Management's Discussion and Analysis
For the three months ended March 31, 2014 and 2013

*This Management's Discussion and Analysis (**"MD&A"**) should be read in conjunction with the unaudited Interim Consolidated Financial Statements of Oando Energy Resources Inc. (**"OER"**) and its subsidiaries (together, the **"Corporation"**) as at and for the three months ended March 31, 2014 (the **"Interim Financial Statements"**), as well as the audited Consolidated Financial Statements and MD&A for the year ended December 31, 2013.*

*The Interim Financial Statements and comparative information have been prepared in accordance with IAS 34, Interim Reports. All financial information is presented in US dollars, unless otherwise noted. Production volumes are presented on a working interest basis, before royalties, unless otherwise noted. Natural gas volumes have been converted to barrels of oil equivalent (**"boe"**) using a conversion ratio of six thousand cubic feet (**"mcf"**) of natural gas to one boe. This MD&A is dated May 14, 2014.*

Readers should also read the Advisory section located at the end of this document, which provides information on Forward-Looking Statements, Foreign Operations, Oil and Gas Information and Currency.

1. Description of Business

OER (previously known as Exile Resources Inc.) is a publicly traded company that is listed on the Toronto Stock Exchange ("**TSX**") under the symbol "OER". 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 controlling shareholder and parent company of the Corporation is Oando PLC. The Corporation holds interests in 11 licences for the exploration, development and production of oil and gas fields or blocks located onshore on land or swamp, and offshore in shallow or deep waters.

For the three months ended March 31, 2014, total production of 0.408 million barrels (**"mmbbls"**) of crude oil (or an average of 4,531 barrels per day (**"bbl/d"**)) was attributable to the Corporation's working interests in OML 125 and the Ebendo Marginal Field (also known as OML 56).

OER was originally incorporated under the Canada Business Corporation Act on August 9, 2005 as "Exile Resources Inc." and subsequently, on conclusion of the reverse takeover acquisition on July 24, 2012, OER's name was changed to Oando Energy Resources Inc. The Corporation's registered office is located at 3400 First Canadian Center, 350-7th Avenue SW, Calgary AB, Canada T2P 3N9. The Corporation's head office is located at Suite 1230, Sunlife Plaza, 112 4th Avenue SW, T2P 0H3, Calgary, Canada. The Corporation also has a branch office in Toronto, located at Suite 1210, 333 Bay Street, Bay-Adelaide Centre, Toronto, M5H 2R2 Canada. The Corporation's operations are carried out of its Lagos office located at 8th Floor, 2, Ajose-Adeogun Street, Victoria Island, Lagos Nigeria.

2. Proposed Acquisition

On December 20, 2012, the Corporation entered into share purchase agreements (the "**Acquisition Agreements**") to acquire certain Nigerian onshore and offshore assets owned indirectly by ConocoPhillips Company ("**COP**") with an effective date of January 1, 2012 (the **"COP Acquisition"**). 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.

This transaction was initially expected to close on or before September 19, 2013 but the Acquisition Agreements were subsequently amended several times (amendment dates of September 13, 2013, December 16, 2013, February 28,

2014, March 27, 2014, and April 30, 2014), to extend the outside closing date to June 30, 2014. As at December 31, 2013, the Corporation had paid $450 million in deposits to COP. In the three months ended March 31, 2014 an additional deposit of $50 million was paid to COP which was funded by the proceeds of the February 26, 2014 private placement (discussed below). On April 14, 2014, the Corporation increased its deposit to COP by $25 million in line with the March 27, 2014 extension agreement as ministerial consent for the COP Acquisition was not received by April 11, 2014. Pursuant to the April 30, 2014 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.

Closing of the COP Acquisition is subject to customary conditions, including the receipt approvals or consents from Nigerian governmental authorities (including the Honourable Minister of Petroleum Resources in Nigeria). The Corporation is in the process of obtaining these approvals and consents. 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.

The Corporation expects the net purchase price payable for the COP Acquisition and related expenses, net of deposits paid to date and adjustments, to be approximately $1.12 billion. Refer to the discussions of the COP Acquisition in Section 7 *Capital Resources* below.

The Corporation has undertaken significant levels of borrowings to finance on-going operations and the COP Acquisition. The Corporation currently plans to finance the remaining acquisition cost through a mixture of debt and equity financing. Refer to Section 6 *Liquidity* and Section 7 *Capital Resources* for a detailed discussion of the Corporation's financing plans to facilitate the closing of the COP Acquisition and the related liquidity risks.

3. Loan Conversion and Private Placement

Oando PLC Loan Conversion

On February 10, 2014, the Corporation entered into a new $1.2 billion facility agreement with Oando PLC to replace its existing loan agreement with Oando PLC. Pursuant to this new loan agreement, the Corporation in agreement with Oando PLC could elect to repay the outstanding principal with securities of the Corporation, based on:

(a) the terms provided in a final prospectus of the Corporation, in which case the price for conversion and nature of securities to be received shall be as set out under the offering.

(b) where no final prospectus has been filed, the terms provided in an arm's length private placement, in which case the price for conversion and nature of securities to be received shall be as set out under the private placement agreement

(c) where there has been no prospectus or private placement offering, common shares of OER based on the 5-day volume weighted average price of the Shares as at the time of the completion or termination of the proposed acquisition of the Nigerian upstream oil and gas business of COP; and

(d) Notwithstanding the foregoing, such terms as may be agreed by the Corporation and Oando PLC. In addition, Oando PLC has the sole right to also convert interest accruing under the Facility after the execution date of the repayment deed, on the terms and conditions set out therein. The price for conversion is subject to compliance with applicable rules of the TSX and prior approval by the TSX.

On February 26, 2014, the Corporation exercised the conversion option on loans from Oando PLC. This resulted in the settlement of $601 million of principal plus $11.7 million of interest accrued to the conversion date. The exercise of the conversion was done through the issuance of 432,565,768 common shares of OER and 216,282,884 common share purchase warrants to a subsidiary of Oando PLC with identical terms to those issued with the $50 million private placement (see below). As a result of the conversion, Oando PLC currently beneficially owns, or exercises control or direction over, 527,887,868 Common Shares, representing 92% of the Corporation's issued and outstanding Common Shares. If Oando PLC (through its subsidiary) exercises its warrants, it would own 744,170,752 Common Shares, representing 94.2% 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%.

Oando Energy Resources Private Placement

On February 26, 2014, the Corporation concluded a Private Placement Offering for gross proceeds of $50 million. Under the Private Placement, the Corporation issued units (the "Units") comprising, in aggregate, 35,070,063 common shares and 17,535,032 common shares purchase warrants at a price of C$1.57 per Unit. Each whole warrants 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 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 proceeds from the Private Placement offerings will be utilised to satisfy a portion of the purchase price for the COP Acquisition. The Private Placement was negotiated and concluded on an arm's length basis. The securities issued are subject to a hold period, which will expire on June 27, 2014.

4. Financial and Operational Results

The table below provides a summary of the Corporation's financial and operating results for the three-month periods ended March 31, 2014 and 2013:

	Three Months Ended March 31 (unless otherwise noted)	
	2014	**2013**[5]
Revenue	32,163	30,699
Barrels of oil produced (bbl) [1]	407,802	334,612
Average sales price per barrel (Gross)	111.40	114.00
Average sales price per barrel (Net)[2]	78.87	91.75
Cash flows from operating activities	10,285	(17,976)
Comprehensive income/(loss)	(39,881)	(7,187)
Net income/(loss) per share: Basic	(0.14)	(0.07)
Net income/(loss) per share: Diluted[3]	(0.14)	(0.07)
Total assets[4]	1,689,937	1,299,422
Total non-current financial liabilities[4]	274,812	275,195

*[1]) The Corporation consolidates 45% revenue of Ebendo (OML56) which is Oando Production and Development Company ("**OPDC**") ownership interest in the field and recognises a minority interest of 5% in OPDC.*
[2] Price excludes royalties (8% on OML 125 and 5% on the Ebendo Marginal Field), the Nigerian Government profit share of profit oil in the production sharing contract in respect of OML 125 and crude losses on the Ebendo Marginal Field. If unrecognised revenues related to excessive NNPC liftings at OML 125 of $9.5 million is included, the net average sales price per barrel is $102.09.
[3] In determining the diluted EPS of the Corporation in 2014 and 2013, the impact of the warrants, the stock based compensation and the convertible loan have not been considered as their impact is antidilutive.
[4] Prior year comparatives are as at December 31, 2013.
[5] Refer to section 11, Revised Comparative Financial Information.

Financial and Operational Highlights

- As at March 31, 2014, the Corporation had paid $500 million in non-refundable deposits associated with the COP Acquisition (On April 14, 2014, the Corporation increased its deposit to COP by $25 million in line with the March 27, 2014 extension agreement as ministerial consent for the COP Acquisition was not received by April 11, 2014). The current outside closing date of the transaction, pursuant to the amended Acquisition Agreements, is June 30, 2014. Refer to the *Proposed Acquisition* section above for further details.

- The Corporation elected to convert $601 million of principal due to Oando PLC to equity and closed a $50 million private placement. Refer to the *Loan Conversion and Private Placement* section above for further details.

- For the three months ended March 31, 2014, the Corporation had a working capital deficiency of $203.3 million and a comprehensive loss of $39.9 million. In addition to financing its on-going working capital requirements, the Corporation must complete various funding processes to repay its borrowings that are due during 2014, as well as meet purchase commitments under the Acquisition Agreements. Refer to Section 6, *Liquidity* and Section 7 *Capital Resources*.

- Revenue for the three months ended March 31, 2014 increased by $1.5 million, due to higher production and reduced crude losses at OML 56 negated by lower revenues on OML 125 as a result of the Corporation's decision to defer revenue recognition on excessive liftings by the Nigerian National Petroleum Corporation (**"NNPC"**) at OML 125.

- Production for three months ended March 31, 2014 was 407,802 bbls compared to 334,612 bbls for prior year comparative period.

- Average net sales price of $78.87/bbl for the three months ended March 31, 2014 declined by 14.03% from $91.75/bbl in the comparative prior year period, due to non-recognition of $9.5 million in revenues related to excessive liftings by the NNPC at OML 125. If unrecognised revenues related to excessive NNPC liftings at OML 125 of $9.5 million is included, the net average sales price per barrel is $102.09 for the three months ended March 31, 2014.

- Cash flows from operating activities for the three months ended March 31, 2014 were $10.3 million, compared to Cash outflow of $18.0 million in the comparative prior year period.

- Capital expenditures for the three months ended March 31, 2014 were $42.6 million, compared to $8.3 million for comparative prior year period.

- Tax expense increased by $0.6 million for the three months ended March 31, 2014 in comparison with the prior year period.

- Net financing expenses for the three months ended March 31, 2014 increased by $30.2 million as a result of the recognition of $24.0 million financing fee expense incurred on the conversion of $601 million of principal on the Oando PLC loan facility and a fair value loss of $9.3 million incurred on the warrants issued along with common shares during the quarter. These were negated by a net reduction in interest expense of $3.1 million as a result of changes in borrowings during the quarter.

Results of Operations

The following provides an analysis of the Corporation's financial condition, results of operations and cash flows for the three months ended March 31, 2014. Results have been compared to the Corporation's financial performance for the three months ended March 31, 2013 – refer to Section 11, *Revised Comparative Financial Information*. The Corporation has only one reportable segment which consists of the Corporation's oil and gas operations in Nigeria.

Revenues

	For the three months ended March 31, 2014	For the three months ended March 31, 2013
Total Production, net WI (bbls)	407,802	334,612
Crude oil net sale price (average $ / bbl)	78.87	91.75
Total Revenue ($'000)	32,163	30,699

Revenue is generated by the production and sale of crude oil produced from the Corporation's working interest in OML 125 (offshore) and OML 56 (Ebendo marginal field, onshore). Both oil licenses are located in Nigeria. The Corporation sells 100% of its oil production to ENI Trading and Shipping S.P.A., a subsidiary of Nigeria Agip Exploration (**"NAE"**).

Compared with the three months ended March 31, 2013, the Corporation revenues increased by 4.8% largely driven by a 21.9% increase in the production of crude oil as a result of a reduced shut in period and lower crude oil losses on OML 56. In addition, OML 125 experienced improved production efficiency as its producing wells achieved 98% optimisation.

For the three months ended March 31, 2014, the Kwale-Akri pipeline was closed for 14 days due to upgrade of the crude processing facility and tank top shut down by NAE at the Brass terminal. For the comparative period, the Kwale-Akri pipeline was closed for 45 days due to pipeline maintenance requirements arising from sabotage activities of which a force majeur was declared. Total production net of crude losses from OML 56 was 0.091mmbbls as against 0.047mmbbls in the prior year comparative quarter.

For the three months ended March 31, 2014, OML 125 production increased by 10.2% over the comparative period. The increase in production was as a result of improved well optimisation as total production from OML 125 was 0.316 mmbbls as against 0.287mmbbls.

On pricing, the net realised prices declined by 14% to $78.87/bbl when compared against the comparative period's price of $91.75/bbl. The decline in net realised prices was largely as a result of overlift disputes with the NNPC at OML 125. For the three months ended March 31, 2014 revenues of $9.5 million (2013 – $Nil) were not recognised as it related to NNPC's overlifting at OML 125. The impact of the unrecognised revenue on the net realised pricing for the three months ended March 31, 2014 was $23.3/bbl.

For the three months ended March 31, 2014, average production of 4,531 bbls/d was attributable to the Corporation, compared with an average of 3,718 bbls/d for the three months ended March 31, 2013.

Crude Oil Losses (OML 56)

Production from 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.

Total gross crude oil deliveries into the export pipeline from the Ebendo Marginal Field for the three months ended March 31, 2014 were approximately 103,454bbls before pipeline losses. Pipeline and export facility losses reported by NAOC and allocated to the Corporation for the three months ended March 31, 2014 were 12,105bbls or 11.7%, (2013 – 8,351bbls or 17%) of total crude oil deliveries into the export pipeline for the year. This resulted in approximately $1.3 million of oil production not being recognized as revenue for the three months ended March 31, 2014 (2013 – $1.0 million).

Excessive lifting activity by NNPC (OML 125)

The Corporation receives lifting schedules for OML 125 that identify the order and frequency with which each partner can lift its share of production. In normal operating conditions, overlift and underlift are accounted for as a sale of oil at the point of lifting by the underlifter to the overlifter as the criteria for revenue recognition is considered to have been met. The Corporation is currently in a dispute with the NNPC in relation to overlifting by the NNPC between 2008 and 2014 and which, in the view of NAE its partner, exceeded the NNPC's entitlements.

For the three months ended March 31, 2014, the NNPC has continued to lift production volumes that exceed their entitlement, despite arbitration rulings that have found in favour of the Corporation. On February 28, 2014, a prior injunction obtained by the NNPC restraining the arbitration was set aside by the Nigerian Court of Appeal. NAE and the Corporation have subsequently communicated the value of the final award expected to the arbitration panel. The award has not been granted and neither has NNPC appealed the setting aside of the injunction to date.

As a result of this dispute, the Corporation continues to defer revenue recognition associate with underlifted amounts on OML 125 until cash collection is reasonably assured. In the three months ended March 31, 2014, the Corporation deferred the recognition of $9.5 million of crude oil sales at OML 125.

Production expenses

	For the three months ended March 31, 2014	For the three months ended March 31, 2013
Production expenses	7,566	8,825

Production expenses consist of direct operating expenditures relating to lifting, handling, transportation and production maintenance and operators' general and administrative (**"G&A"**) cost.

For the three months ended March 31, 2014, production expenses were approximately $7.6 million compared to the comparative period when they were $8.8 million. Over the course of the quarter, 71% of the cost arose from OML 125 (2013: 85%), with the rest being incurred in operations on OML 56. The decrease in production expenses was largely driven by a $2.2 million decrease in the operators' liftings and associated transportation costs in OML 125. However, this decrease in OML 125 was negated by an increase of $1.0 million in production expenses in OML 56 as a result of

$0.2 million increase in administrative overheads, $0.2 million increase in Community and Niger Delta Development Commission (**"NDDC"**) trust funds for community development and $0.6 million increase in pipeline tariff and maintenance expenditures as a result of increased production activities. Production expense per barrel for the three months ended March 31, 2014 was $18.55/bbl compared with $26.37/bbl in the comparative prior year period.

General and administrative costs

	For the year ended March 31, 2014	For the year ended March 31, 2013
General and administrative costs	5,594	4,094

General and administrative costs for the three months ended March 31, 2014 were $5.6 million compared to $4.1 million for 2013. The increase in general and administrative costs was driven by an increase of $1.1 million attributable to personnel and allocated costs and increased rental and lease expenses of $0.4 million.

Depletion, depreciation and amortization

	For the three months ended March 31, 2014	For the three months ended March 31, 2013
Depletion, depreciation and amortisation	10,000	6,939

Depletion, depreciation and amortization charges for the three months ended March 31, 2014 were $10.0 million compared to $6.9 million for the prior year. The depletion, depreciation and amortization expense per barrel for the three months ended March 31, 2014 was $24.5/bbl compared to $20.7/bbl for the three months ended March 31, 2013. OML 56 depletion, depreciation and amortization expense increased by $0.8 million due to higher production levels, higher future development capital expenditures additions and the depletion of an additional EB 4 well costs which was not in operations in the prior year comparative period. OML 125 depletion, depreciation and amortization expenses increased by $2.3 million due to higher production levels and increased capital expenditures on Abo 12, FPSO upgrade, drilling activities on Abo 4 producing wells and Abo 3 Side track.

Net financing expenses

	For the three months ended March 31, 2014	For the three months ended March 31, 2013
Net financing expenses	41,351	11,119

Net financing expenses for the three months ended March 31, 2014 was $41.4 million compared to $11.1 million over prior year. The increase in net financing expenses for the three months ended March 31, 2014 was as a result of the recognition of a $24.0 million financing fee expense incurred on the conversion of $601 million of principal on the Oando PLC loan facility pursuant to the Corporation's accounting policies for transaction costs – refer to Section 12, *Accounting Policies and Critical Estimates & Judgement* for further details.. In addition, a fair value loss of $9.3 million on warrants issued to Oando PLC in relation to $601 million of existing loan facility debt due to Oando PLC and Private Placement $50 million equity was incurred during the quarter. These financings expenses were negated by a net reduction in interest expense of $3.1 million as a result of changes in loan facilities during the quarter.

Income tax expense

	For the three months ended March 31, 2014	For the three months ended March 31, 2013
Income tax expense	7,533	6,909

Tax expense increased by $0.6 million for the three months ended March 31, 2014 in comparison with the prior year period. This increase was driven by higher deferred taxes in OML125 and Ebendo Marginal Field (OML56).

Net income/ (loss) for the period

	For the three months ended March 31, 2014	For the three months ended March 31, 2013
Net income/loss for the period	(39,881)	(7,187)

For the three months ended March 31, 2014, a net loss of $39.9 million was incurred compared to a net loss of $7.2 million incurred in the comparative prior year period. The increase in net loss compared to the prior year was primarily a result of increased general and administrative costs, increased depletion, depreciation and amortisation expenses, increased financing expenses and increased taxes, which were partially offset by reduced production expenses and increased revenues as explained above.

Capital expenditures

	For the three months ended March 31, 2014	For the three months ended March 31, 2013
Capital expenditures	42,550	8,345

In the first quarter of 2014, the Corporation spent $42.6 million on capital expenditures for oil and gas assets and exploration and evaluation assets. Significant capital expenditures in the first quarter of 2014 related to the following activities:

- OML 125 capital expenditures of $26.0 million were incurred on Abo 8 and Abo 12 drilling activities.
- OML 56 capital expenditures of $3.5 million were incurred on the drilling and completion of Ebendo Well 7. Further work on this well has been suspended pending the completion of the Umuginni pipeline.
- OML 13 capital expenditures of $6.0 million were incurred on pipeline and GGF facility costs as well as flow station construction.
- OML 134 capital expenditures of $6.8 million were incurred on exploratory activities on the drilling of the Mindiogoro prospect.

Further details on capital expenditures and commitments have been included in Section 7 Capital Resources of this MD&A.

Cash flows from operating activities

	For the three months ended March 31, 2014	For the three months ended March 31, 2013
Cash flows from operating activities	10,285	(17,976)

For the three months ended March 31, 2014, the Corporation generated approximately $10.3 million cash flow from operating activities compared to a cash flow shortfall from operating activities of $18.0 million for the comparative prior year period. The increase in cash flows from operating activities was driven by improved cash flows from working capital management of $22.7 million, a $3.8 million reduction in net cash financing expenses, and a $3.2 million reduction in cash tax expenses. These were offset by increased cash G&A and other expenses of $1.4 million.

5. Summary of Quarterly Results

The following table presents a summary of financial information for the last eight quarters. Information has been derived from the Corporation's Interim Financial Statements:

	For the three months ended			
	March 31 2014	December 31 2013	September 30 2013	June 30 2013
Production (bbls)	407,802	406,029	363,032	353,145
Total Revenue	32,163	23,976	37,461	36,072
Net Income for the Year	(39,881)	(41,008)	11,645	(1,167)
Earnings Per Share	(0.14)	(0.32)	0.12	(0.01)
Diluted Earnings Per Share	(0.14)	(0.32)	0.12	(0.01)
Capital Expenditures	42,550	45,573	29,684	36,353
Total Assets	1,689,937	1,299,422	1,223,808	1,193,585
Total Non-Current Liabilities	274,812	275,195	206,150	207,981

	For the three months ended			
	March 31 2013	December 31 2012	September 30 2012	June 30 2012
Production (bbls)	334,612	326,819	370,928	388,028
Total Revenue	30,699	27,746	38,546	33,472
Net Income for the Year	(7,187)	(9,625)	4,841	8,375
Earnings Per Share	(0.07)	(0.09)	0.05	0.08
Diluted Earnings Per Share	(0.07)	(0.09)	0.05	0.08
Capital Expenditures	8,345	37,752	684	10,694
Total Assets	1,079,899	1,127,050	657,203	1,021,050
Total Non-Current Liabilities	156,457	177,699	154,232	114,580

The Corporation's quarterly financial information can be significantly impacted by fluctuations in commodity prices, production volumes, interest rates, the timing of and access to crude oil lifting entitlements at OML 125 and the occurrence of crude oil losses due to theft and sabotage at OML 56. Refer to the relevant sections of this MD&A for discussions of results for the three months ended March 31, 2014 and the MD&A for the year ended December 31, 2013 for discussions of prior quarterly results.

6. Liquidity

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 complete various funding processes to repay $237.4 million in current borrowings and meet its purchase commitments under the agreements associated with the 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 of the date of this MD&A the Corporation had paid total deposits of $525 million ($450 million in 2013 and prior years, an additional $50 million on February 24, 2014, and $25 million on April 14, 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. These circumstances lend significant doubt as to the ability of the Corporation to meet its obligations as they come due.

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 and 216,282,384 warrants giving the holder the right to purchase common shares subject to certain restrictions. This has reduced the Corporation's reliance on debt financing to continue operations. 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 (refer to Section 7, *Capital Resources* for details) and expects to use the proceeds from these facilities to fund the COP Acquisition and repay existing loans. 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 may not be 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.

Payments Due by Period

The following table represents a summary of the obligations of the Corporation as 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[2]	82,085	82,085	-	-	-
Purchase commitments	11,845	11,845	-	-	-
Budgeted capital expenditure[3]	78,855	78,855	-	-	-
Acquisition of COP[4]	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 course of the commitment life span, calculated using interest rates applicable to borrowings at year end.*

[2]*Derivative financial instruments refer to the fair value of the warrants issued on the $601 million Oando PLC Loan conversion and $50 million Private Placement equity raise. Refer to Note 9 in the Interim Financial Statements.*

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

[4]*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 this MD&A; 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.*

Sources of Funding

The following sources of funding are expected to assist the Corporation in generating sufficient cash and cash equivalents to execute the Corporation's business plans:

- Cash inflows from sales of production of crude oil from OML 125 and OML 56;
- Cash inflows from sales of production of crude oil from Qua Ibo and the Akepo Marginal Field (also referred to as "OML90"). Both fields are currently in the development stage and the Corporation expects that these fields will commence production during the third quarter of 2014;
- Cash inflows from producing oil properties to be acquired on closing of the COP Acquisition;
- Proceeds from a $450 million Senior Secured Facility, $350 million Corporate Loan Facility, and the remaining $451 million available on the $1.2 Billion Oando PLC Loan Facility will be used to finance the remaining purchase commitment for the COP Acquisition and to fund ongoing operations of the Corporation (refer to the description of the COP Acquisition in Section 7, *Capital Resources* below); and
- Subject to market conditions and financing being available on terms acceptable to the Corporation, additional proceeds from additional debt and equity financing will be sought.

7. Capital Resources

As noted in Liquidity section above, the Corporation does not currently have sufficient capital resources to fund planned commitments for the coming year. In order to finance on-going operations and the closing of the COP Acquisition, the Corporation will require additional financing, either in the form of debt or equity. There can be no assurance that equity or debt financing will continue to be available or sufficient to meet the Corporation commitments, or if equity or debt financing is available, that it will be on terms acceptable to the Corporation.

BORROWINGS

The following table summarizes borrowings outstanding at March 31, 2014:

	As at March 31, 2014	As at December 31, 2013
Oando PLC Loan - Facility A	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. Refer to Note 8 in the Interim Financial Statements for details of borrowings existing at March 31, 2014.

$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, 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 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 Section 12, *Accounting Policies and Critical Estimates and Judgments* below) and the residual amount of $545,398,720 was recorded as share capital. The balance at March 31, 2014 includes unamortized transaction costs of $5.6 million (described below).

Oando PLC Loan 4% Financing Fee

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 (refer to Section 12, *Accounting Policies and Critical Estimates and Judgements* below for further details). 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.

Management determined that the financing fee represents a commitment fee that should be accounted for as a transaction cost (refer to Section 12, *Accounting Policies and Critical Estimates and Judgements* below for further details). 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.

$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 MLAs and the Corporation and 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.

$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.

Financing Activities

The Corporation's capital resources consist primarily of debt financing. On February 26, 2014, the Corporation elected to convert $601 million in borrowings owed to Oando PLC into common shares and warrants. The following table reconciles borrowings outstanding as at December 31, 2013 to borrowings outstanding as at the date of this MD&A:

Borrowings, current	496,099
Borrowings, non-current	124,776
Total Borrowings, December 31, 2013	**620,875**
Proceeds from borrowings – Oando PLC $1.2 billion Loan Facility	348,000
Proceeds from borrowings – Diamond Bank Loan Facility	5,848
Repayment of borrowings – First Bank of Nigeria (Loan #1)	(6,055)
Repayment of borrowings – First Bank of Nigeria Short Term Loan	(7,779)
Settlement of borrowings – Conversion under the Oando PLC $1.2 billion	(601,000)
	359,889
Unamortized transaction costs	**(5,630)**
Total Borrowings, March 31, 2014	**354,259**

COP Acquisition

The estimated purchase price under the COP Acquisition, net of the $525 million deposit, transaction costs of $74 million and estimated adjustments of $270 million (working capital adjustments reflect Management's best estimate as of the date of this MD&A; this figure is subject to change), is $1.12 billion as shown in the table below.

	$'000
Purchase Price	1,650,000
Working Capital Adjustments	190,000
Transaction Costs	74,000
Less	
Net Purchase Price Adjustments	(270,000)
December 2012 Acquisition Deposit	(435,000)
December 2013 Acquisition Deposit	(15,000)
February 2014 Acquisition Deposit	(50,000)
April 2014 Acquisition Deposit	(25,000)
Outstanding Purchase Price	**1,119,000**

The Corporation expects the $1.12 billion purchase commitment to be financed as follows:

Proceeds from debt financing – $450 Million Senior Secured Facility	450,000
Proceeds from debt financing – $350 Million Corporate Loan Facility	144,166
Proceeds from debt financing – $1.2 Billion Oando PLC Loan Facility	451,000
Cash and cash equivalents	73,834
	1,119,000

Commitments and Capital Expenditures

The following provides an update to the commitments and capital expenditures disclosed in the MD&A for the period ended December 31, 2014. Historically, the Corporation has experienced significant variability in the actual costs incurred and timing of expenditure, as compared to initial estimated budgeted amounts and timing. This section of the capital resources discussion contains forward-looking information. Refer to *Advisory – Forward-Looking Information* section of this MD&A for material risks and assumptions underlying this forward-looking information.

OML 125 (Abo Field)

Budgeted capital expenditures for OML 125 were set at $37.5 million for 2014. In the three months ended March 31, 2014, the Corporation incurred $26.0 million on Abo 8 re-entering and completions and Abo 12 drilling activities. Production from Abo-8 has not commenced as the required flow line is a long lead item, delivery of which is expected to be in the third quarter of 2014; the budgeted expenditure for the flow line is $5.1 million. Abo-12 well has been temporarily plugged after lower completion work was performed with tie-in planned for 2015.

OML 56 (Ebendo Field)

Budgeted capital expenditures for OML 56 were set at $22.7 million for 2014. In the three months ended March 31, 2014, the Corporation incurred $3.5 million on the drilling and ongoing completion works on Ebendo Well 7. This well, in addition to Ebendo 5 and Ebendo 6 (both completed wells), have been suspended pending the completion of the Umuginni pipeline. Furthermore, for the three months ended March 31, 2014, an advance payment of $1.2 million has been set aside for expenditure on the Umuginni pipeline.

OML 13 (Qua Ibo Field)

Budgeted capital expenditures for OML 13 – Qua Ibo Field were set at $40.6 million for 2014. In the three months ended March 31, 2014, the Corporation incurred capital expenditures of $6.0 million on pipeline and facility costs as well as flow station construction. Oil production from the Qua Ibo field's D5 reservoir is expected to commence in the fourth quarter of 2014 after the commissioning of a crude processing facility which is currently under construction and should be finalized in the third quarter of 2014. Production from the C4 reservoir of the Qua Ibo is expected to commence in the first quarter of 2015.

OML 134 (Oberan Field)

Budgeted capital expenditures for OML 134 were set at $7.4 million for 2014. In the three months ended March 31, 2014, the Corporation incurred $6.8 million on exploratory activities related to the Mindiogboro prospect. Based on results from the drilling of the exploration well into the Mindiogboro prospect, the Corporation plans to continue geological, geophysical, and environmental studies.

OML 90 (Akepo Field) and Blocks 5 & 12, EEZ of São Tomé & Príncipe

Budgeted capital expenditures for OML 90 and Block 5 and 12, EEZ of Sao Tome & Principe were set at $2.0 million and $5.2 million, respectively, for 2014. No significant capital expenditures were incurred in these fields in three months ended March 31, 2014. For OML 90, planned capital expenditures to develop an evacuation route for crude production from OML 90 remain. Planned capital expenditures related to a four year work programme of 2D and 3D seismic acquisition and studies remains.

Purchase Commitments

As at March 31, 2014, the Corporation had contracted to receive goods and services of an aggregate amount of $11.8 million which had not been delivered as at such date.

8. Related Party Transactions

The ultimate parent of the Corporation is Oando PLC, incorporated in Nigeria. At March 31, 2014, Oando PLC beneficially 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 (QI 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.

9. Outstanding Share Data

As at December 31, 2013, OER had outstanding: (i) 106,053,620 common shares; (ii) options exercisable to acquire up to 7,810,000 common shares, (ii) 5,714,276 warrants outstanding, each entitling the holder to acquire one common share of OER at an exercise price of $2.00 per share until July 24, 2014; and (iii) 2,000,000 restricted share units outstanding, each entitling the holder to acquire one common share of OER at no additional cost. In addition, as at December 31, 2013 the aggregate principal and interest amount outstanding under the 2013 Oando PLC Loan was $430.2 million. The 2013 Oando PLC loan was convertible into common shares.

As at the date of this MD&A OER had outstanding: (i) 573,705,160 common shares; (ii) options exercisable to acquire up to 7,761,666 common shares, (ii) 5,714,276 warrants outstanding, each entitling the holder to acquire one common share of OER at an exercise price of $2.00 per share until July 24, 2014; (iii) 2,000,000 restricted share units outstanding, each entitling the holder to acquire one common share of OER at no additional cost; and (iv) 233,817,916 warrants exercisable at a price of C$2.00 per common share a period of 24 months from the date of the

closing of the COP Acquisition. In addition, as at March 31, 2014 the aggregate principal and interest amount outstanding under the 2014 Oando PLC Loan was $151 million. The Oando PLC $1.2 billion Loan Facility is convertible into common shares of OER.

10. Contingencies

Crude oil under lift receivable (OML 125)

On February 25, 2014, the Nigerian Court of appeal delivered judgement in favour of NAE and the Corporation vacating the injunction granted by the Federal High Court. In light of this development, the claimants are now able to continue with 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.

OML 131 Acquisition

On February 10, 2014, the Corporation announced its intention to acquire a 5% interest in OML 131 held by Medal Oil Limited for a purchase price of $5 million. The proposed acquisition will be settled with the issuance of an additional 3,491,082 shares to Medal Oil Company Limited. This transaction is contingent upon the closure of the COP Acquisition.

Other Contingencies

There have been no material changes to contingencies related to *Bilbari & Owanare (OML 122), OML 122, and OPL 321 and OPL 323* as previously disclosed in MD&A for the period ended December 31, 2013.

11. Revised Comparative Financial Information

As disclosed in the MD&A for the period 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 tables reconcile the previously reported financial information to the adjusted financial information.

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

12. Accounting Policies and Critical Estimates and Judgements

The principal accounting policies applied in the preparation of the Interim Financial Statements are set out at Note 3 to the Interim Financial Statements.

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 Jan. 1, 2018. The Corporation continues to assess the impact of adopting this standard.

CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS

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.

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).

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 common shares and warrants which entitle the holders to purchase additional common shares subject to certain restrictions. Also on February 26, 2014, Oando PLC exchanged $601 million of convertible debt to equity for

common shares of OER and warrants with identical terms to those issued with the private placement shares. Pursuant to the Corporations 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 of the Interim Consolidated financial Statements for the period for descriptions of the valuation model applied and the significant inputs into the model.

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.

13. Internal Controls over Financial Reporting and Disclosure Controls

In the MD&A for the period ended December 31, 2013, Management disclosed material weaknesses with respect to disclosure controls and procedures ("DCP") and internal controls over financial reporting ("ICFR"). The following is a summary of actions taken to date to remediate those weaknesses:

- Lack of Financial Reporting Expertise (DCP): Beginning in February 2014, the Corporation has implemented a training program to assist existing employees in attaining appropriate financial reporting expertise. The Corporation is in the process of hiring employees and consultants who have the appropriate level of experience, including experience in Canadian financial reporting and continuous disclosure matters. The Corporation has formed a multi-disciplinary team of employees and consultants who will be involved with the preparation of the Corporation's annual disclosure documents and be responsible for the fulsome disclosure of relevant financial, legal and operational information

- Lack of Review of Press Releases (DCP): The Corporation has provided an education program to relevant Corporation representatives to ensure that its disclosure policies are followed in the future.

- Manual Consolidation Process Performed Outside ERP (ICFR): In January 2014, the Corporation began to implement an updated version of the Corporation's ERP accounting system, which is expected to reduce the level of manual intervention required to prepare consolidated financial statements. It is expected that this will be implemented during the fourth quarter of 2014. Pending implementation of this updated system, this weakness is mitigated by the fact that the Corporation has hired employees and consultants with relevant experience and management relies heavily on manual procedures and detection controls, and quarterly reviews of financial statements by management and by the Audit Committee.

In addition to the above, the Corporation is in the process of engaging an independent and reputable professional services firm to assist with the assessment of design and operating effectiveness of DCP and ICFR in accordance with applicable securities laws. Furthermore, the CEO and CFO oversee all material transactions, the Audit Committee of the Board of Directors reviews on a quarterly basis the financial statements and key risks of the Corporation and queries management about significant transactions, and senior management perform daily oversight over the accounting records of the organization. Management is evaluating the design and operating effectiveness of DCP and ICFR (together "internal controls"). Management expects that its assessment of the design effectiveness of internal controls will be completed in the second quarter of 2014. The assessment of the operating effectiveness of internal controls will be completed in concert with the completion of the 2014 year end filings.

14. Advisory

Forward Looking Statements

Certain information contained in management's discussion and analysis of the Corporation's financial condition and results of the Corporation's operations constitute forward-looking statements. This MD&A contains forward-looking statements. Management's assessment of future plans and operations, capital expenditures, methods of financing capital expenditures and the ability to fund financial liabilities and the impact on OER, future operating costs, future transportation costs, expected change in royalty rates and interest rates may constitute forward-looking statements under applicable securities laws and necessarily involve risks including, without limitation to, the ability to complete the COP Acquisition (defined below) on the terms publicly described if at all; the ability to successfully integrate the assets to be acquired under the COP Acquisition; statements with respect to the Corporation's development potential and program; the Corporation's ability to raise required capital or draw down on existing loans, the future price of oil

and gas; the continuing impact of the change of management; the estimation of oil and gas reserves; conclusions of economic evaluation; the realization of mineral reserve estimates; the timing and amount of estimated future production; costs of production; capital and operating expenditures; success of exploration activities; currency exchange rates; the impact of illegal bunkering and overlifting; potential and stability of foreign jurisdictions; government relations and regulation; and environmental risks. Generally, forward-looking information can be identified by the use of forward-looking terminology such as "plans", "expects" or "does not expect", "is expected", "budget", "scheduled", "estimates", "forecasts", "intends", "anticipates" or "does not anticipate", or "believes", or variations of such words and phrases or statements that certain actions, events or results "may", "could", "would", "might" or "will be taken", "occur" or "be achieved". Forward-looking information is based on the opinions and estimates of management as of the date such statements are made. Estimates regarding the potential of the Corporation's properties in Nigeria are based on the Corporation's understanding of regional geology and neighbouring properties and the continued development of the regions. Capital and operating cost estimates are based on terms of the Corporation's agreements with its partners, regulatory authorities, and extensive research of the Corporation, proposed budgets and programs under the agreements, recent estimates of exploration costs and other factors that are set out herein. Production estimates are based on past experience and plans and production schedules that have been developed by personnel and independent consultants of the Corporation and its business partners. Forward-looking information is subject to known and unknown risks, uncertainties and other factors that may cause the actual results, level of activity, performance or achievements of the Corporation to be materially different from those expressed or implied by such forward-looking statements, including but not limited to risks related to: unexpected events and delays during exploration, development and construction; revocation of government approvals and contracts; timing and availability of external financing on acceptable terms; actual results of exploration activities; changes in project parameters as plans continue to be refined; future prices of oil and gas; failure of plant, equipment or processes to operate as anticipated; accidents, labour disputes; risks inherent in foreign operations of the oil and gas industry. Although management of the Corporation has attempted to identify important factors that could cause actual results to differ materially from those contained in forward-looking information, there may be other factors that cause results not to be as anticipated, estimated or intended. There can be no assurance that such information will prove to be accurate, as actual results and future events could differ materially from those anticipated in such statements. Accordingly, readers should not place undue reliance on forward-looking statements. Readers are cautioned that the foregoing list of factors is not exhaustive. Additional information on these and other factors that could affect the Corporation's operations and financial results are included in reports on file with Canadian securities regulatory authorities and may be accessed through the SEDAR website (www.sedar.com), or at the Corporation's website (www.oandoenergyrresources.com). Furthermore, the forward looking statements contained in this document are made as at the date of this document and the Corporation does not undertake any obligation to update publicly or to revise any of the included forward looking statements, whether as a result of new information, future events or otherwise, except as may be required by applicable securities laws.

Foreign Operations

The majority of the Corporation's focus is related to Nigeria. As such, the Corporation is subject to political, economic, and other uncertainties, including, but not limited to, the uncertainty of negotiating with the Nigerian government, expropriation of property without fair compensation, adverse determinations or rulings by governmental authorities, changes in energy policies or in the personnel administering them, nationalization, currency fluctuations and devaluations, disputes between various levels of authorities, arbitrating and enforcing claims against entities that may claim sovereignty, authorities claiming jurisdiction, potential implementation of exchange controls and royalty and government take increases and other risks arising out of foreign governmental sovereignty over the areas in which the Corporation's operations are conducted, as well as risks of loss due to civil strife, acts of war, guerrilla activities and insurrections.

As such, the Corporation's operations may be adversely affected by changes in government policies and legislation or social instability and other factors which are not within the Corporation's control. This includes, but is not limited to, changes in legislation in the aforementioned regions, the risks of war, terrorism, abduction, expropriation, nationalization, renegotiation or nullification of existing concessions and contracts, taxation policies, economic sanctions, the imposition of specific drilling obligations and the development, forced abandonment of fields and/or facilities or changes in crude oil or natural gas pricing policy.

Oil and Gas Information

National Instrument 51-101 of the Canadian Securities Administrators imposes oil and gas disclosure standards for Canadian public companies engaged in oil and gas activities.

In this document, certain oil and NGL volumes have been converted to Bcfe on the basis of one bbl to six Mcf.

Cubic feet equivalent may be misleading, particularly if used in isolation. A conversion ratio of 6:1 is based on an energy equivalency conversion method primarily applicable at the burner tip and does not represent value equivalency at the wellhead.

Given that the value ratio based on the current price of oil as compared to natural gas is significantly different from the energy equivalency of 6:1, utilizing a conversion on a 6:1 basis may be misleading as an indication of value.

Currency and References to the Corporation

All information included in this document and the Interim Financial Statements and comparative information is shown in US dollars, after royalty basis, unless otherwise noted. The Corporation's financial results are consolidated in US dollars and the Corporation has adopted the US dollars as its reporting currency to facilitate a more direct comparison to other North American oil and gas companies.

For convenience, references in this document to "OER", the "Corporation", "we", "us", "our" and "its" may, where applicable, refer only to or include any relevant direct and indirect subsidiary corporations and partnerships ("Subsidiaries") of Oando Energy Resources Inc., and the assets, activities and initiatives of such Subsidiaries.

Additional Information

Further information regarding Oando Energy Resources Inc., including its Annual Information Form, can be accessed under the Corporation's public filings found on SEDAR at www.sedar.com, and on the Corporation's website at http://www.oandoenergyresources.com.