Interim Consolidated Financial Statements (unaudited)

For the three months ended March 31, 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

1. Reporting entity and going concern 7
2. Basis of presentation 8
3. Summary of significant accounting policies 9
4. Critical accounting estimates and judgements 9
5. Financial risk management 11
6. Property, plant and equipment 15
7. Decommissioning obligations 16
8. Borrowings 16
9. Derivative financial instruments 19
10. Share capital 21
11. Revenue 23
12. Deposit paid for acquisition 24
13. Other long term receivables 24
14. Trade and other payables 24
15. Supplemental cash flow information 25
16. Related party transactions 25
17. Commttments 27
18. Contingencies 27
19. Adjustment of comparative financial information 28
20. Events occuring after the reporting period 29

Oando Energy Resources Inc.

Interim Consolidated Statements of Financial Position (unaudited)

As at March 31, 2014 and December 31, 2013

All dollar balances in thousands of US dollars

	Note	As at March 31, 2014	As at December 31, 2013
Current assets			
Cash and cash equivalents	5	300,654	12,677
Trade and other receivables		46,752	37,738
Inventory		1,994	1,478
		349,400	**51,893**
Non-current assets			
Property, plant and equipment	6	268,116	249,388
Interest in Qua Ibo		46,033	40,485
Exploration and evaluation assets		352,248	345,457
Goodwill		6,794	6,794
Deferred tax assets		14,953	14,590
Deposit paid for acquisition	12	500,000	450,000
Other long term receivables	13	142,502	135,969
Restricted cash	5	9,891	4,846
		1,340,537	**1,247,529**
Total Assets		**1,689,937**	**1,299,422**
Current liabilities			
Borrowings, current	8	237,470	496,099
Trade and other payables	14	231,902	213,169
Derivative financial instruments	9	82,085	2,555
Current tax payable		1,216	1,074
		552,673	**712,897**
Non-current liabilities			
Decommissioning obligations	7	26,547	27,197
Borrowings, non-current	8	116,789	124,776
Other long term payables		47,272	47,272
Retirement benefit obligations		1,947	1,947
Deferred tax liability		82,257	74,003
		274,812	**275,195**
Total liabilities		**827,485**	**988,092**
Shareholders' equity			
Share capital	10	595,671	5,714
Share issue cost reserve		(6,505)	(7,302)
Share based payment reserve		5,202	4,953
Contribution from parent		628,129	628,129
Retained deficit		(361,641)	(321,639)
		860,856	**309,855**
Non-controlling interests		1,596	1,475
Total shareholders' equity		**862,452**	**311,330**
Total Liabilities and Shareholders' equity		**1,689,937**	**1,299,422**

The notes on pages 7 to 26 are an integral part of these Interim Consolidated Financial Statements. Refer to Going Concern uncertainty at Note 1.2.

"W. Watson"
Director

"Christopher J. F. Harrop"
Director

Oando Energy Resources Inc.

Interim Consolidated Statements of Comprehensive Loss (unaudited)

For the three months ended March 31, 2014 and 2013

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

		Three months ended March 31, 2014	Revised – Note 19 Three months ended March 31, 2013
Revenue	11	**32,163**	**30,699**
Production expenses		(7,566)	(8,825)
General and administrative costs		(5,594)	(4,094)
Depletion, depreciation and amortization		(10,000)	(6,939)
		(23,160)	**(19,858)**
Financing income		1,066	2,730
Financing expense		(42,417)	(13,849)
Net financing expense		**(41,351)**	**(11,119)**
Loss before income tax		**(32,348)**	**(278)**
Income tax expense		(7,533)	(6,909)
Net loss for the period		**(39,881)**	**(7,187)**
Comprehensive income/(loss) attributable to:			
Owners of the parent		(40,002)	(6,947)
Non-controlling interests		121	(240)
		(39,881)	**(7,187)**
Net loss per share			
Basic	10	(0.14)	(0.07)
Diluted	10	(0.14)	(0.07)

The notes on pages 7 to 26 are an integral part of these Interim Consolidated Financial Statements.

Oando Energy Resources Inc.

Interim Consolidated Statements of Changes in Equity (unaudited)

For the three months ended March 31, 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)[1]**	**Total[1]**	**Non-controlling interest[1]**	**Total equity[1]**
Balance, January 1, 2013	**5,714**	**128**	**1,843**	**-**	**629,309**	**(283,102)**	**353,892**	**1,168**	**355,060**
Net loss for the period	-					(6,947)	(6,947)	(240)	(7,187)
Total comprehensive loss				**-**		**(6,947)**	**(6,947)**	**(240)**	**(7,187)**
Value of employee services			858	-			858		858
Acquisition of subsidiary				-					
Total contributions recognized directly in equity			**858**	**-**		**(6,947)**	**(6,089)**	**(240)**	**(6,239)**
Balance, March 31, 2013	**5,714**	**128**	**2,701**	**-**	**629,309**	**(290,049)**	**347,803**	**928**	**348,731**
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	-	-	-	-	-	(40,002)	(40,002)	121	(39,881)
Total comprehensive loss	**-**	**-**	**-**	**-**	**-**	**(40, 002)**	**(40,002)**	**121**	**(39,881)**
Share issue	589,957	-	-	-	-	-	589,957	-	589,957
Share issue costs	-	-	-	797	-	-	797	-	797
Value of employee services	-	-	249	-	-	-	249	-	249
Total contributions recognized directly in equity	**589,957**	**-**	**249**	**797**	**-**	**(40,002)**	**551,001**	**121**	**551,122**
Balance, March 31, 2014	**595,671**	**-**	**5,202**	**(6,505)**	**628,129**	**(361,641)**	**860,856**	**1,596**	**862,452**

1. January 1, 2013 to March 31, 2013 figures have been revised – refer to Note 19.

The notes on pages 7 to 26 are an integral part of these Interim Consolidated Financial Statements.

Oando Energy Resources Inc.

Interim Consolidated Statements of Cash Flows (unaudited)

For the three months ended March 31, 2014 and 2013

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

	Three months ended March 31, 2014	Revised – Note 19 Three months ended March 31, 2013
Net loss before tax for the period	**(32,348)**	**(278)**
Non-cash items:		
Depreciation, depletion and amortization	10,000	6,939
Decommissioning liabilities: Unwinding of discount	757	399
Finance expenses	34,899	13,449
Fair value loss (gain) on financial instruments (note 9)	6,761	(2,730)
Net foreign exchange gain	-	-
Gain on disposal of property plant and equipment	(2)	(3)
Share based payments	249	859
Income taxes recovered (paid)	-	(3,854)
Net changes in working capital (note 15)	(10,031)	(32,757)
Cash flows from operating activities	**10,285**	**(17,976)**
Equity issuance cost	797	-
Increase in restricted cash	(5,045)	-
Proceeds from share issue	50,000	-
Proceeds from borrowings	348,000	17,632
Financing fee on borrowings	(4,929)	-
Interest payments	(4,839)	(883)
Repayments of borrowings	(13,835)	-
Cash flows from financing activities	**370,149**	**16,749**
		-
Property, plant and equipment expenditures	(29,782)	(4,708)
Qua Ibo capital expenditures	(5,548)	-
Exploration and evaluation asset expenditures	(6,791)	(3,637)
Proceeds on sale of property plant and equipment	2	92
Increase in deposit for acquisition	(50,000)	-
Net changes in working capital (note 15)	(338)	8,695
Cash flows from investing activities	**(92,457)**	**442**
Net increase (decrease)	**287,977**	**(785)**
Cash and cash equivalents, beginning of period	12,677	4,698
Cash and cash equivalents, end of period	**300,654**	**3,913**

The notes on pages 7 to 26 are an integral part of these Interim Consolidated Financial Statements.

1. REPORTING ENTITY AND GOING CONCERN

1.1 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 owns 92% of the share capital of the Corporation 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.

1.2 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 three months ended March 31, 2014, the Corporation has a net loss of $39.9 million, a working capital deficiency of $203.3 million, and an accumulated deficit of $361.6 million as at March 31, 2014. In addition to its on-going working capital requirements, the Corporation must secure sufficient funding to repay $237.4 million in current borrowings and meet its purchase commitments under the agreements associated with the acquisition of ConocoPhillips's Nigerian oil and gas business ("COP Acquisition"). The Corporation has procured significant levels of debt and equity financing to finance on-going operations and the COP Acquisition, which has not yet closed. The purchase price of the acquisition is $1.65 billion subject to working capital adjustments. As at March 31, 2014 the Corporation had paid total deposits of $500 million ($450 million in 2013 and prior years and an additional $50 million on February 24, 2014). In the event that the transaction does not close due to failure of the Corporation to perform or observe its covenant or agreements under the relevant sale and purchase agreement or because of failure to obtain the required approvals, COP has no obligation to return the deposit to the Corporation. See Note 12 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. This has reduced the Corporation's reliance on debt financing to continue operations. Further details are disclosed in Notes 8 and 10. However, the Corporation's borrowings remain significant and are expected to increase on closing of the COP Acquisition. The transaction currently has an outside closing date of June 30, 2014. The outstanding balance of the purchase price will be funded through cash, a $450 million Senior Secured Facility, $350 million Corporate Finance Loan Facility and the remaining $451 million capacity available under the $1.2 Billion Oando PLC Loan Facility. The Corporation has secured firm commitments for all of these facilities and expects to use the proceeds from these facilities to fund the COP Acquisition and repay certain existing loans. Details of these sources of funding have been included at Note 8. In addition, the Corporation secured equity financing in the form of a $50 million private placement 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.

1.3 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 for the three months ended March 31, 2014 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 March 31, 2014 were approved by the Board of Directors on May 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.

3.1 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.

3.2 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 judgments 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 judgments 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 judgments 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.

4.1 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 three month ended March 31, 2014 was approximately 103,454 bbls before pipeline losses. Pipeline and export facility losses reported by NAOC and allocated to the Corporation for the three month ended March 31, 2014 was 12,105 bbls (2013: 8,351 bbls), or 11.7% (2013: 17%) of total crude oil deliveries into the export pipeline for the year. This resulted in approximately $1.3 million (2013: $1.0 million) of oil production not being recognized in revenue for the three month period ended March 31, 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, was $9.2 million for the three month period ended March 31, 2014 (2013 - $5.2 million). If the percentage of crude oil losses experienced was 5% higher, this would results in a further reduction of sales volumes by 5,173 bbls (2013: 2,783 bbls) and revenue by $0.6 million (2013: $0.3 million).

4.2 Estimate: fair value of warrants issued in 2014

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. 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 a valuation technique. The Corporation used judgment to select the valuation model and made assumptions based mainly on market conditions to determine the fair value of the warrants. Refer to Note 9 for descriptions of the valuation model applied and the significant inputs into the model.

4.3 Judgment: financing fees

On February 10, 2014, the Corporation signed a loan facility agreement with Oando PLC which included a financing fee of 4% 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.

In addition to the above, Management determined that the financing fee represents a commitment fee charged by Oando PLC to make the $1.2 billion facility available to the Corporation. Accordingly, 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.

5.1 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 March 31, 2014:

- Foreign exchange risk: if exchanges rates on the foreign currencies noted above increased by 10% against the US dollar, there would be a negligible effect on loss before tax;
- 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 $0.9 million.

5.2 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 March 31, 2014	As at December 31, 2013
Current financial assets			
Cash and cash equivalents	(a)	300,654	12,677
Trade and other receivables	(b)	46,752	37,738
		347,406	**50,415**
Non-current financial assets			
Other long term receivables	(c)	142,502	135,969
Restricted cash	(a)	9,891	4,846
		152,393	**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	As at

	March 31, 2014	**December 31, 2013**
AA-	299,061	56
B+	10,367	12,598
B	934	4,457
B-	25	-
Non-rated	158	412
	310,545	17,523
Less: Restricted cash[1]	(9,891)	(4,846)
Cash and cash equivalents	300,654	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 March 31, 2014	**As at December 31, 2013**
Trade receivables	27	8,357
Other receivables	46,725	29,381
	46,752	**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 March 31, 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 comprises balance due from related parties as well as advances to vendors and joint venture partners. As at March 31, 2014, the Corporation had $24.6 million due from related parties. In addition to this, $7.0 million is due from the OML 90 joint venture for expenses incurred on activities at OML 90. Also, $3.7 million of this amount relates to cash call for the Ebendo Marginal field.

(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 of debt financing costs). On completion of the Oando Reorganization on July 24, 2014, 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 to this portion of the receivable is $nil (2013 - $nil). The carrying value of the joint venture receivables represents the maximum exposure to credit losses.

5.3 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 Nigeria acquisition, which has not yet closed. 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 March 31, 2014:

	Total	**Less than 1 year**	**1 to 3 years**	**4 to 5 years**	**After 5 years**
Borrowings[1]	405,713	95,099	247,128	63,486	-
Trade and other payables	231,902	201,652	30,250	-	-
Other long term payables	75,766	-	47,272	1,947	26,547
Derivative financial instruments	82,085	82,085	-	-	-
	795,466	**378,836**	**324,650**	**65,433**	**26,547**

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	76,415	-	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 March 31, 2014 has been used.

5.4 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 judgment 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 March 31, 2014.

Recurring measurements	**Level 1**	**Level 2**	**Level 3**	**Total**
Commodity contracts	-	-	-	-
Warrants	-	-	82,085	82,085
Conversion feature on borrowings	-	-	-	-
	-	-	82,085	82,085

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 March 31, 2014, the Corporation had warrants with a fair value of $82.1 million (December 31, 2013 - $1.8 million) and a conversion feature valued at nil (2013 - $770,833). 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 three months ended March 31, 2014.

	March 31, 2014
Opening balance	2,555
Issue of warrants	72,769
Gains and losses recognized in the statement of comprehensive loss	6,761
	82,085

6. PROPERTY, PLANT AND EQUIPMENT

The following table summarizes changes in property, plant and equipment during the three months ended March 31, 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	29,294	-	488	29,782
Disposals	-	-	(57)	(57)
Change in decommissioning liability	(997)	-	-	(997)
Depletion and depreciation	(9,901)	-	(99)	(10,000)
Closing net book amount	**183,370**	**81,775**	**2,971**	**268,116**
At March 31, 2014				
Cost	355,031	81,775	5,442	442,248
Accumulated depreciation, depletion and impairment	(171,661)	-	(2,471)	(174,132)
Period ended March 31, 2014	**183,370**	**81,775**	**2,971**	**268,116**

For the three months period ended March 31, 2014, no borrowing costs directly attributable to development oil and gas assets were capitalized (2013 - nil). In calculating depletion expense for the three months ended March 31, 2014, $56.3 million of future development costs were included in the cost base subject to depletion (December 31, 2013 - $91.3 million).

7. DECOMMISSIONING OBLIGATIONS

The Corporation has decommissioning obligations in respect of its oil and gas interests in the 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:

	March 31, 2014
Balance, beginning of period	27,197
Liabilities incurred	2,353
Decrease in estimate	(3,760)
Accretion expense	757
Balance, end of period	**26,547**

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% (2013 - 13%) and an inflation rate of 8.2% (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 March 31, 2014:

	Note	As at March 31, 2014	As at December 31, 2013
Oando PLC Loan	8.1	142,370	401,000
First Bank of Nigeria (Loan #1)		26,889	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
		354,259	**620,875**
Less: Borrowings, current		(237,470)	(496,099)
Borrowings, non-current		**116,789**	**124,776**

The carrying amounts of all Corporation borrowings are denominated in US dollars.

8.1 $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 but not drawn. In addition, the loan agreement makes available to the Corporation an additional $599 million. The funds will be used to fund the closure of the COP Acquisition and for other general corporate requirements. 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 4% of the total facility amount which is due on repayment of the loan or on conversion of the loan to equity. 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 three months ended March 31, 2014.

	Three months ended
Balance, beginning of period	401,000
Drawings	348,000
Converted to shares	(601,000)
	148,000
Unamortized transaction costs	(5,630)
Balance, March 31, 2014	**142,370**

During the three months ended March 31, 2014, the facility was drawn by an amount of $348 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 judgments related to this amount) and the residual amount of $545,398,720 was recorded as share capital (refer to Note 10). The balance at March 31, 2014 includes unamortized transaction costs of $5.6 million (described below).

Oando PLC Loan 4% Financing Fee

As per Note 4.3, 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 three months ended March 31, 2014, the cumulative amount drawn on the facility to date was $749 million for which a financing fee liability was recorded of $29,960,000. The financing fee liability has been recorded in other long-term payables.

Furthermore, as per Note 4.3, Management determined that the financing fee represents a commitment fee that should be accounting 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 three months ended March 31, 2014, $29,960,000 was recorded as a transaction cost. Of this amount, $24,040,000 was recorded as an interest expense on the conversion of $601 million of principal noted above and $290,000 was amortized to interest expense in the period. As at March 31, 2014, the unamortized portion of the transaction costs allocated to the principal balance of $148 million was $5.6 million.

8.2 $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) May 30, 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 May 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. The Corporation and the MLAs are currently in discussions for a proposed extension of the expiry date to July 31, 2014. As at March 31, 2014, the loan had not been drawn.

8.3 $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 will be applied 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 March 31, 2014, the loan had not been drawn.

Fair value of borrowings

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

	As at March 31, 2014		**As at December 31, 2013**	
	Carrying amount	**Fair value**	**Carrying amount**	**Fair value**
Non-current borrowings	**116,789**	**103,024**	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 March 31, 2014 and December 31, 2013;

	As at March 31, 2014	**As at December 31, 2013**
Conversion feature on borrowings	-	770
Warrants	82,085	1,785
Derivative financial instruments – liabilities	**82,085**	**2,555**

9.1 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 $1.9 million at March 31, 2014. The significant inputs to the model were the share price of $1.31 (2013: $1.70), exercise price of $2.00 (2013: $2.00), volatility of 98% (2013: 93%), dividend yield of $nil (2013: Nil), expected warrant life of 4 months and a risk free rate of 1.77% (2013: 1.16%).

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 judgments 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. 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 $81.2 million at March 31, 2014. The significant inputs to the model were the share price of $1.31 exercise price of $2.00, volatility of 95%, dividend yield of $nil, expected warrant life of 22 months and a risk free rate of 5.8%.

A summary of the outstanding warrants as at March 31, 2014 is as follows:

				March 31, 2014
	Expiry date	**Exercise price Cdn**	**Warrants Outstanding**	**Fair value of warrants**
$2.00 Warrants	July 24, 2014	$2.00	5,714,276	918
$2.00 Warrants	February 25, 2016	$2.00	233,817,916	81,167
			239,532,192	**82,085**

As at March 31, 2014, 5,714,276 (2013 – 11,428,260) warrants were exercisable. For the three months ended March 31, 2014, $8.4 million (2013 - $3.3 million (gain)) was recognized as a derivative loss in the statement of comprehensive loss for the warrants.

9.2 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 Funding 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 funding 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 Funding 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 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.

As at March 31, 2014, the fair value of the conversion feature was $nil (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 (March 31, 2014 - C$1.31), the underlying stock volatility (93%), US dollar risk free rate and credit spread of the Corporation (10%). For the three months ended March 31, 2014, $0.7 million (2013 - $0.5 million) was recognized as a derivative gain in the statement of comprehensive loss for the conversion feature on borrowings.

10. SHARE CAPITAL

10.1 Authorized

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

10.2 Common shares issued

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

	March 31, 2014	
	Number of shares	**Amount**
Balance, beginning of year	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 year	**573,705,160**	**595,671**

All common shares are issued and fully paid.

The following summarizes changes to share capital in the three months ended March 31, 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 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.

10.3 Earnings per share

For the three month period ended March 31, 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. The weighted average was calculated as the basic earnings per share for the comparative period was calculated by dividing the Corporation's profit or loss attributable to ordinary shareholders by the Corporation's historical weighted average number of ordinary shares that were outstanding multiplied by the exchange ratio established in the business combination agreement.

The following table presents the basic and diluted earnings per share:

	March 31, 2014			March 31, 2013		
	Net loss	**Weighted Average number of shares**	**Earnings per share (in dollars)**	**Revised - Note 19 Net loss**	**Weighted Average number of shares**	**Earnings per share (in dollars)**
Basic earnings per share	(39,881)	277,529,168	(0.14)	(7,187)	106,053,620	(0.07)
Diluted earnings per share	(39,881)	277,529,168	(0.14)	(7,187)	106,053,620	(0.07)

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.

11. REVENUE

	For the Three months ended March 31, 2014	Revised – Note 19 For the Three months ended March 31, 2013
Oil and gas sales	35,503	33,529
Less: Royalties	(3,340)	(2,830)
Revenue	**32,163**	**30,699**

The Corporation sells 100% of its production to one customer. The customer is not a related party.

Crude oil losses - OML 56 (Ebendo Marginal Field)

The Corporation experiences production losses due to crude oil theft. For the three months ended March 31, 2014, crude oil losses represented approximately $1.3 million (2013: $1.0 million), which equates to 11.7 % (2013: 17%) of oil production for the three months ended March 31, 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)

The Corporation is in dispute with the NNPC in relation to overlifting by the NNPC between 2008 and present. For the three months ended March 31, 2014, the NNPC has continued to lift production volumes that exceed their entitlement. Although the Corporation believes it has legal entitlement to the production overlift amounts, the level of production overlift is outside the normal course of business and there is uncertainty as to whether the amounts associated will be collected from the NNPC. Subsequent to March 31, 2014, 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.

As such, as of October 1, 2013, it was determined that the revenue recognition should be deferred for oil production that is subject to overlift by the NNPC. As a result, $9.5 million (2013: NIL) of oil production at the Abo field has not been recognized in revenue in the three months ended March 31, 2014.

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 three months ended March 31, 2014 the Corporation paid additional deposits of $50 million bringing the total deposits paid at March 31, 2014 to $500 million. Furthermore, after March 31, 2014 an additional deposit of $25 million was paid.

If closing of the COP Acquisition does not occur due to a failure of the Corporation to perform or observe its covenants or agreements under the relevant sale and purchase agreements or because of a failure to obtain all approvals or consents required by Law from any Governmental Authority under the applicable petroleum laws of Nigeria, including the Petroleum Act, COP has no obligation to refund the deposit to the Corporation.

13. OTHER LONG TERM RECEIVABLES

The breakdown of other long term receivables is as follows:

	As at March 31, 2014	**As at December 31, 2013**
Under lift receivable	72,720	72,720
Joint venture receivables (NEPN)	59,973	58,456
Financing costs associated with debt yet to be issued	9,809	4,793
	142,502	**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, the Corporation incurred $4.9 million in financing costs to renew the $450 Million Senior Secured Loan Facility; as this loan facility has not been drawn, the financing costs have been capitalized until such time that the loan is drawn.

14. TRADE AND OTHER PAYABLES

	As at March 31, 2014	**As at December 31, 2013**
Trade payables	3,983	3,453
Related party payables	100,491	67,418
Other payables and accrued expenses	127,428	142,298
	231,902	**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 period ended March 31, 2013	Revised – Note 19 For the period ended March 31, 2013
Trade and other receivables	(9,014)	(36,133)
Inventory	(516)	(79)
Other long term receivables	(6,533)	18,114
Trade and other payables	18,733	4,116
Long term payables	-	(7,942)
Less: Non-cash items included in working capital	(13,039)	(2,138)
Changes in non-cash working capital	**(10,369)**	**(24,062)**

Operating activities	(10,031)	(32,757)
Investing activities	(338)	8,695
Changes in non-cash working capital	**(10,369)**	**(24,062)**

	For the period ended March 31, 2014	For the period ended March 31, 2013
Interest paid	4,839	-
Income taxes recovered (paid)	-	(3,854)

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 three months ended March 31, 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 March 31, 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 March 31, 2014, the Corporation had the following outstanding related party balances with Oando PLC:

Accounts receivable

	As at March 31, 2014	As at December 31, 2013
Accounts receivable from Oando PLC	24,603	18,582
	24,603	**18,582**

Accounts payable

	As at March 31, 2014	As at December 31, 2013
Under lift payable to Oando PLC	47,272	47,272

Loan payable to Oando PLC	142,370	401,000
Financing fee on Oando PLC loan	29,960	-
Payable to Oando PLC (Equator loan)	10,206	9,914
Payable to Oando PLC for COP Acquisition	7,612	7,612
Oando Energy Services	1,228	1,228
Oando PLC (Payments on behalf of the Corporation)	42,225	37,463
Payables to Oando PLC (Qua Ibo and ORPSL acquisition)	9,260	9,260
Related party payables	**290,133**	**513,749**

As at March 31, 2014, an amount due to Oando PLC of $2.6 million (December 31, 2013: $6.8 million) was recorded under the terms of the Cooperation and Services Agreement dated July 24, 2012 between Oando PLC and the Corporation. Of this amount $1.9 million (2013: $0.9 million) was charged to the Corporation during the period. 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 March 31, 2014:

	Total	Less than 1 year	1 to 3 years	4 to 5 years	After 5 years
Borrowings and Interest Payable[1]	405,713	95,099	247,128	63,486	-
Trade and other payables	231,902	201,652	30,250	-	-
Other long term payables	75,766	-	47,272	1,947	26,547
Derivative financial instruments	82,085	82,085	-	-	-
Purchase commitments	11,845	11,845	-	-	-
Budgeted capital expenditure[2]	78,855	78,855	-	-	-
Acquisition of COP[3]	1,119,000	1,119,000	-	-	-
	2,005,166	**1,588,536**	**324,650**	**65,433**	**26,547**

[1]Interest payable is expected to be $51.5 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 $74 million transaction costs and assumes working capital adjustments of $270 million (working capital adjustments reflect Management's best estimate as of the date of these statements; this figure is subject to change) Subsequent to period end, the Corporation paid an additional deposit of $25 million to COP. This reduced the purchase commitment on the COP Acquisition to $1.12 billion.

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.

18. CONTINGENCIES

18.1 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 March 31, 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 March 31, 2014 (2013 – $Nil).

18.2 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 judgment was given in their favor. The government and Owel appealed

the judgment. 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 judgments 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. OER believes that the parties are likely to reach an agreement before the end of 2014.

19. ADJUSTMENT OF COMPARATIVE FINANCIAL STATEMENTS

As disclosed in the consolidated financial statements for the year ended December 31, 2013, the Corporation completed a common control acquisition of Qua Ibo and ORPSL on April 30, 2013. In accordance with the Corporation accounting policy, the acquired entities' financial results have been incorporated as though the entities had always been combined. As such, the comparative information has been adjusted to reflect the financial results of the combined entities for March 31, 2013, the comparative period. The below table reconciles the previously reported financial information to the adjusted financial information.

	Previously reported	Adjustment for common control transaction		Revised
	Three months ended March 31, 2013	**Qua Ibo**	**ORPSL**	**Three months ended March 31, 2013**
Revenue	29,702	-	997	30,699
Income (loss) before income tax	(790)	(27)	539	(278)
Net income/(loss) for the year	**(7,699)**	**(27)**	**539**	**(7,187)**
Comprehensive income/(loss)				
Owners of the parent	(7,459)	(27)	539	(6,947)
Non-controlling interests	(240)	-	-	(240)
	(7,699)	**(27)**	**539**	**(7,187)**
Net loss per share				
Basic	(0.07)			(0.07)
Diluted	(0.07)			(0.07)

20. EVENTS OCCURRING AFTER THE REPORTING PERIOD

20.1 Closing Date of COP Nigeria Acquisition

On April 17, the Corporation was required to provide an additional deposit of $25 million towards the acquisition cost. On April 30, 2014, the Corporation signed an amendment to the COP Nigeria acquisition agreement and extended the outside closing date of the transaction to June 30, 2014. Pursuant to this amendment, the Corporation will be required to provide an additional deposit of $25 million if the required closing conditions, including obtaining the consent of the Honourable Minster of Petroleum Resources in Nigeria, are not satisfied on or before May 23, 2014.

20.2 Extension of availability of $450 Million Senior Secured Facility

In April 2014, the Corporation and the lenders entered into amending agreements to extend the availability period of the $450 million senior secured facility to May 31, 2014. The Corporation and the MLAs are currently in discussions for a proposed extension of the expiry date to July 31, 2014.