Interim Consolidated Financial Statements (unaudited)

For the three month and six month periods ended June 30, 2014 and 2013

Table of Contents

Interim Consolidated Financial Statements (unaudited)

Interim Consolidated Statements of Financial Position 3
Interim Consolidated Statements of Loss and Comprehensive Loss 4
Interim Consolidated Statements of Changes in Equity 5
Interim Consolidated Statements of Cash Flows 6

Notes to the Interim Consolidated Financial Statements (unaudited)
1. REPORTING ENTITY AND GOING CONCERN 7
2. BASIS OF PRESENTATION 8
3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES 8
4. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS 9
5. FINANCIAL RISK MANAGEMENT 10
6. PROPERTY, PLANT AND EQUIPMENT 14
7. DECOMMISSIONING OBLIGATIONS 15
8. BORROWINGS 15
9. DERIVATIVE FINANCIAL INSTRUMENTS 18
10. SHARE CAPITAL 20
11. REVENUE 21
12. DEPOSIT PAID FOR ACQUISITION 22
13. OTHER LONG TERM RECEIVABLES 22
14. TRADE AND OTHER PAYABLES 23
15. SUPPLEMENTAL CASH FLOW INFORMATION 23
16. RELATED PARTY TRANSACTIONS 24
17. COMMITMENTS 25
18. CONTINGENCIES 25
19. EVENTS OCCURRING AFTER THE REPORTING PERIOD 26
20. COMPARATIVE INFORMATION 28

Oando Energy Resources Inc.

Interim Consolidated Statements of Financial Position (unaudited)

As at June 30, 2014 and December 31, 2013

All dollar balances in thousands of US dollars

	Note	As at June 30, 2014	As at December 31, 2013
Current assets			
Cash and cash equivalents	5	209,161	12,677
Trade and other receivables	5	41,197	37,738
Inventory		2,612	1,478
		252,970	51,893
Non-current assets			
Property, plant and equipment	6	277,410	249,388
Interest in Qua Ibo		49,477	40,485
Exploration and evaluation assets		352,469	345,457
Goodwill		6,794	6,794
Deferred tax assets		15,378	14,590
Deposit paid for acquisition	12	550,000	450,000
Other long term receivables	13	156,495	135,969
Restricted cash	5	1,149	4,846
		1,409,172	1,247,529
Total Assets		1,662,142	1,299,422
Current liabilities			
Borrowings, current	8	281,915	496,099
Trade and other payables	14	223,133	213,169
Derivative financial instruments	9	184,596	2,555
Current tax payable		1,041	1,074
		690,685	712,897
Non-current liabilities			
Decommissioning obligations	7	27,144	27,197
Borrowings, non-current	8	88,392	124,776
Other long term payables		47,272	47,272
Retirement benefit obligations		1,982	1,947
Deferred tax liability		81,135	74,003
		245,925	275,195
Total liabilities		936,610	988,092
Shareholders' equity			
Share capital	10	595,671	5,714
Share issue cost reserve		(6,505)	(7,302)
Share based payment reserve		5,950	4,953
Contribution from parent		628,129	628,129
Retained deficit		(499,241)	(321,639)
		724,004	309,855
Non-controlling interests		1,528	1,475
Total shareholders' equity		725,532	311,330
Total Liabilities and Shareholders' equity		1,662,142	1,299,422

The notes on pages 7 to 28 are an integral part of these Interim Consolidated Financial Statements. Refer to Going Concern uncertainty at Note 1.

Director

Director

Oando Energy Resources Inc.

Interim Consolidated Statements of Comprehensive Loss (unaudited)

For the three month and six month periods ended June 30, 2014 and 2013

All dollar balances in thousands of US dollars, except per share data

	Note	Three months ended June 30, 2014	Three months ended June 30, 2013	Six months ended June 30, 2014	Six months ended June 30, 2013
Revenue	11	30,440	36,072	62,603	65,774
Production expenses		(7,992)	(3,905)	(15,558)	(12,730)
General and administrative costs		(36,152)	(3,014)	(41,746)	(6,973)
Depletion, depreciation and amortization		(11,444)	(9,186)	(21,444)	(16,125)
		(55,588)	(16,105)	(78,748)	(35,828)
Financing income	20	324	319	1,390	561
Net fair value gains/(losses) on financial instruments	20	(106,909)	(205)	(115,374)	2,278
Financing expense	20	(7,439)	(14,175)	(41,391)	(27,668)
Net financing expense		(114,024)	(14,061)	(155,375)	(24,829)
Loss before income tax		(139,172)	5,906	(171,520)	5,117
Income tax expense		1,504	(7,073)	(6,029)	(13,983)
Net loss for the period		(137,668)	(1,167)	(177,549)	(8,866)
Comprehensive income/(loss) attributable to:					
Owners of the parent		(137,600)	(1,113)	(177,602)	(8,572)
Non-controlling interests		(68)	(54)	53	(294)
		(137,668)	(1,167)	(177,549)	(8,866)
Net loss per share					
Basic	10	(0.24)	(0.01)	(0.41)	(0.08)
Diluted	10	(0.24)	(0.01)	(0.41)	(0.08)

The notes on pages 7 to 28 are an integral part of these Interim Consolidated Financial Statements.

Oando Energy Resources Inc.
Interim Consolidated Statements of Changes in Equity (unaudited)
For the six month periods ended June 30, 2014 and 2013
All amounts in thousands of US dollars

	Attributable to owners of the parent								
	Share capital	Share capital of combined entity	Share based payments reserve	Deferred share issuance cost	Contribution from parent	Retained earnings (deficit)	Total	Non-controlling interest	Total equity
Balance, January 1, 2013	5,714	128	1,843	-	629,309	(283,102)	353,892	1,168	355,060
Net loss for the period						(8,572)	(8,572)	(294)	(8,866)
Total comprehensive loss						(8,572)	(8,572)	(294)	(8,866)
Value of employee services			1,704				1,704		1,704
Share issue costs				(3,710)			(3,710)		(3,710)
Acquisition of subsidiary		(128)			(9,132)		(9,260)		(9,260)
Total contributions recognized directly in equity		(128)	1,704	(3,710)	(9,132)	(8,572)	(19,838)	(294)	(20,132)
Balance, June, 2013	5,714	-	3,547	(3,710)	620,177	(291,674)	334,054	874	334,928
Balance, January 1, 2014	5,714	-	4,953	(7,302)	628,129	(321,639)	309,855	1,475	311,330
Net income (loss) for the period	-	-	-	-	-	(177,602)	(177,602)	53	(177,549)
Total comprehensive loss	-	-	-	-	-	(177,602)	(177,602)	53	(177,549)
Share issue	589,957	-	-	-	-	-	589,957	-	589,957
Share issue costs	-	-	-	797	-	-	797	-	797
Value of employee services	-		997	-	-	-	997	-	997
Total contributions recognized directly in equity	589,957	-	997	797	-	(177,602)	414,149	53	414,202
Balance, June 30, 2014	595,671	-	5,950	(6,505)	628,129	(499,241)	724,004	1,528	725,532

The notes on pages 7 to 28 are an integral part of these Interim Consolidated Financial Statements.

	Six months ended June 30, 2014	Six months ended June 30, 2013
Net loss before tax for the period	(171,520)	5,117
Non-cash items:		
Depreciation, depletion and amortization	21,444	16,125
Decommissioning liabilities: Unwinding of discount	1,354	1,309
Finance expenses	40,832	26,059
Fair value loss (gain) on financial instruments (note 9)	115,374	(1,978)
Net foreign exchange gain	-	(24)
Loss/(gain) on disposal of property plant and equipment	27	(5)
Share based payments	997	1,704
Income taxes recovered (paid)	-	(6,743)
Net changes in working capital (note 15)	(19,728)	(63,735)
Cash flows from operating activities	(11,220)	(22,171)
Equity issuance cost	-	(3,710)
Increase in restricted cash	3,697	-
Proceeds from share issue	50,000	-
Proceeds from borrowings	373,848	93,724
Financing fee on borrowings	(16,396)	-
Interest payments	(12,665)	(6,732)
Repayments of borrowings	(23,890)	(20,848)
Cash flows from financing activities	374,594	62,434
Property, plant and equipment expenditures	(50,491)	(23,989)
Qua Ibo capital expenditures	(9,402)	(17,060)
Exploration and evaluation asset expenditures	(7,012)	(3,649)
Proceeds on sale of property plant and equipment	-	120
Increase in deposit for acquisition	(100,000)	-
Net changes in working capital (note 15)	15	1,507
Cash flows from investing activities	(166,890)	(43,071)
Net increase (decrease)	196,484	(2,808)
Cash and cash equivalents, beginning of period	12,677	4,698
Cash and cash equivalents, end of period	209,161	1,890

The notes on pages 7 to 28 are an integral part of these Interim Consolidated Financial Statements.

1. REPORTING ENTITY AND GOING CONCERN

General Information

Oando Energy Resources Inc. ("OER") is a publicly traded company listed on the Toronto Stock Exchange ("TSX") under the symbol "OER". OER was incorporated under the laws of Canada. OER's registered office is located at 3400, First Canadian Center, 350 7th Avenue SW, Calgary AB, T2P 3N9, Canada and head office is located at 1230, 112 4th Avenue SW, Calgary, AB, T2P 0H3, Canada. OER and its subsidiaries (together, the "Corporation") is involved in the acquisition of petroleum and natural gas rights, the exploration for and development and production of oil and natural gas primarily focused in Nigeria and São Tomé and Príncipe. The ultimate parent company is Oando PLC, who owned 92% of the share capital of the Corporation at June 30, 2013 and is the ultimate controlling party. Unless otherwise noted, all references to the "Corporation" mean OER and its subsidiaries.

On October 13, 2011, Exile Resources Inc. ("Exile") and the Upstream Exploration and Production Division ("OEPD") of Oando PLC announced that they had entered into a definitive master agreement dated September 27, 2011 providing for the previously announced proposed acquisition by Exile of certain shareholding interests in Oando PLC subsidiaries via a Reverse Take Over ("RTO") in respect of Oil Mining Leases and Oil Prospecting Licenses of Oando PLC first announced on August 2, 2011. The RTO closed on July 24, 2012. Immediately prior to completion of the RTO, Oando PLC and the Oando Exploration and Production Division entered into a reorganization transaction (the "Oando Reorganization") with the purpose of facilitating the transfer of the OEPD interests to the Corporation.

The Interim Consolidated Financial Statements include financial information of the Corporation including a proportionate share of its investments in joint operations. Oando PLC owns Class A shares of certain entities consolidated by the Corporation which provides it with 60% of the voting rights but no rights to receive dividends or distributions from these entities except on liquidation or winding up. The Class B shares of these entities, which are indirectly owned by the Corporation, entitle the Corporation to 40% of the voting rights and 100% of the rights to receive dividends and distributions. The Corporation controls these entities through shareholder agreements which are filed on www.sedar.com under "Oando Energy Resources Inc." Refer to the most recently published year end consolidated financial statements for further details.

Going Concern

These financial statements have been prepared using International Financial Reporting Standards that are applicable to a going concern, which contemplates the realization of assets and settlement of liabilities in the normal course of business as they become due.

For the six months ended June 30, 2014, the Corporation had a net loss of $177.5 million, a working capital deficiency of $253 million, and an accumulated deficit of $499.2 million. In addition to its on-going working capital requirements, the Corporation must secure sufficient funding to repay $ 281.9 million in current borrowings and fund ongoing operations. The Corporation has incurred significant levels of debt and equity financing to finance on-going operations and the COP Acquisition, which closed on July 30, 2014 (see Note 19 for further details). These circumstances lend significant doubt as to the ability of the Corporation to meet its obligations as they come due and, accordingly, the appropriateness of the use of accounting principles applicable to a going concern.

On February 26, 2014, the Corporation exercised the conversion option on borrowing agreements with Oando PLC, and this resulted in the settlement of $601 million of the existing Oando PLC Loan Facility through issuance of 432,565,768 common shares of OER and 216,282,384 warrants giving the holder the right to purchase OER common shares subject to certain restrictions. Also, on July 9, 2014, the Corporation exercised the conversion option on an additional $168 million of borrowings on the Oando PLC Loan Facility through the issuance of 150,075,856 common shares of OER and 75,037,928 OER common share warrants. However, the Corporation's outstanding borrowings remain significant and have increased as a result of the COP Acquisition. In addition, the Corporation secured equity financing in the form of a $50 million private placement with arm's length investors completed on February 26, 2014 for which the proceeds have been used to assist in the closing of the COP Acquisition and fund on-going working capital requirements.

These undertakings are not sufficient in and of themselves to enable the Corporation to fund all aspects of its operations and, accordingly, management is pursuing other financing alternatives to fund the Corporation's commitments and operations so it can continue as a going concern. Management plans to secure the necessary financing through the issue of new equity or debt instruments. Nevertheless, there is no assurance that these initiatives will be successful. The Corporation's ability to continue as a going concern is dependent upon its ability

to fund the repayment of existing borrowings, secure additional financing and generate positive cash flows from operations. These financial statements do not reflect the adjustments to the carrying values of assets and liabilities and the reported revenues, expenses and balance sheet classifications that would be necessary if the Corporation were unable to realize its assets and settle its liabilities as a going concern in the normal course of operations. Such adjustments could be material.

Foreign Operations

The Corporation's producing crude oil properties and operations are located in Nigeria. As such, the Corporation is subject to significant political, economic and other uncertainties relating to foreign operations conducted in Nigeria. There can be no assurance that the Corporation will be able to successfully conduct such operations, and a failure to do so would have a material adverse effect on the Corporation's financial position, results of operations and cash flows.

The Corporation's operations may be affected by varying degrees of political instability. These risks and uncertainties include military repression, political, and labor unrest, military coups, terrorism, hostage taking and expropriation. Any changes in regulations or shifts in political conditions are beyond the control of the Corporation and may adversely affect its business and its interests. Operations may be affected by varying degrees of government regulations with respect to restrictions on production, price controls, export controls, expropriation of property, environmental legislation, safety factors and other risk factors common to developing countries.

2. BASIS OF PRESENTATION

These interim consolidated financial statements have been prepared in accordance with IAS 34, "Interim Financial Reporting". These statements should be read in conjunction with the consolidated financial statements for the year ended December 31, 2013 which have been prepared in accordance with International Financial Reporting Standards ("IFRS").

The interim consolidated financial statements for the period ended June 30, 2014 were approved by the Board of Directors on August 14, 2014.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies followed in these consolidated interim financial statements are consistent with those of the previous financial year, except as described below. Taxes on income in the interim periods are accrued using the tax rate that would be applicable to expected total annual profit or loss.

Changes in accounting policies and disclosures

The Corporation adopted IFRIC 21, *Accounting for levies imposed by governments*, which clarifies that the obligating event giving rise to a liability to pay a levy is the activity described in the relevant legislation that triggers payment of the levy. The Corporation's adoption of IFRIC 21 on January 1, 2014 did not result in changes in the accounting for government levies.

There are no other IFRSs or IFRIC interpretations that are effective January 1, 2014 that would be expected to have a material impact on the Corporation.

New accounting standards and amendments issued but not yet adopted

A number of new standards and amendments to standards and interpretations are effective for annual periods beginning after January 1, 2014, and have not been applied in preparing these Interim Consolidated Financial Statements. Those with the potential to effect the Interim Consolidated Financial Statements of the Corporation are: IFRS 9 *Financial Instruments*. In February 2014, the IASB indicated that IFRS 9 will be effective for annual periods beginning on or after January 1, 2018. The Corporation continues to assess the impact of adopting this standard.

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

The preparation of interim financial statements requires management to make estimates and judgements that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates. Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

In preparing these financial statements, the significant judgements made by management in applying the Corporation's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the consolidated financial statements for the year ended December 31, 2013 except as described below.

Estimate: crude oil losses

Production from the Ebendo marginal field (OML 56) is transported using the Umusadege pipeline and export facility operated by Nigerian Agip Oil Company Limited ("NAOC"). This pipeline experiences a significant amount of crude oil losses due to theft of crude oil and/or sabotage of crude oil pipelines. Revenue is recognized on oil production net of crude oil losses.

Total net crude oil deliveries into the export pipeline from the Ebendo marginal field for the six months ended June 30, 2014 was approximately 206,135 bbls before pipeline losses. Pipeline and export facility losses reported by NAOC and allocated to the Corporation for the six months ended June 30, 2014 was 38,286 bbls (2013: 32,236 bbls), or 19% (2013: 20%) of total crude oil deliveries into the export pipeline for the year. This resulted in approximately $4.4 million (2013: $3.4 million) of oil production not being recognized in revenue (before royalties) for the six month period ended June 30, 2014 on the basis that it is not probable that the economic benefits will flow to the Corporation.

NAOC has been unable or unwilling to provide the marginal field companies that produce through the Umusadege export facility with an explanation for the basis for the pipeline and export facility losses or for the reasons for the fluctuations in allocated pipeline losses. The Corporation has used the existing allocations provided by NAOC as their best estimate of crude oil losses. As such, the resulting crude loss estimate may not be equal the related actual results. Total revenue recognized for production from the Ebendo field net of crude oil losses and before royalties, was $17.0 million for the six month period ended June 30, 2014 (2013 - $12.8 million). If the percentage of crude oil losses experienced was 5% higher, this would results in a further reduction of sales volumes by 10,307 bbls (2013: 8,164 bbls) and revenue by $1.1 million (2013: $0.9 million).

Estimate: fair value of warrants and conversion feature on borrowings

On February 26, 2014 the Corporation closed a private placement where $50 million was received in exchange for OER common shares and warrants which entitle the holders to purchase additional OER common shares subject to certain restrictions. Also on February 26, 2014, Oando PLC exchanged $601 million of convertible debt to equity for OER common shares and warrants with identical terms to those issued with the private placement shares. The warrants are classified as financial liabilities because the exercise price is not fixed in the functional currency of the Corporation. Pursuant to the Corporation's accounting policy for derivative financial instruments, the warrants have been recognized as a current liability at fair value with subsequent changes in fair value recognized in profit and loss. The fair value of the warrants, which are not traded in an active market, have been determined using the Black Scholes option pricing model.

On February 10, 2014, the Corporation signed an agreement with Oando PLC for a $1.2 billion loan facility. As a part of this arrangement, the Corporation entered into the Repayment Deed allowing either Oando PLC or the Corporation to elect for the Corporation to repay the Oando PLC Facility by the issuance of common shares, provided that all regulatory approvals have been obtained. The Corporation has determined that the conversion feature represents an embedded derivative. Accordingly, as amounts are drawn on the Oando PLC loan, an embedded derivative is recognized as a current liability at fair value with subsequent changes in fair value recognized in profit and loss. The fair value of this conversion feature has been determined using the binomial option pricing model.

The Corporation used judgement to select the valuation models and made assumptions based mainly on market conditions to determine the fair value of the warrants and the conversion feature on borrowings. Refer to Note 9 for descriptions of the valuation models applied and the significant inputs into the models.

Judgement: financing fees

On February 10, 2014, the Corporation signed a loan facility agreement with Oando PLC which included a financing fee of $48 million of the amount covered by the $1.2 billion facility. The financing fee is due on repayment of the loan or conversion of the loan to equity; the Corporation also has the option to settle the financing fee in equity if the loan is converted to equity. Management has determined that the obligation to pay the financing fee represents a financial liability of the Corporation when amounts are drawn. Accordingly, as amounts are drawn down on the facility, a financing fee liability is recorded; pursuant to the Corporation's accounting policy for "Other financial liabilities" the financing fee liability is recorded at its fair value on initial recognition and is subsequently measured at amortized cost.

Furthermore, the financing fee has been accounted for as a transaction cost and allocated to the entire $1.2 billion facility. To the extent that the facility is drawn, a portion of the facility fee is allocated to the drawn amount and used to estimate the effective interest rate on the loan over the estimated expected life of the drawings. In the event the loan is converted to equity, the unamortized portion of the financing fee is expensed. The portion of the facility fee related to undrawn amounts is not recognized until the drawings occur.

5. FINANCIAL RISK MANAGEMENT

The Corporation's activities expose it to a variety of financial risks: market risk (including foreign exchange risk, price risk and interest rate risk), credit risk and liquidity risk. The Corporation's overall risk management program focuses on the unpredictability of financial markets and seeks to minimize potential adverse effect on its financial and operational performance.

Market Risk

The Corporation is exposed to foreign exchange risk, price risk, and interest rate risk. The following summarizes the potential impact of these risks on the results of the Corporation as at June 30, 2014:

- Foreign exchange risk: The Corporation is primarily exposed to foreign exchange risk on warrants which are denominated in Canadian dollars. If the Canadian dollar exchange rate increased by 10% against the US dollar, it would increase the loss before tax by $12.1 million;

- Price risk: if the prices of crude oil decreased by 10% assuming all other variables remain constant, the impact on loss before tax from the changes in the fair value of derivative commodity contracts would be nil; and

- Interest rate risk: if interest rates increase by 1%, assuming all other variables remain constant, it would increase loss before tax by $1.0 million for the six months ended June 30, 2014.

Credit Risk

The Corporation's credit risk arises primarily from cash and cash equivalents, trade and other receivables, and other long term receivables. The maximum exposure to credit risk is the carrying value of each class of financial asset included in the table below. The Corporation does not hold any collateral as security.

	Note	As at June 30, 2014	As at December 31, 2013
Current financial assets			
Cash and cash equivalents	(a)	209,161	12,677
Trade and other receivables	(b)	41,197	37,738
		250,358	**50,415**
Non-current financial assets			
Other long term receivables	(c)	156,496	135,969
Restricted cash	(a)	1,149	4,846
		157,645	**140,815**

(a) Cash and cash equivalents

The Corporation is exposed to credit risk on cash and cash equivalents deposited with various financial institutions. Credit risk associated with cash and cash equivalent balances, including restricted cash balances, can be assessed by reference to external credit ratings of these financial institutions. The following table discloses the credit ratings of banks and financial institutions where the Corporation holds its cash and cash equivalents.

	As at June 30, 2014	As at December 31, 2013
AA-	201,491	56
B+	1,225	12,598
B/B-	6,699	4,457
Non-rated	895	412
	210,310	17,523
Less: Restricted cash[1]	(1,149)	(4,846)
Cash and cash equivalents	209,161	12,677

[1] *Restricted cash balances have been separately disclosed in the statement of financial position.*
Source – Fitch ratings

(b) Trade and other receivables

	As at June 30, 2014	As at December 31, 2013
Trade receivables	3,983	8,357
Other receivables	37,214	29,381
	41,197	37,738

For trade receivables, the Corporation analyzes the credit risk for each customer before standard payment and delivery terms and conditions are offered. Trade receivables are due for payment with 30 days terms. At June 30, 2014, there was no provision for impairment relating to trade receivables and no trade receivables were past due. The Corporation's credit risk is concentrated for trade receivables as the Corporation currently sells its crude to only one customer, whose external credit rating is currently an A rating. The carrying amount of the Corporation's trade receivables are denominated in US dollars.

Other receivables comprise balances due from related parties as well as advances to vendors and joint venture partners. As at June 30, 2014, the Corporation had $17 million due from related parties. In addition to this, $8.6 million is due from the OML 90 joint venture partner for expenses incurred on activities at OML 90. Also, $7.7 million and $1.7 million of this amount relates to cash call advances for OML 125 and OML 56 respectively.

(c) Other long term receivables

Other long term receivables are comprised of underlift receivable, joint venture receivables, and debt financing costs (refer to Note 13 for details). On completion of the Oando Reorganization on July 24, 2012, the Corporation retained the contractual rights to receive the cash flows associated with $47.3 million of the underlift receivable. However, the Corporation assumed a contractual obligation to pay a portion of those cash flows to Oando PLC and recognized a long term payable of $47.3 million on the statement of financial position. As part of the terms of the payable, the Corporation has no obligation to pay amounts to Oando PLC unless it collects the equivalent amounts from the original receivable. Therefore, the net credit risk exposure relating the $72.7 million underlift receivable net of the $47.3 million long term payable to Oando PLC is $25.4 million as at June 30, 2013. Refer to Note 19 for the details of events occurring after the reporting period related to underlift receivables. The carrying value of the joint venture receivables represents the maximum exposure to credit losses.

Liquidity Risk

Cash flow forecasting is performed by management on a regular basis. Cash flow forecasts are monitored to ensure that the Corporation has sufficient cash to meet operational needs while also ensuring that the Corporation has sufficient cash resources to meet future contractual commitments. The Corporation has significant commitments as a result of the COP Acquisition, which closed on July 30, 2014. In order to generate additional liquidity the Corporation has completed a number of debt and equity transactions since year end. Refer to Notes 8 and 10 for further details.

The following are the contractual maturities of financial liabilities, including estimated interest payments as at June 30, 2014:

	Total	Less than 1 year	1 to 3 years	4 to 5 years	After 5 years
Borrowings[1]	413,872	301,750	93,141	18,981	-
Trade and other payables	223,133	223,133	-	-	-
Other long term payables[2]	76,399	-	47,272	1,983	27,144
Derivative financial instruments	184,596	184,596	-	-	-
	898,000	709,479	140,413	20,964	27,144

The following are the contractual maturities of financial liabilities, including estimated interest payments as at December 31, 2013:

	Total	Less than 1 year	1 to 3 years	4 to 5 years	After 5 years
Borrowings[1]	665,967	496,823	93,141	76,003	-
Trade and other payables	213,169	213,169	-	-	-
Other long term payables[2]	76,416	-	47,272	1,947	27,197
Derivative financial instruments	2,555	770	1,785	-	-
	958,107	710,762	142,198	77,950	27,197

[1] *The cash out flows associated with borrowings include interest expense based on the interest rates included in the underlying agreements. Where interest rates are floating, the rate applicable at June 30, 2014 has been used.*

[2] *Other long term payables includes decommissioning obligations, other long term payables, and retirement benefit obligations as presented on the consolidated statements of financial position.*

Fair value estimation

IFRS requires that the Corporation disclose information about the fair value of its financial assets and liabilities. Fair value estimates are made at the balance sheet date, based on relevant market information and information about the financial instrument. These estimates are subjective in nature and involve uncertainties in significant matters of judgement and therefore cannot be determined with precision. Changes in assumptions could significantly affect these estimates.

The carrying value of cash, trade and other receivables, and trade and other payable and accrued liabilities reflected in the consolidated balance sheets approximate fair value due to the short term to maturity of these instruments. Refer to Note 8 for disclosures about the fair value of borrowings.

The table below analyzes financial instruments carried at fair value, by valuation method. The different levels are defined as follows:

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (Level 1);
- Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (Level 2);
- Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (Level 3).

The following table presents the Corporation's financial liabilities that are measured at fair value at June 30, 2014.

Recurring measurements	Level 1	Level 2	Level 3	Total
Commodity contracts	-	-	-	-
Warrants	-	-	121,756	121,756
Conversion feature on borrowings	-	-	62,840	62,840
	-	-	184,596	184,596

The following table presents the Corporation's financial liabilities that are measured at fair value at December 31, 2013.

Recurring measurements	Level 1	Level 2	Level 3	Total
Commodity contracts	-	-	-	-
Warrants	-	-	1,785	1,785
Conversion feature on borrowings	-	-	770	770
	-	-	2,555	2,555

As at June 30, 2014, the Corporation had warrants with a fair value of $122 million (December 31, 2013 - $1.8 million) and a conversion feature valued at nil (2013 - $0.8 million). The warrants and the conversion feature on the borrowing was allocated to Level 3 of the hierarchy.

The following table presents the changes in Level 3 instruments for the six months ended June 30, 2014.

	June 30, 2014
Balance, beginning of period	2,555
Issue of warrants	72,769
Recognition of conversion feature on borrowings in period	(6,102)
Net losses recognized in the statement of comprehensive loss	115,374
Balance, end of period	**184,596**

6. PROPERTY, PLANT AND EQUIPMENT

The following table summarizes changes in property, plant and equipment during the six months ended June 30, 2014;

	Oil and gas properties	Oil and gas properties under development	Other fixed assets	Total
At January 1, 2013				
Cost	253,856	64,503	3,879	322,238
Accumulated depletion, depreciation and impairment	(130,939)	-	(1,669)	(132,608)
Net book amount	122,917	64,503	2,210	189,630
Year ended December 31, 2013				
Opening net book amount	122,917	64,503	2,210	189,630
Additions	69,005	17,272	1,334	87,611
Disposals	-	-	(213)	(213)
Depletion and depreciation	(30,821)	-	(692)	(31,513)
Change in decommissioning liability	3,873	-	-	3,873
Closing net book amount	164,974	81,775	2,639	249,388
At December 31, 2013				
Cost	326,734	81,775	4,983	413,492
Accumulated depreciation, depletion and impairment	(161,760)	-	(2,344)	(164,104)
Year ended December 31, 2013	164,974	81,775	2,639	249,388
At January 1, 2014				
Opening net book amount	164,974	81,775	2,639	249,388
Additions	49,797	-	694	50,491
Disposals	-	-	(29)	(29)
Change in decommissioning liability	(996)	-	-	(996)
Depletion and depreciation	(21,184)	-	(260)	(21,444)
Closing net book amount	192,591	81,775	3,044	277,410
At June 30, 2014				
Cost	375,535	81,775	5,648	462,958
Accumulated depreciation, depletion and impairment	(182,944)	-	(2,604)	(185,548)
Period ended June 30, 2014	192,591	81,775	3,044	277,410

For the six month period ended June 30, 2014, no borrowing costs directly attributable to development oil and gas assets were capitalized (2013 - nil). In calculating depletion expense for the six months ended June 30, 2014, $45.1 million of future development costs were included in the cost base subject to depletion (12 months ended December 31, 2013 - $91.3 million).

7. DECOMMISSIONING OBLIGATIONS

The Corporation has decommissioning obligations in respect of its oil and gas interests in Nigeria. The following table presents a reconciliation of the beginning and ending aggregate carrying amount of the obligations associated with the retirement of oil and gas properties for the six months ended June 30, 2014:

	June 30, 2014
Balance, beginning of period	27,197
Liabilities incurred	2,353
Decrease in estimate	(3,760)
Accretion expense	1,354
Balance, end of period	**27,144**

The total future decommissioning obligation is estimated based on the Corporation's net ownership interest in all wells and facilities relating to continuing operations, the estimated costs to abandon and reclaim these wells and facilities, and the estimated timing of the costs to be incurred in future periods. The key assumption upon which the carrying amount of the decommissioning obligation is based is a discount rate of 14.2% (December 31, 2013 - 13%) and an inflation rate of 8.2% (December 31, 2013: 8.5%) These obligations are expected to be settled over the next five to twenty years.

8. BORROWINGS

The following table summarizes borrowings outstanding at June 30, 2014 and December 31, 2013:

	As at June 30, 2014	As at December 31, 2013
Oando PLC Loan	168,473	401,000
First Bank of Nigeria (Loan #1)	16,834	32,944
First Bank of Nigeria (Loan #2)	70,000	70,000
First Bank of Nigeria (Short term loan)	-	7,779
Ecobank Nigeria Loan	20,000	20,000
Diamond Bank Loan	65,000	59,152
Enterprise Bank	30,000	30,000
	370,307	**620,875**
Less: Borrowings, current	(281,915)	(496,099)
Borrowings, non-current	**88,392**	**124,776**

The carrying amounts of all Corporation borrowings are denominated in US dollars. Subsequent to June 30, 2014, the Corporation closed the COP Acquisition and, as a result, the borrowings of the Corporation changed. Refer to Note 19 for further details.

$1.2 Billion Oando PLC Loan Facility

On February 10, 2014, the Corporation signed an agreement with Oando PLC for a $1.2 billion loan facility. The loan agreement amends and governs the Oando PLC loan (facility A, B1, and B2) which was drawn to $401 million at December 31, 2013 and the $200 million loan facility which was signed on December 24, 2013. In addition, the loan agreement made available to the Corporation an additional $599 million. The funds have been used to fund the closure of the COP Acquisition and for other general corporate requirements (refer to Note 19 for details of the COP Acquisition). The annual interest rate of the facility is 4% calculated on a quarterly basis and principal is due to be repaid on December 31, 2015. The only financial covenant of the loan limits capital expenditures to $500 million per year for 2014 and 2015. The loan also includes a financing fee of $48 million which was converted to equity on July 9, 2014. Refer to Note 19 for further

details. The Corporation can elect to repay the principal and pay the financing fee by the issuance of common shares of OER, subject to certain restrictions. The table below summarizes the movement of the $1.2 billion facility during the six months ended June 30, 2014.

	Six months ended
Balance, beginning of period	401,000
Drawings	368,000
Converted to shares	(601,000)
	168,000
Conversion feature on borrowings (Note 9)	6,102
Unamortized transaction costs	(5,629)
Balance, June 30, 2014	168,473

During the six months ended June 30, 2014, the facility was drawn by an amount of $368 million. Also during this period, $601 million of principal and $11,710,445 of accrued interest was exchanged for 432,565,768 common shares of OER and 216,282,884 warrants. Of the $612,710,445 conversion amount, $67,311,725 was allocated to the warrants and recorded as a derivative financial liability (refer to Note 4 for critical accounting judgements related to this amount) and the residual amount of $545,398,720 was recorded as share capital (refer to Note 10). The balance at June 30, 2014 includes unamortized transaction costs of $5.6 million (described below). Subsequent to June 30, 2014, the Corporation converted $168 million in principal to shares and warrants and drew down on the facility to fund the closing of the COP Acquisition – refer to Note 19 for the details of the conversion and amount drawn to close the COP Acquisition. As at June 30, 2014, $431 million remained available for drawdown on the loan.

Oando PLC Loan $48 Million Financing Fee

As per Note 4, Management has determined that the obligation to pay the financing fee represents a financial liability of the Corporation and as amounts are drawn down on the facility, a financing fee liability is recorded. In the six months ended June 30, 2014, the cumulative amount drawn on the facility to date was $769 million for which a financing fee liability of $30.8 million was recorded. The financing fee liability has been recorded in other payables. The financing fee of $48 million was converted to equity on July 9, 2014. Refer to Note 19 for further details.

Furthermore, as per Note 4, Management determined that the financing fee should be accounted for as a transaction cost. Specifically, to the extent that the facility is drawn, a portion of the facility fee is allocated to the drawn amount and used to estimate the effective interest rate on the loan over the estimated expected life of the drawings; in the event the loan is converted to equity, the financing fee is expensed. In the six months ended June 30, 2014, $30.8 million was recorded as a transaction cost. Of this amount, $24 million was recorded as an interest expense on the conversion of $601 million of principal noted above and $1.1 million was amortized to interest expense in the period. As at June 30, 2014, the unamortized portion of the transaction costs allocated to the principal balance of $168 million was $5.6 million.

$450 Million Senior Secured Facility

The Corporation entered into a $450 million Senior Secured Facility agreement on January 31, 2014. The purpose of the facility is to finance the closing of the COP Acquisition. The agreement consists of two facilities – Facility A and Facility B.

- Facility A provides for a loan amount of $181.7 million. Facility A is required to be repaid one business day subsequent to the completion of the COP Acquisition with the proceeds of the repayment of an existing shareholder loan. This repayment of the shareholder loan is to be funded by a $181.7 million facility (the “Target Facility Loan”) to be provided by the same set of lenders to Phillips Oil Company Nigeria Limited (one of the entities being acquired as part of the COP Acquisition).

- Facility B provides for a loan amount of $268.3 million. The facility can be draw down until the earlier of (i) two days before the COP Acquisition closes or (ii) July 31, 2014. Once drawn down, the loan is repayable in quarterly installments in accordance

with a repayment schedule. Following the repayment of Facility A the aggregate amount owed by the Corporation would be $450 million.

Interest will be charged on the loans at LIBOR plus 8.5% per annum and interest payments are due at the end of each quarterly period. Loan B and the Target Facility Loan will be repaid each calendar quarter using the proceeds from sales of the Corporation's share of crude oil from its various operations. In addition to regular repayments, 25% of any excess cash from the proceeds of sales of crude oil, natural gas liquids and electric power from its various operations (subsequent to the completion of the COP Acquisition) would also be applied against outstanding principal. The loans have a final maturity date of June 30, 2019.

The facility has an amended expiry date of August 31, 2014. The Corporation has paid the agreed commitment fee for the extension to the Mandated Lead Arrangers ("MLAs") and the Corporation has executed the relevant documentation reflecting the amendment. As at June 30, 2014, the loan had not been drawn. Subsequent to June 30, 2014, the Corporation drew down on the facility to fund the closing of the COP Acquisition – refer to Note 19 for further details on the amount drawn.

$350 Million Corporate Finance Loan Facility

On January 17, 2014, the Corporation signed an agreement with a consortium of lenders led by FBN Capital Markets Limited and FCMB Capital Markets Limited to secure a Corporate Finance Loan Facility for $329 million. Pursuant to an amendment agreement executed on January 31, 2014 the facility amount was increased to $350 million. The loan purpose of the facility is to fund the repayment of the existing loans of the Corporation as well as to finance a portion of the COP Acquisition. Interest will be charged from draw down at LIBOR plus 9.5% per annum for the first fifty-seven months of the facility, with an increase of 1% for the remaining life of the facility. The loan will be available for the Corporation to draw down for 12 months from January 17, 2014. The loan will be repaid quarterly using the proceeds of sales of the Corporation's share of crude oil, natural gas liquids and electric power from its various operations subsequent to the completion of the COP Acquisition. As at June 30, 2014, the loan had not been drawn. The Corporation drew the full amount of this facility after the June 30, 2014 to close the COP Acquisition. Subsequent to June 30, 2014, the Corporation drew down on the facility to repay existing loans (the First Bank Nigeria Loans, the Ecobank Nigeria Loan, the Diamond Bank Loan, and the Enterprise Bank Loan) and fund the closing of the COP Acquisition. Refer to Note 19 for further details on the amount drawn to close the COP Acquisition.

$100 Million African Export Import Bank Subordinated Debt Facility

On June 6, 2014, the Corporation signed an agreement with African Export-Import Bank to secure a one year subordinated structured debt facility for $100 million. The loan was designated to fund a portion of the COP Acquisition. Interest is charged at LIBOR plus 7% per annum. The loan will be repaid quarterly using the proceeds of sales of the Corporation's share of crude oil, natural gas liquids and electric power from its various operations. The full amount of the facility was drawn to fund the final purchase consideration for the COP acquisition. Refer to Note 19 for further details on the amount drawn.

Fair value of borrowings

The carrying amount and fair value of the non-current borrowings are as follows:

	As at June 30, 2014		As at December 31, 2013	
	Carrying amount	Fair value	Carrying amount	Fair value
Non-current borrowings	88,392	78,009	124,776	104,228

The fair value of current borrowings equals their carrying amount, as the impact of discounting is not significant. The fair values are based on cash flows discounted using a rate based on the borrowing rate of 10.5% (2013: 10.5%) and are within level 2 of the fair value hierarchy. The fair values of loans to related parties are based on cash flows discounted using a rate based on the borrowings rate of 4% (2013 - 5%). The fair values are within level 2 of the fair value hierarchy.

9. DERIVATIVE FINANCIAL INSTRUMENTS

The following table summarizes the fair value of derivative financial instruments as at June 30, 2014 and December 31, 2013:

	As at June 30, 2014	As at December 31, 2013
Conversion feature on borrowings	62,840	770
Warrants	121,756	1,785
Derivative financial instruments – liabilities	184,596	2,555

Warrants

Warrants on closing of RTO

Warrants issued on the closing of the RTO are classified as financial liabilities because the exercise price is not fixed in the functional currency of the Corporation. The warrants are therefore required to be initially recognized at fair value and subsequently measured at fair value through profit or loss. The fair value of the remaining 5,714,276 warrants issued upon closing of the RTO, determined using the Black Scholes option pricing model, was $0.7 million at June 30, 2014. The significant inputs to the model were the share price of $1.90 (2013: $1.70), exercise price of $2.00 (2013: $2.00), volatility of 86% (2013: 93%), dividend yield of $nil (2013: Nil), expected warrant life of 24 days and a risk free rate of 1.05% (2013: 1.16%). On July 24, 2014, all of the remaining warrants issued upon closing of the RTO expired without being exercised.

Warrants issued on private placement and Oando PLC loan conversion

On February 26, 2014, 17,535,032 warrants were issued as a part of a $50 million private placement (refer to Note 10 for further details). Also on February 26, 2014 216,282,884 warrants were issued as part of the consideration on the conversion of the Oando PLC loan (refer to Note 8 for further details). The warrants are classified as financial liabilities because the exercise price is not fixed in the functional currency of the Corporation (refer to Note 4 for critical accounting judgements related to warrants). The warrants are therefore required to be initially recognized at fair value and subsequently measured at fair value through profit or loss.

Each whole warrant entitles the holder thereof to acquire one common share of the Corporation at a price of C$2.00 per common share for a period of 24 months from the date of the closing of the COP Acquisition (which occurred on July 30, 2014 – see Note 19 for further details). However, if after a period of six months after the closing of the COP Acquisition, the closing price of the common shares of OER on the TSX is greater than $3.50 for a period of at least 10 consecutive trading days, the Warrants will expire within 30 days.

The fair value of the warrants issued with the private placement and Oando PLC loan conversion, determined using a variant of the Black Scholes option pricing model, was $121 million at June 30, 2014. The significant inputs to the model were the share price of $1.90 exercise price of $2.00, volatility of 85%, dividend yield of $nil, expected warrant life of 24 months from the COP Acquisition date, and a risk free rate of 3.5%.

A summary of the outstanding warrants as at June 30, 2014 is as follows:

			June 30, 2014	
	Expiry date	Exercise price Cdn	Warrants Outstanding	Fair value of warrants
$2.00 Warrants	July 24, 2014	$2.00	5,714,276	730
$2.00 Warrants	July 30, 2016	$2.00	233,817,916	121,026
			239,532,192	121,756

As at June 30, 2014, 5,714,276 (2013 – 11,428,260) warrants were exercisable. For the six months ended June 30, 2014, $47 million was recognized as a derivative loss (2013 - $2 million gain) in the statement of comprehensive loss for the warrants.

Conversion feature on borrowings

As a part of the $1.2 billion Oando PLC loan facility, the Corporation also entered into the Repayment Deed. Pursuant to the Repayment Deed, either Oando PLC or the Corporation is permitted to elect for the Corporation to repay the Oando PLC Facility by the issuance of common shares, provided that all regulatory approvals have been obtained, at the earliest of the following events:

a) a receipt has been issued for a final prospectus in respect of an offering of common shares (or securities convertible into common shares at no additional cost to the subscriber thereof);

b) signing of a Private Placement Agreement for the COP Acquisition;

c) completion of the the COP Acquisition; and

d) termination of the COP Acquisition.

If Oando PLC or the Corporation elects for the Corporation to repay the Oando PLC Facility by the issuance of common shares, the conversion price per share will be:

a) the price per share (or security convertible into a share at no additional cost to the subscriber) identified in the final prospectus filed by the Corporation (as adjusted, if necessary, to comply with maximum discount rules of the TSX), provided that the COP Acquisition has not been terminated; or

b) the price per share of OER (or security convertible into a common share of OER at no additional cost to the third party) agreed between the borrower and the third party in the private placement agreement, provided that a final prospectus has not been filed or the acquisition terminated.

c) in all other circumstances, the 5-day volume weighted average price at the time of election by OER that it wishes to repay the Oando PLC Loan by the issuance of common shares of OER. The election to repay the Oando PLC Facility by the issuance of common shares can be exercised no later than five business days prior to the earliest of the following events:

   (i) a receipt has been issued for a final prospectus in respect of an offering of common shares (or securities convertible into Common shares at no additional cost to the subscriber thereof);

   (ii) signing of a Private Placement Agreement for the COP Acquisition

   (iii) completion of the COP Acquisition; or

   (iv) termination of the COP Acquisition.

In the event that the election to repay the Oando PLC Facility by the issuance of common shares would result in Oando PLC having a beneficial ownership interest in the Corporation that is higher than Oando PLC's current ownership interest at June 30, 2014 of 92%, the number of common shares to be issued by the Corporation will be reduced so as to ensure that Oando PLC's stake in the Corporation does not exceed such current ownership interest and the balance, if any, of amounts owing under the Oando PLC Facility will be payable in cash. The conversion feature represents an embedded derivative that is required to be split out from the host contract. The derivative is required to be initially recognized at fair value and subsequently measured at fair value through profit and loss.

On February 26, 2014 the Corporation raised $50 million in exchange for shares and warrants as part of a private placement between arm's length parties which allowed the Corporation to convert $601 million of principal under the terms of the conversion feature. The exchange price of $1.57/unit established in negotiations with arm's length private placement investors was also used as the exchange price on the February 26, 2014 conversion.

As at June 30, 2014, the fair value of the conversion feature was $62.8 million (December 31, 2013: $770,833). The fair value of the conversion feature was established with reference to a binomial option pricing model. The assumptions used to value the convertible loan

and embedded derivatives included the stock price of the underlying common shares at the date the contract was entered into, and the subsequent reporting dates (June 30, 2014 - C$1.90), the underlying stock volatility (84.8%), US dollar risk free rate of the Corporation (3.5%). Furthermore, as at June 30, 2014, price protection obtained from the TSX allowed Oando PLC or the Corporation to convert to equity units at $1.57CAD/unit until July 20, 2014 – this feature was incorporated into the valuation model. Subsequent to June 30, 2014, the price protection was extended to August 20, 2014. The Corporation also has the right to request that Oando PLC converts the loan to equity. For the six months ended June 30, 2014, $68.9 million (2013 - $0.5 million) was recognized as a derivative loss in the statement of comprehensive loss for the conversion feature on borrowings.

10. SHARE CAPITAL

Authorized

The Corporation has authorised share capital of an unlimited number of common shares, without par value.

Common shares issued

The following table discloses the movement in share capital for the year:

		June 30, 2014
	Number of shares	Amount
Balance, beginning of period	106,053,620	5,714
Issued to Oando PLC	432,565,768	545,399
Issued for Private placement	35,070,063	44,543
Exercise of options	15,709	15
Balance, end of period	**573,705,160**	**595,671**

All common shares are issued and fully paid.

The following summarizes changes to share capital in the six months ended June 30, 2014:

- On February 26, 2014, $601,000,000 of principal and $11,710,445 of accrued interest was exchanged for 432,565,768 common shares of OER and 216,282,884 warrants. Of the $612,710,445 conversion amount, $67,311,725 was allocated to the warrants and recorded as a derivative financial liability and the residual amount of $545,398,720 was recorded as share capital.

- On February 26, 2014, the Corporation closed a $50 million private placement with arm's length investors issuing 35,070,063 common shares of OER and 17,535,032 warrants. Of the $50 million in gross proceeds, $5,445,899 was allocated to the warrants and recorded as a derivative financial liability and the residual amount of $44,542,734 was recorded as share capital. Transaction costs associated with the private placement were $7,301,961; of this, $6,506,646 were allocated to share capital and netted against the share capital amount and the remaining $795,315 allocated to the warrants was expensed in the period pursuant to the Corporation's accounting policy for transaction costs.

Earnings per share

For the three and six month periods ended June 30, 2014, the basic earnings per share was calculated by dividing the Corporation's net loss by the weighted average number of ordinary shares outstanding during the period. In determining the diluted EPS of the Corporation, the impact of the warrants, the convertible loan, and the stock based compensation have not been considered as their impact is antidilutive. The total number of instruments that have been excluded from the diluted earnings per share calculations as at June 30, 2014 due to their antidilutive impact is 249,579,582 which include options, warrants (see Note 9), and RSUs.

The following table presents the basic and diluted earnings per share for the three month periods ended June 30, 2014 and 2013:

	June 30, 2014			June 30, 2013		
	Net loss	Weighted Average number of shares	Earnings per share (in dollars)	Net loss	Weighted Average number of shares	Earnings per share (in dollars)
Basic earnings per share	(137,668)	573,705,160	(0.24)	(1,167)	106,053,620	(0.01)
Diluted earnings per share	(137,668)	573,705,160	(0.24)	(1,167)	106,053,620	(0.01)

The following table presents the basic and diluted earnings per share for the six month periods ended June 30, 2014 and 2013:

	June 30, 2014			June 30, 2013		
	Net loss	Weighted Average number of shares	Earnings per share (in dollars)	Net loss	Weighted Average number of shares	Earnings per share (in dollars)
Basic earnings per share	(177,549)	429,019,040	(0.41)	(8,866)	106,053,620	(0.08)
Diluted earnings per share	(177,549)	429,019,040	(0.41)	(8,866)	106,053,620	(0.08)

11. REVENUE

	For the Three months ended June 30, 2014	For the Three months ended June 30, 2013	For the Six months ended June 30, 2014	For the Six months ended June 30, 2013
Oil and gas sales	33,001	38,087	68,504	70,620
Less: Royalties	(2,561)	(2,015)	(5,901)	(4,846)
Revenue	30,440	36,072	62,603	65,774

The Corporation sells 100% of its production to ENI Trading and Shipping S.P.A, a subsidiary of Nigeria Agip Exploration ("NAE").

Crude oil losses - OML 56 (Ebendo Marginal Field)

The Corporation experiences production losses due to crude oil theft. For the six months ended June 30, 2014, crude oil losses represented approximately $4.4 million (2013: $3.4 million), which equates to 19% (2013: 20%) of oil production for the six months ended June 30, 2014. Revenue has not been recognized for crude oil losses on the basis that the economic benefits will not flow to the Corporation. Crude oil losses are estimated using allocations provided to the Corporation by NAOC.

Crude Overlift by NNPC – OML 125 (Abo Field)

On February 25, 2014, the Nigerian Court of appeal delivered judgement in favour of Nigeria Agip Exploration Limited ("NAE") and the Corporation vacating the injunction granted by the Federal High Court. In light of this development, the claimants continued with the arbitration process towards final award. NNPC has appealed the setting aside of the injunction to the Supreme court and also filed an application for an injunction to prevent the continuation of the Arbitration. These applications are yet to be heard. NNPC filed an affidavit of

urgency in May 2014, requesting that its applications be heard before June 11, 2014. This date is now passed without a hearing date being fixed by the Supreme Court. Subsequent to June 30, 2014 the arbitration panel awarded NAE and Corporation damages – refer to Note 19 for further details.

From October 1, 2013, the Corporation has deferred the recognition of revenue for oil production that is subject to overlift by the NNPC. In addition to the $14.5 million of oil production from the Abo field not recognized as a result of this policy in 2013, $13 million has not been recognized in revenue in the six months ended June 30, 2014. The Corporation continues to defer the recognition of revenue for oil production that is subject to overlift by the NNPC and will do so until it is determined that the economic benefits of the overlifted amounts will accrue to the Corporation.

12. DEPOSIT PAID FOR ACQUISITION

On December 20, 2012, the Corporation entered into 4 separate sale and purchase agreements (together, the acquisition agreements) with ConocoPhillips to acquire ConocoPhillips' Nigerian businesses ("COP Acquisition") for a total cash consideration of approximately $1.79 billion. On signing of the acquisition agreements, the Corporation paid a deposit of $435 million to ConocoPhillips. In September 2013, one of the acquisition agreements was terminated and the deposit paid pursuant to that agreement was reallocated to another acquisition agreement. In 2013, the Corporation paid additional deposits of $15 million. In the six months ended June 30, 2014 the Corporation paid additional deposits of $100 million bringing the total deposits paid at June 30, 2014 to $550 million.

On June 18, 2014, the Corporation received the consent of the Honourable Minister of Petroleum Resources of Nigeria for the COP Acquisition. On June 30, 2014 the Corporation and ConocoPhillips entered into an agreement to extend the outside closing date for completion of the COP Acquisition to July 31, 2014 to enable the parties to finalize activities required to complete the transaction. On July 30, 2014 the Corporation closed the COP Acquisition – refer to Note 19 for further details.

13. OTHER LONG TERM RECEIVABLES

The breakdown of other long term receivables is as follows:

	As at June 30, 2014	As at December 31, 2013
Under lift receivable	72,720	72,720
Joint venture receivables	62,585	58,456
Financing costs associated with debt yet to be issued	21,190	4,793
	156,495	135,969

Financing costs associated with debt yet to be issued

In addition to the $4.8 million capitalized as debt financing costs at December 31, 2013, in the six months ended June 30, 2014 the Corporation incurred $16.4 million as a commitment fee ahead of drawing the $450 Million Senior Secured Loan Facility so as to renew the Facility. This loan facility had not been drawn as at June 30, 2014, accordingly, the financing costs have been deferred and will be netted against the loan when drawn.

14. TRADE AND OTHER PAYABLES

	As at June 30, 2014	As at December 31, 2013
Trade payables	6,706	3,453
Related party payables	74,445	67,418
Other payables and accrued expenses	141,982	142,298
	223,133	213,169

Further disclosure on related party payables is included in Note 16.

15. SUPPLEMENTAL CASH FLOW INFORMATION

The following table details the changes in non-cash working capital:

	For the six months ended June 30, 2014	For the six months ended June 30, 2013
Trade and other receivables	(3,459)	6,229
Inventory	(1,134)	(2,028)
Other long term receivables	(4,130)	(41,551)
Trade and other payables	(6.433)	5,403
Long term payables	36	438
Consideration for OQI and OPSL (non-cash)	-	(9,132)
Less: Non-cash items included in working capital	(4,593)	(22,101)
Changes in non-cash working capital	(19,713)	(62,742)
Operating activities	(19,728)	(64,249)
Investing activities	15	1,507
Changes in non-cash working capital	(19,713)	(62,742)

	For the period ended June 30, 2014	For the period ended June 30, 2013
Interest paid	(12,665)	(6,732)
Income taxes recovered (paid)	-	(6,743)

In addition to the above, the conversion of $601 million of principal (plus interest) on the Oando PLC loan to common shares was a significant non-cash item recorded in the six months ended June 30, 2014 – refer to Note 8 and Note 10 for further details.

16. RELATED PARTY TRANSACTIONS

The ultimate parent of the Corporation is Oando PLC, incorporated in Nigeria. At June 30, 2014, Oando PLC owned 92% of the Corporation's share capital. There are other companies that are related to Oando PLC through common shareholdings or common directorships with Oando PLC The operations of the Corporation have historically been financed by Oando PLC and recognized as intercompany transactions. As at June 30, 2014, the Corporation had the following outstanding related party balances with Oando PLC:

Accounts receivable

	As at June 30, 2014	As at December 31, 2013
Accounts receivable from Oando PLC	17,035	18,582
	17,035	**18,582**

Accounts payable

	As at June 30, 2014	As at December 31, 2013
Under lift payable to Oando PLC	47,272	47,272
Loan payable to Oando PLC	168,473	401,000
Financing fee and interest payable on Oando PLC loan	32,300	-
Payable to Oando PLC (Equator loan)	10,501	9,914
Payable to Oando PLC for COP Acquisition	-	7,612
Oando Energy Services	-	1,228
Oando PLC (Payments on behalf of the Corporation)	24,156	37,463
Payables to Oando PLC (Qua Ibo and ORPSL acquisition)	7,488	9,260
Related party payables	**290,190**	**513,749**

For the six months ended June 30, 2014, $20.8 million (2013: $1.3 million) was charged to general and administrative costs under the terms of the Cooperation and Services Agreement dated July 24, 2012 between Oando PLC and the Corporation. All other related party balances associated with agreements between the Corporation and related parties as disclosed in the Consolidated Financial Statements for the year ended December 31, 2013 have not changed.

17. COMMITMENTS

The following table represents the contractual commitments of the Corporation at June 30, 2014:

	Total	Less than 1 year	1 to 3 years	4 to 5 years	After 5 years
Borrowings and Interest Payable[1]	413,872	301,750	93,141	18,981	-
Trade and other payables	223,133	223,133	-	-	-
Other long term payables	76,399	-	47,272	1,983	27,144
Derivative financial instruments	184,596	184,596	-	-	-
Purchase commitments	11,565	11,565	-	-	-
Budgeted capital expenditure[2]	11,950	11,950			
Acquisition of COP[3]	1,085,423	1,085,423			
	2,006,938	**1,818,417**	**140,413**	**20,964**	**27,144**

[1]Interest payable is expected to be $37.9 million over the remainder of the contractual term of the loan, calculated using interest rates applicable to borrowings at year end.

[2]The capital expenditure budget represents the estimated level of required funding to support the planned growth, development and maintenance of the Corporation's interest in oil and gas fields.

[3]Acquisition of COP includes estimated $137 million transaction costs and assumes working capital adjustments of $190 million. The purchase commitment on the COP Acquisition is $1.09 billion (these figures are Management's best estimate as of the date of these statements and are subject to change)

The commitments for the next five years are expected to be funded from cash flow from operations of the Corporation, as well as debt and equity financing from Oando PLC and external parties. Subsequent to June 30, 2014, the Corporation closed the COP acquisition and satisfied the Acquisition of COP obligation noted in the table above – refer to Note 19 for further details. With the COP Acquisition, the Corporation expects to inherit additional obligations to those disclosed in the table above. Refer to going concern issue at Note 1.

18. CONTINGENCIES

Bilabri Oil Field (OML 122)

In September 2007, the Corporation transferred, under the Bilabri Settlement Agreement, the full responsibility for completing the development of the Bilabri oil field in OML 122 to Peak Petroleum Industries (Nigeria) Limited ("Peak"). Peak specifically assumed responsibility for the project's future funding and historical unpaid liabilities. In the event that Peak fails to meet its obligations to the projects creditors, it remains possible that the Corporation may be called upon to meet the debts. Therefore, a contingent liability of $21.7 million exists at June 30, 2014 (2013 – $21.7 million). The Corporation has assessed the likelihood that cash outflows will be required to settle the obligation as remote, and therefore, no liability has been recorded in the financial statements at June 30, 2014 (2013 – $Nil).

OPL 321 and OPL 323

In January 2009, the Nigerian government voided the allocation of OPL 323 and OPL 321 to the operator, Korea National Oil Company (KNOC) and allocated the blocks to the winning group of the 2005 licensing round comprising ONGC Videsh, Equator and Owel. KNOC brought a lawsuit against the government and a judgement was given in their favor. The government and Owel appealed the judgement. The case has now gone to the Supreme Court. In 2009, the government refunded the signature bonus paid by the Corporation. The Corporation has not recognized a liability to the government for the blocks subsequent to the refund of the signature bonus. This is due to the uncertainty surrounding the timing of the settlement of the ongoing dispute as well as to the amount to be paid upon settlement. Also, there is no obligation to pay the signature bonus as the Corporation can opt in or out once the legal dispute is settled. The Corporation has declared its intention to continue to invest in the blocks. The Corporation currently carries both assets at $1.9 million (2013 - $1.9 million).

The Corporation originally bid as member of a consortium for OPL 321 and 323. It was granted a 30% interest in the PSCs but two of its bidding partners were not included as direct participants in the PSCs, as a result, the Corporation granted those bidding partners 3% and 1% carried economic interests respectively in recognition of their contribution to the consortium. During 2007, it was agreed with the bidding partners that they would surrender their carried interests in return for warrants in the Corporation and payments of $4 million and $1 million. The warrants were issued immediately but it was agreed that the cash payments would be deferred. In the first instance, payment would be made within 5 days after the closing of a farm out of a 20% interest in OPL 323 to a subsidiary of BG Group PLC (BG). However, BG terminated the farm out agreement. Under the successor obligation, the Corporation issued loan notes with an aggregate value of $5 million which are redeemable out of the first $5 million of proceeds received on the occurrence of any one of the following events related to OPL 321 or OPL 323:

- A farm out with another party;
- A sale or partial sale of the interests; and
- A sale or partial sale of subsidiaries holding the relevant PSCs.

During 2010, one bidding partner successfully sued the Corporation in an arbitration tribunal for $1 million. This has been paid in full. On the advice of legal counsel, the Corporation maintains that the remaining $4 million owed is not yet due and that any second arbitration hearing can be successfully defended. If none of the above events occur, it is assumed that the Corporation will not need to settle the $4 million loan note and can defer payment indefinitely. The above contingencies are based on the best judgements of the Board and management.

Commencing in June 2013, the Corporation has been involved in settlement negotiations in respect of the dispute between KNOC, Owel and the Nigerian Government. The negotiating parties have agreed in principle to restructure the working interests in order to accommodate additional members into the new consortium being formed pursuant to the negotiations.

19. EVENTS OCCURRING AFTER THE REPORTING PERIOD

Completion of ConocoPhillips' Nigerian Businesses Acquisition

On July 30, 2014, the Corporation completed the COP Acquisition with an effective date of January 1, 2012 following the receipt of consent from the Honourable Minister of Petroleum Resources of Nigeria on June 18, 2014. On December 20, 2012, the Corporation entered into share purchase agreements (the "Acquisition Agreements") for the COP Acquisition, as well as COP's interest in Phillips (Brass) Limited ("Phillips"). At the time of execution of the Acquisition Agreements, the total consideration was estimated to be approximately $1.79 billion (including an initial deposit of $435 million), subject to customary adjustments related to working capital and interest on the balance purchase commitment for the COP Acquisition. On September 13, 2013, the Corporation signed a termination agreement with respect to the acquisition of Phillips which reduced the purchase price to $1.65 billion.

The Acquisition Agreements were subsequently amended several times (amendment dates of September 13, 2013, December 16, 2013, February 28, 2014, March 27, 2014, April 30, 2014, and June 30, 2014) and the outside closing date was extended from September 19, 2013 to July 31, 2014. Prior to closing, the Corporation had paid $550 million in deposits to COP ($450 million in 2013 and prior years and $100 million in 2014).

The final purchase consideration for the COP Acquisition transferred on July 30, 2014, net of working capital adjustments, transaction costs, purchase price adjustments, and deposits was $1.09 billion as shown in the table below.

Net Purchase Price:	
Purchase Price	1,650,000
Working Capital Adjustments	189,749
Net Purchase Price Adjustments[(1)]	72,750
Purchase Price Increase[(2)]	30,000
Interest on Unpaid Purchase Price[(3)]	112,923
Dividends Paid[(4)]	(557,000)
	1,498,422
Less Acquisition Deposits:	
December 2012	(435,000)
December 2013	(15,000)
February 2014	(50,000)
April 2014	(25,000)
May 2014	(25,000)
	(550,000)
Final Payment	948,422
Estimated Transaction Costs	137,001
Final Purchase Consideration	**1,085,423**

The Corporation funded the final purchase consideration from the following sources:

Proceeds from debt financing – $450 Million Senior Secured Facility	450,000
Proceeds from debt financing – $350 Million Corporate Loan Facility	150,222
Proceeds from debt financing – $1.2 Billion Oando PLC Loan Facility	385,201
Proceeds from debt financing – $100 Million Subordinated Loan Facility	100,000
	1,085,423

The Corporation plans to continue to finance on-going operations, including those related to the COP Acquisition, with a mixture of debt and equity financing. Refer to the Going Concern section of Note 1.

[1]) Relates to cash advances and receipts (excluding dividends) between COP and its previous owners prior to the closing date.
[(2)] The purchase price of Philips Oil Company Nigeria Limited, an entity acquired in the COP Acquisition, was increased by $30million.
[(3)] The Corporation was charged interest on the unpaid purchase price from the effective date to the closing date at LIBOR plus 2%.
[(4)] A total of $557 million in dividends has been paid to the previous owners of COP between the effective date and closing date of the Acquisition. This has been used to offset the final purchase price.

Conversion of Oando PLC Loan to Equity

On July 9, 2014, the Corporation converted principal in the amount of $168 million, interest in the amount of $2.9 million, and fees in the amount of $48 million associated with the Oando PLC Loan to equity. On conversion the Corporation issued 150,075,856 units (the "Units") to Oando PLC (via Oando PLC's wholly owned subsidiary Oando Resources Limited) as repayment of amounts outstanding under the Oando PLC Loan for a conversion price of $1.57 Canadian dollars ("CAD") per Unit. The conversion price was established with reference to the private placement between arm's length investors on February 26, 2014. Each Unit consists of one common share of the Corporation (a "Common Share") and one-half of one warrant to purchase an additional Common Share at a price of $ 2.00 CAD per Common Share (each whole common share purchase warrant being a "Warrant") for a period of 24 months from the date on which the

Corporation closes the COP Acquisition. The terms of the Units have the same terms as the Units issued to third party investors and Oando PLC on 26 February 2014.

Prior to the completion of the Conversion, Oando PLC owned, and exercised control or direction over, 527,887,867 Common Shares, representing approximately 92.0% of the issued and outstanding Common Shares. As a result of the Conversion, Oando PLC currently beneficially owns, or exercises control or direction over, 677,963,723 Common Shares, representing approximately 93.7% of the issued and outstanding Common Shares. Assuming exercise of the Warrants and warrants previously issued to Oando PLC on February 26, 2014, Oando PLC would beneficially own, or exercise control or direction over, 969,284,535 Common Shares, representing approximately 95.5% of the Corporation's issued and outstanding Common Shares; however, Oando PLC is restricted from exercising any warrants that would result in its ownership of the Corporation exceeding 94.6%.

Amounts owing under the Oando Loan in the future may be converted into Units provided that, as a result of such conversion, the aggregate beneficial ownership and control by Oando PLC and its related parties over voting securities of the Corporation does not exceed 94.6% (on an undiluted basis).

Final Arbitration Award on Crude Oil Underlift

On July 9, 2014 a final award was granted by the Arbitration Panel in favour of NAE and the Corporation entitling the Corporation to collect amounts overlifted by the NNPC. It is yet to be determined if the NNPC will honor the award granted by the Arbitration Panel. The Corporation's share of the damages awarded is $72.9 million (before the portion due to Oando PLC of $47.3 million – see Note 5.) plus interest on damages, legal and expert costs, interest on legal and expert costs, and additional interest from the date the award was granted until payment.

Following the issuance of the Final Award, NAE and the Corporation on July 21, 2014 sent a statutory pre-action notice to NNPC, giving the latter notice of their intention to file an action at the Federal High Court ("FHC") for relief in relation to the recognition and enforcement of the Partial and Final Awards. The FHC action will be filed 30 days after the service of the pre-action notice to NNPC. Furthermore, in respect of the suit filed by NNPC in October 2011 at the FHC seeking to set aside the Partial Award ("NNPC Set Aside Proceedings"), the Court of Appeal in its judgement given on February 25, 2014 (vacating the injunction restraining the continuation of the Arbitration) ordered that the NNPC Set Aside Proceedings be assigned to a new judge of the FHC. NAE and the Corporation await notification of this reassignment as well as a hearing notice.

Completion of Medal Oil Acquisition

On July 11, 2014, the Corporation completed the acquisition of Medal Oil Company Limited ("Medal Oil"). The purchase consideration for the Medail Oil acquisition was $5,000,000 satisfied through the issuance of 3,491,082 units, each unit consisting of one common share of the Corporation and one-half of one warrant to purchase an additional common share at a price of $ 2.00 CAD per common share for a period of 24 months from July 30, 2014. However, if after a period of six months from July 30, 2014, the closing price of the common shares on the TSX is greater than $3.50 CAD for a period of at least 10 consecutive trading days, the warrants will expire within 30 days. Medal Oil holds a 5% interest in OML 131. With the completion of the COP Acquisition, the Corporation owns a 100% interest in OML 131.

20. COMPARATIVE INFORMATION

For the six months ended June 30, 2014, certain prior period amounts in the Consolidated Statements of Comprehensive Loss have been reclassified for the purpose of comparability with current period presentation. Specifically, fair value gains / losses on financial instruments have been reclassified from financing income and financing expense to conform to the current period presentation. For the three months ended June 30, 2013, $212 thousand of fair value losses and $7 thousand of fair value gains were reclassified from financing expense and financing income, respectively, to the net fair value gains / losses on financial instruments category netting to a $205 thousand loss. For the six months ended June 30, 2013, $213 thousand of fair value losses and $2.5 million of fair value gains were reclassified from financing expense and financing income, respectively, to the net fair value gains / losses on financial instruments category netting to a $2.3 million gain. These reclassifications were necessary to ensure comparability with the current period presentation where fair value gains / losses on financial instruments have been separately presented on the Consolidated Statements of Comprehensive Loss.