Oando Energy Resources

Interim Consolidated Financial Statements (unaudited)

For the three and nine month periods ended September 30, 2014 and 2013

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Oando Energy Resources Inc.

Interim Consolidated Statements of Financial Position (unaudited)

As at September 30, 2014 and December 31, 2013

All dollar balances in thousands of US dollars

		September 30, 2014	December 31, 2013
Current assets			
Cash and cash equivalents	6	13,234	12,677
Trade and other receivables	6	353,845	37,738
Inventory		5,177	1,478
Derivative financial instruments	12	33,246	-
Finance lease receivable, current	7	20,148	-
		425,650	51,893
Non-current assets			
Property, plant and equipment	8	1,005,264	249,388
Interest in Qua Ibo		51,967	40,485
Exploration and evaluation assets	9	751,445	345,457
Goodwill	5	1,085,193	6,794
Deferred tax assets		17,582	14,590
Deposit paid for acquisition	5	-	450,000
Other long term receivables and other assets	15	137,035	135,969
Restricted cash	6	44,740	4,846
Finance lease receivable, non-current	7	175,003	-
		3,268,230	1,247,529
Total Assets		3,693,880	1,299,422
Current liabilities			
Borrowings, current	11	196,837	496,099
Trade and other payables	16	411,155	213,169
Derivative financial instruments	12	9,075	2,555
Current tax payable		316,534	1,074
		933,601	712,897
Non-current liabilities			
Decommissioning obligations	10	99,731	27,197
Borrowings, non-current	11	623,930	124,776
Other long term payables		47,272	47,272
Retirement benefit obligations		1,981	1,947
Deferred tax liability	5	750,105	74,003
		1,523,019	275,195
Total liabilities		2,456,620	988,092
Shareholders' equity			
Share capital	13	902,608	5,714
Share issue cost reserve		(6,505)	(7,302)
Share based payment reserve		5,948	4,953
Warrant reserve		115,252	-
Contribution from parent		628,129	628,129
Retained deficit		(409,695)	(321,639)
		1,235,737	309,855
Non-controlling interests		1,523	1,475
Total shareholders' equity		1,237,260	311,330
Total Liabilities and Shareholders' equity		3,693,880	1,299,422

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

“Christopher J. F. Harrop”
Director

“W. Watson”
Director

Oando Energy Resources Inc.

Interim Consolidated Statements of Comprehensive Income / (Loss) (unaudited)

For the three and nine month periods ended September 30, 2014 and 2013

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

		Three months ended September 30, 2014	Three months ended September 30, 2013	Nine months ended September 30, 2014	Nine months ended September 30, 2013
Revenue	14	184,777	37,461	247,380	103,235
Production expenses		(74,562)	(11,215)	(90,120)	(23,945)
General and administrative costs		(74,278)	(8,041)	(116,024)	(15,014)
Depletion, depreciation and amortization		(39,454)	(4,828)	(60,898)	(20,953)
		(188,294)	(24,084)	(267,042)	(59,912)
Financing income	22	2,053	240	3,443	801
Net fair value gains/(losses) on financial instruments	22	108,304	1,815	(7,070)	3,067
Financing expense	22	(53,261)	(9,899)	(94,652)	(37,267)
Net financing income / (expense)		57,096	(7,844)	(98,279)	(33,399)
Income / (loss) before income tax		53,579	5,533	(117,941)	9,924
Income tax (expense)/recovery		35,962	6,838	29,933	(7,146)
Net income / (loss) for the period		89,541	12,371	(88,008)	2,778
Comprehensive income / (loss) attributable to:					
Owners of the parent		89,546	11,578	(88,056)	2,280
Non-controlling interests		(5)	793	48	498
		89,541	12,371	(88,008)	2,778
Net income / (loss) per share					
Basic	13	0.12	0.12	(0.16)	0.03
Diluted	13	0.12	0.12	(0.16)	0.03

The notes starting on page 7 are an integral part of these Interim Consolidated Financial Statements.

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

	Attributable to Common shareholders of the Corporation									
	Share capital	Share capital of combined entity	Share based payment reserve	Share issuance cost reserve	Warrants Reserve	Contribution from Oando PLC	Retained earnings (deficit)	Total	Non-controlling interest	Total equity
Balance, January 1, 2013	**5,714**	**128**	**1,843**	**-**	**-**	**629,309**	**(283,102)**	**353,892**	**1,168**	**355,060**
Net income / (loss) for the period	-	-	-	-	-	-	2,280	2,280	498	2,778
Total comprehensive income / (loss)	**-**	**-**	**-**	**-**	**-**	**-**	**2,280**	**2,280**	**498**	**2,778**
Value of employee services	-	-	2,736	-	-	-	-	2,736	-	2,737
Share issue costs	-	-	-	(3,710)	-	-	-	(3,710)	-	(3,710)
Acquisition of subsidiary	-	(128)	-	-	-	(9,132)	-	(9,260)	-	(9,260)
Total contributions recognized directly in equity	**-**	**(128)**	**2,736**	**(3,710)**	**-**	(9,132)	**2,280**	**(7954)**	**498**	**(7,455)**
Balance, September 30, 2013	**5,714**	**-**	**4,579**	**(3,710)**	**-**	**620,177**	**(280,822)**	**345,938**	**1,666**	**347,605**
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	-		-	-	-	-	(88,056)	(88,056)	48	(88,008)
Total comprehensive income / (loss)	**-**	**-**	**-**	**-**	**-**	**-**	**(88,056)**	**(88,056)**	**48**	**(88,008)**
Share issue	896,894	-	-	-	-	-	-	896,894	-	896,894
Share issue costs	-	-	-	797	-	-	-	797	-	797
Value of employee services	-	-	995	-	-	-	-	995	-	995
Warrants reclassified to equity	-	-	-	-	115,252	-	-	115,252	-	115,252
Total contributions recognized directly in equity	896,894	**-**	**995**	**797**	**115,252**	**-**	**(88,056)**	**925,882**	**48**	**925,930**
Balance, September 30, 2014	**902,608**	**-**	**5,948**	**(6,505)**	**115,252**	**628,129**	**(409,695)**	**1,235,737**	**1,523**	**1,237,260**

The notes starting on page 7 are an integral part of these Interim Consolidated Financial Statements.

Oando Energy Resources Inc.

Interim Consolidated Statements of Cash Flows (unaudited)

For the nine month periods ended September 30, 2014 and 2013

All dollar balances in thousands of US dollars

	Nine months ended September 30, 2014	Nine months ended September 30, 2013
Net income / (loss) before tax for the period	(117,941)	9,924
Non-cash items:		
Depreciation, depletion and amortization	60,898	20,953
Decommissioning liabilities: Unwinding of discount	2,571	1,827
Finance expenses	92,112	35,970
Finance income on lease receivable	(392)	-
Fair value loss (gain) on financial instruments (Note 12)	7,070	(3,067)
Net foreign exchange gain	6	232
Loss/(gain) on disposal of property plant and equipment	24	(5)
Provision for doubtful debt	3,015	-
Share based payments	995	2,736
Income taxes recovered (paid)	-	(10,097)
Net changes in working capital (Note 17)	4,077	(79,796)
Cash flows from operating activities	52,435	(21,323)
Equity issuance cost	797	(3,710)
Proceeds from issue of shares	50,021	-
Increase in restricted cash	(39,894)	8,746
Proceeds from borrowings	1,412,848	135,724
Repayments of borrowings	(285,714)	-
Transaction costs on borrowings	(57,970)	-
Interest payments	(37,924)	(12,497)
Net change in non-cash working capital	-	(35,848)
Cash flows from financing activities	1,042,164	92,415
Corporate acquisitions, net of cash (Note 5)	(838,143)	-
Increase in deposit for acquisition	(100,000)	-
Property, plant and equipment expenditures	(96,238)	(54,356)
Qua Ibo capital expenditures	(11,482)	(19,202)
Exploration and evaluation asset expenditures	(12,095)	(824)
Proceeds from sale of property plant and equipment	31	380
Net changes in working capital (Note 17)	(36,115)	3,508
Cash flows from investing activities	(1,094,042)	(70,494)
Net increase (decrease)	557	598
Cash and cash equivalents, beginning of period	12,677	4,698
Cash and cash equivalents, end of period	13,234	5,296

The notes starting on page 7 are an integral part of these Interim Consolidated Financial Statements.

1. REPORTING ENTITY AND GOING CONCERN

General Information

Oando Energy Resources Inc. ("OER") is a publicly traded company listed on the Toronto Stock Exchange ("TSX") under the symbol "OER". OER was incorporated under the laws of Canada. OER's registered office is located at 3400, First Canadian Center, 350 7th Avenue SW, Calgary AB, T2P 3N9, Canada and head office is located at 1230, 112 4th Avenue SW, Calgary, AB, T2P 0H3, Canada. OER and its subsidiaries is involved in the acquisition of petroleum and natural gas rights, the exploration for and development and production of oil and natural gas primarily focused in Nigeria and São Tomé and Príncipe. The ultimate parent company is Oando PLC, who owned 93.8% of the share capital of the Corporation at September 30, 2014 and is the ultimate controlling party. Unless otherwise noted, all references to the "Corporation" mean OER and its subsidiaries.

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

Going Concern

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

For the nine months ended September 30, 2014, the Corporation had a net loss of $88 million, a working capital deficiency of $507.9 million, and an accumulated deficit of $409.7 million. In addition to its on-going working capital requirements, the Corporation must secure sufficient funding to repay $196.8 million in current borrowings and fund ongoing operations. The Corporation has incurred significant levels of debt financing to finance on-going operations and the acquisition of certain Nigerian assets previously owned by ConocoPhillips Company (the "COP Acquisition") (refer to Note 5). 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.

In 2014, the Corporation exercised the conversion option on borrowing agreements with Oando PLC which resulted in the settlement of $867 million of principal through the issuance of shares and warrants and secured equity financing in the form of a $50 million private placement with arm's length investors for which the proceeds have been used to fund the COP Acquisition and on-going working capital requirements. Furthermore, from July 30 to September 30, 2014 the COP Acquisition assets contributed operating cash flow to the results of the Corporation and will assist with the Corporation's ability to service debt going forward and demonstrate the financial performance required to satisfy the debt covenants on the loans. Despite this, the Corporations borrowings remain significant

These undertakings are not sufficient in and of themselves to enable the Corporation to fund all aspects of its operations and, accordingly, management is pursuing other financing alternatives to fund the Corporation's commitments and operations so it can continue as a going concern. Management plans to secure the necessary financing through the issue of new equity or debt instruments. Nevertheless, there is no assurance that these initiatives will be successful. The Corporation's ability to continue as a going concern is dependent upon its ability to fund the repayment of existing borrowings, secure additional financing and generate positive cash flows from operations. These financial statements do not reflect the adjustments to the carrying values of assets and liabilities and the reported revenues, expenses and balance sheet classifications that would be necessary if the Corporation were unable to realize its assets and settle its liabilities as a going concern in the normal course of operations. Such adjustments could be material.

Foreign Operations

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

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

2. BASIS OF PRESENTATION

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

The interim consolidated financial statements for the period ended September 30, 2014 were approved by the Board of Directors on November 11, 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.

Finance leases

As a result of the COP Acquisition (refer to Note 5), the Corporation became a party to a power purchase agreement which is accounted for as a finance lease with the Corporation as lessor. A lease is a finance lease when the terms of the lease transfer substantially all the risks and rewards incidental to ownership of the leased asset to the lessee. When assets are held subject to a finance lease, the related asset is derecognized and the present value of the lease payments is recognized as a finance lease receivable. Payments considered to be part of the leasing arrangement are apportioned between a reduction in the finance lease receivable and finance lease income. Finance lease income is recognized over the term of the lease using the net investment method (before tax), which reflects a constant rate of return.

Payments which are determined to be contingent rents are recognized in the consolidated statement of earnings in the period in which they are incurred. Contingent rent is that portion of lease payments that is not fixed in amount but varies based on a future factor, such as the amount of use or production..

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 affect the Interim Consolidated Financial Statements of the Corporation are: (a) 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; and (b) IFRS 15 *Revenue from contracts with customers;* the IASB indicated that IFRS 15 will be effective for annual periods beginning on or after January 1, 2017. The Corporation continues to assess the impact of adopting these standards.

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

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

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

Estimate: COP acquisition fair values

On July 30, 2014, the Corporation completed the COP Acquisition and determined that the acquisition method of accounting should be applied. Accordingly, a purchase price allocation was performed whereby on the acquisition date (i) identifiable assets and liabilities were recognized and measured and (ii) goodwill was recognized and measured. The process of measuring identifiable assets and liabilities required estimation.

In preparing the purchase price allocation, Management calculated the fair value of property, plant and equipment, exploration and evaluation assets, the finance lease receivable, inventory, the indemnification asset, and decommissioning liabilities and determined that the fair value of working capital items was equivalent to the book values recorded in the accounting records of the acquired entities. The deferred tax liability was calculated in accordance with IAS 12, Income taxes using the acquisition day fair values and goodwill was determined as the difference between the net purchase price and fair value of net assets acquired.

In calculating fair values, Management employed and obtained advice and work products from business valuation, oil and gas reserve, and accounting experts to determine the appropriate valuation methods, discount rates, cash flow assumptions, and other assumptions required. Furthermore, Management, with the assistances of these experts, carefully evaluated the fair value calculations performed.

Estimate: fair value of warrants and conversion feature on borrowings

In 2014, the Corporation issued warrants to private placement investors and Oando PLC which entitle the holders to purchase OER common shares subject to certain restrictions (refer to Note 12). On the date of issue, the warrants were classified as financial liabilities because the exercise price was not fixed in the functional currency of the Corporation. Pursuant to the Corporation's accounting policy for derivative financial instruments, the warrants were recognized as a current liability at fair value with subsequent changes in fair value recognized in profit and loss. On September 29, 2014 the current liability associated with warrants issued to Oando PLC was extinguished as the exercise price on the warrants was changed to match the functional currency of the Corporation. Prior to this change, fair value changes from the date of issue to the extinguishment date were recognized in profit and loss. Subsequent to this change, the warrants were reclassified to equity. The fair value of the warrants, which are not traded in an active market, have been estimated using a variant of the Black Scholes option pricing model. Refer to Note 12 for further details.

On February 10, 2014, the Corporation signed an agreement with Oando PLC for a $1.2 billion loan facility. As a part of this arrangement, the Corporation entered into the Repayment Deed allowing either Oando PLC or the Corporation to elect for the Corporation to repay the Oando PLC Facility by the issuance of common shares, provided that all regulatory approvals have been obtained. The Corporation has determined that the conversion feature represents an embedded derivative. Accordingly, as amounts are drawn on the Oando PLC loan, an embedded derivative is recognized as a current liability at fair value with subsequent changes in fair value recognized in profit and loss. The fair value of this conversion feature has been estimated using a variant of the Black Scholes option pricing model. Refer to Note 12 for further details.

Estimate: crude oil losses

Production from the Ebendo marginal field (Oil Mining Lease or "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 nine months ended September 30, 2014 was approximately 291,196 barrels ("bbls") before pipeline losses. Pipeline and export facility losses reported by NAOC and allocated to the Corporation for the nine months ended September 30, 2014 was 50,525 bbls (2013: 60,037bbls), or 17% (2013: 28%) of total crude oil deliveries into the export pipeline for the year. This resulted in approximately $5.3 million (2013: $6.4 million) of oil production not being recognized in revenue (before royalties) for the nine month period ended September 30, 2014.

NAOC has been unable or unwilling to provide the marginal field companies that produce through the Umusadege export facility with an explanation for the basis for the pipeline and export facility losses or for the reasons for the fluctuations in allocated pipeline losses. The Corporation has used the existing allocations provided by NAOC as their best estimate of crude oil losses. As such, the resulting crude loss estimate may not be equal the related actual results. Total revenue recognized for production from the Ebendo field net of crude oil losses and before royalties, was $25 million for the nine month period ended September 30, 2014 (2013 - $20.6 million). If the percentage of crude oil losses experienced was 5% higher, this would results in a further reduction of sales volumes by 14,560 bbls (2013: 10,735 bbls) and revenue by $1.5 million (2013: $1.2 million).

Judgement: finance lease

As a result of the COP Acquisition, the Corporation became a party to a power purchase agreement whereby, through a joint operation, the Corporation delivers the power from the Kwale plant and also has the right to use the plant for nine and a half years in return for an agreed series of payments from National Electric Power Authority (now Power Holding Company of Nigeria) (refer to Note 7). This arrangement is treated as a finance lease and a financial receivable asset was recognized. The financial receivable is the present value of minimum lease payments (MLP) receivable by the Corporation. In arriving at MLP, a discount rate implicit in the lease was derived.

Judgement: financing fees

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

Furthermore, the financing fee was accounted for as a transaction cost and allocated to the entire $1.2 billion facility. To the extent that the facility was drawn, a portion of the financing fee was allocated to the drawn amount and used to estimate the effective interest rate on the loan over the estimated expected life of the drawings. When the loan was converted to equity, the unamortized portion of the financing fee was expensed. In the nine months ended September 30, 2014, the full $48 million was expensed as the financing fee was settled on the conversion of the loan to shares and warrants.

5. BUSINESS COMBINATIONS

COP Acquisition

On July 30, 2014, the Corporation acquired all of the issued and outstanding shares of Phillips Oil Company Nigeria Limited ("POCNL"), Phillips Deepwater Exploration Nigeria Limited ("PDENL"), and Conoco Exploration and Production Nigeria Limited ("CEPNL"). The total consideration for the acquisition was $1.5 billion. The acquisition has been accounted for as a business combination with the fair value of assets acquired and liabilities assumed at the date of acquisition summarized below:

Net purchase price:	
Purchase price	1,650,000
Working capital adjustments	189,749
Net purchase price adjustments[(1)]	72,750
Purchase price increase[(2)]	30,000
Interest on unpaid purchase price[(3)]	112,923
Dividends paid[(4)]	(557,000)
	1,498,422

Allocation of purchase price:	
Cash and cash equivalents	110,279
Trade and other receivables	182,797
Indemnification asset[(5)]	83,492
Inventory	49,897
Finance lease receivable	194,759
Property, plant and equipment	710,886
Exploration and evaluation assets	389,059
Goodwill	1,078,399
Trade and other payables	(221,889)
Tax payable[(5)]	(280,855)
Decommissioning obligations	(60,289)
Deferred tax liability	(738,113)
Total net assets acquired	**1,498,422**

[(1)]) Relates to cash advances and receipts (excluding dividends) between POCNL, PDENL, CEPNL and its previous owners prior to the closing date.

[(2)] The purchase price of Philips Oil Company Nigeria Limited, an entity acquired in the COP Acquisition, was increased by $30million.

[(3)] The Corporation was charged interest on the unpaid purchase price from January 1, 2012 to the closing date at LIBOR plus 2%.

[(4)] A total of $557 million in dividends has been paid to the previous owners of COP between January 1, 2012 and closing date of the COP Acquisition. This has been used to offset the final purchase price.

[5)] Included in the Tax payable line are uncertain tax provisions of $83.5million relating to tax contingencies against POCNL which might result into a settlement to the Tax Authorities in Nigeria. In line with the Sale and Purchase Agreement between the Corporation and the previous owners of POCNL, an equal amount has been recognized as an indemnification asset under the Trade and other receivables line in the statement of financial position on the date of acquisition. Refer to Note 19 for further details.

Acquisition-related costs totaling $72.4 million have been recognized as an expense in the three and nine months ended September 30, 2014, within the General and administrative expenses line item in the consolidated statements of comprehensive income / (loss), while $58.0 million has been capitalized as part of borrowing obtained to close the acquisition. Goodwill arising on this acquisition relates to the potential upside related deferred taxes and opportunities afforded to indigenous oil and gas companies in Nigeria. Goodwill is not deductible for tax purposes.

From the period July 30, 2014 to September 30, 2014, the acquired entities contributed revenues, net of royalties, of $152.8 million and net income for the period of $85.7 million to the Corporations operations. If the acquisition had occurred on January 1, 2014, management estimates for the nine months ended September 30, 2014, that its pro forma revenues, net of royalties, would have been approximately $538.5 million and net loss for the period would have been approximately $151.7 million. Pro forma information disclosed here is not necessarily representative of future performance. The fair values of assets and liabilities recognized are estimates due to the uncertainty of provisional amounts recognized. Amendments may be made to the purchase price equation as the cost estimates and balances are finalized.

Medal Oil Acquisition

On July 11, 2014, the Corporation completed the acquisition of Medal Oil Company Limited ("Medal Oil"). The purchase consideration for the Medal Oil acquisition was $5 million satisfied through the issuance of common shares and warrants. Medal Oil holds a 5% interest in OML 131. With the completion of the COP Acquisition, the Corporation owns a 100% interest in OML 131. The acquisition has been accounted for as a business combination with the purchase consideration of $5 million allocated to $4.8 million in exploration and evaluation assets and $0.2million in other assets. OML 131 holds exploratory assets and is not currently producing.

6. FINANCIAL RISK MANAGEMENT

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

Market Risk

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

- Foreign exchange risk: The Corporation is primarily exposed to foreign exchange risk on warrants which are denominated in Canadian dollars. If the Canadian dollar exchange rate increased by 10% against the US dollar, it would increase the loss before tax by $2.4 million; and

- Interest rate risk: if interest rates increase by 1%, assuming all other variables remain constant, it would increase loss before tax by $8.3 million on an annual basis.

Credit Risk

The Corporation's credit risk arises primarily from cash and cash equivalents, trade and other receivables, finance lease receivable, 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 September 30, 2014	As at December 31, 2013
Current financial assets			
Cash and cash equivalents	(a)	13,234	12,677
Trade and other receivables	(b)	353,845	37,738
Finance lease receivable, current	(c)	20,148	-
Derivative financial instruments	12	33,246	-
		420,473	50,415
Non-current financial assets			
Finance lease receivable, non-current	(c)	175,003	-
Other long term receivables	(d)	137,035	135,969
Restricted cash	(a)	44,740	4,846
		356,778	140,815

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 September 30, 2014	As at December 31, 2013
AA-	31,400	56
B+	12,169	-
B	14,338	12,598
B-	-	4,457
Non-rated	67	412
	57,974	17,523
Less: Restricted cash[1]	(44,740)	(4,846)
Cash and cash equivalents	**13,234**	**12,677**

[1] Restricted cash balances have been separately disclosed in the statement of financial position. These balances related to restricted cash balances required as part of the $450 million and $350 million loan facilities. Refer to Note 11 for details.
Source – Fitch ratings

(a) Trade and other receivables

	As at September 30, 2014	As at December 31, 2013
Trade receivables	152,767	8,357
Other receivables and other assets	201,078	29,381
	353,845	**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. As at September 30, 2014, a $2.4 million dollar provision for impairment was recorded relating receivables from the Rivers State Government of Nigeria. No other provisions for impairment were recorded and no other trade receivables were past due. The Corporations major customers include subsidiaries of international oil companies, Nigerian government organizations, and joint venture businesses. The Corporation earns the majority of its revenue from ConocoPhillips (UK) Limited and ENI Trading and Shipping S.P.A ("ENI"). In the nine months ended September 30, 2014, ConocoPhillips (UK) Limited and ENI accounted for 47% and 38%, respectively, of gross revenue before royalties. The carrying amount of the Corporation's trade receivables are denominated in US dollars.

Other receivables and other assets comprise balances due from related parties as well as advances to vendors and joint venture partners. As at September 30, 2014, the Corporation had $20.3 million due from related parties. In addition to this, $83.5 million relates to an indemnification asset recognized at acquisition date (refer to notes 5 and 19), $49.8 million is due from joint venture partners for expenses incurred on activities at the various operations. Also, $44.6 million of this amount relates to cash call advances to joint venture partners. The Corporation also has prepaid expenses of $2.3 million

(b) Finance lease receivable

The Corporation is a party to a power purchase agreement whereby, through a joint operation, the Corporation delivers power from the Kwale plant and also has the right to use the plant for eleven and a half years in return for an agreed series of payments from National Electric Power Authority (now Power Holding Company of Nigeria). Refer to Note 7 for further details.

(c) Other long term receivables other assets

Other long term receivables other assets are comprised of underlift receivable, joint venture receivables, and long-term prepaid expenses (refer to Note 15 for details). On completion of the Oando Reorganization on July 24, 2012, the Corporation retained the contractual rights to receive the cash flows associated with $72.7million of the underlift receivable. However, the Corporation assumed a contractual obligation to pay a portion of those cash flows to Oando PLC and recognized a long term payable of $47.3 million on the statement of financial position. As part of the terms of the payable, the Corporation has no obligation to pay amounts to Oando PLC unless it collects the equivalent amounts from the original receivable. Therefore, the net credit risk exposure relating the $72.7million underlift receivable net of the $47.3 million long term payable to Oando PLC is $25.4million as at September 30, 2013. Refer to Note 14 for further details of events related to underlift receivables. The carrying value of the joint venture receivables represents the maximum exposure to credit losses.

Liquidity Risk

Cash flow forecasting is performed by management on a regular basis. Cash flow forecasts are monitored to ensure that the Corporation has sufficient cash to meet operational needs while also ensuring that the Corporation has sufficient cash resources to meet future contractual commitments. The Corporation has significant commitments from ongoing operations and these have increased as a result of the COP Acquisition. In order to generate additional liquidity the Corporation has completed a number of debt and equity transactions since year end. Refer to Notes 11 and 13 for further details.

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

	Total	Less than 1 year	1 to 3 years	4 to 5 years	After 5 years
Borrowings[1]	1,098,533	289,971	376,316	347,598	84,648
Trade and other payables	411,155	411,155	-	-	-
Current tax payable	316,534	316,534	-	-	-
Other long term payables	47,272	-	47,272	-	-
Derivative financial instruments	9,075	9,075	-	-	-
	1,882,569	**1,026,735**	**423,588**	**347,598**	**84,648**

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	-	-	-
Current tax payable	1,074	1,074	-	-	-
Other long term payables	47,272	-	47,272	-	-
Derivative financial instruments	2,555	770	1,785	-	-
	930,037	**711,836**	**142,198**	**76,003**	**-**

[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 September 30, 2014 has been used. Cash out flows associated with borrowings assume principal payments are paid in accordance repayment schedules before cash sweeps – refer to Note 11 for loan repayment requirements regarding excess cash flow from oil and gas sales.*

Fair value estimation

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

The carrying value of cash, trade and other receivables, and trade and other payable and accrued liabilities reflected in the consolidated balance sheets approximate fair value due to the short term to maturity of these instruments. Refer to Note 11 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 assets/ (liabilities) that are measured at fair value at September 30, 2014.

Recurring measurements	Level 1	Level 2	Level 3	Total
Commodity contracts	-	33,246		33,246
Warrants	-	-	(9,075)	(9,075)
Conversion feature on borrowings	-	-	-	-
	-	33,246	(9,075)	24,171

The following table presents the Corporation's financial assets/ (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)

The warrants and the conversion feature on the borrowings were allocated to Level 3 of the hierarchy. The following table presents the changes in Level 3 instruments for the nine months ended September 30, 2014.

Balance, beginning of period	(2,555)
Issue of warrants	(132,824)
Conversion feature on incremental borrowings	(40,264)
Net gains / (losses) recognized	(40,351)
Extinguishment of warrants	115,252
Settlement of conversion feature on borrowings	91,667
Balance, end of period	(9,075)

7. FINANCE LEASE RECEIVABLE

As a result of the COP Acquisition, the Corporation became a party to a power purchase agreement which is accounted for as a finance lease. The following table summarizes the finance lease receivable balance as at September 30, 2014:

	As at September 30, 2014
Current	20,148
Non-current	175,003
Finance lease receivable	195,151

The Corporation, as a party to the NAOC/POCNL/NNPC JV entered into a power purchase agreement with Power Holding Company of Nigeria (PHCN) in 2001. The agreement is to develop, finance, construct, own maintain and operate as a joint venture an upstream gas project. The agreement is classified as a joint operation for accounting purposes. The gas project is located at Kwale for the production of electric power ("the Kwale-Okpai Independent Power Plant" or "Kwale IPP"). The gas plant utilizes fuel source from the natural gas reserves in joint venture oil fields operated NAOC. As at September 30, 2014, the carrying value of the lease approximates its fair value.

The agreement will continue in full force and will be in effect up to 2025 with the option of renewal of 5 years. On March 2030, PHCN shall have the option to purchase the Kwale IPP at a fair price determined by an expert. PHCN will pay a contracted sum to the joint venture partners throughout the tenure for capacity and for the purchase of electricity from the plant.

The following table summarizes the present value of minimum lease payment as at September 30, 2014:

	As at September 30, 2014
No later than one year:	
Total future value	20,148
Unearned interest income	(1,555)
Present value	18,593
Between one and five years:	
Total future value	85,760
Unearned interest income	(25,894)
Present value	59,866
Later than five years:	
Total future value	273,590
Unguaranteed residual value	27,852
Unearned interest income	(184,750)
Present value	116,692
Finance lease receivable	**195,151**

8. PROPERTY, PLANT AND EQUIPMENT

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

	Oil and gas properties	Oil and gas properties under development	Other fixed assets	Total
At January 1, 2013				
Cost	253,856	64,503	3,879	322,238
Accumulated depletion, depreciation and impairment	(130,939)	-	(1,669)	(132,608)
Net book amount	122,917	64,503	2,210	189,630
Year ended December 31, 2013				
Opening net book amount	122,917	64,503	2,210	189,630
Additions	69,005	17,272	1,334	87,611
Disposals	-	-	(213)	(213)
Depletion and depreciation	(30,821)	-	(692)	(31,513)
Change in decommissioning liability	3,873	-	-	3,873
Closing net book amount	164,974	81,775	2,639	249,388
At December 31, 2013				
Cost	326,734	81,775	4,983	413,492
Accumulated depreciation, depletion and impairment	(161,760)	-	(2,344)	(164,104)
Year ended December 31, 2013	164,974	81,775	2,639	249,388
At January 1, 2014				
Opening net book amount	164,974	81,775	2,639	249,388
Additions	92,734	-	3,504	96,238
Acquisitions	709,393		1,493	710,886
Disposals	-	-	(54)	(54)
Change in decommissioning liability	9,704	-	-	9,704
Depletion and depreciation	(60,068)	-	(830)	(60,898)
Closing net book amount	916,737	81,775	6,752	1,005,264
At September 30, 2014				
Cost	1,842,061	81,775	36,017	1,959,853
Accumulated depreciation, depletion and impairment	(925,324)	-	(29,265)	(954,589)
Period ended September 30, 2014	916,737	81,775	6,752	1,005,264

For the nine month period ended September 30, 2014, no borrowing costs directly attributable to development oil and gas assets were capitalized (2013 - nil). In calculating depletion expense for the nine months ended September 30, 2014, $998.6 million of future development costs were included in the cost base subject to depletion (12 months ended December 31, 2013 - $91.3 million).

9. EXPLORATION AND EVALUATION ASSETS

The following table summarizes changes in exploration and evaluation assets during the nine months ended September 30, 2014:

At January 1, 2013	
Cost	357,672
Accumulated impairment	(18,835)
Net book amount	**338,837**
Year ended December 31, 2013	
Opening net book amount	338,837
Additions	6,620
Closing net book amount	**345,457**
At January 1, 2014	
Cost	364,292
Accumulated impairment	(18,835)
Net book amount	**345,457**
Nine months ended September 30, 2014	
Opening net book amount	345,457
Additions	12,095
Acquisitions[1]	393,894
Closing net book amount	**751,445**
At September 30, 2014	
Cost	770,280
Accumulated impairment	(18,835)
Net book amount	**751,445**

[1] The acquisitions include the fair value of exploration and evaluation assets acquired for COP and Medal Oil Company Limited of $389.1million and $4.9million respectively as shown in Notes 5.

The above exploration and evaluation assets represent expenditures arising from the exploration and evaluation of oil and gas interests. The costs relate to oil and gas properties primarily located in Nigeria. The technical feasibility and commercial viability of extracting oil and gas has not yet been determined in relation to the above properties, and therefore, they remain classified as exploration and evaluation assets at September 30, 2014.

In accordance with the Corporation's accounting policies, borrowing costs are capitalized on exploration and evaluation assets as they are considered to meet the definition of qualifying assets. For nine months ended September 30, 2014, there were no borrowing costs directly attributable to exploration and evaluation assets capitalized (December 31, 2013 - $nil).

10. DECOMMISSIONING OBLIGATIONS

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

	September 30, 2014
Balance, beginning of period	27,197
Liabilities incurred	2,438
Acquisitions	60,289
Change in estimate	6,956
Accretion expense	2,851
Balance, end of period	**99,731**

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 14.20% (December 31, 2013 - 13%) and an inflation rate of 8.30% (December 31, 2013: 8.5%) These obligations are expected to be settled over the next five to twenty years.

11. BORROWINGS

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

	As at September 30, 2014	As at December 31, 2013
$1.2 Billion Oando PLC Loan Facility	-	401,000
$450 Million Senior Secured Facility	407,071	-
$350 Million Corporate Finance Loan Facility	325,285	-
$100 Million Subordinated Debt Facility	88,411	-
First Bank of Nigeria (Loan #1)	-	32,944
First Bank of Nigeria (Loan #2)	-	70,000
First Bank of Nigeria (Short term loan)	-	7,779
Ecobank Nigeria Loan	-	20,000
Diamond Bank Loan	-	59,152
Enterprise Bank	-	30,000
	820,767	620,875
Less: Borrowings, current	(196,837)	(496,099)
Borrowings, non-current	623,930	124,776

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

$1.2 Billion Oando PLC Loan Facility

On February 10, 2014, the Corporation signed an agreement with Oando PLC for a $1.2 billion loan facility. The loan agreement amends and governs the Oando PLC loan (facility A, B1, and B2) which was drawn to $401 million at December 31, 2013 and the $200 million loan facility which was signed on December 24, 2013. In addition, the loan agreement made available to the Corporation an additional $599 million. The funds have been used to fund the closure of the COP Acquisition and for other general corporate requirements. The annual interest rate of the facility is 4% calculated on a quarterly basis and principal is due to be repaid on December 31, 2015. The only financial covenant of the loan limits capital expenditures to $500 million per year for 2014 and 2015. The loan also includes a financing fee of $48 million which was converted to equity on July 9, 2014. The Corporation can elect to repay the principal 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 nine months ended September 30, 2014.

	Nine months ended
Balance, beginning of period	401,000
Drawings	507,000
Converted to shares	(867,000)
	41,000
Cash repayment	**(41,000)**
Balance, September 30, 2014	**-**

During the nine months ended September 30, 2014, the facility was drawn by an amount of $507 million of which $41 million was repaid in cash. Also during this period, $867 million of principal, $14.9 million of accrued interest, and $48 million financing fee was exchanged for 650,785,739 common shares of OER and 325,392,870 warrants as summarized in the table below:

	Amount ($'000)				Units	
Conversion Date	Principal	Interest	Financing Fee	Total	Shares	Warrants
February 26, 2014	601,000	11,710	-	612,710	432,565,768	216,282,884
July 9, 2014	168,000	2,900	48,000	218,900	150,075,856	75,037,928
August 20, 2014	98,000	325	-	98,325	68,144,115	34,072,058
Total	**867,000**	**14,935**	**48,000**	**929,935**	**650,785,739**	**325,392,870**

Of the $929.9 million conversion amount, $126.4 million was allocated to the warrants and recorded as a derivative financial liability and the residual amount of $803.5 million was recorded as share capital (refer to Note 13). The balance at September 30, 2014 includes no unamortized transaction costs as these were settled as a part of the July 9, 2014 loan conversion (described below). As at September 30, 2014, $292 million remained available for drawdown on the loan until December 31, 2014. The Corporation can draw down on the loan after all other sources of funding have been pursued and expended.

Oando PLC Loan $48 Million Financing Fee

As per Note 4, Management determined that the obligation to pay the financing fee represented a financial liability of the Corporation and as amounts were drawn down on the facility, a financing fee liability was recorded. On July 9, 2014, the financing fee was converted to equity in concert with the July 9, 2014 loan conversion noted in the table above. Prior to July 9, 2014, the cumulative amount drawn on the facility to date was $ 769 million for which a financing fee liability of $30.8 million was recorded. On July 9, 2014, an additional $17.2million was recorded to bring the financing fee liability to $48 million prior to conversion.

Furthermore, as per Note 4, Management determined that the financing fee should be accounted for as a transaction cost. Specifically, to the extent that the facility is drawn, a portion of the financing 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. Prior to the July 9, 2014 conversion, $30.8 million was recorded as a transaction cost of which $24 million was recorded as interest expense and $5.6 million remained unamortized. On July 9, 2014 an additional $17.2 million was recorded as a transaction cost to bring the financing fee liability to $48 million as described above. This amount and the unamortized amount of $5.6 million were recorded as interest expense on July 9, 2014 as the financing fee was converted to equity. In the nine months ended September 2014, $48 million of transaction costs related to the financing fee were recorded in interest expense.

$450 Million Senior Secured Facility

The Corporation entered into agreements dated January 31, 2014 and July 31, 2014 with major international banks providing for a net aggregate loan of $450 million (the "$450 Million Senior Secured Facility" or "$450 Million Loan"). As of the close of business on the day after closing of the COP Acquisition, an aggregate amount of $450 million was outstanding under the $450 Million Loan. Interest is charged on the loan at 3 month LIBOR plus 8.5% per annum and interest payments are due at the end of each quarterly period. The loan is repayable in quarterly installments in accordance with a repayment schedule. 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 POCNL's various operations are also to be applied against outstanding principal. The facilities have a final maturity date of June 30, 2019 and are secured by the Corporation's 20% interest in the NAOC/POCNL/NNPC JV including all fields and facilities and the Kwale-Okpai IPP. The carrying value of the assets pledged as at September 30, 2014 was $973.1 million. The Corporation is required to hedge a certain portion of crude oil production. Refer to Notes 12 on commodity contracts for the details of the hedges executed by management to satisfy this requirement; the financial commodity contracts were executed with the same banks that provided the loan. The loan also requires the Corporation to maintain cash balances with the lenders of $30 million on the date the facility is drawn increasing to $40 million within one year from this date. As at September 30, 2014, the Corporation had cash deposits of $30 million with the lenders.

The full $450 million was drawn on the facility in July 2014 to fund the COP Acquisition. The Corporation incurred $30.0 million of transactions costs which have been allocated to the amount drawn and used to estimate the effective interest rate on the loan. During the three months ended September 30, 2014, the Corporation recorded $9.0 million in interest expense for the loan. Debt covenants are due to be calculated and submitted to the lenders periodically.

$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 (an affiliate of First Bank of Nigeria) and FCMB Capital Markets Limited (an affiliate of First City Monument Bank) 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 purpose of the facility was to fund the repayment of the existing loans of the Corporation and to finance the COP Acquisition. Interest is charged 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 facility will be repaid quarterly and has a final maturity date of June 30, 2020. The facility is secured by the Corporation's interest in OML 125, OML 134, OML 56, and OML 90 including all fields and facilities. The carrying value of the assets pledged as at September 30, 2014 was $670.1 million. The Corporation is also required to hedge a certain portion of crude oil production. Refer to Note 12 for the details of hedges executed by management to satisfy this requirement. As at September 30, 2014, the Corporation had cash deposits of $14.7 million with the lenders.

The full $350 million was drawn in July 2014, the proceeds of which were used to (a) repay existing loans (the First Bank Nigeria Loans, the Ecobank Nigeria Loan, the Diamond Bank Loan, and the Enterprise Bank Loan) and (b) finance the COP Acquisition. The Corporation incurred $21.4 million of transactions costs which have been allocated to the amount drawn. The $21.4 million of transaction costs were used to calculate the interest expense on the facility. During the three months ended September 30, 2014, the Corporation recorded $7.4 million in interest expense for the facility. Debt covenants are due to be calculated and submitted to the lenders periodically.

$100 Million African Export Import Bank Subordinated Debt Facility

On June 6, 2014, the Corporation signed an agreement with African Export-Import Bank to secure a one year subordinated structured debt facility for $100 million. The loan was designated to fund a portion of the COP Acquisition. Interest is charged at LIBOR plus 7% per annum and was prepaid. The loan is due to be repaid on July 24, 2015. The loan is secured by a letter of credit from Oando PLC.

The full $100 million less prepaid interest was drawn in July 2014 to finance the COP Acquisition. The Corporation incurred $6.5 million of transactions costs which have been allocated to the amount drawn and used to estimate the effective interest rate on the loan during the three months ended September 30, 2014, the Corporation recorded $2.5 million in interest expense for the loan.

Fair value of borrowings

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

	As at September 30, 2014		As at December 31, 2013	
	Carrying amount	Fair value	Carrying amount	Fair value
Non-current borrowings	623,930	623,930	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 average borrowing rate of 12% (2013: 10.5%) and are within Level 2 of the fair value hierarchy.

12. DERIVATIVE FINANCIAL INSTRUMENTS

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

	As at September 30, 2014	As at December 31, 2013
Warrants	(9,075)	(1,785)
Conversion feature on borrowings	-	(770)
Commodity contracts	33,246	-
Net derivative financial assets / liabilities	**24,171**	**(2,555)**

Warrants

The fair value of the warrants as at September 30, 2014 was $9.1 million (liability). In the nine months ended September 30, 2014, $10.3 million was recognized as a derivative gain in the statement of comprehensive income / (loss) for the warrants.

Warrants issued on private placement

On February 26, 2014, 17,535,032 warrants were issued as a part of a $50 million private placement (refer to Note 13). The warrants 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.

Each whole warrant entitles the holder thereof to acquire one common share of the Corporation at a price of $2.00 Canadian ("CAD") per common share for a period of 24 months from the date of the closing of the COP Acquisition (which occurred on July 30, 2014). However, if after a period of nine 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 CAD for a period of at least 10 consecutive trading days, the Warrants will expire within 30 days.

The fair value of the warrants has been estimated using a variant of the Black Scholes option pricing model. The significant inputs to the model were a share price of $1.72 CAD, an exercise price of $2.00 CAD, volatility of 72.09%, a dividend yield of 0%, an expected warrant life of 22 months, and a risk free rate of 3.5%. As at September 30, 2014 all of the warrants issued with the private placement remained exercisable.

Warrants issued on closing the Medal Oil acquisition

During 2014, warrants were issued as part of the consideration for the acquisition of Medal Oil, the holder of 5% working interest in OML 131. The warrants were identical to those issued on completion of the private placement as described above and are classified as financial liabilities because the exercise price is not fixed in the functional currency of the Corporation. The warrants were therefore required to be initially recognized at fair value and subsequently measured at fair value through profit or loss. The fair value of the warrants has been estimated using the same model and inputs as the private placement warrants.

Warrants issued on Oando PLC loan conversion

During 2014, warrants were issued as part of the consideration on the conversion of the Oando PLC Loan (refer to Note 11). On the date of issue, the terms of the warrants was consistent with the terms of those warrants issued in connection with the $50 million private placement as described above and as such, were initially classified as financial liabilities because the exercise price was not fixed in the functional currency of the Corporation. The warrants were required to be initially recognized at fair value and subsequently measured at fair value through profit or loss.

On September 29, 2014, the exercise price on the warrants issued to Oando PLC was changed from $2.00 CAD to $1.80 United States dollar (“USD”), which set the strike price to a currency that matches the functional currency of the Corporation. As a result, the warrants now meet the definition of equity and were reclassified to equity at fair value ($115.3 million) on September 29, 2014. .

The fair value of the warrants has been estimated using a variant of the Black Scholes option pricing model. The significant inputs to the model were a share price of $1.72 CAD, an exercise price of $1.80 USD, volatility of 67.8%, a dividend yield of 0%, an expected warrant life of 22 months, and a risk free rate of 3.5%. As at September 30, 2014 all of the warrants issued to Oando PLC remained exercisable.

Warrants issued on closing the RTO

On July 24, 2014, all of the unexercised warrants issued upon closing the RTO expired without being exercised.

Conversion feature on borrowings

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

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

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

c) completion of the the COP Acquisition; and

d) termination of the COP Acquisition.

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

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

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

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

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

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

(iii) completion of the COP Acquisition; or

(iv) termination of the COP Acquisition.

In the event that the election to repay the Oando PLC Facility by the issuance of common shares would result in Oando PLC having a beneficial ownership interest in the Corporation that is higher than 94.6%, the number of common shares to be issued by the Corporation will be reduced so as to ensure that Oando PLC's stake in the Corporation does not exceed such current ownership interest and the balance, if any, of amounts owing under the Oando PLC Facility will be payable in cash. The conversion feature represents an embedded derivative that is required to be split out from the host contract. The derivative is required to be initially recognized at fair value and subsequently measured at fair value through profit and loss.

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

As at September 30, 2014, the fair value of the conversion feature was nil (December 31, 2013: $0.7 million) as the Corporation had no borrowings outstanding with Oando PLC. For the nine months ended September 30, 2014, $50.6 million (2013 - $0.5million) was recognized as a derivative loss in the statement of comprehensive income / (loss) for the conversion feature on borrowings.

Financial Commodity contracts

In August 2014, the Corporation entered into financial commodity contracts which hedge crude oil sales associated with Acquisition Assets (as required by the $450 million senior secured loan facility) and Legacy Assets (as required by the $350 million corporate loan facility). The table below summarizes the nature of the hedges executed pursuant to these arrangements:

		Price/Unit[1]			Volume
Position	Expiry	Fixed	Strike	Premium [2]	(bbl/d)
Acquisition Assets:					
Capped swap	July 2017	$97.00	$110.55	-	5,333
Purchased put	July 2017	$97.00	$110.55	-	2,667
Total volume – Acquisition Assets					8,000
Legacy Assets:					
Purchased put	January 2019[3]	-	$95.00 - $115.00	$11.50 – $11.84	1,366 – 3,974

[1] *Based on the weighted average price/unit for the remainder of contract.*

[2] *Premiums are deferred and payable monthly and settled net of fixed and strike cash flows.*

[3] *Remaining term excludes February 2016 to January 2017.*

The effect of the Acquisition Asset hedges is to fix the price of oil that the Corporation receives, on the specific volumes at $97/bbl until the benchmark price of dated Brent crude oil reaches 110.55/bbl; when dated Brent crude oil price exceeds $110.55/bbl the Corporation will receive the incremental price above $110.55/bbl.

The effect of the Legacy Asset hedges is to fix the price of oil that the Corporation receives, on the specific volumes at an average price of $91/bbl until the benchmark price of dated Brent crude oil reaches the cap price (which ranges from $95/bbl to $115/bbl); when dated Brent crude oil price exceeds the cap price the Corporation will receive the incremental price above cap price.

The fair value of the commodity contracts as at September 30, 2014 was $33.2 million. In the nine months ended September 30, 2014, $33.2 million was recognized as a derivative gain in the statement of comprehensive income / (loss) for the commodity contracts.

13. SHARE CAPITAL

Authorized

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

Common shares issued

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

	Number of shares	Amount
Balance, beginning of period	106,053,620	5,714
Issued to Oando PLC	650,785,739	848,556
Issued for private placement	35,070,063	44,543
Issued on Medal Oil acquisition	3,491,082	3,774
Exercise of options/warrants	18,709	21
Balance, end of period	795,419,213	902,608

All common shares are issued and fully paid.

The following summarizes significant changes to share capital in the nine months ended September 30, 2014:

- In 2014, $867 million of principal, $14.9 million of accrued interest, and $ 48 million of financing fees was exchanged for 650,785,739 common shares of OER and 325,392,870 warrants (refer to Note 11). Of the $929.9 million conversion amount, $126.4 million was allocated to the warrants and recorded as a derivative financial liability and the residual amount plus the settlement of the conversion feature on borrowings was recorded as share capital.

- On February 26, 2014, the Corporation closed a $50 million private placement with arm's length investors issuing 35,070,063 common shares of OER and 17,535,032 warrants. Of the $50 million in gross proceeds, $5.4 million was allocated to the warrants and recorded as a derivative financial liability and the residual amount of $44.5 million was recorded as share capital. Transaction costs associated with the private placement were $7.3 million; of this, $6.5 million was allocated to share capital and netted against the share capital amount and the remaining $0.8 million was allocated to the warrants was expensed in the period pursuant to the Corporation's accounting policy for transaction costs.

- On July 11, 2014, the Corporation completed the acquisition of Medal Oil and satisfied the purchase consideration of $5 million satisfied through the issuance of 3,491,082 common shares and 1,745,541 warrants; $3.7 million was allocated to share capital and the $1.3 million to warrants.

Earnings per share

For the three and nine month periods ended September 30, 2014, the basic earnings per share was calculated by dividing the Corporation's net income / (loss) by the weighted average number of ordinary shares outstanding during the period. In determining the diluted EPS of the Corporation, the impact of the warrants, the convertible loan, and the stock based compensation have not been considered in the nine months ended September 30, 2014 as their impact is antidilutive. The total number of instruments that have been excluded from the diluted earnings per share calculations for the nine months ended September 30, 2014 due to their antidilutive impact is 354,435,108 which include options, warrants, and RSUs. For the three months ended September 30, 2014 the impact of the options were added to the weighted average number of shares for this period based on their dilutive impact to determine the earnings per share amount which was negligible.

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

	September 30, 2014			September 30, 2013		
	Net income / (loss)	Weighted Average number of shares	Earnings per share (in dollars)	Net income	Weighted Average number of shares	Earnings per share (in dollars)
Basic earnings per share	89,541	744,954,078	0.12	12,371	106,053,620	0.12
Diluted earnings per share	89,541	747,661,636	0.12	12,371	107,249,358	0.12

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

	September 30, 2014			September 30, 2013		
	Net income / (loss)	Weighted Average number of shares	Earnings per share (in dollars)	Net income	Weighted Average number of shares	Earnings per share (in dollars)
Basic earnings per share	(88,008)	535,487,990	(0.16)	2,778	106,053,620	0.03
Diluted earnings per share	(88,008)	535,487,990	(0.16)	2,778	107,249,358	0.03

14. REVENUE

	For the Three months ended September 30, 2014	For the Three months ended September 30, 2013	For the Nine months ended September 30, 2014	For the Nine months ended September 30, 2013
Oil and gas sales	189,520	40,521	258,024	111,140
Less: royalties	(12,177)	(3,060)	(18,078)	(7,905)
Oil and gas sales, net of royalties	177,343	37,461	239,946	103,235
Crude transportation	1,106	-	1,106	-
IPP	6,328	-	6,328	-
Revenue, net of royalties	**184,777**	**37,461**	**247,380**	**103,235**

The Corporations major customers include subsidiaries of international oil companies, Nigerian government organizations, and joint venture businesses. The Corporation earns the majority of its revenue from ConocoPhillips (UK) Limited and ENI Trading and Shipping S.P.A ("ENI"). In the nine months ended September 30, 2014, ConocoPhillips (UK) Limited and ENI accounted for 47% and 38%, respectively, of gross revenue before royalties.

Crude oil losses - OML 56 (Ebendo Marginal Field)

The Corporation experiences production losses due to crude oil theft. For the nine months ended September 30, 2014, crude oil losses represented approximately $5.3 million (2013: $6.4 million), which equates to 17% (2013: 28%) of oil production for the nine months ended September 30, 2014. Revenue has not been recognized for crude oil losses on the basis that the economic benefits will not flow to the Corporation. Crude oil losses are estimated using allocations provided to the Corporation by NAOC. See further details on Note 4

Crude Overlift by NNPC – OML 125 (Abo Field)

On February 25, 2014, the Nigerian Court of appeal delivered judgement in favour of Nigeria Agip Exploration Limited ("NAE") and the Corporation vacating the injunction granted by the Federal High Court ("FHC") restraining further proceedings in the arbitration. In light of this development, the claimants continued with the arbitration process towards final award. NNPC has appealed the setting aside of the injunction to the Supreme court and also filed an application for an injunction to prevent the continuation of the Arbitration. These applications are yet to be heard. NNPC filed an affidavit of urgency in May 2014, requesting that its applications be heard before June 11, 2014. This date is now passed without a hearing date being fixed by the Supreme Court.

On July 9, 2014 a final award was granted by the arbitration tribunal in favour of NAE and the Corporation entitling NAE and the Corporation to collect amounts overlifted by the NNPC. The arbitration tribunal assessed damages suffered by NAE and the Corporation as at 31 January 2014. The Corporation's share of the damages awarded under the final award is $72.9 million (before the portion due to Oando PLC of $47.3 million – refer to Note 6.) plus interest on damages, legal and expert costs, interest on legal and expert costs, and additional interest from the date the award was granted until payment.

Even though the award prohibited NNPC from continuing to breach the PSC by lifting oil in excess of its lifting allocation, as at September 30, 2014, NNPC has not complied with the final award and continues to overlift. NNPC can however not be cited for contempt for violating the final award until the award has been recognized and enforced by the FHC and ultimately the Supreme Court. Since the Tribunal could only assess damages suffered by the NAE and the Corporation as at 31 January 2014, NAE and the Corporation would have to file an action seeking relief (including damages) against NNPC for failure to comply with the award, to compensate for any loss suffered by NAE and the Corporation after 31 January 2014.

Following the issuance of the Final Award, NNPC also filed a suit dated July 24, 2014 asking the court to set aside the Final Award of 9th July 2014. NAE and the Corporation on August 25, 2014 filed an action at the Federal High Court for the recognition and enforcement of the partial and final awards ("Awards"). On October 2, 2014, NNPC filed a motion asking the court to dismiss the suit filed by NAE and the Corporation for enforcement of the Awards.

As a result of this dispute, from October 1, 2013, the Corporation has deferred the recognition of revenue for oil production that is subject to overlift by the NNPC. In addition to the $14.5 million of oil production from the Abo field not recognized as a result of this policy in 2013, $15.1 million has not been recognized in revenue in the nine months ended September 30, 2014 (2013 – Nil). The Corporation continues to defer the recognition of revenue for oil production that is subject to overlift by the NNPC and will do so until it is determined that the economic benefits of the overlifted amounts will accrue to the Corporation..

15. OTHER LONG TERM RECEIVABLES AND OTHER ASSETS

The breakdown of other long term receivables is as follows:

	As at September 30, 2014	As at December 31, 2013
Under lift receivable	72,720	72,720
Joint venture receivables	63,534	58,456
Financing costs associated with debt yet to be issued	-	4,793
Long-term prepaid expenses	781	-
	137,035	135,969

16. TRADE AND OTHER PAYABLES

	As at September 30, 2014	As at December 31, 2013
Trade payables	11,812	3,453
Related party payables	73,224	67,418
Other payables and accrued expenses	326,119	142,298
	411,155	**213,169**

Further disclosure on related party payables is included in Note 18.

17. SUPPLEMENTAL CASH FLOW INFORMATION

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

	For the nine months ended September 30, 2014	For the nine months ended September 30, 2013
Trade and other receivables	(316,107)	6,180
Inventory	(3,699)	(351)
Other long term receivables	(1,066)	(51,357)
Trade and other payables	197,438	2,346
Long term payables	35	696
Consideration for OQI and OPSL (non-cash)	-	(9,132)
Less: Non-cash items included in working capital	91,361	(24,672)
Changes in non-cash working capital	**(32,038)**	**(76,290)**
Operating activities	4,077	(79,796)
Investing activities	(36,115)	3,508
Changes in non-cash working capital	**(32,038)**	**(76,288)**

	For the period ended September 30, 2014	For the period ended September 30, 2013
Interest paid	49,415	12,497
Income taxes recovered (paid)	-	10,097

In addition to the above, $929.9 million of owing under the Oando PLC loan facility was converted into equity (common shares) was a significant non-cash item recorded in the nine months ended September 30, 2014 – refer to Notes 11 and 13 for further details.

18. RELATED PARTY TRANSACTIONS

The ultimate parent of the Corporation is Oando PLC, incorporated in Nigeria. At September 30, 2014, Oando PLC owned 93.8% 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 September 30, 2014, the Corporation had the following outstanding related party balances with Oando PLC:

Accounts receivable

	As at September 30, 2014	As at December 31, 2013
Accounts receivable from Oando PLC	20,270	18,582
	20,270	**18,582**

Accounts payable

	As at September 30, 2014	As at December 31, 2013
Under lift payable to Oando PLC	47,272	47,272
Loan payable to Oando PLC	-	401,000
Financing fee and interest payable on Oando PLC loan	-	-
Payable to Oando PLC (Equator loan)	10,800	9,914
Payable to Oando PLC for COP Acquisition	-	7,612
Oando Energy Services	-	1,228
Oando PLC (Payments on behalf of the Corporation)	7,664	37,463
Payables to Oando PLC (Qua Ibo and ORPSL acquisition)	7,488	9,260
Related party payables	**73,224**	**513,749**

For the nine months ended September 30, 2014, $26.3 million (2013: $6.2 million) was charged to general and administrative costs under the terms of the Cooperation and Services Agreement dated July 24, 2012 between Oando PLC and the Corporation. All other related party balances associated with agreements between the Corporation and related parties as disclosed in the Consolidated Financial Statements for the year ended December 31, 2013 have not changed.

19. COMMITMENTS

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

	Total	Less than 1 year	1 to 3 years	4 to 5 years	After 5 years
Borrowings and Interest Payable[1]	1,098,533	289,971	376,316	347,598	84,648
Trade and other payables	411,155	411,155	-	-	-
Current Tax payable	316,534	316,534	-	-	-
Other long term payables	47,272	-	47,272	-	-
Derivative financial instruments	9,075	9,075	-	-	-
Purchase commitments	18,826	18,826	-	-	-
Budgeted capital expenditure[2]	33,892	33,892	-	-	-
	1,935,287	**1,079,453**	**423,588**	**347,598**	**84,648**

[1]Interest payable is expected to be $217.5 million over the remainder of the contractual term of the loan, calculated using interest rates applicable to borrowings at year end. Cash out flows associated with borrowings assume principal payments are paid in accordance repayment schedules before cash sweeps – refer to Note 11 for loan repayment requirements regarding excess cash flow from oil and gas sales.

[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.

Included in the Tax payable line are uncertain tax liabilities of $83.5million relating to tax contingencies against POCNL which might result into a settlement to the Tax Authorities in Nigeria. These uncertain tax liabilities relates to tax assessments provided to POCNL by the Federal Inland Revenue Service (FIRS) and Nigeria Extractive Industries Transparency Initiative (NEITI) relating to tax years before the effective acquisition date of January 1, 2012. In line with the Sale and Purchase Agreement between the Corporation and COP, the Corporation will be indemnified and COP will be responsible for the tax liabilities should POCNL fail to resolve the dispute successfully. An equal amount has been recognized as an indemnification asset under the Trade and other receivables line in the statement of financial position on the date of acquisition. Besides the uncertain tax liabilities, all other 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. Refer to going concern issue at Note 1.

20. CONTINGENCIES

Bilabri Oil Field (OML 122)

In 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 September 30, 2014 (2013 – $21.7 million). The Corporation has assessed the likelihood that cash outflows will be required to settle the obligation as remote, and therefore, no liability has been recorded in the financial statements at September 30, 2014 (2013 – $Nil).

OPL 321 and OPL 323

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

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

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

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

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.

21. EVENTS OCCURRING AFTER THE REPORTING PERIOD

Subsequent to September 30, 2014, warrants issued to certain arm's length private placement investors were modified such that the exercise price was changed from $2.00 CAD to $1.80 USD, which set the strike price to a currency that matches the functional currency of the Corporation. As a result of this change, the warrants will be reclassified to equity in the fourth quarter of 2014.

22. COMPARATIVE INFORMATION

For the nine months ended September 30, 2014, certain prior period amounts in the Consolidated Statements of Comprehensive income / (loss) have been reclassified for the purpose of comparability with current period presentation. Specifically, fair value gains / losses on financial instruments have been reclassified from financing income and financing expense to conform to the current period presentation. For the three months ended September 30, 2013, fair value gains of $1.8 million and fair value loss of nill were reclassified from financing income and financing expense, respectively, to the net fair value gains / losses on financial instruments category netting to a $1.8 million gain. For the nine months ended September 30, 2013, fair value gains of $3.2millions and fair value losses of $0.1 million were reclassified from financing income and financing expense, respectively, to the net fair value gains / losses on financial instruments category netting to a $3.1 million gain. These reclassifications were necessary to ensure comparability with the current period presentation where fair value gains / losses on financial instruments have been separately presented on the Consolidated Statements of Comprehensive income / (loss).