRICE RANGE AND TRADING VOLUME OF SECURITIES**

The Common Shares are listed and posted for trading on the TSXV under the symbol "GNF". The following table lists the high and low market prices and trading volume of the Common Shares as reported by the TSXV for the periods indicated.

| <b>Period</b> | <b>Price Range (\$)</b> |            | <b>Trading Volume</b> |
|---------------|-------------------------|------------|-----------------------|
|               | <b>High</b>             | <b>Low</b> |                       |
| <b>2011</b>   |                         |            |                       |
| May           | 9.50                    | 9.00       | 188,000               |
| June          | 9.25                    | 8.00       | 51,400                |
| July          | 9.25                    | 8.00       | 514,530               |
| August        | 8.00                    | 8.00       | 44,329                |
| September     | 8.00                    | 7.00       | 215,702               |
| October       | 7.99                    | 6.00       | 35,534                |
| November      | 7.00                    | 6.75       | 162,200               |
| December      | 7.01                    | 6.50       | 174,780               |
| <b>2012</b>   |                         |            |                       |
| January       | 6.90                    | 6.00       | 1,538,253             |
| February      | 6.50                    | 4.25       | 171,889               |
| March         | 6.19                    | 5.72       | 74,334                |
| April         | 6.25                    | 4.99       | 476,550               |
| May 1-7       | 6.52                    | 6.10       | 123,600               |

On May 7, 2012, the last trading day prior to the filing of this short form prospectus, the closing price of the Common Shares on the TSXV was \$6.25.

## USE OF PROCEEDS

The estimated net proceeds to be received by Greenfields, after deducting the estimated expenses of the Offering of \$450,000 and the Underwriters' Fee of \$850,000, will be approximately \$18,700,000. If the Underwriters' Option is exercised in full, the estimated net proceeds of the Offering, after deducting the estimated expenses of the Offering of \$450,000 and the Underwriters' Fee of \$1,062,500 will be approximately \$23,487,500.

The net proceeds of the Offering will be used to fund the workover and drilling program in Gum Deniz Oil Field and the Bahar Gas Field, and for general corporate and working capital purposes.

### Funds Available

The total funds available to the Corporation upon completion of the Offering are estimated to be as follows:

|  |  |              |
|--|--|--------------|
| Net Proceeds <sup>(1)</sup>                                |  | \$18,700,000 |
| Existing Working Capital <sup>(2)</sup>                    |  | \$29,674,000 |
| Proceeds from exercise of purchase warrants <sup>(3)</sup> |  | \$2,597,000  |
| Total Funds Available <sup>(4)</sup>                       |  | \$50,971,000 |

#### Notes:

- (1) Net proceeds is calculated based on the Offering gross proceeds of \$20,000,000, less the Underwriters' Fee of 4.25% of the gross proceeds, and less the estimated expenses of the Offering of \$450,000.
- (2) Reflects the Corporation's approximate working capital balance as at December 31, 2011, which includes the current assets net of current liabilities (excluding warrants).
- (3) Subsequent to December 31, 2011, a total of 519,500 purchase warrants were exercised for gross proceeds of approximately \$2,597,000. See "Prior Sales".
- (4) Total funds available include the net proceeds of the Offering, after deducting estimated expenses of the Offering of \$450,000, and including the Corporation's working capital balance as at December 31, 2011 of \$29,674,000.
- (5) The Corporation's estimated cash on hand (including the Corporation's proportionate share of cash in Bahar Energy of \$1,300,000) and short term investments as at December 31, 2011 is approximately US\$28,777,000 (\$28,777,000). The Corporation's estimated cash on hand (excluding the Corporation's proportionate share of cash in Bahar Energy) and short term investments as at May 7, 2012 total approximately US\$14,000,000 (\$14,000,000).

### Principal Purposes

The proposed principal purposes for which the total funds available to the Corporation will be used are anticipated to be as follows:

| Use of Funds  | Amount       | Amount         |
|---|--------------|----------------|
| Corporation's share of the Gum Deniz Oil Field and the Bahar Gas Field capital expenditures for facilities, recompletions, workovers and drilling | \$44,317,000 | \$44,317,000   |
| Greenfields General Corporate Purposes, net   | \$1,602,000  | \$1,602,000    |
| Total   | \$45,919,000 | US\$45,919,000 |

Due to the nature of the oil and gas industry, budgets are regularly reviewed in light of success of the expenditures and other opportunities that may become available to the Corporation. In addition, the ability of the Corporation to carry out operations will depend upon the decisions of other working interest owners in its properties. Accordingly, while the Corporation anticipates that it will have the ability to spend the funds available to it as stated in this short form prospectus, there may be circumstances where, for sound business reasons, a reallocation of funds may be prudent. Some of the Corporation's potential operations and related assets are expected to be located in countries outside North America, some of which may be considered to be politically and economically less than optimal or which could become politically or economically less than optimal.

## Business Objectives and Milestones

The principal purposes for which the Corporation's available funds will be used by the Corporation described in this short form prospectus are consistent with the Corporation's business objectives and strategic goals relating to the exploration for and development of oil and natural gas reserves. Successfully executing on its stated principal purposes, as described under "*Use of Proceeds - Principal Purposes*" will accomplish the Corporation's short term business objectives. Management is of the belief that it will be able to accomplish these initial short term business objectives in twelve months. These amounts may be increased depending on the additional capital expenditure budget approved by the Board of Directors after closing of the Offering and once the estimated cash flow of the Corporation from the Bahar Project for the remainder of 2012 is determined.

By its nature, the oil and gas business is dynamic and requires constant review, analysis and determination of prudent allocations of capital spending. Depending on the degree of success achieved from the Corporation's initial planned activities, management will assess and establish additional milestones for the Corporation to meet in the medium and long term.

## PLAN OF DISTRIBUTION

Pursuant to the Underwriting Agreement, the Corporation has agreed to issue and sell and the Underwriters have agreed (severally but not jointly and severally) to purchase on the Closing Date, subject to compliance with all necessary legal requirements and to the terms and conditions contained in the Underwriting Agreement, 20,000 Debentures at a price of \$1,000 per Debenture, payable in cash to Greenfields against delivery. The Underwriters will receive a fee of 4.25% of the aggregate Issue Price issued for their services in connection with the Offering. The Issue Price was determined by negotiations between the Corporation and the Co-Lead Underwriters on their own behalf and on behalf of the other Underwriters.

The Corporation has granted to the Underwriters the Underwriters' Option, exercisable in whole or in part at the sole discretion of the Underwriters, at any time up to 48 hours prior to the Closing Date, to purchase up to 5,000 Additional Debentures, on the same terms and conditions as the Offering. If the Underwriters exercise the Underwriters' Option in full, the total Offering, the Underwriters' Fee and net proceeds to the Corporation (before deducting expenses of the Offering) will be \$25,000,000, \$1,062,500 and \$23,937,500 respectively. This short form prospectus also qualifies for distribution the grant of the Underwriters' Option and the issuance of the Additional Debentures pursuant to the exercise of the Underwriters' Option.

The obligations of the Underwriters under the Underwriting Agreement are several and not joint or joint and several and may be terminated upon the occurrence of certain stated events. If an Underwriter fails to purchase the Debentures which it has agreed to purchase, the other Underwriters may, but are not obligated to purchase such Debentures, provided that, if the aggregate number of Debentures not purchased is less than 5% of the aggregate number of Debentures agreed to be purchased by the Underwriters, then each of the other Underwriters is obligated to purchase severally the Debentures not taken up on a *pro rata* basis or as they may otherwise agree as between themselves. The Underwriters are, however, obligated to take up and pay for all of the Debentures (other than pursuant to the Underwriters' Option, except to the extent for the portion of which shall have been exercised by the Underwriters) if any are purchased under the Underwriting Agreement. The Corporation has agreed to indemnify the Underwriters and their respective directors, officers, employees and agents against certain liabilities.

The Corporation has applied to list the Debentures distributed under this short form prospectus and the Common Shares issuable upon conversion, redemption or maturity thereof on the TSXV. Listing is subject to the Corporation fulfilling all of the requirements of the TSXV.

**There is currently no market through which the Debentures may be sold and purchasers may not be able to resell the Debentures purchased under this short form prospectus. No assurance can be given that an active or liquid trading market for the Debentures will develop or be sustained. If an active or liquid trading market for the Debentures does not develop or is not sustained, this may affect the price of the Debentures in the**

**secondary market, the transparency and availability of trading prices, the liquidity of the Debentures and the extent of the issuer regulation.**

Subscriptions for Debentures will be received subject to rejection or allotment, in whole or in part, by the Underwriters and the Underwriters reserve the right to close the subscription books at any time without notice. It is expected that closing of the Offering will occur on or about May 30, 2012, or such other date as may be agreed between the Corporation and the Underwriters, but in any event not later than 42 days following the date of the receipt for this short form prospectus. Definitive certificates evidencing the Debentures will not be available for delivery on the Closing Date. See “*Description of the Debentures – Global Debentures*”.

The issued and outstanding Common Shares are listed on the TSXV under the symbol “GNF”. On May 7, 2012, the last trading day prior to the date of this short form prospectus, the closing price of the Common Shares on the TSXV was \$6.25 per Common Share.

Pursuant to the Underwriting Agreement, the Corporation has agreed to not offer, or announce the offering of, or make or announce any agreement to issue, sell or exchange Common Shares or any securities or financial instruments convertible or exchangeable into Common Shares, other than pursuant to the Corporation’s stock incentive plans, or the issuance of any securities pursuant to the terms of the Debentures of the Indenture, Common Shares issuable on the exercise of outstanding options or to satisfy instruments outstanding as at May 8, 2012, for a period of 90 days following the Closing Date, without the prior consent of the Co-Lead Underwriters, on behalf of the Underwriters, such consent not to be unreasonably withheld.

The Underwriters propose to offer the Debentures initially at the Issue Price specified on the cover page of this short form prospectus. After the Underwriters have made reasonable efforts to sell all of the Debentures at such Issue Price, the Issue Price may be decreased and may be further changed from time to time to an amount not greater than that set out on the cover page, and the compensation realized by the Underwriters will be decreased by the amount that the aggregate price paid by purchasers for the Debentures is less than the price paid by the Underwriters to the Corporation. Notwithstanding any reduction by the Underwriters in the Issue Price specified on the cover page, the proceeds received by the Corporation will not be affected.

Pursuant to policy statements of certain Canadian provincial securities commissions, the Underwriters may not, throughout the period of distribution, bid for or purchase Debentures for their own accounts or for accounts over which they exercise control or direction. The foregoing restriction is subject to exceptions, on the condition that the bid or purchase not be engaged in for the purpose of creating actual or apparent active trading in, or raising the price of the Debentures. Such exceptions include a bid or purchase permitted under the Universal Market Integrity Rules for Canadian Marketplaces administered by Market Regulation Services Inc., relating to market stabilization and passive market making activities, and a bid or purchase made for and on behalf of a customer where the order was not solicited during the period of distribution. The Underwriters may engage in market stabilization or market balancing activities on the TSXV where the bid for or purchase of the Debentures of the Corporation is for the purpose of maintaining a fair and orderly market in the Debentures, subject to price limitations applicable to such bids or purchases. Such transactions, if commenced, may be discontinued at any time.

The Debentures and the Common Shares issuable upon conversion, redemption or maturity of the Debentures have not been, and will not be, registered under the U.S. Securities Act or the securities laws of any state of the United States. Accordingly, the Debentures and such Common Shares may not be offered, sold or delivered in the United States, except in transactions exempt from the registration requirements of the U.S. Securities Act and applicable state securities laws. Except as permitted in the Underwriting Agreement and as expressly permitted by applicable laws of the United States, the Underwriters will not offer or sell the Debentures within the United States. The Underwriting Agreement permits the Underwriters, through their U.S. broker-dealer affiliates, to offer and resell the Debentures that they have acquired pursuant to the Underwriting Agreement to certain “qualified institutional buyers” (as such term is defined in Rule 144A under the U.S. Securities Act (“**Rule 144A**”)) in the United States, provided that such offers and sales are made in transactions exempt from the registration requirement of the U.S. Securities Act in accordance with

Rule 144A and in accordance with similar exemptions under applicable state securities laws. The Underwriting Agreement also permits the Underwriters to designate certain institutional “accredited investors” within the meaning of Rule 501(a)(1), (2), (3) or (7) of Regulation D under the U.S. Securities Act in the United States to whom the Underwriters may offer the Debentures on behalf of the Corporation in transactions exempt from the registration requirement of the U.S. Securities Act in accordance with Section 4(2) of the U.S. Securities Act and Rule 506 of Regulation D thereunder and in accordance with similar exemptions under applicable state securities laws. Moreover, the Underwriting Agreement provides that the Underwriters will offer and sell the Debentures outside the United States only in accordance with Rule 903 of Regulation S under the U.S. Securities Act. The Debentures and the Common Shares issuable upon conversion, redemption or maturity of the Debentures that are sold in the United States will be “restricted securities” within the meaning of Rule 144(a)(3) of the U.S. Securities Act and may only be offered, sold, pledged or otherwise transferred pursuant to an effective registration statement under the U.S. Securities Act or an exemption from the registration requirement of the U.S. Securities Act.

In addition, until 40 days after the commencement of the Offering, an offer or sale of Debentures or Common Shares issuable upon conversion, redemption or maturity of the Debentures within the United States by any dealer (whether or not participating in the Offering) may violate the registration requirement of the U.S. Securities Act if such offer or sale is made otherwise than in accordance with an exemption from the registration requirement of the U.S. Securities Act.

### **CERTAIN CANADIAN FEDERAL INCOME TAX CONSIDERATIONS**

In the opinion of McCarthy Tétrault LLP, counsel to the Corporation, and Torys LLP, counsel to the Underwriters, the following is, as of the date hereof, a summary of the principal Canadian federal income tax considerations generally applicable to a holder who acquires the Debentures pursuant to this short form prospectus and who, for the purposes of the Tax Act and at all relevant times, is resident or deemed to be resident in Canada, holds the Debentures and will hold the Common Shares issuable on the conversion, redemption or maturity of the Debentures (collectively, the “**Securities**”) as capital property and, deals at arm’s length and is not affiliated with the Corporation or any Underwriter (a “**Holder**”). Generally, the Debentures and Common Shares will be considered to be capital property to a Holder provided that the Holder does not hold the Debentures or Common Shares in the course of carrying on a business of trading or dealing in securities and has not acquired the Debentures or Common Shares in one or more transactions considered to be an adventure or concern in the nature of trade.

This summary is not applicable to a Holder (a) that is a “financial institution”, as defined in the Tax Act for the purposes of the mark-to-market rules, (b) an interest in which would be a “tax shelter investment” as defined in the Tax Act, (c) that is a “specified financial institution” as defined in the Tax Act, (d) who makes or has made a functional currency reporting election pursuant to section 261 of the Tax Act, or (e) in respect of whom the Corporation is a “foreign affiliate” for purposes of the Tax Act. Any such Holder should consult its own advisor with respect to an investment in the Debentures and the Common Shares.

This summary is based on the facts set out in this short form prospectus, the provisions of the Tax Act in force on the date hereof, all specific proposals to amend the Tax Act publicly announced by or on behalf of the Minister of Finance (Canada) prior to the date hereof (“**Tax Proposals**”) and counsel’s understanding of the current published administrative policies and assessing practices of the Canada Revenue Agency (“**CRA**”). This summary assumes that the Tax Proposals will be enacted in the form proposed, however, no assurance can be given that the Tax Proposals will be enacted in the form proposed or at all.

This summary is not exhaustive of all possible Canadian federal income tax considerations and, except for the Tax Proposals, does not take into account or anticipate any changes in law, whether by legislative, governmental, administrative or judicial decision or action, nor does it take into account provincial, territorial or foreign income tax legislation or considerations, which may differ significantly from those discussed herein.

For the purposes of the Tax Act, all amounts relating to the acquisition, holding or disposition of Debentures or Common Shares (including dividends received or deemed to have been received, adjusted cost base and proceeds of

disposition) must generally be converted into Canadian dollars using the relevant exchange rate quoted by the Bank of Canada at noon on the relevant day or such other rate or rates of exchange acceptable to the Minister of National Revenue (Canada).

**This summary is of a general nature only and is not intended to be, nor should it be construed to be, legal or tax advice to any particular Holder and no representations with respect to the income tax consequences to any particular Holder or a prospective Holder is made. Prospective Holders should consult their own tax advisors for advice with respect to the tax consequences to them of acquiring, holding and disposing of Debentures and Common Shares, having regard to their particular circumstances. The discussion below is qualified accordingly.**

#### *Taxation of Interest on Debentures*

A Holder that is a corporation, partnership, unit trust or trust of which a corporation or partnership is a beneficiary will be required to include in computing its income for a taxation year any interest on a Debenture that accrues or is deemed to accrue to the Holder to the end of that taxation year or becomes receivable or is received by the Holder before the end of that taxation year, except to the extent that such interest was included in the Holder's income for a preceding taxation year.

Any other Holder, including an individual, will be required to include in computing its income for a taxation year any interest on a Debenture that is received or receivable by such Holder in that taxation year (depending upon the method regularly followed by the Holder in computing income), except to the extent that such interest was included in the Holder's income for a preceding taxation year. In addition, if at any time a Debenture should become an "investment contract" as defined in the Tax Act in relation to a Holder, such Holder will be required to include in computing income for a taxation year any interest that accrues or is deemed to accrue to the Holder on the Debenture up to the end of any "anniversary day" (as defined in the Tax Act) in that taxation year to the extent such interest was not otherwise included in the Holder's income for that taxation year or a preceding taxation year.

A Holder that throughout the relevant taxation year is a "Canadian-controlled private corporation" (as defined in the Tax Act) may be liable to pay an additional refundable tax of 6  $\frac{2}{3}$ % on certain investment income, which is defined in the Tax Act to include interest.

Any amount paid by the Corporation as a penalty or bonus because of early repayment of all or part of the principal amount of the Debenture will be deemed to be received by the Holder as interest on the Debenture and will be required to be included in the Holder's income as described above, to the extent such amount can reasonably be considered to relate to, and does not exceed the value at the time of payment of, interest that would otherwise have been payable on the Debenture for periods ending after the payment of such amount.

Upon a conversion, redemption or repayment at maturity of a Debenture, interest accrued thereon to the date of conversion, redemption or repayment and that would otherwise be payable after that date will be included in computing the Holder's income, except to the extent that it was included in computing the Holder's income for that or a preceding taxation year.

Subject to the detailed rules in the Tax Act, a Holder may be entitled to a foreign tax credit or deduction for any foreign withholding tax paid with respect to interest received by the Holder on the Debentures. See discussion under the heading "*Certain United States Federal Income Tax Considerations*".

#### *Exercise of Conversion Privilege*

A Holder that converts a Debenture into Common Shares pursuant to the conversion privilege will generally be deemed not to have disposed of the Debenture and, accordingly, will not be considered to realize a capital gain (or capital loss) on such conversion. Under the current administrative practice of the CRA, a Holder who, upon conversion of a Debenture, receives cash not in excess of \$200 in lieu of a fraction of a Common Share may either

treat this amount as proceeds of disposition of a portion of the Debenture, thereby recognizing a capital gain (or capital loss), or may reduce the adjusted cost base of the Common Shares that the Holder receives on the conversion by the amount received.

The cost to a Holder of the Common Shares acquired on the conversion of a Debenture will generally be equal to the Holder's adjusted cost base of the Debenture immediately before the conversion. The adjusted cost base to the Holder of the Common Shares at any time will be determined by averaging the cost of such Common Shares with the adjusted cost base of all other Common Shares held by such Holder as capital property at the time.

#### *Disposition of Debentures*

A disposition or deemed disposition of a Debenture by a Holder, including a redemption, payment on maturity or purchase for cancellation (but not a conversion of a Debenture into Common Shares pursuant to a Holder's right of conversion) will generally give rise to a capital gain (or capital loss) to the Holder equal to the amount by which the Holder's proceeds of disposition, net of any amount otherwise required to be included in the Holder's income as interest, exceed (or are less than) the total of the adjusted cost base of the Debenture and any reasonable costs of disposition. Such capital gain (or capital loss) will be subject to the tax treatment described below under "*Taxation of Capital Gains and Capital Losses*".

If the Corporation pays any amount upon the redemption, purchase or maturity of a Debenture by issuing Common Shares to the Holder, the Holder's proceeds of disposition in respect of the disposition of the Debenture will be equal to the fair market value of the Common Shares so received (other than Common Shares received in satisfaction of accrued interest) and any other consideration so received. The cost to a Holder of Common Shares so received will be equal to the fair market value of such Common Shares. Generally, the adjusted cost base to the Holder of Common Shares so received will be determined by averaging the cost of such shares with the adjusted cost base of all other Common Shares held by such Holder as capital property at the time.

Upon such a disposition or deemed disposition of a Debenture, interest accrued thereon to the date of disposition will generally be included in computing the income of the Holder's income as described above under the heading "*Interest on Debentures*" and will generally be excluded in computing the Holder's proceeds of disposition of the Debenture.

#### *Dividends on Common Shares*

Dividends received on the Common Shares by a Holder who is an individual, including amounts withheld for foreign withholding tax, if any, will be included in computing the Holder's income and will not be subject to the gross-up and dividend tax credit rules normally applicable under the Tax Act to taxable dividends received from taxable Canadian corporations.

Dividends received on the Common Shares by a Holder that is a corporation, including amounts withheld for foreign withholding tax, if any, will be included in computing the Holder's income, and such Holder will not be entitled to the inter-corporate dividend deduction in computing taxable income which generally applies to dividends received from taxable Canadian corporations.

A Holder that is a "Canadian-controlled private corporation" (as defined in the Tax Act) throughout its relevant taxation year may be liable to pay a refundable tax of 6 2/3% in respect of its "aggregate investment income" (as defined in the Tax Act), which would include dividends received on the Common Shares.

Subject to the detailed rules in the Tax Act, a Holder may be entitled to a foreign tax credit or deduction for any foreign withholding tax paid with respect to dividends received by the Holder on the Common Shares. See discussion under the heading "*Certain United States Federal Income Tax Considerations*".

### *Disposition of Common Shares*

A disposition or a deemed disposition of a Common Share by a Holder (except to the Corporation) will generally result in the Holder realizing a capital gain (or capital loss) equal to the amount by which the proceeds of disposition of the Common Share are greater (or less) than the aggregate of the Holder's adjusted cost base thereof and any reasonable costs of disposition. Such capital gain (or capital loss) will be subject to the tax treatment described below under "*Taxation of Capital Gains and Capital Losses*".

### *Taxation of Capital Gains and Capital Losses*

Generally, one-half of any capital gain (a "**taxable capital gain**") realized by a Holder in a taxation year must be included in the Holder's income for the year, and one-half of any capital loss (an "**allowable capital loss**") realized by a Holder in a taxation year must be deducted from taxable capital gains realized by the Holder in that year. Allowable capital losses for a taxation year in excess of taxable capital gains for that year generally may be carried back and deducted in any of the three preceding taxation years or carried forward and deducted in any subsequent taxation year against net taxable capital gains realized in such years, to the extent and under the circumstances described in the Tax Act.

A Holder that is, throughout the relevant taxation year, a "Canadian-controlled private corporation", as defined in the Tax Act, may be liable for a refundable tax of 6  $\frac{2}{3}$ % on its aggregate investment income, which is defined in the Tax Act to include taxable capital gains.

Capital gains realized by an individual (including certain trusts) may give rise to a liability for alternative minimum tax as calculated under the detailed rules set out in the Tax Act.

### *Foreign Property Information Reporting*

A Holder that is a "specified Canadian entity" (as defined in the Tax Act) for a taxation year or a fiscal period and whose total "cost amount" of "specified foreign property" (as such terms are defined in the Tax Act), including Debentures and Common Shares, at any time in the year or fiscal period exceeds \$100,000 will be required to file an information return for the year or period disclosing prescribed information. Subject to certain exceptions, a Holder generally will be a specified Canadian entity. In the March 4, 2010 Federal Budget (the "**2010 Federal Budget**"), the Canadian Minister of Finance proposed that the existing reporting requirements with respect to "specified foreign property" be expanded to require more detailed information. Revised legislation reflecting such proposal has not yet been released. Holders should consult their own tax advisors regarding these rules, including any expansion thereof pursuant to the 2010 Federal Budget proposal.

### *Offshore Investment Fund Property*

The Tax Act contains rules which may require a taxpayer to include in income in each taxation year an amount in respect of the holding of an "offshore investment fund property". These rules could apply to a Holder in respect of a Debenture or a Common Share, as the case may be, if both of two conditions are satisfied.

The first condition for such rules to apply is that the value of the Debenture or the Common Share, as the case may be, may reasonably be considered to be derived, directly or indirectly, primarily from portfolio investments in: (i) shares of one or more corporations, (ii) indebtedness or annuities, (iii) interests in one or more corporations, trusts, partnerships, organizations, funds or entities, (iv) commodities, (v) real estate, (vi) Canadian or foreign resource properties, (vii) currency of a country other than Canada, (viii) rights or options to acquire or dispose of any of the foregoing, or (ix) any combination of the foregoing ("**Investment Assets**").

The second condition for such rules to apply to a Holder is that it must be reasonable to conclude that one of the main reasons for the Holder acquiring, holding or having a Debenture or a Common Share, as the case may be, was to derive a benefit from portfolio investments in Investment Assets in such a manner that the taxes, if any, on the income,

profits and gains from such Investment Assets for any particular year are significantly less than the tax that would have been applicable under Part I of the Tax Act had the income, profits and gains been earned directly by the Holder.

If applicable, these rules would generally require a Holder to include in income for each taxation year in which the Holder owns a Debenture or a Common Share, as the case may be, (i) an imputed return for the taxation year computed on a monthly basis and determined by multiplying the Holder's "designated cost" (as defined in the Tax Act) of the Debenture or the Common Share, as the case may be, at the end of the month, by 1/12th of the applicable prescribed rate for the period that includes such month, less (ii) the Holder's income for the year (other than a capital gain) from the Debenture or the Common Share, as the case may be, determined without reference to these rules. Any amount required to be included in computing a Holder's income under these provisions will be added to the adjusted cost base to the Holder of its Debenture or Common Share, as the case may be.

The application of these rules depends, in part, on the reasons for a Holder acquiring or holding Debenture or Common Shares, as the case may be. Holders are urged to consult their own tax advisors regarding the application and consequences of these rules, in their own particular circumstances.

### **ELIGIBILITY FOR INVESTMENT**

In the opinion of McCarthy Tétrault LLP, counsel to the Corporation, and, Torys LLP, counsel to the Underwriters, based on the provisions of the Tax Act in force on the date hereof, provided that the Debentures are listed on a designated stock exchange in Canada (which includes the TSXV) at a particular time, the Debentures being offered pursuant to this short form prospectus, would be qualified investments under the Tax Act at such time for trusts governed by registered retirement savings plans ("RRSPs"), registered retirement income funds ("RRIFs"), deferred profit sharing plans (except, a deferred profit sharing plan to which the Corporation, or an employer that does not deal at arm's length with the Corporation, has made a contribution), registered education savings plans, registered disability savings plans and tax free savings accounts ("TFSA"). The Common Shares issuable on the conversion, redemption or maturity of the Debentures would be qualified investments under the Tax Act at such time for Registered Plans, provided such Common Shares are listed on a designated stock exchange (which includes the TSXV) at such time.

Notwithstanding that the Debentures and the Common Shares will be qualified investments for a TFSA, RRSP or RRIF, if the Debentures or the Common Shares are "prohibited investments" for the purposes of the Tax Act, the holder of a TFSA, or the annuitant under an RRSP or RRIF, which holds such Debentures or Common Shares will be subject to a penalty tax. Provided that such holder deals at arm's length with the Corporation for the purposes of the Tax Act and does not have a "significant interest" (within the meaning of the Tax Act) in the Corporation or a corporation, partnership or trust with which the Corporation does not deal at arm's length for the purposes of the Tax Act, the Debentures and the Common Shares issuable on the conversion, redemption or maturity of the Debentures will not be "prohibited investments" for the purposes of the Tax Act.

**Prospective investors who intend to hold the Debentures in their TFSA, RRSP or RRIF should consult their own tax advisors as to whether Debentures purchased by them would constitute a prohibited investment.**

### **CERTAIN UNITED STATES FEDERAL INCOME TAX CONSIDERATIONS**

The following is a summary of certain material U.S. federal income tax consequences relevant to Non-U.S. Holders (as defined below) of the acquisition, ownership, disposition and conversion of the Debentures, and of the ownership and disposition of Common Shares into which the Debentures may be converted. This summary only addresses Non-U.S. Holders who purchase the Debentures on original issuance at the initial offering price (the first price at which a substantial portion of the Debentures is sold to persons other than bond houses, brokers, or similar persons or organizations acting in the capacity of underwriters, placement agents or wholesalers). This summary does not address the tax consequences to a subsequent purchaser of Debentures. This summary provides only general information and does not purport to be a complete analysis or listing of all potential U.S. federal income tax consequences that may apply. In addition, this summary does not take into account the individual facts and circumstances of any particular holder that may affect the U.S. federal income tax consequences applicable to such holder. Accordingly, this summary

is not intended to be, and should not be construed as, legal or U.S. federal tax advice with respect to any holder. Each potential purchaser of Debentures should consult its own tax advisor regarding the U.S. federal, U.S. state and local, and foreign tax consequences arising from or relating to the acquisition, ownership, disposition and conversion of the Debentures and the ownership and disposition of the Common Shares.

**No legal opinion from U.S. legal counsel or ruling from the Internal Revenue Service (“IRS”) has been or will be requested regarding the U.S. federal income tax consequences of the acquisition, ownership, disposition and conversion of the Debentures or the ownership and disposition of the Common Shares. Because the authorities on which this summary is based are subject to various interpretations, the IRS and the U.S. courts could disagree with one or more of the positions taken in this summary.**

**U.S. IRS Circular 230: To ensure compliance with IRS Circular 230, you are hereby notified that: (i) the discussion of U.S. federal tax issues in this Prospectus (including any attachments) is not intended or written to be relied upon, and cannot be relied upon, for the purpose of avoiding penalties that may be imposed under the Internal Revenue Code of 1986, as amended (the “Code”); (ii) the discussion is written in connection with the promotion or marketing of the transactions or matters addressed herein; and (iii) you should seek advice based on your particular circumstances from a tax advisor.**

This summary is based on the Code, U.S. Treasury Regulations promulgated thereunder, published IRS rulings, published administrative positions of the IRS, U.S. court decisions and the *Convention between Canada and the United States of America with Respect to Taxes on Income and on Capital*, signed September 26, 1980, as amended (the “**Canada-U.S. Tax Treaty**”), in each case as in effect and available as of the date of this short form prospectus. Any of the authorities on which this summary is based could be changed in a material and adverse manner at any time, and any such change could be applied on a retroactive basis. This summary does not discuss the potential effects, whether adverse or beneficial, of any proposed legislation.

This summary does not address the U.S. gift, state, local or foreign tax consequences to holders of the acquisition, ownership, disposition and conversion of the Debentures and the ownership and disposition of the Common Shares. Each holder should consult its own tax advisor regarding the U.S. gift, state, local and foreign tax consequences arising from and relating to the acquisition, ownership, disposition and conversion of the Debentures and the ownership and disposition of the Common Shares.

**Prospective purchasers should note that the Corporation is treated for U.S. federal income tax purposes as a United States corporation, pursuant to Section 7874(b) of the Code, notwithstanding that it is organized under the laws of the Cayman Islands. This means, among other things, that the interest on the Debentures and dividends (if any) on Common Shares will generally be treated as U.S. source income.**

For purposes of this summary, a “**Non-U.S. Holder**” is a beneficial owner of the Debentures or the Common Shares, as applicable, that, for U.S. federal income tax purposes, is (a) an individual who is neither a citizen nor a resident of the United States, (b) a corporation, or other entity classified as a corporation for U.S. federal income tax purposes, that is not created or organized in or under the laws of the United States, any state in the U.S. or the District of Columbia, (c) an estate if the income of the estate is not subject to U.S. federal income tax regardless of the source of the income, or (d) a trust if (i) no U.S. court is able to exercise primary supervision over the administration of the trust or (ii) it is not the case that one or more U.S. persons have the authority to control all substantial decisions of the trust. This summary does not address, however, Non-U.S. Holders subject to special provisions of the Code, including: (i) U.S. tax expatriates; (ii) Non-U.S. Holders that beneficially own (directly, indirectly or by attribution) 10% or more of the voting power of the Corporation’s securities entitled to vote; (iii) Non-U.S. Holders that are engaged in a trade or business in the United States; or (iv) nonresident alien individuals who are physically present in the United States for more than 182 days in a given year.

#### ***Characterization of the Debentures***

The Corporation intends to treat the Debentures as indebtedness for U.S. federal income tax purposes. This characterization is binding on the Corporation, but not on the IRS or a U.S. court. Under U.S. federal income tax rules,

each holder of a Debenture is also required to treat the Debenture in a manner consistent with the Corporation's characterization (i.e., as indebtedness), unless such holder makes adequate disclosure on such holder's timely filed U.S. federal income tax return in support of a different position claimed on that return. The U.S. federal income tax treatment of indebtedness like the Debentures whose principal is a fixed amount in U.S. dollars or a foreign currency but is payable at the option of the issuer (unless an Event of Default has occurred and is continuing) in equity of the issuer has not been the subject of authoritative guidance from the U.S. courts that is directly on point. However, the IRS has indicated in a published notice that debt instruments would not qualify as indebtedness for U.S. federal income tax purposes if holders were required to accept payment of principal solely in stock. The IRS notice did not explicitly distinguish among (a) debt instruments payable in a fixed number of shares (where the holder of the debt bears the risks of fluctuations in value in the underlying shares) and debt instruments payable in a number of shares having a fair market value, at the time of payment, approximately equal to (or, as here, in excess of) the amount of cash payable at maturity, or (b) debt instruments that are payable in equity only if there has not been an Event of Default and debt instruments that are unconditionally payable in equity. Accordingly there is significant uncertainty regarding the appropriate classification of the Debentures as either indebtedness or equity for U.S. federal income tax purposes. **Non-U.S. Holders are urged to consult their tax advisors regarding the classification of the Debentures for U.S. federal income tax purposes.**

If the IRS were to assert successfully that the Debentures should be treated as equity, then the interest paid would not qualify for the portfolio interest exception (described below) and would instead be treated as a distribution, with consequences to Non-U.S. Holders generally similar to those for distributions with respect to Common Shares after conversion (as described under "*Distributions on Common Shares*" below). Generally, Non-U.S. Holders would owe U.S. federal income tax on such payments, including possibly interest and penalties, and the Corporation would be obligated to withhold U.S. income tax from such payments. The remainder of this summary assumes that the Debentures will be classified as indebtedness for U.S. federal income tax purposes.

#### ***Payments of Interest on the Debentures***

Subject to the possible recharacterization of the Debentures as equity, interest paid (or accrued) to a Non-U.S. Holder will be considered "portfolio interest," and not subject to United States federal income tax and withholding tax if the interest is not effectively connected with the conduct of a trade or business within the United States by the Non-U.S. Holder and:

1. the Non-U.S. Holder is not actually or constructively a "10 percent shareholder" of the Corporation, or a "controlled foreign corporation" with respect to which the Corporation is a "related person" within the meaning of the Code;
2. the Non-U.S. Holder is not a bank receiving interest described in Section 881(c)(3)(A) of the Code; and
3. the Non-U.S. Holder does not bear specified relationships to the Corporation.

To qualify for the exemption from taxation, the Non-U.S. Holder must timely provide the Corporation or other person who is otherwise required to withhold U.S. tax with respect to the Debentures with an appropriate statement (generally on Form W-8BEN or a similar form), signed under penalty of perjury, certifying that the Debenture Holder is a Non-U.S. Holder and providing the Non-U.S. Holder's name and address. If a Debenture is held through a securities clearing organization or other financial institution, the organization or financial institution may provide the relevant signed statement to the withholding agent; in that case, however, the Non-U.S. Holder must provide (and update periodically) the security clearing organization or other financial institution with a Form W-8BEN (or similar form). The Non-U.S. Holder must notify the person to whom it provided the Form W-8BEN (or similar form) of any changes to the information on the Form W-8BEN or similar form within 30 days of that change. If interest paid to a Non-U.S. Holder is not considered portfolio interest, then it will be subject to United States federal withholding tax, at a rate of 30 percent, unless such tax is reduced or eliminated pursuant to an applicable tax treaty. In order to claim the benefit of any applicable tax treaty, the Non-U.S. Holder must provide the Corporation or other person who is required to withhold U.S. tax with respect to the Debentures with an appropriate statement (on Form W-8BEN or a similar form),

signed under penalties of perjury, certifying that the Non- U.S. Holder is entitled to benefits under the treaty.

### ***Adjustments in the Conversion Rate of Debentures***

The conversion rate of the Debentures is subject to adjustment under certain circumstances. Under Section 305 of the Code and the Treasury Regulations issued thereunder, there may be a taxable constructive distribution to Non-U.S. Holders, resulting in a dividend to the extent of the Corporation's current and accumulated earnings and profits, as more fully described below under "*Distributions on Common Shares*" if, and to the extent that, certain adjustments of the Conversion Price increase such Non-U.S. Holder's proportionate interest in the earnings and profits and assets of the Corporation. Such adjustment may occur in certain events (including potentially an adjustment to reflect certain distributions with respect to outstanding Common Shares as described under "*Details of the Debentures—Conversion Privilege*"), and in such case a constructive distribution would arise, whether or not the Non-U.S. Holder ever converts the Debentures or receives any cash or property as a result of the adjustment (or failure to adjust).

As described more fully under "*Details of the Debentures—Conversion Privilege*" if, instead of making an adjustment of the Conversion Price, the Corporation permits holders to participate in certain events on a basis similar to holders of outstanding Common Shares, such holders may be treated as receiving taxable income. The U.S. federal income tax consequences to Non-U.S. Holders in such a situation are unclear, and Non-U.S. Holders should consult their own tax advisors regarding the consequences if such holders are entitled to participate in certain events on a basis similar to holders of outstanding Common Shares.

### ***Distributions on Common Shares***

Distributions on Common Shares will constitute dividends for U.S. federal income tax purposes to the extent paid from the Corporation's current or accumulated earnings and profits, as determined under U.S. federal income tax principles. Distributions in excess of current and accumulated earnings and profits will constitute a return of capital that is applied against and reduces, but not below zero, a Non-U.S. Holder's adjusted tax basis in the Common Shares. Any remaining excess will be treated as gain realized on the sale or other disposition of the Non-U.S. Holder's Common Shares. See "*Sale or Other Disposition of Debentures or Common Shares*" below. As discussed above, an adjustment in the conversion rate of the Debentures may be treated as a constructive distribution for U.S. federal income tax purposes.

Any dividend (i.e., a distribution out of earnings and profits) paid to a Non-U.S. Holder of Common Shares will generally be subject to U.S. withholding tax at a 30% rate. The withholding tax might not apply, however, or might apply at a reduced rate, under the terms of an applicable income tax treaty between the United States and the Non-U.S. Holder's country of residence. The rate of withholding tax on dividends is generally reduced to 15% for qualified residents of Canada under the Canada-U.S. Income Tax Treaty. You should consult your tax advisors regarding your entitlement to benefits under a relevant income tax treaty. Generally, in order for the Corporation or its paying agent to withhold tax at a lower treaty rate, a Non-U.S. Holder must certify its entitlement to treaty benefits. A Non-U.S. Holder generally can meet this certification requirement by timely providing a Form W-8BEN (or any successor form) or appropriate substitute form to the Corporation or its paying agent. If the Non-U.S. Holder holds the Common Shares through a financial institution or other agent acting on the holder's behalf, the holder will be required to provide appropriate documentation to the agent. The holder's agent will then be required to provide certification to the Corporation or its paying agent, either directly or through other intermediaries.

### ***Sale or Other Disposition of Debentures or Common Shares***

A Non-U.S. Holder will generally not be subject to U.S. federal income tax on a sale or other disposition of either Debentures or Common Shares.

### ***U.S. Federal Estate Tax***

The estates of nonresident alien individuals generally are subject to U.S. federal estate tax on property with a U.S. situs. Because the Corporation is treated as a U.S. corporation, the Common Shares will be U.S. situs property and therefore will be included in the taxable estate of a nonresident alien decedent, unless an applicable estate tax treaty between the United States and the decedent's country of residence provides otherwise. If the Debentures were reclassified as equity, or otherwise did not qualify for the portfolio interest exception, then the Debentures would likewise be considered U.S. situs property.

### ***Foreign Account Tax Compliance Act***

The Foreign Account Tax Compliance Act ("FATCA") added a new chapter 4 to the Code, which provides that, effective for payments made after December 31, 2013 (in the case of interest (including any original issue discount) and dividend payments) and December 31, 2014 (in the case of proceeds from disposition or retirement), the Corporation or its paying agent (in its capacity as such) is required to deduct and withhold a tax equal to 30% of any payments made on the Corporation's securities to a foreign financial institution or certain non-financial foreign entity (including, in some cases, when such foreign institution or entity is acting as an intermediary), and requires any person having the control, receipt, custody, disposal, or payment of any gross proceeds of sale or other disposition of our securities to deduct and withhold a tax equal to 30% of any such gross proceeds, unless (i) in the case of a foreign financial institution, such institution enters into an agreement with the U.S. government to withhold on certain payments, and to collect and provide to the U.S. tax authorities substantial information regarding U.S. account holders of such institution (which includes certain equity and debt holders of such institution, as well as certain account holders that are foreign entities with U.S. owners), (ii) in the case of a non-financial foreign entity, such entity provides the withholding agent with a certification identifying the direct and indirect U.S. owners of the entity, or (iii) the foreign entity is otherwise exempted under FATCA.

**THE PRECEDING DISCUSSION OF U.S. FEDERAL INCOME TAX CONSIDERATIONS IS FOR GENERAL INFORMATION ONLY. IT IS NOT TAX ADVICE. EACH PROSPECTIVE INVESTOR SHOULD CONSULT ITS OWN TAX ADVISOR REGARDING THE PARTICULAR U.S. FEDERAL, STATE, LOCAL AND FOREIGN TAX CONSEQUENCES OF PURCHASING, HOLDING AND DISPOSING OF DEBENTURES, INCLUDING THE CONSEQUENCES OF ANY PROPOSED CHANGE IN APPLICABLE LAWS.**

## **RISK FACTORS**

An investment in the Debentures is subject to certain risks or combination of risks. Investors should carefully consider the risks described under "*Risk Factors*" on pages 25-36 in the AIF, as supplemented by the risk factors set out below, before purchasing the securities offered hereunder. An investment in the Debentures is suitable only for investors who understand the risk factors associated with this type of investment and who can afford a loss of their entire investment.

An investment in the Debentures should be considered highly speculative due to various factors, including the nature of Greenfields' involvement in the exploration for, and the acquisition, development and production of, oil and natural gas reserves and resources. Greenfields' business is subject to the risks normally encountered in the oil and natural gas industry such as the marketability of oil and natural gas, competition with companies having greater resources, acquisition, exploration and production risks, need for capital, fluctuations in the market price and demand for oil and natural gas and the regulation of the oil and natural gas industry by various levels of government. The oil and natural gas reserves and recovery information incorporated by reference in this short form prospectus are estimates only and the actual production and ultimate reserves recovered from Greenfields' properties and acquisitions may be greater or less than the estimates contained in this short form prospectus. The success of acquisitions and further exploration or

development projects cannot be assured. Investors must rely upon the ability, expertise, judgment, discretion, integrity and good faith of the management of Greenfields.

Risk factors relating to Greenfields are discussed in the AIF and management's discussion and analysis, each of which is incorporated by reference in this short form prospectus. These risk factors, together with all of the other information included or incorporated by reference in this short form prospectus, should be carefully reviewed and considered before a decision is made to invest in the securities offered hereunder. Such risks may not be the only risks facing Greenfields. Additional risks not currently known may also negatively impact Greenfields' business operations and results of operation.

### **Market for Debentures**

There is currently no market through which the Debentures may be sold and purchasers may not be able to resell the Debentures purchased under this short form prospectus. Although the Corporation has applied to the TSXV to conditionally list the Debentures and the Common Shares issuable on the conversion, redemption or maturity of the Debentures, such listings will be subject to the Corporation fulfilling all of the listing requirements of the TSXV. No assurance can be given that an active or liquid trading market for the Debentures will develop or be sustained. If an active or liquid trading market for the Debentures does not develop or is not sustained, this may affect the price of the Debentures in the secondary market, the transparency and availability of trading prices, the liquidity of the Debentures and the extent of the issuer regulation.

The trading price of securities of oil and gas issuers is subject to substantial volatility. This volatility is often based on factors both related and unrelated to the financial performance or prospects of the issuers involved. The market price of the Debentures will be based on a number of factors, including: (i) the prevailing interest rates being paid by entities similar to the Corporation; (ii) the overall condition of the financial and credit markets; (iii) interest rate volatility; (iv) the markets for similar securities; (v) the financial condition, results of operation and prospects of the Corporation; (vi) the publication of earnings estimates or other research reports and speculation in the press or investment community; (vii) the market price and volatility of the Common Shares; (viii) changes in the industry in which the Corporation operates and competition affecting the Corporation; (ix) general market and economic conditions; (x) domestic and global commodity prices; and (xi) market perceptions of the attractiveness of particular industries.

The condition of the financial and credit markets and prevailing interest rates have fluctuated in the past and are likely to fluctuate in the future. Fluctuations in these factors could have an adverse effect on the market price of the Debentures.

### **Credit Risk**

The likelihood that purchasers of the Debentures will receive payments owing to them under the terms of the Debentures will depend on the financial health of the Corporation and its creditworthiness. Accordingly, there is no assurance the Corporation will have sufficient capital to repay the Debentures on the Maturity Date or that it will be able to raise sufficient capital on acceptable terms by the Maturity Date to repay the Debentures.

### **Coverage Ratio**

See "*Earnings Coverage Ratio*", which is relevant to an assessment of the risk that the Corporation may be unable to pay interest or principal on the Debentures when due.

### **Absence of Covenant Protection**

Other than as described herein, the Indenture will not limit the Corporation's ability to incur additional debt or liabilities (including Senior Indebtedness). The Indenture will not contain any provision specifically intended to protect holders of the Debentures in the event of a future leveraged transaction by the Corporation.

## **Ranking of Debentures**

The Debentures will be direct, unsecured obligations of the Corporation and will rank equally with one another and, except as prescribed by law, will rank equally with all other unsecured indebtedness (other than Senior Indebtedness) of the Corporation. The payment of the principal and premium, if any, of, and interest on, the Debentures will be subordinate in right of payment, as set forth in the Indenture, to the prior payment in full of all Senior Indebtedness of the Corporation, which includes all indebtedness for borrowed money. Furthermore, since the Debentures are unsecured obligations of the Corporation, they are effectively subordinate to all of the Corporation's existing and future secured indebtedness to the extent of the value of the assets securing such indebtedness. Therefore, in the event of the insolvency, bankruptcy, liquidation, reorganization, dissolution or winding up of the Corporation, the Corporation's assets will be available to pay its obligations with respect to the Debentures only after it has paid all of its secured creditors and all holders of Senior Indebtedness. There may be insufficient assets remaining following such payments to pay amounts due on any or all of the Debentures then outstanding. The Debentures are also effectively subordinated to claims of creditors (including trade creditors) of the Corporation's subsidiaries except to the extent that the Corporation is a creditor of any such subsidiaries ranking at least *pari passu* with such other creditors.

## **Characterization of the Debentures for U.S. Federal Tax Purposes**

The Corporation intends to treat the Debentures as indebtedness for U.S. federal tax purposes. However, this characterization is not binding upon the IRS or a U.S. court and, as discussed above in "*Certain United States Federal Income Tax Considerations*", there is significant uncertainty as to the appropriate classification of the Debentures as either indebtedness or equity interests for U.S. federal tax purposes. If the IRS were to assert successfully that the Debentures should be treated as equity rather than indebtedness, payments of interest on the Debentures would be treated as distributions for U.S. federal tax purposes and would be subject to U.S. withholding tax at a rate of 30%, subject to reduction under an applicable tax treaty, to the extent such distributions are paid from the Corporation's current or accumulated earnings and profits. See description under the heading "*Details of the Debentures – Additional Amounts*".

## **Greenfields may use the proceeds of this Offering for purposes other than those set out in this short form prospectus**

Greenfields currently intends to allocate the net proceeds received from the Offering as described under "*Use of Proceeds*" in this short form prospectus. However, management will have discretion in the actual application of the net proceeds, and may elect to allocate proceeds differently from that described in "*Use of Proceeds*" if it is believed it would be in the best interests of Greenfields to do so. The failure by management to apply these funds effectively could have a material adverse effect on the business of Greenfields.

## **Change of Control**

The Corporation is required to make an offer in writing to holders of the Debentures to purchase all or a portion of their Debentures for cash in the event of certain transactions that would constitute a Change of Control. The Corporation cannot assure holders of Debentures that, if required, it would have sufficient cash or other financial resources at that time or would be able to arrange financing to pay the purchase price of the Debentures in cash. The Corporation's ability to purchase the Debentures in such an event may be limited by law, by the Indenture governing the Debentures, by the terms of other present or future agreements relating to the Corporation's credit facilities and other indebtedness and agreements that the Corporation may enter into in the future which may replace, supplement or amend the Corporation's future debt. The Corporation's credit agreements or other agreements may contain provisions that could prohibit the purchase by the Corporation of the Debentures without the consent of the lenders or other parties thereunder. If the Corporation's obligation to offer to purchase the Debentures arises at a time when the Corporation is prohibited from purchasing or redeeming the Debentures, the Corporation could seek the consent of lenders to purchase the Debentures or could attempt to refinance the borrowings that contain this prohibition. If the Corporation does not obtain a consent or refinance these borrowings, the Corporation could remain prohibited from purchasing the Debentures under its offer. The Corporation's failure to purchase the Debentures would constitute an

Event of Default under the Indenture, which might constitute a default under the terms of the Corporation's other indebtedness at that time.

If a holder of Debentures converts its Debentures in connection with a Change of Control that occurs, the Corporation may, in certain circumstances, be required to increase the conversion rate as described under "*Details of the Debentures – Cash Change of Control*". While the increased conversion rate is designed to compensate a holder of Debentures for the lost option time value of its Debentures as a result of a Change of Control in certain circumstances, the increased conversion rate amount is only an approximation of such lost value and may not adequately compensate the holder for such loss. In addition, in some circumstances as described under "*Details of the Debentures – Cash Change of Control*" no adjustment will be made.

### **Future Financing**

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

### **Market Conditions**

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

### **Forward-Looking Information May Prove Inaccurate**

Investors are cautioned not to place undue reliance on forward-looking information. By its nature, forward-looking information involves known and unknown risks and uncertainties, of both a general and specific nature, that could cause actual results to differ materially from those suggested by the forward-looking information or contribute to the possibility that predictions, forecasts or projections will prove to be materially inaccurate. In particular, this short form prospectus includes information regarding Greenfields' intention and ability to use the proceeds of the Offering and other financial resources available to it to expand its drilling inventory and accelerate its horizontal drilling program. These statements reflect Greenfields' current intention and its expectations regarding the success of its future drilling plans. The ability of Greenfields to expand and accelerate its drilling program, and its willingness to do so, are subject to risks and uncertainties. These include the potential for higher costs or reductions in oil prices that makes such drilling less attractive economically, Greenfields' ability to obtain personnel and equipment, general economic factors and changes in the focus of Greenfields' business activities.

Additional information on the risks and uncertainties are found in this short form prospectus under the heading "*Cautionary Statement Regarding Forward-Looking Statements*".

## PROMOTERS

Richard E. MacDougal, Alex T. Warmath and John W. Harkins may be considered promoters of the Corporation by virtue of their initiative in founding and organizing the business and affairs of the Corporation. Other than as disclosed elsewhere in this short form prospectus or the documents incorporated by reference herein, none of the promoters has received and will not, as a result of the Offering, receive either directly or indirectly, anything of value, including money, property, contracts, options or rights of any kind, from the Corporation.

As of the date hereof, Richard E. MacDougal beneficially owns, controls or directs, directly or indirectly, 1,428,553 Common Shares (representing 9.2% of outstanding Common Shares), Alex T. Warmath beneficially owns, controls or directs, directly or indirectly, 1,302,986 Common Shares (representing 8.4% of the outstanding Common Shares) and John W. Harkins beneficially owns, controls or directs, directly or indirectly 882,607 Common Shares (representing 5.7% of the outstanding Common Shares).

## LEGAL PROCEEDINGS

Other than as described below, to the knowledge of the Corporation, there are no outstanding legal proceedings material to the Corporation to which the Corporation or any of its direct or indirect subsidiaries is a party or in respect of which any of the properties of the Corporation or any of its direct or indirect subsidiaries are subject, nor are there any such proceedings known to be contemplated.

The Corporation has received a demand letter from a former consultant claiming rights to, among other things, a referral fee in the form of a small interest in Greenfields Petroleum International Company Ltd., the wholly owned subsidiary of the Corporation that owns a 33.33% interest in Bahar Energy. Management of the Corporation are engaged in discussions in an attempt to resolve this matter.

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

## AUDITOR, REGISTRAR AND TRANSFER AGENT OF GREENFIELDS

The independent auditor of Greenfields is Deloitte & Touche LLP, Chartered Accountants, Calgary, Alberta.

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

## INTERESTS OF EXPERTS

There is no person or company whose profession or business gives authority to a statement made by such person or company and who is named as having prepared or certified a statement, report or valuation described or included in a filing, or referred to in a filing, made under NI 51-102 - *Continuous Disclosure Obligations* by the Corporation during, or related to, the Corporation's most recently completed financial year other except as disclosed below.

GLJ is the Corporation's independent reserves engineering evaluator. As of the date of this short form prospectus, GLJ beneficially own, direct or indirectly, less than 1% of the Common Shares.

Certain legal matters relating to the securities offered hereunder will be passed upon by McCarthy Tétrault LLP and Carter Ledyard & Milburn LLP on behalf of Greenfields and Torys LLP on behalf of the Underwriters. As of the date of this short form prospectus, the partners and associates of these firms, each as a group, beneficially own, directly or indirectly, less than 1% of the Common Shares.

In addition, the consolidated financial statements of the Corporation for the year ended December 31, 2011 were audited by Deloitte & Touche LLP. Deloitte & Touche LLP is independent within the meaning of the Rules of Professional Conduct of the Institute of Chartered Accountants of Alberta.

### **STATUTORY RIGHTS OF WITHDRAWAL AND RESCISSION**

Securities legislation in certain of the provinces of Canada provides purchasers with the right to withdraw from an agreement to purchase securities. This right may be exercised within two business days after receipt or deemed receipt of a prospectus and any amendment. In several of the provinces, the securities legislation further provides a purchaser with remedies for rescission or, in some jurisdictions, revisions of the price or damages if the prospectus and any amendment contains a misrepresentation or is not delivered to the purchaser, provided that the remedies for rescission, revisions of the price or damages are exercised by the purchaser within the time limit prescribed by the securities legislation of the purchaser's province. The purchaser should refer to any applicable provisions of the securities legislation of the purchaser's province for the particulars of these rights or consult with a legal adviser.

**INDEPENDENT AUDITOR'S CONSENT**

We have read the short form prospectus dated May ●, 2012 qualifying for distribution and sale of \$20,000,000 aggregate principal amount of 9.0% convertible unsecured subordinated debentures of Greenfields Petroleum Corporation. We have complied with Canadian generally accepted standards for an auditor's involvement with offering documents.

We consent to the incorporation by reference in the above mentioned short form prospectus of our report to the shareholders of Greenfields Petroleum Corporation on the consolidated financial statements of Greenfields Petroleum Corporation, which comprise the consolidated statements of financial position as at December 31, 2011, December 31 2010 and January 1, 2010, the consolidated statements of net loss, consolidated statements of comprehensive loss, consolidated statements of changes in equity and the consolidated statements of cash flows for the years ended December 31, 2011 and December 31, 2010, and the notes to the consolidated financial statements. Our report is dated April 30, 2012.

Chartered Accountants

●, 2012  
Calgary, Canada

**CERTIFICATE OF THE CORPORATION**

Dated: May 8, 2012

This amended and restated short form prospectus, together with the documents incorporated by reference, constitutes full, true and plain disclosure of all material facts relating to the securities offered by this amended and restated short form prospectus as required by the securities legislation of each of the provinces of Canada, other than Québec.

*“John W. Harkins”*

---

John W. Harkins  
President and Chief Executive  
Officer

*“David G. Gullickson”*

---

David G. Gullickson  
Senior Vice President, Treasurer and  
Chief Financial Officer

**ON BEHALF OF THE BOARD OF DIRECTORS**

*“Richard E. MacDougal”*

---

Richard E. MacDougal  
Director

*“Alex T. Warmath”*

---

Alex T. Warmath  
Director

**CERTIFICATE OF THE PROMOTERS**

Dated: May 8, 2012

This amended and restated short form prospectus, together with the documents incorporated by reference, constitutes full, true and plain disclosure of all material facts relating to the securities offered by this amended and restated short form prospectus as required by the securities legislation of each of the provinces of Canada, other than Québec.

*“Richard E. MacDougal”*

Richard E. MacDougal

*“Alex T. Warmath”*

Alex T. Warmath

*“John W. Harkins”*

John W. Harkins

**CERTIFICATE OF THE UNDERWRITERS**

Dated: May 8, 2012

To the best of our knowledge, information and belief, this amended and restated short form prospectus, together with the documents incorporated by reference, constitutes full, true and plain disclosure of all material facts relating to the securities offered by this amended and restated short form prospectus as required by the securities legislation of each of the provinces of Canada, other than Québec.

**FIRSTENERGY CAPITAL CORP.**

*“Robyn Hemminger”*

Robyn Hemminger

**CIBC WORLD MARKETS INC.**

*“Chris Folan”*

Chris Folan

**CASIMIR CAPITAL LTD.**

*“Adam Thomas”*

Adam Thomas

**STONECAP SECURITIES INC.**

*“Brian K. Petersen”*

Brian K. Petersen

**CORMARK SECURITIES INC.**

*“Chris Burchell”*

Chris Burchell

**HAYWOOD SECURITIES INC.**

*“Kent Porteous”*

Kent Porteous

**RAYMOND JAMES LTD.**

*“Jeff Barber”*

Jeff Barber