Oando Energy Resources

Management's Discussion and Analysis

For the three and nine months ended September 30, 2015 and 2014

Management's Discussion and Analysis

This Management's Discussion and Analysis ("MD&A") should be read in conjunction with the interim unaudited consolidated financial statements of Oando Energy Resources Inc. ("OER" or the "Corporation") for the three and nine months ended September 30, 2015, as well as the audited consolidated financial statements and MD&A for the year ended December 31, 2014. This MD&A is dated and based on information available to October 23, 2015.

The interim consolidated financial statements and comparative information have been prepared in accordance with IAS 34, "Interim Financial Reporting". All financial information is presented in US dollars ("USD"), unless otherwise noted.

See Advisory Regarding Forward Looking Statements at the end of this document.

Business of the Corporation

OER is a publicly traded company with common shares and warrants listed on the Toronto Stock Exchange ("TSX") under the symbols "OER" and "OER.WT", respectively. 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 licences for the exploration, development and production of oil and gas fields or blocks located onshore on land and swamp, and offshore in shallow and deep waters.

Operating in Nigeria affords OER certain advantages as an indigenous independent oil company. The Nigerian Government implemented certain initiatives to increase the participation of Nigerian companies in exploration and production through, among other things, the Marginal Field Development Program which has resulted in marginal fields being awarded to Nigerian companies and the Local Content Act which provides for preferential treatment to Nigerian companies by prescribing minimum thresholds of Nigerian participation for various activities in the oil and gas sector, including the award of Licenses.

The Corporation's strategy is to continually grow reserves and production through the development of existing assets and the acquisition of new assets. As international oil and gas companies shift their focus to offshore projects, they are divesting their onshore assets, offering opportunities for indigenous independents, like OER, to acquire reserves and resources. Average production of OER in the third quarter of 2015 was 53,169 boe/d, consisting of 42% crude oil and 58% natural gas and natural gas liquids ("NGL"). On a revenue basis, crude oil comprised 84% and natural gas and NGLs comprised 16% of oil and gas sales before royalties.

Frequently reoccurring terms

Production volumes are presented on a working interest basis, before royalties, unless otherwise noted. Crude oil volumes are presented in barrels ("bbls") and NGLs are presented in barrels of oil equivalent ("boe"). Natural gas volumes have been converted to boe using a conversion ratio of six thousand cubic feet ("mcf") of natural gas to one boe. 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.

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

Changes in accounting policies and disclosures

There are no other IFRSs or IFRIC interpretations that are effective January 1, 2015 that would be expected to have a material impact on the Corporation.

Critical estimates and judgements

The Corporation makes estimates and assumptions concerning the future. The resulting accounting estimates may change from period to period and the actual result may be materially different then the estimate. Changes in assumptions and judgments from December 31, 2014 to September 30, 2015 included the decommissioning obligation discount rates that changed to a range of 14.98% to 15.09% from 15.2% to 15.49%, also the inflation rate changed to 9.3% from 8.0%. Critical assumptions used for the recoverability of non-financial assets and joint venture receivable are described below.

Impairment of non-financial assets

As at September 30, 2015, a review of non-financial assets indicated that the recoverable amount of the OML 125 cash generating unit ("OML 125") and the Corporation's Interest in Qua Ibo may not be recoverable; accordingly, calculations of the recoverable amount of the assets were performed. Recoverable amounts have been determined using a discounted cash flow technique. Key assumptions in the determination of cash flows from reserves include crude oil prices and the discount rate. Reserves as at September 30, 2015 have been based upon internal evaluation. The discount rate applied was 12%. The table below summarizes the forecasted Dated Brent crude oil price used to determine cash flows from crude oil reserves and resources used by management.

Year	2015[1]	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	Thereafter
Dated Brent (US$/barrel)	54	58	65	70	75	79	84	88	92	94	96	+2%

[1] *October to December 2015.*

Impairment of joint-venture receivable

As at September 30, 2015 a review of the joint venture receivable related to the Corporation's Interest in Qua Ibo indicated that the carrying amount may not be recoverable; accordingly, calculations of the recoverable amount of the joint venture receivable were performed. Recoverable amounts have been determined using a discounted cash flow technique. Key assumptions in the determination of cash flows are consistent with those used for the Interest in Qua Ibo as described above except for the discount rate; the discount rate applied was 15%.

Comparative figures

For the period ended September 30, 2015, certain prior period amounts in the statements of comprehensive loss have been reclassified for the purpose of comparability with current period presentation. These changes in classification do not impact the Corporation's opening interim consolidated statements of financial position.

Acquisition costs

Acquisition costs have been reclassified from general and administrative ("G&A") expenses to conform to the current period presentation. For the three and nine months ended September 30, 2014, acquisition costs of $62.1 million and $84.9 million, respectively, were reclassified from G&A expenses to the acquisition costs category.

Current and deferred income tax (expense) recovery

The income tax on the Interim consolidated statement of comprehensive loss for the three and nine months ended September 30, 2014 periods has been reclassified, by presenting current income tax and deferred income tax individually to conform to the interim consolidated financial statement presentation of 2015. The income tax recovery of $36.0 million for the three months ended September 30, 2014 has been presented as a current income tax expense of $35.4 million and a deferred tax recovery of $71.4 million. The income tax recovery of $29.9 million for the nine months ended September 30, 2014 has been presented as a current income tax expense of $35.1 million and deferred tax recovery of $65.0 million.

Non-GAAP measures

Funds from operations

Funds from operations is not a measurement defined in IFRS, but is a financial term commonly used in the oil and gas industry. The Corporation believes that in addition to cash flows from operating activities as reported in the interim consolidated statements of cash flows, funds from operations is a useful supplemental measure, as it provides an indication of the funds generated by OER's principal business activities prior to adjusting for proceeds from early hedge settlements and changes in non-cash working capital. The Corporation considers this to be a key measure of performance as it demonstrates its ability to generate cash flow necessary to fund growth through additional capital investments. Funds from operations may not be directly comparable to similar measures presented by other companies, as there is no standardized measure. See reconciliation of funds from operations to cash flows from operating activities under results of operations.

Netback

Operating netback is not a measurement defined in IFRS, but is a financial term commonly used in the oil and gas industry. Operating netback has been calculated by taking revenue less royalties and production expense balances directly from the interim consolidated financial statements note 14 and the interim consolidated statements of comprehensive loss. In calculating dollar per boe amounts, sales, royalties, and expenses are matched with the associated sales volume. Operating netbacks may not be directly comparable to similar measures presented by other companies, as there is no standardized measure. See reconciliation of netback under results of operations.

Foreign Operations and Risk Factors

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

OER's Annual Information Form contains a summary of various risk factors which are relevant to investors.

Currency

All information included in this document and the interim consolidated financial statements and comparative information is shown in US dollars, unless otherwise noted. The Corporation's financial results are reported in US dollars, which is also its functional currency of operations in Nigeria.

Additional information

Further information regarding Oando Energy Resources Inc., including its Annual Information Form, can be accessed under the Corporation's public profile on SEDAR at www.sedar.com.

Financial and Operational Highlights

- In October 2015, the Corporation increased the capacity of the $450 million senior secured facility by $90.7 million; proceeds from the loan and cash on hand were used to repay the $100 million subordinated debt facility and fees of $4.4 million.

- Production in the third quarter of 2015 increased to 4.9 MMboe (average 53,169 boe/day) from 3.2 MMboe (average 35,307 boe/day) in the third quarter of 2014, which was a decrease from 5.2 MMboe (average 56,917 boe/day) achieved in the second quarter of 2015. During the nine months ended September 30, 2015 the production increased to 15.1 MMboe, as compared to 4.1 MMboe in the same period of 2014. The increase between the 2015 to 2014 periods is primarily from the Nigerian onshore and offshore assets acquired on July 30, 2014 from the ConocoPhillips Company ("COP Acquisition") that included substantial production from OMLs 60 to 63, significant reserves and resources, and a considerable base of development and exploration opportunities. The decrease from second quarter 2015 to third quarter 2015 was attributed to a 0.5 MMboe reduction in natural gas and NGL production offset partially by a 0.2 MMboe increase in crude oil production.

- Net revenue was $132.5 million in the third quarter of 2015, a decrease of $52.3 million from $184.8 million earned in the third quarter of 2014, resulting from the significant decrease in crude oil prices even with the production increase between the periods. During the nine months ended September 30, 2015 revenues increased to $355.2 from $247.4 million in the same period of 2014, primary as a result of the COP Acquisition producing assets of OMLs 60 to 63, offset by declines in crude oil sales prices. Revenues in the third quarter 2015 increased $42.3 million from $90.2 million realized in the second quarter of 2015. The quarter to quarter increase was mainly the result of a portion of second quarter production not being sold until early July 2015 (with a market value of $23.6 million) to accommodate changes to customer lifting schedules.

- The Corporation has hedged 9,689 bbls/day of crude oil production at $65/bbl (average) with expiries ranging from July 2017 to July 2019 and further upside if certain price targets are met. The hedges represented 43% of third quarter production rates of crude oil.

- The Corporation had a net loss of $13.1 million in the third quarter of 2015, as compared to net income of $89.5 million in the third quarter of 2014, primarily the result of $114.5 million in total impairments consisting of the non-cash $98.9 million impairment on assets and a $15.6 million joint venture receivable impairment. In the nine months ended September 30, 2015 the Corporation incurred a net loss of $63.5 million, as compared to a net loss of $88.0 million in the same period of 2014. The nine months ended September 30, 2015 net loss of $63.5 million was primarily the result of total $121.2 million non-cash impairment of assets and the joint venture receivable impairment, partially offset by profitable operations at OMLs 60 to 63 and crude oil hedging gains.

- Production expenses in the third quarter of 2015 increased to $56.1 million from $35.9 million (adjusted – see production expense section) in the third quarter of 2014 and during the nine months ended September 30, 2015 production expenses increased to $172.2 million from $51.5 million (adjusted – see production expense section) in the same period of 2014. Adjusted production expenses per boe were $11.47/boe and $11.44/boe in the three and nine months ended September 30, 2015, which was consistent with the three and nine months ended September 30, 2014 amounts of $11.07/boe and $12.66/boe, respectively.

- General and administrative costs ("G&A") costs for the third quarter of 2015 increased to $13.7 million from $12.2 million in the third quarter of 2014. During the nine months ended September 30, 2015 G&A increased to $49.0 million from $31.2 million in the same period of 2014. The increase was primarily due to increased employee costs and administrative expenses related to the significant growth of OER since the COP Acquisition. On a per boe basis G&A was $2.81/boe during the third quarter of 2015, as compared to $3.75/boe in the same period of 2014, due to the increase in production relative to the G&A increase.

- Third quarter funds from operations increased to $78.6 million, from $39.9 million in the third quarter of 2014. The third quarter funds from operations increased $54.8 million from $23.8 million in the second quarter, as a result of increased sales resulting from changes to customer lifting schedules for crude oil. During the first nine months of 2015 the funds from operations increased to $151.8 million from $48.4 million in the same period of 2014. The increase in the first nine months 2015 over 2014 were primarily a result of increased cash flow generated by the production assets acquired on July 30, 2014.

- Capital expenditures of $22.5 million and $79.4 million were incurred during the three and nine months ended September 30, 2015, respectively. During the nine months ended September 30, 2015 the capital expenditures consisted of $36.3 million at OMLs 60 to 63, $33.6 million at OML 125 and $6.2 million spent at Qua Ibo and Ebendo, and $3.3 million on other assets.

- As at September 30, 2015, OER had a working capital deficiency of $478.3 million, as compared to a working capital deficiency of $567.2 million at December 31, 2014. The improvement in working capital was primarily related to the reclassification of current borrowings to non-current borrowings as a result of meeting loan covenant requirements in 2015. During 2015 the lenders of the $450 million loan waived the current ratio requirement. At September 30, 2015 the Corporation was in compliance will all loan covenants. The current and long-term portion of the loans have been classified according to their maturity as set out by loan repayment schedules.

- On July 9, 2015, a fire occurred during the inspection and repair of the Tebidaba-Clough Creek pipeline resulting in the unfortunate death of 14 contract personnel. The line was fully repaired and brought back on-stream during the quarter. The incident is currently being investigated by the operator in conjunction with OER.

Selected Financial and Operational Highlights

The table below summarizes selected financial and operational information for the three months ended September 30, 2015, June 30, 2015 and September 30, 2014 and the nine months ended September 30, 2015 and September 30, 2014.

	Three months ended			Nine months ended	
	Sep. 30, 2015	Jun. 30, 2015	Sep. 30, 2014	Sep. 30, 2015	Sep. 30, 2014
Financial:					
Revenue	132,512	90,240	184,777	355,167	247,380
Funds from operations [1]	78,621	23,813	39,850	151,799	48,358
Comprehensive income (loss)	(13,107)	(29,255)	89,541	(63,458)	(88,008)
Net income (loss) per share: Basic	(0.02)	(0.04)	0.12	(0.08)	(0.16)
Net income (loss) per share: Diluted	(0.02)	(0.04)	0.12	(0.08)	(0.16)
Total assets	2,900,574	2,922,598	3,693,880	2,900,574	3,693,880
Total non-current liabilities	1,177,793	1,201,823	1,523,019	1,177,793	1,523,019
Operational:					
Production:					
Crude oil (bbl)	2,053,247	1,889,965	1,270,183	5,787,788	2,091,969
NGL (boe)	239,693	333,381	182,632	914,565	182,632
Natural Gas (mcf)	15,591,834	17,736,221	10,772,054	50,127,317	10,772,054
Total production (boe)	4,891,579	5,179,383	3,248,158	15,056,906	4,069,944
Daily production:					
Crude oil (bbls/day)	22,318	20,769	13,806	21,201	7,663
NGLs (boe/day)	2,605	3,664	1,985	3,350	669
Natural Gas (mcf/day)	169,476	194,904	117,093	183,617	39,459
Total (boe/day)	53,169	56,917	35,307	55,154	14,909
Average selling prices [2, 3]					
Crude oil ($/bbl)	48.25	66.81	104.62	56.23	96.64
NGL ($/boe)	7.95	12.09	13.11	10.66	13.11
Natural gas ($/mcf)	1.51	1.77	2.47	1.76	2.47

[1] *See definition under non-GAAP measures.*
[2] *Before royalties and the Government share of profit oil.*
[3] *Average selling prices are calculated from volumes sold during the period.*

Current Outlook

Operationally, production has remained steady throughout 2015 with third quarter and nine months production of 53,169 boe/day and 55,154 boe/day, respectively. The third quarter saw increased production from OML 125 and Ebendo which partially offset net production losses at OMLs 60-63 due to production constraints. The production constraint at OMLs 60 to 63 was caused by a fire at the Corporation's non-operated Ebocha flow station at the end of June, with production being fully restored to pre-incident levels near the end of July. The restriction of production resulting from the fire was the reason for the slight decrease in production from the second quarter. Throughout the year, the Corporation has continued to work with its joint venture partners to execute its development program for 2015, which has been scaled back in response to low commodity prices. The current development program is focused on lower risk activities that provide short-term with solid returns.

Financially, we expect 2015 to continue to be a challenging year for the Corporation and the oil and gas industry as a whole. Global crude oil prices have been volatile and are expected to remain at their current low levels for the remainder of 2015 and into 2016. In response to the low prices, the Corporation has taken steps to improve its liquidity including pre-paying debt to reduce short-term interest and negotiating advances from joint venture partners to fund a portion of its capital program. Furthermore, in October 2015, the Corporation increased the capacity of the $450 million senior secured facility by $90.7 million using those proceeds to repay the $100 million subordinated debt facility, thereby, extending that obligation over the next 3 to 4 years through the consolidation of loans. The repayment will result in the return of $50 million which was used to as collateral to secure the letter of credit associated with the loan. Going forward, the Corporation will continue to rely on cash from producing assets and financial commodity hedges and plans to secure additional debt financing from Oando PLC in the short-term, in addition to pursuing third party debt and equity financing, as required, to execute on its business plans.

Results of Operations

The following provides an analysis of the Corporation's results of operations for the three and nine months ended September 30, 2015 as compared to the three and nine months ended September 30, 2014. The Corporation's only reportable segment is its oil and gas operations in Nigeria.

Revenue

	Three months ended September 30,		Nine months ended September 30,	
	2015	2014	2015	2014
Crude oil	122,948	157,683	312,915	225,044
NGLs	1,905	2,410	9,750	2,410
Natural gas	21,401	28,793	79,399	28,793
Total oil and gas sales	146,254	188,886	402,064	256,247
Less: royalties	(19,713)	(12,177)	(61,313)	(18,078)
Oil and gas sales, net of royalties	126,541	176,709	340,751	238,169
Oil transportation tariffs and other	2,962	1,740	5,428	2,883
Kwale-Okpai power sales	3,009	6,328	8,988	6,328
Revenue, net of royalties	132,512	184,777	355,167	247,380

Oil and gas revenue is generated by the production and sale of crude oil, natural gas, and NGLs from the Corporation's interest in OMLs 60 to 63 (onshore), OML 125 (offshore), Ebendo (in OML 56, onshore), and Qua Ibo (in OML 13, onshore), all located in Nigeria. The Corporation also generates oil transportation tariff revenue from third parties by the Corporation's interest in various pipelines and revenues through the sale of power generated at the Kwale-Okpai independent power plant ("Kwale-Okpai IPP"). The Corporation's major customers include subsidiaries of international oil companies and other joint ventures in Nigeria. The Corporation earned the majority of its revenue from Eni Trading and Shipping S.p.A, Vitol SA and Nigeria Liquefied Natural Gas Limited.

In the third quarter of 2015 the Corporation generated $132.5 million in revenue, net of royalties, compared to $184.8 million in the same quarter of 2014. Gross oil and gas sales decreased $42.6 million to $146.3 million from $188.9 million in the third quarter of 2014. The decrease in gross oil and gas revenues in the third quarter was primarily a result of the $34.7 million decrease in crude oil revenues and $7.4 million decrease in natural gas revenues, both due to significant decreases in selling prices that were partially offset by increased volumes sold, compared to the third quarter of 2014. In addition, royalties increased by $7.5 million to $19.7 million in the third quarter of 2015, compared to $12.2 million incurred in the same quarter of 2014. The increase in royalties, which are paid on production volumes, was attributed to OMLs 60 to 63 being purchased on Jul 30, 2014, resulting in two thirds of quarterly production during the third quarter of 2014, as compared to the full quarterly production in 2015.

OMLs 60 to 63 had gross oil and gas sales in the third quarter 2015 of $119.1 million, which was a decrease of $35.8 million as compared to $154.9 million recognized in the same period of 2014, which was attributed to decreases in crude oil and natural gas

selling prices. Gross revenues at OMLs 60 to 63 consisted of $95.8 million of crude oil, $1.9 million natural gas liquids, $21.4 million in natural gas sales, $3.0 million in power generation revenues at the Kwale-Okpai IPP, and $2.3 million from oil transportation tariffs, all before royalties of $17.5 million. Net crude oil revenue at OML 125 decreased $9.4 million to $14.4 million in the third quarter of 2015 from $23.9 million the same quarter of 2014, primarily as result of significantly lower crude oil prices, which was partially offset by increased production levels. Net crude oil revenues at Ebendo decreased $0.9 million as a result of lower crude oil prices, which were offset by a noticeable increase in production volumes. The Corporation commenced sales from production at Qua Ibo during the second quarter of 2015, realizing net crude oil revenues of $3.8 million during the third quarter.

During the nine months ended September 30, 2015 the Corporation earned $355.2 million in revenues, net of royalties, as compared to $247.4 million in the same period of 2014. In the nine months ended September 30, 2015 crude oil sales were $312.9 million, NGLs $9.8 million and natural gas $79.4 million, as compared to crude oil sales of $225.0 million, NGLs $2.4 million and natural gas $28.8 million, in the same period of 2014. Royalties increased to $61.3 million in the first nine months of 2015, as compared to $18.1 million in the same period of 2014. The $102.6 million increase in oil and gas sales, net of royalties between the periods is primarily due to the full nine months of revenues earned from the producing assets of OMLs 60 to 63 in 2015 that were acquired on July 30, 2014, which more than offset the significant decrease in crude oil and natural gas pricing between 2014 and 2015. Additional revenues consisted of $9.0 million in power generation sales at the Kwale-Okpai IPP and $5.4 million in oil transportation tariffs and other revenues that were earned during the nine months ended September 30, 2015.

Pricing

The Corporation's financial results are significantly influenced by fluctuations in global crude oil commodity prices. The following table shows select world market benchmark prices that directly affects OER's pricing and the average selling prices received by the Corporation:

	Three months ended September 30,		Nine months ended September 30,	
	2015	2014	2015	2014
Brent UK average oil price ($/bbl)	51.20	103.44	56.40	107.00
Average selling price:				
Crude oil ($/bbl)	48.25	104.62	56.23	96.64
NGLs ($/boe)	7.95	13.11	10.66	13.11
Natural gas ($/mcf)	1.51	2.47	1.76	2.47
Weighted average selling price ($/boe)	28.39	58.15	28.76	62.96

The Dated Brent oil benchmark price is a benchmark for the price received by the Corporation for its Nigerian crude oil production. The Corporation's gross sales price for crude oil decreased 54% to $48.25/bbl in the third quarter of 2015 from $104.62/bbl in the third quarter of 2014, as compared to a 51% decrease of Dated Brent oil price to $51.20/bbl from $103.44/bbl in the prior year quarter. In the nine months ended September 30, 2015, OER's average crude oil selling price decreased 42% to $56.23/bbl from $96.64/bbl in the same period of 2014, as compared to the Dated Brent oil benchmark decreasing 47% to $56.40/bbl from $107.00/bbl in the same period of 2014. The small discount in the Corporation's selling price as compared to the Dated Brent prices is attributed to the minor decrease in OMLs 60 to 63 crude oil quality that appeared during the third quarter of 2015.

The Corporation has economic hedges through the use of financial commodity contracts on crude oil that represented approximately 43% of third quarter 2015 crude oil production. The economic hedges reduce the Corporation's exposure to fluctuations in crude oil prices and the associated financial effect. The gains and losses on financial commodity contracts are recorded separately in net gains and losses on financial instruments (as described below).

Natural gas pricing for OER is primarily influenced by contracts and local conditions and therefore is not directly comparable to a recognized world benchmark for natural gas prices. OMLs 60 to 63 are where the majority of the Corporation's natural gas production originates, with approximately 80% of that production being committed to a long-term liquefied natural gas ("LNG") facility with pricing based on the end-use LNG sales product. The remaining production is sold at under arrangements with pricing based on a combination of local market prices and inflation-adjusted prices. Natural gas and NGLs represented 16% of OER's total oil and gas sales in the third quarter of 2015.

Production

	Three months ended September 30,		Nine months ended September 30,	
	2015	2014	2015	2014
Crude oil (bbls/day)	22,318	13,806	21,201	7,663
NGLs (boe/day)	2,605	1,985	3,350	669
Natural Gas (mcf/day)	169,476	117,093	183,617	39,459
Total (boe/day)	53,169	35,307	55,154	14,909

In the third quarter of 2015, the Corporation's average production was 53,169 boe/day, consisting of 22,318 bbls/day of crude oil, 2,605 boe/day of NGLs and 169,476 mcf/day (28,246 boe/day) of natural gas. Increases in crude oil production were predominantly the result of additional production from OMLs 60 to 63 that were acquired on July 30, 2014. Although, the fire that occurred at the Ebocha flow station resulted in a decrease of approximately 5% to the combined levels of crude oil, NGLs and natural gas at OMLs 60 to 63 during the third quarter of 2015. At Ebendo production increased by 155% from 761 bbls/day to 1,945 bbls/day and OML 125 increased in production by 44% from 2,764 bbls/day to 3,987 bbls/day between the third quarters of 2014 and 2015, respectively. Qua Ibo commenced production at the end of the first quarter of 2015 and recognized approximately 815 bbls/day of crude oil during the third quarter of 2015.

During the nine months ended September 30, 2015, OER's average production was 55,154 boe/day, consisting of 21,201 bbls/day of crude oil, 3,350 boe/day of NGLs and 183,617 mcf/day (30,603 boe/day) of natural gas. The significant increase was a result of the full nine months of production in 2015 from OMLs 60 to 63, which was acquired on July 30, 2014, along with an increase at Ebendo and new production at Qua Ibo.

Ebocha flow station Fire and Tebidaba-Clough Creek Line Fire

During the nine months ended September 30, 2015, two unfortunate operational incidents occurred at facilities owned by the Nigerian Agip Oil Company Joint Venture ("NAOC JV") which is operated by Nigerian Agip Oil Company ("NAOC"). The Corporation owns 20% of the NAOC JV. On July 9, 2015, a fire occurred during the inspection and repair of a crude theft point on Tebidaba-Clough Creek Line, an oil pipeline in Nigeria's onshore Niger Delta. The incident resulted in the unfortunate death of 14 members of the contractor's inspection and repair team. The fire occurred away from the repair point and pipeline, igniting some of the spilled hydrocarbon. The line was fully repaired and brought back on-stream during the quarter with minimal interruption to production. The incident is currently being investigated by the operator in conjunction with OER.

On June 28th, 2015 there was a fire involving three crude storage tanks. The fire was successfully extinguished with no injuries, fatalities, or environmental spill. All production in the Northern land area was initially shut-in (approximately 20,000 bbls/day net to OER), leading to net July production from crude oil, NGLs and natural gas production being reduced by approximately 15% during the month. Production was restored near the end of July by the combination of installing booster pumps at the Ebocha flow station and reconfiguring lines to bypass the storage facility, along with redirecting production along existing pipelines. The Corporation estimates its share of repairs at $6.7 million.

Crude oil losses (Ebendo)

Production from Ebendo is transported through the newly constructed Umugini pipeline and a pipeline operated by Nigerian Agip Oil Company Limited. These pipelines have experienced a significant amount of crude oil losses through crude oil thefts and pipeline sabotage. In the third quarter of 2015, pipeline and export facility losses based on managements' estimate were 39,270 bbls or 18% of total crude oil deliveries from Ebendo, as compared to losses of 14,477 bbls or 17% in the third quarter of 2014. Gross crude oil deliveries from OER into the export pipeline from Ebendo in the third quarter were 218,166 bbls, before pipeline losses. The Corporation estimated that third quarter 2015 crude oil revenue losses were $1.7 million from crude oil thefts and pipeline sabotage, as compared to $1.6 million in the same quarter of 2014.

Production expenses

	Three months ended September 30,		Nine months ended September 30,	
	2015	2014	2015	2014
Production expenses	56,107	74,562	172,218	90,120
Fair value adjustments [1]	-	(38,614)	-	(38,614)
Production expenses, net of adjustments	56,107	35,948	172,218	51,506
$/boe, gross	11.47	22.96	11.44	22.14
$/boe, net of fair value adjustments	11.47	11.07	11.44	12.66

[1] 2014 Production expenses include additional non-recurring expenses of $38.6 million related to acquisition accounting fair value adjustments for Purchase Price Adjustments (PPA) calculations; inventory with an original cost basis of $11.3 million was recognized at its fair value of $49.9 million on July 30, 2014 in accordance with acquisition accounting rules; the inventory was subsequently sold resulting in a $49.9 million expense being recognized which included the $38.6 million non-recurring acquisition accounting fair value adjustment.

Production expenses consist of direct operating expenditures relating to lifting, handling, transportation, production maintenance and operators' general and administrative costs.

During the third quarter of 2015 production expenses decreased $18.5 million to $56.1 million from $74.6 million in the third quarter of 2014. The 25% decrease in operating expenses between the quarters was the result of recording OMLs 60 to 63 crude oil inventory at fair value at the time of acquisition, resulting in $38.6 million in additional operating costs being recognized at the time of sale of that inventory during the third quarter of 2014. Adjusting for the $38.6 million fair value increase to inventory results in a $20.2 million increase in production expenses from $36.0 million in the third quarter of 2014 to $56.1 million in the comparable quarter

of 2015, which is a proportional increase given that the third quarter of 2014 consisted of two months of operating costs at OMLs 60 to 63.

In the nine months ended September 30, 2015 production expenses were $172.2 million, which was an increase of $82.1 million over $90.1 million incurred in the same period of 2014. The increase in the nine month periods of comparison for 2015 and 2014 was primarily related to the additional production expenses from OMLs 60 to 63 that were purchased on July 30, 2014 and the $38.6 million fair value adjustment in the third quarter mentioned above.

On a per boe basis, production expenses, net of fair value adjustments, were consistent between the periods with $11.47/boe in the third quarter of 2015 and $11.07/boe in the same quarter of 2014. During the nine months ended September 30, 2015 production expenses improved to $11.44/boe from $12.66/boe in the same period of 2014, which was the result of the addition of OMLs 60 to 63 that had lower average production costs, combined with decreased production costs at Ebendo while increasing production volumes.

Operating netbacks

The Corporation's operating netbacks have been calculated by taking balances from the interim consolidated financial statements' note 14 and the interim consolidated statement of comprehensive loss. Operating netbacks as presented below may not be comparable to similar measures presented by other companies, as there is no standardized measure.

	Three months ended September 30,		Nine months ended September 30,	
	2015	2014	2015	2014
Crude oil	122,948	157,683	312,915	225,044
NGLs	1,905	2,410	9,750	2,410
Natural gas	21,401	28,793	79,399	28,793
Total oil and gas sales	146,254	188,886	402,064	256,247
Less: royalties	(19,713)	(12,177)	(61,313)	(18,078)
Oil and gas sales, net of royalties	126,541	176,709	340,751	238,169
Production expenses[2]	(56,107)	(74,562)	(172,218)	(90,120)
Operating netback	70,434	102,147	168,533	148,049
$/boe				
Total oil and gas sales[1]	28.39	58.15	28.76	62.96
Royalties[1]	(4.23)	(3.75)	(4.32)	(4.44)
Production expenses	(11.47)	(22.96)	(11.44)	(22.14)
Operating netback	12.69	31.44	13.00	36.38

[1] Oil and gas sales/boe is calculated from volumes sold during the period; royalties/boe is calculated based on volumes subject to royalties.
[2] 2014 Production expenses include additional non-recurring expenses of $38.6 million related to acquisition accounting fair value adjustments. Adjusted production expenses are $11.07/boe and $12.66/boe for the three and nine months ended September 30, 2014, respectively.

During the third quarter of 2015 the operating netback was $12.69/boe as compared to $31.44/boe in the same quarter of 2014. The decrease in the operating netback on a dollar per boe basis was primarily the result of the significant decrease in crude oil selling prices that decreased the Corporation's weighted average selling price of oil and gas products. The effect of the price decrease was partially offset by production costs in the third quarter of 2015 decreasing to $11.47/boe from $22.96/boe in the same quarter of 2014, with royalties rising to $4.23/boe as compared to $3.75/boe in the third quarter of 2014 as a result of the higher portion of revenues earned from crude oil.

The operating netback in the nine months ended September 30, 2015 was $13.00/boe, as compared to $36.38/boe in the same period of 2014. The decrease in the operating netback on a dollar per boe basis was primarily the result of the sales mixture change from the addition of natural gas and NGLs from OMLs 60 to 63 and lower crude oil prices. In the nine months ended September 30, 2015 production volumes were 38% crude oil and 62% natural gas and NGLs, as compared to 51% crude oil and 49% natural gas in 2014. The combination of the 42% decrease in OER's crude oil selling price and the addition of the lower priced natural gas to the Corporation's sales mixture lead to the decrease in the Corporation's weighted average selling price of oil and gas products.

Royalties for the nine months ended September 30, 2015 were consistent with the comparable prior period. Subsequent to adjusting production expenses for the non-recurring acquisition accounting fair value inventory adjustment during the third quarter (see production expense section), the operating expenses for the third quarter of 2015 and year to date 2015 were comparable to their respective periods of 2014, on a boe basis.

The Corporation continues to focus on improving their operating netback by concentrating on crude oil development and decreasing operating costs, on a per boe basis, through field and facility optimizations to generate greater cash flows from operations.

Depletion, depreciation and amortization

	Three months ended September 30,		Nine months ended September 30,	
	2015	2014	2015	2014
Depletion, depreciation and amortization	29,553	39,454	91,940	60,898
$/boe	6.04	12.15	6.11	14.96

In the third quarter of 2015, DD&A charges decreased to $29.6 million compared to $39.5 million in the same quarter of 2014. The decrease was due to OMLs 60 to 63 realizing an upward revision in reserve volumes at December 31, 2014 during the Corporation's annual reserve evaluation by its independent reserve engineers, which resulted in significantly decreasing the rate of depletion due to current production relative to the estimated total reserves. The Corporation recognized $91.9 million in DD&A during the nine months ended September 30, 2015 as compared to $60.9 million in the same period of 2014. The $31.0 million increases during the nine months ended September 30, 2015, over the corresponding period of 2014 was mainly the result of the increase in the depletable PP&E asset base from the purchase of OMLs 60 to 63 and the associated production realized at OMLs 60 to 63, which was partially offset by the upward reserve revision to OMLs 60 to 63 mentioned earlier. On a per boe basis DD&A decreased significantly as a result of the lower depletion rates from the greater reserve base in 2015 from OMLs 60 to 63.

Impairment of assets

	Three months ended September 30,		Nine months ended September 30,	
	2015	2014	2015	2014
Impairment of assets	98,927	-	105,606	-

As at September 30, 2015 the carrying amount of the OML 125 and Interest in Qua Ibo cash generating units in property, plant and equipment ("PP&E") has been reduced to their recoverable amounts of $103.0 million and $42.9 million, respectively, through the recognition of an impairment loss of $86.3 million and $12.7 million, respectively (2014 - Nil). The impairments were triggered by declining oil prices and internal data indicating lower than expected long-term economic performance. The recoverable amounts have been determined based on the asset's fair value less costs of disposal using a discounted cash flow technique and categorized in Level 3 of the fair value hierarchy. Key assumptions include crude oil prices and the discount rate (refer to critical estimates and judgments above). Reserves as at September 30, 2015 have been based upon internal evaluation. Reducing the price forecast by $10/bbl would increase the impairment charge by $25.3 million for OML 125 and $11.4 million for Qua Ibo. Increasing the discount rate by 1% would increase the impairment loss by $2.7 million for OML 125 and $0.8 million for Qua Ibo. Refer to G&A costs below for impairment of joint venture receivable related to Interest in Qua Ibo.

On June 28th, 2015 there was a fire at the Ebocha flow station in Rivers State, Nigeria (described above). As a result of the incident, impairment charges of $6.7 million were recognized relating to the Corporation's share of the infrastructure and facilities damaged. As the net book value of the specific assets damaged in the fire was not available the $6.7 million impairment charge was based on an estimate of the replacement value of the assets damaged; actual replacement costs may vary from this estimate. Management determined that there was no indication of impairment of the cash generating unit in which the incident occurred; only the specific assets damaged were derecognized/impaired. The cause of the fire is still being investigated by the operator in conjunction with OER.

On July 9, 2015 a fire occurred during the inspection and repair of a crude theft point on Tebidaba-Clough Creek Line. The pipeline was fully repaired and brought back on-stream during the quarter with minimal interruption to production. There was negligible damage from the fire and the Corporation incurred a nominal cost to physically repair the line. The pipeline repairs were expensed as maintenance costs during the period with no asset impairment being required.

G&A costs

	Three months ended September 30,		Nine months ended September 30,	
	2015	2014	2015	2014
General and administrative costs	13,738	12,181	48,955	31,164
G&A per $/boe	2.81	3.75	3.25	7.66
Acquisition costs	-	62,097	-	84,860
Impairment of joint venture receivable	15,643	-	15,643	-

During the third quarter of 2015 G&A costs were $13.7 million compared to $12.2 million in the third quarter of 2014. The $1.5 million increase is primarily due to increases in employee and administrative costs related to the larger oil and gas asset portfolio resulting from the acquisition of OMLs 60 to 63 and new exploration blocks. On a per boe basis G&A costs improved to $2.81/boe in the third quarter of 2015 from $3.75/boe in the same quarter of 2014, as a result of the prior period only having two months of production from OMLs 60 to 63, as compared to a full quarter of production during the third quarter of 2015.

G&A costs during the nine months ended September 30, 2015 were $49.0 million, an increase of $17.8 million from $31.2 million in the same period of 2014. The increase was the result of the significant growth in the scope of OER's operations as a result of the acquisition of OMLs 60 to 63 and additional exploration blocks on July 30, 2014, as mentioned above. On a per boe basis the G&A costs improved to $3.25/boe from $7.66/boe in the first nine months of 2014. G&A for the nine months ended September 30, 2015 includes $2.4 million (2014 - $1.0 million) of non-cash share-based payments expense and $18.0 million (2014 – $26.3 million) related to group and shared service costs for services provided by Oando PLC that the Corporation would otherwise have incurred separately.

During the three and nine months ended September 30, 2014, $62.1 and $84.9 million, respectively, was expensed in relation to non-reoccurring acquisition costs to effect the COP Acquisition.

As at September 30, 2015 the carrying amount of the joint venture receivable related to the Corporation's Interest in Qua Ibo has been reduced to its recoverable amount of $37.0 million through the recognition of an impairment loss of $15.6 million (2014 - Nil). The repayment of the joint venture receivable relates directly to the cash flows of the Interest in Qua Ibo. The recoverable amount has been determined based on the asset's fair value using a discounted cash flow technique and categorized in Level 3 of the fair value hierarchy. Key assumptions include crude oil prices and the discount rate of 15%. Reducing the price forecast by $10/bbl would increase the impairment charge by $10.9 million. Increasing the discount rate by 1% would increase the impairment loss by $0.9 million.

Net losses on financial instruments

	Three months ended September 30,		Nine months ended September 30,	
	2015	2014	2015	2014
Realized net gains on financial commodity contracts from monthly settlements	14,535	-	39,115	-
Net fair value gains on financial commodity contracts	69,750	33,246	11,866	33,246
Gains on warrants	-	57,518	-	10,316
Gains (losses) on conversion feature on borrowings	-	17,540	-	(50,632)
Net gains (losses) on derivative financial instruments	84,285	108,304	50,981	(7,070)

As a result of declining crude oil prices during the third quarter of 2015 the Corporation recognized $84.3 million in net gains on financial instruments, consisting of realized net gains of $14.5 million from the monthly settlements of financial commodity contracts and net fair value gains on financial commodity contracts of $69.8 million. The net gain of $108.3 million in the third quarter of 2014 was the result of fair value gains on warrants and gains on the conversion feature on borrowings which were both settled in 2014, along with the net fair value gains of financial commodity contracts entered into during the third quarter of 2014.

During the nine months ended September 30, 2015 net gains on derivative financial instruments were $51.0 million, as compared to a $7.1 million net loss recognized in the same period of 2014. The gain in the first nine months of 2015 was the result of realized net gains on financial commodity contracts of $39.1 million from monthly settlements and $11.9 million in net fair value gains on financial commodity contracts. Included in the $11.9 million net fair value losses on financial commodity contracts is a loss of $34.9 million from the early settlement and reset arrangements (discussed below) and $46.8 million of net unrealized gains on financial commodity contracts. The prior period included a fair value loss of $50.6 million on the Oando PLC loan conversion option embedded derivative and a $10.3 million net fair value loss on warrants; both of those financial instruments were settled in 2014.

On February 6, 2015 the Corporation entered into an early settlement and reset arrangement with the Corporation's economic hedging counterparties to crystallize fair value gains of the financial commodity contracts, which resulted in the receipt of $226.2 million in net cash ($234.0 million including scheduled February cash settlements) that was used to reduce outstanding debt. As at September 30, 2015 the total volume of the reset arrange of the financial commodities contracts was 9,689 bbls/day of crude oil production with a hedge prices at an average of $65 bbl expiring being July 2017 and January 2019, with further upside available if certain prices targets were met. The financial commodity contracts represented 43% of the third quarter production rates of crude oil and are intended to reduce the Corporation's exposure to fluctuations in crude oil prices. The fair value of the financial commodity contracts as at September 30, 2015 was $85.6 million.

Net financing income (expenses)

	Three months ended September 30,		Nine months ended September 30,	
	2015	2014	2015	2014
Financing income	6,947	2,053	22,710	3,443
Financing expense[1]	(29,147)	(53,261)	(92,025)	(94,652)
Net financing income (expense)	(22,200)	(51,208)	(69,315)	(91,209)

[1] *Included in the interest expense for the three and nine months ended September 30, 2015 are loan extension and other fees of $6.9 million and $9.6 million respectively, related to the extension of the $100 million subordinated debt facility and reimbursement of letter of credit fees incurred on behalf of the Corporation by Oando PLC.*

During the third quarter of 2015, net financing expense was $22.2 million compared to a net financing expense of $51.2 million in the third quarter of 2014. Financing income of $6.9 million included $5.6 million in interest income on a financing lease of natural gas facilities that the Corporation has interest and $1.3 was earned on other income. Financing expense of $29.1 million includes $16.1 million in interest expense, $6.9 million for loan extension and letter of credit fees related to the $100 million subordinated debt facility, $3.0 million of amortized transaction costs from borrowings and $3.1 million in unwinding of the decommissioning liabilities.

Net financing expense in the nine months ended September 30, 2015 decreased to $69.3 million from $91.2 million in the comparative period. Financing income during the period totalled $22.7 million, consisting of $16.8 million on the financing lease of natural gas facilities, $3.4 million from interest on IPP receivable and $2.5 million in other income. Financing expense of $92.0 million includes $49.5 million in interest expense, $25.7 million of amortized transaction costs from borrowings, $9.6 million for loan extension and letter of credit fees related to the $100 million subordinated debt facility, and $7.2 million in unwinding of the decommissioning liabilities during the nine months ended September 30, 2015. Assuming stable interest rates the Corporation expects lower interest expenses going forward as result of paying down $268.9 million in borrowings during the nine months ended September 30, 2015.

Taxes

	Three months ended September 30,		Nine months ended September 30,	
	2015	2014	2015	2014
Current tax (expense) recovery	(14,773)	(35,385)	(38,183)	(35,070)
Deferred income tax (expense) recovery	21,037	71,347	72,254	65,003

The Corporation incurred current income tax of $14.8 million in the third quarter of 2015, as compared to income taxes of $35.4 million in the same quarter of 2014. During the nine months ended September 30, 2015 the Corporation incurred current incomes tax of $38.2 million as compared to income taxes of $35.1 million in the comparable period of 2014. The increase in current taxes is associated with the additional profits generated by OMLs 60 to 63 that accounted for $8.4 million and $28.9 million of the current income tax expense for the three and nine months ended September 30, 2015, respectively.

Deferred income tax is a non-cash item relating to temporary differences between the accounting and tax basis of the Corporation's assets and liabilities and has no immediate impact on the Corporation's cash flows. In the third quarter of 2015 the deferred income tax recovery was $21.0 million compared to a deferred income tax recovery of $71.3 million in the same quarter of 2014. During the nine months ended September 30, 2015 the deferred tax recovery was $72.3 million, as compared to a recovery of $65.0 million in the same period of 2014. The three and nine month ended September 30, 2015 deferred tax recoveries were primarily a result of increases to subsidiary tax loss carry forwards and increased in decommissioning liabilities.

In 2014, an indemnification asset and offsetting tax liability of $62.4 million was recorded as a result of the COP Acquisition relating to uncertain tax provisions for which the Corporation was indemnified by the seller. In February 2015, the Corporation won an appeal related to a portion of the uncertain tax provisions which resulted in a $40.9 million reduction in taxes due. The appeal related to litigation that was initiated prior to December 31, 2014 and related to tax years from 2006 to 2011. The successful appeal provided additional clarity on the indemnification asset and uncertain tax provisions recorded. Accordingly, the Corporation reduced the indemnification asset and offsetting tax liability by $40.9 million. In 2015 $5.5 million of the uncertain tax provision subject to the indemnity above was settled. ConocoPhillips paid $5.5 million to the Corporation that the Corporation used to settle the tax liability.

In June 2015, the Corporation received approval for the pioneer status tax incentive for gas development in OMLs 60 to 63 with an effective date of January 1, 2014; use of the tax incentive is dependent on certain conditions including government agency and lender approval. Also, in May 2015 the Corporation received approval for pioneer status for the Qua Ibo field in OML 13 with an effective date of February 1, 2015; as a result, the Corporation will forego paying petroleum profit tax on profits earned at OML 13 for 2015, 2016, and 2017 and can apply to extend the tax-free period to 2018 and 2019.

Net income (loss) for the period

	Three months ended September 30,		Nine months ended September 30,	
	2015	2014	2015	2014
Net income (loss)	(13,107)	89,541	(63,458)	(88,008)

During the third quarter of 2015 the Corporation's net loss was $13.1 million, a decrease of $102.6 million from third quarter 2014 net income of $89.5. The decrease in the net income was primary the result of a $52.3 million decrease in revenues, net of royalties, a non-recurring PP&E impairment of $98.9 million and joint venture receivable impairments recognized of $15.6 million, partially offset by a reduction in production expenses of $18.5 million, $29.7 million net increase in current and deferred taxes, $24.0 million reduction in net gains from derivative financial instruments, which was offset by $62.1 million in acquisition costs recorded in 2014, decreased financing costs of $29.0 million and a $9.9 million decrease in DD&A.

The net loss during the nine months ended September 30, 2015 was $63.5 million, which was a $24.6 million improvement from the $88.0 million loss recognized in the same period of 2014. The increase in income between the periods was the result of non-reoccurring acquisition expenses regarding the purchase of OMLs 60 to 63 of $84.9 million recognized in 2014, an increase in revenues of $107.8, increase in net gains from financial instruments of $58.1 million, $21.9 million reduction in net financing expense, all offset by a non-recurring PP&E impairment of $105.6 million and joint venture receivable impairments recognized of $15.6 million in 2015, increase in production expense of $82.1 million, $31.0 million in additional DD&A, $17.8 increase in G&A expense and $4.0 million increase in net tax recovery.

Increased production during the nine months ended September 30, 2015 led to greater production expenses and depletion expense, however these expenses improved on a per boe basis as compared to the same period of 2014. Production expenses improved to $11.44/boe in the first nine months of 2015, from $12.66/boe (adjusted for fair value adjustments) in the same period of 2014. DD&A expense improved to $6.11/boe in the first nine months of 2015, from $14.96/boe in the same period of 2014.

The G&A increase in the nine months ended September 30, 2015 of $17.8 million was related to additional employee and administrative costs accompanying the larger oil and gas asset portfolio from the July 30, 2014 acquisition of OMLs 60 to 63. Net income in the first nine months of 2015 also included a non-recurring net loss from financial instruments of $34.9 million, as a result of the early settlement and reset arrangements, along with a non-recurring charge of $16.4 million in net financing expenses related to unamortized transaction costs as a result of loan repayments in the first quarter of 2015.

Funds from operations

Funds from operations is a non-GAAP measure. The following table reconciles funds from operations to cash flows from operating activities (a GAAP measure) by adjusting for proceeds from early hedge settlements and changes in non-cash working capital.

	Three months ended September 30,		Nine months ended September 30,	
	2015	2014	2015	2014
Cash flows from operating activities	(1,802)	63,655	333,081	52,435
Proceeds from early hedge settlement	-	-	(226,220)	-
Net changes in working capital	80,423	(23,805)	44,938	(4,077)
Funds from operations	78,621	39,850	151,799	48,358

During the third quarter of 2015 funds from operations increased $38.7 million to $78.6 million as compared to $39.9 million in same period of 2014. The increase is primarily due to the acquisition costs incurred in 2014 and an additional month of operations at OMLs 60 to 63 because of the property being acquired on July 30, 2015, which was partially offset by lower commodity prices between the quarters.

During the nine months ended September 30, 2015 funds from operations increased $103.4 million to $151.8 million from $48.4 million incurred the same period of 2014. The increase in funds from operations during the first nine months of 2015 was primarily a result of the acquisition of OMLs 60 to 63 on July 30, 2014, along with increased cash flows at Ebendo through enhanced production, all of which was partially offset by increased G&A costs and decreased revenues at OML 125 from lower crude oil prices.

The addition of OMLs 60 to 63 generated $56.1 million and $121.3 million in funds from operations during the three and nine months ended September 30, 2015, respectively. The damage from the fire at the Ebocha flow station reduced production volumes by approximately 15% in July, with production being fully restored by the end of that month (refer to discussion of Ebocha flow station fire above).

Capital expenditures

	Nine months ended September 30,	
	2015	2014
Exploration expenditures	5,792	12,095
Development expenditures	67,904	96,238
Qua Ibo expenditures	5,001	11,482
Other PP&E	739	-
Capital expenditures, net	79,436	119,815

During the nine months ended September 30, 2015, the Corporation spent $79.4 million on the development of oil and gas assets and exploration and evaluation activities, as compared to $119.8 million in the same period of 2014.

Historically, as a non-operator the Corporation has experienced significant variability in actual costs incurred and timing of expenditures, as compared to the operator's original project planning and budgeted amounts. The differences are primarily a result of the availability of services, long lead times in ordering certain oil and gas equipment and other local conditions that can lead to

significant variances in project budgeting and timing. Failure to maintain adequate capital expenditures for the development of oil and gas assets could have a material impact on production, revenue, and future cash flows.

Summary of third quarter capital expenditures

During the third quarter of 2015 the Corporation spent $22.5 million on capital expenditures related to the development of oil and gas assets and exploration and evaluation activities, as compared to $52.9 million in the same quarter of 2014. Expenditures in the quarter included $10.5 million at OMLs 60 to 63 that included completions, geophysical exploration studies and capital maintenance and $8.1 million at OML 125 on gathering and transportation infrastructure enhancements and facility maintenance. In addition $3.5 million was expended on crude oil gathering facilities at Qua Ibo and $0.4 million other capital expenditures.

The following provides a summary of 2015 focus area capital expenditures and compares the budgeted expenditures to actual spending to date.

	Actual - Nine months ended September 30, 2015	Budget – Full year 2015
OMLs 60 to 63	36,285	59,680
Qua Ibo (in OML 13)	5,001	3,590
Ebendo (in OML 56)	1,228	7,650
OML 125	33,596	67,130
Other assets, net	3,326	3,670
Capital expenditures, net	79,436	141,720

OMLs 60 to 63

During the nine months ended September 30, 2015 capital expenditures on OMLs 60 to 63 totalled $36.3 million. Capital expenditures during the period included $18.5 million spent on development drilling and completion activities in the Ogbainbiri Deep 4 well, $14.9 million was spent on pipeline and facility upgrades and $2.9 million was spent on geophysical exploration studies and other assets.

In 2015, the Corporation estimates that a total of $59.7 million will be spent at OMLs 60 to 63, consisting of $35.6 million directed to crude oil related projects and $24.1 million on gas projects. The anticipated crude oil development expenditures include significant investment in environmental and safety projects, new development drilling, and completions and recompletions of previously drilled wells. Planned natural gas projects consist of drilling and completing new wells, along with enhancements to natural gas facilities and pipelines.

Qua Ibo

In the nine months ended September 30, 2015, the Corporation incurred capital expenditures of $5.0 million at Qua Ibo on pipeline and crude oil facility costs. The Qua Ibo field commenced production late February 2015 and realized its first sales from production in the second quarter of 2015.

In the third quarter of 2015, the Corporation revised its $0.6 million estimate to $3.5 million in capital expenditures to account for additional facility requirements for water handling, in addition to the previously planned facility enhancements.

Ebendo

During the nine months ended September 30, 2015, the Corporation incurred $1.2 million in capital expenditures at Ebendo, which included the pipeline facility enhancements and drilling site preparation costs.

Throughout 2015, the Corporation has estimated $7.7 million in capital expenditures for facility and pipeline overhauls and enhancements.

OML 125

The Corporation incurred $33.6 million of capital expenditures during the nine months ended September 30, 2015 at OML 125 related to gathering and transportation infrastructure enhancements and facility maintenance. The enhancements included $20.7 million spent on Abo phase 3 gathering and transportation construction, $5.3 million on well recompletion costs, $4.4 million on its floating production storage and offloading vessel ("FPSO") on capital maintenance, and $3.2 million on capital maintenance projects.

In 2015, the Corporations has estimated $67.1 million in capital expenditures on the OML 125 Asset. The planned expenditures include gathering system construction projects, drilling and completion of ABO 12 Upper and ABO 13, along with safety projects and extending the life of the FPSO. As at September 30, 2015, the Corporation has been advanced $79.5 million from the operator of OML 125; the arrangement with the operator of OML 125, which is in-line with the joint operating agreement, allows the Corporation to defer the payment of cash calls until revenue from OML 125 is realized to pay its outstanding cash call balance.

Other assets

Other asset capital expenditures include capital expenditures on OML 131, OML 134 and EEL. During the nine months ended September 30, 2015 the Corporation spent $3.3 million, respectively, on preliminary geological studies and other equipment during the period. Throughout 2015, the Corporation estimates $3.7 million of capital expenditures will be incurred on other projects to assess the geological and geophysical aspects of the project areas, along with the environmental impacts.

Summary of Selected Quarterly Results

The table below summarizes selected financial and operational information for the last eight quarters. The Corporation's quarterly results have been impacted primarily by acquisitions, fluctuating commodity prices, asset impairments, gains and losses on financial instruments, and borrowing activities.

	Q3 2015	Q2 2015	Q1 2015	Q4 2014	Q3 2014	Q2 2014	Q1 2014	Q4 2013
Production (boe)	4,891,579	5,179,383	4,985,944	5,034,358	3,248,158	413,984	408,497	406,029
Total revenue	132,512	90,240	132,415	174,042	184,777	30,440	32,163	23,976
Net Income (loss) for the period	(13,107)	(29,255)	(21,096)	(199,595)	89,541	(137,668)	(39,881)	(41,008)
Earnings per share	(0.02)	(0.04)	(0.03)	(0.40)	0.12	(0.24)	(0.14)	(0.32)
Diluted earnings per share	(0.02)	(0.04)	(0.03)	(0.40)	0.12	(0.24)	(0.14)	(0.32)
Capital expenditures	22,505	19,127	37,804	41,206	52,910	24,355	42,550	45,573
Total assets	2,900,574	2,922,598	2,971,858	3,242,791	3,693,880	1,662,142	1,689,937	1,299,422
Total non-current liabilities	1,177,793	1,201,823	1,033,688	1,088,996	1,523,019	245,925	274,812	275,195

Liquidity and Capital Resources

Working capital deficiency

As at September 30, 2015, the Corporation had a working capital deficiency of $478.3 million (December 31, 2014 – $567.2 million) and an accumulated deficit of $700.7 million (December 31, 2014 – $638.1 million). In addition to its on-going working capital requirements, the Corporation must secure sufficient funding to fund ongoing operations, repay or refinance current borrowings, and meet other commitments which include interest payments, purchase commitments, and budgeted capital expenditures. The Corporation has incurred significant levels of debt financing to finance on-going operations and acquisitions. Furthermore, the decline in global oil prices has reduced cash flows from operations. Global oil prices could remain at current low levels for the remainder of 2015 and possibly longer, further impacting revenues and operating cash flows and the ability of the Corporation to repay amounts due and its various debt facilities. 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 February 2015, the Corporation entered into early settlement and reset arrangements with hedging counterparties which resulted in the receipt of $226.2 million in net cash ($234.0 million including scheduled February cash settlements) which was used to repay existing debt obligations. As a result of the early settlement and reset arrangements, the Corporation has reduced short-term principal and interest payments. In September 2015, the Corporation received consent from the lenders on the $450 million loan to remove the current ratio requirement. Also, as at September 30, 2015, the Corporation has been advanced $79.5 million from the operator of OML 125; the arrangement with the operator of OML 125, which is in line with the joint operating agreement, allows the Corporation to defer the payment of cash calls until revenue from OML 125 is realized. Finally, in October 2015, the Corporation increased the capacity of the $450 million senior secured facility by $90.7 million; proceeds from the loan and cash on hand were used to repay the $100 million subordinated debt facility, effectively converting the $100 million obligation to a longer term obligation repaid over a 3-4 year period. By repaying the $100 million loan, the Corporation also expects a return of collateral of $50 million which was advanced to Oando PLC to secure the letter of credit associated with the loan. Despite these actions, requirements to maintain cash balances with the lenders and to repay principal with excess cash from oil and gas sales (albeit at lower levels) remain. Furthermore, resetting the hedges in the first quarter has reduced cash flow as they have been reset at lower levels than the previous hedges and limits the Corporation's ability to fully benefit from increased oil prices until the price of oil exceeds approximately $75/bbl (the effect of the hedges is discussed in greater detail below).

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 continues to rely on cash from producing assets and financial commodity hedges and plans to secure additional debt financing from Oando PLC in the short-term and additional third party debt and equity financing as market conditions permit. 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.

Sources of funding

The table below provides a summary of cash flow from operating, financing, and investing activities for the nine months ended September 30, 2015 and 2014.

	September 30, 2015	September 30, 2014
Cash flow from (used in):		
Operating activities	333,081	52,435
Financing activities	(337,031)	1,042,164
Investing activities	(20,097)	(1,094,042)
Net increase (decrease)	(24,047)	557

Cash flow from operating activities

During the nine months ended September 30, 2015 cash flow from operating activities were $333.1 million compared to $52.4 million in the same period of 2014. The increase in cash flow was primarily a result of the proceeds from early hedge settlement that resulted in a cash inflow of $226.2 million, along with of new production from OMLs 60 to 63, increased revenues through greater production at Ebendo and Qua Ibo realizing its first revenues in 2015, which was offset by decreased revenue at OML 125 from lower crude oil prices and an increase in G&A expenses as a result of the increased scope of OER's business operations. The Corporation's cash flows from operations are highly dependent on global crude oil pricing and to a lesser degree local natural gas spot pricing, all in USD. The Corporation attempts to mitigate some of the pricing risk on cash flows from operating activities through financial commodity contracts and entering into long-term gas pricing contracts.

Cash flow from financing activities

In the nine months ended September 30, 2015 cash flow from financing activities was negative $337.0 million as compared to $1,042.2 million in the same period of 2014. The large variance in borrowing between the periods is the result of the financing the acquisition of OMLs 60 to 63 and other exploration areas with borrowings during the third quarter of 2014. In the first quarter of 2015, the proceeds from early hedge settlements and available cash was used to repay $238.1 million of debt in addition to scheduled loan repayments at the time, thereby decreasing future interest payments on borrowings. A summary of borrowing activities in 2015 is provided below.

Cash flow used in investing activities

During 2015 cash flow used in investing activities was $20.1 million, as compared to $1,094.0 million in the comparable period of 2014. The $20.1 million in investing activities in 2015 consisted of $79.4 million being spent on asset additions focusing on OMLs 60 to 63 and OML 125, which were offset by $59.3 million related to working capital management activities. The large decrease from the prior year was due to the acquisition of OMLs 60 to 63 and other exploration areas during 2014.

Sources of funding

To assist the Corporation in generating sufficient cash to execute its business plan the Corporation will utilize cash from producing assets, cash from financial commodity hedges, and cash from revolving and term loan financing extended by Oando PLC in the short-term and additional third party debt and equity financing as market conditions permit (subject to financing being available on terms acceptable to the Corporation). As a result of the early settlement and reset arrangements (described below), the Corporation has reduced short-term principal and interest payments and, coupled with favourable hydrocarbon reserve revisions in 2015, has increased its borrowing capacity.

Borrowings

The table below summarizes borrowings outstanding at September 30, 2015 and December 31, 2014:

	September 30, 2015	December 31, 2014
$450 Million Senior Secured Facility	205,466	389,848
$350 Million Corporate Finance Loan Facility	227,233	319,045
$100 Million Subordinated Debt Facility	100,000	92,713
	532,699	801,606
Less: Borrowings, current	(149,976)	(551,480)
Borrowings, non-current	382,723	250,126

The carrying amount of all the Corporation's borrowings are denominated in USD. Borrowings held at September 30, 2015 are all non-revolving facilities.

In the nine months ended September 30, 2015, the Corporation used proceeds from early settlement and reset arrangements on financial commodity contracts and available cash to repay $238.1 million of borrowings in addition to scheduled loan repayments; $187.3 million of the $450 million loan was repaid and $50.8 million of the $350 million loan was repaid. During the three and nine months ended September 30, 2015, the Corporation recognized $15.5 million and $68.8 million, respectively, of interest expense related to the loans (three and nine months ended September 30, 2014 – $19.1 million). Included in interest expense related to the loans for the nine months ended September 30, 2015 was $25.7 million related to the amortization of transaction costs (nine months ended September 30, 2014 – $4.3 million). As at September 30, 2015, the Corporation had $40.0 million in restricted cash deposits with the lenders of the $450 million loan as required.

At December 31, 2014, the Corporation was required to calculate a current ratio covenant on the $450 million loan which required the ratio to be not less than 1.1. The current ratio calculated by the Corporation was 0.7. After December 31, 2014 the Corporation received a waiver of this covenant, however, because the waiver was not received before December 31, 2014, the entire balance of the $450 million loan as at December 31, 2014, was classified as a current liability. In September 2015, the Corporation received consent from the lenders of the $450 million loan to remove the current ratio requirement. Furthermore, the Corporation was in compliance will all other loan covenants. As a result, as at September 30, 2015, the current and long-term portion of the loans are classified according to their maturity as set out by loan repayment schedules.

The fair value of current and non-current borrowings equals their carrying amount, as the impact of discounting is not significant.

In October 2015, the Corporation increased the capacity on the $450 million loan by $90.7 million; proceeds from the loan and available cash were used to repay all principal and accrued interest on the $100 million subordinated debt facility. The Corporation incurred $4.4 million in fees to increase the capacity of the $450 million loan. Quarterly repayment schedules have been amended to incorporate the additional borrowings; all other terms of the loan remain unchanged.

In July 2015, the Corporation extended the repayment date on the $100 million subordinated debt facility to October 22, 2015. The letter of credit from Oando PLC, which secured the loan, was also extended to October 22, 2015. Extension fees of $0.5 million to extend the loan and $2.0 million to reimburse Oando PLC for the letter of credit extension fee were incurred.

Debt covenants

The loan facilities have specific covenants that if breached could have an adverse effect on the Corporation's liquidity and ability to continue as a going concern. The $450 million loan requires an interest coverage ratio (EBITDA/finance charges) of 4 or greater and a leverage ratio (net debt/EBITDA) of 3 or less. The $350 million loan requires a debt service coverage ratio of not less than 1.3, a loan life coverage ratio of not less than 1.4 times, and a field coverage ratio of not less than 1.4. See borrowings section comments above.

Payments due by period

The following table represents the contractual commitments of the Corporation as at September 30, 2015.

	Total	< than 1 year	1 to 3 years	4 to 5 years	After 5 years
Borrowings[1]	671,875	198,047	269,993	203,835	-
Trade and other payables	408,464	408,464	-	-	-
Current tax payable	215,430	215,430	-	-	-
Due to Oando PLC	47,272	-	47,272	-	-
Purchase commitments	2,492	2,492	-	-	-
Budgeted Capital expenditure[2]	63,695	63,695	-	-	-
	1,409,228	888,128	317,265	203,835	-

[1] Interest payable is expected to be $116.4 million over the remainder of the contractual term of the loan, calculated using interest rates applicable to borrowings at period end. Cash out flows associated with borrowings assume principal payments are paid in accordance with repayment schedules before cash sweeps – refer to Note 17 in the consolidated financial statements for year ended December 31, 2014.
[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.

The commitments for the next five years are expected to be funded from cash flow from operations of the Corporation, as well as short-term debt financing from Oando PLC, along with third party debt and equity financings as market conditions permit (subject to financing being available on terms acceptable to the Corporation).

Risks with financial instruments

The Corporation is exposed to foreign exchange risk, price risk, and interest rate risk. The Corporation's exposure to foreign exchange risks from financial instruments would not have significant impact on income before tax. The Corporation is exposed to price risk associated with financial commodity hedges and interest rate risk from variable rate borrowings. The table below provides a summary of the impact that changes in crude oil prices and interest rates on income before tax, with all other variables held constant, would have had during the three months ended September 30, 2015.

		Income / (Loss)[1]	
Instrument	Sensitivity Range	Increase in Variable	Decrease in Variable
Financial commodity contracts	+/- $10 per barrel change in Brent crude oil price	(46,553)	63,298
Variable rate borrowings	+/- 1% change in Libor interest rate applied to debt	(1,164)	1,164

[1] Impact on unrealized gains (losses) on financial commodity contracts due to changes in crude oil prices; impact on interest expense from changes in interest rates over a 3 month period.

Financial commodity contracts

2015 Early Settlement and Reset Arrangement

Declining oil prices in 2014 had a negative impact on the liquidity of the Corporation and the value of the assets pledged as security against the $450 million loan and $350 million loan which Management believed could have had a negative impact on the borrowing base. Accordingly, in December 2014, the Corporation initiated a process to early settle and reset the hedges associated with the loans to take advantage of the significant hedge values derived from the decline in oil prices and repay a portion of the loans to preserve an appropriate borrowing base ratio.

On February 6, 2015, the Corporation entered into early settlement and reset arrangements with hedging counterparties which resulted in the receipt of $226.2 million in net cash ($234.0 million including scheduled February cash settlements). The funds received on settlement and available cash were used to repay $238.1 million of borrowings (refer to the borrowings section for further details). Furthermore, the Corporation reset the pricing on financial commodity contracts. Refer to the table below for a summary of the details of the financial commodity contracts in place as at September 30, 2015 as a result of these arrangements.

As a result of the early settlement and reset arrangements, the Corporation has reduced short-term principal and interest payments. Despite this, requirements to maintain cash balances with the lenders and to repay principal with excess cash from oil and gas sales (albeit at lower levels) remain. Furthermore, resetting the hedges has reduced cash flow as they have been reset at lower levels than the previous hedges and limits the Corporation's ability to benefit from increased oil prices until the price of oil exceeds approximately $75/bbl (the effect of the hedges is discussed in greater detail below).

2015 Economic hedges

The table below summarizes the nature of the economic hedges executed as required by the $450 million senior secured loan facility and $350 million corporate loan facility as at September 30, 2015.

Position	Remaining Term	Price/Unit [1]			Volume (bbl/d)	Fair Value September 30, 2015
		Fixed	Strike	Premium [2]		
Fixed sell, purchased call [3]	Oct 2015 to July 2017	$65.00	$75.00	-	5,333	46,667
Purchased put [3]	Oct 2015 to July 2017	-	$75.00	$10.00	2,667	23,338
Purchased put [4]	Oct 2015 to Jan 2019 [5]	-	$75.00 - $85.00	$11.50 -$14.83	1,689[6]	15,590
					9,689	85,595

[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] *Financial commodities contract associated with the $450 million loan.*
[4] *Financial commodities contract associated with the $350 million loan.*
[5] *Remaining term excludes February 2016 to January 2017.*
[6] *Average volume over the remaining life of the contract.*

The effect of the hedges associated with the $450 million loan is to fix the price of oil that the Corporation receives, on the specific volumes at $65/bbl until the benchmark price of dated Brent crude oil reaches $75/bbl; when dated Brent crude oil price exceeds $75/bbl the Corporation will receive the incremental price above $75/bbl. These hedges account for 8,000 bbls/day.

The effect of the hedges associated with the $350 million loan is to fix the price of oil that the Corporation receives, on the specific volumes at an average price of $65/bbl until the benchmark price of dated Brent crude oil reaches the cap price (which ranges from $75/bbl to $85/bbl); when dated Brent crude oil price exceeds the cap price the Corporation will receive the incremental price above cap price. These hedges account for an average of 1,689 bbls/day.

The fair value of the financial commodity contracts as at September 30, 2015 was $85.6 million. During the nine months ended September 30, 2015, the Corporation recorded a net gain of $51.0 million on the financial commodity contracts, which consisted of unrealized gains of $11.9 million and realized gains of $39.1 million from monthly settlements.

Financial risk management

The Corporation's activities expose it to a number of financial risks including market risk (including foreign exchange risk, price risk and interest rate risk), credit risk, and liquidity risk. The Corporation manages market risk by entering into financial commodity contracts to hedge a portion of production and reduce the volatility of operating cash flows. The Corporation manages credit risk associated with customers by analyzing the credit risk for each customer before standard payment and delivery terms and conditions are offered. The Corporation manages liquidity risk through working capital and debt management activities. For further information regarding the risks that the Corporation faces and the financial risk management activities of the corporation, refer to note 12 in the September 30, 2015 interim consolidated financial statements.

Related party transactions

The ultimate parent of the Corporation is Oando PLC, incorporated in Nigeria. At September 30, 2015, Oando PLC owned 93.7% 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, 2015, the Corporation had the following outstanding related party balances with Oando PLC:

	September 30, 2015	December 31, 2014
Accounts receivable from Oando PLC	106,022	94,006
Related party receivable	106,022	94,006

This balance includes $50 million paid by the Corporation to Oando PLC as collateral for the Afrexim loan. It also includes amounts due from Oando Exploration and Production Limited, a subsidiary of Oando PLC under the Transitional Services Agreement.

	September 30, 2015	December 31, 2014
Under lift payable to Oando PLC	47,272	47,272
Payable to Oando PLC (Equator loan)	11,985	11,098
Oando PLC (Payments on behalf of the Corporation)	5,015	50,679
Related party payables	64,272	109,049

During the three and nine months ended September 30, 2015, the Corporation incurred $4.5 million and $18.0 million, respectively, (three and nine months ended September 30, 2014 - $5.5 million and $26.3 million) under the Cooperation and Services Agreement with Oando PLC. As part of the costs incurred under the agreement, the Corporation incurred $2.4 million and $6.0 million in aviation costs during the three and nine months ended September 30, 2015, respectively (three and nine months ended September 30, 2014 - $1.3 million and $3.1 million).

Outstanding Share Data

The table below summarizes outstanding share data as at September 30, 2015. There have been no changes to the outstanding share data between September 30, 2015 and the date of this MD&A.

	September 30, 2015
Common shares	796,049,213
Options exercisable to acquire common shares	9,410,000
Performance share units [1]	3,126,295
Warrants to acquire common shares [2]	344,673,441

[1] *Each entitles the holder to acquire one common share of OER at no additional cost.*
[2] *Each entitles the holder to acquire one common share of OER at an exercise price of $1.80 USD until July 30, 2016.*

On January 9, 2015, a total of 630,000 common shares were issued in exchange for 666,667 restricted share units to an officer of the Corporation which vested in 2013.

On May 4, 2015, the Corporation granted a total of 3,126,295 performance share units to certain employees. The grant value of the performance share units is CAD1.53 per unit. The PSUs are subject to a performance condition based on the ranking of OER's total shareholder return ("TSR") against a comparator group of other exploration and production companies who possess characteristics, such as size and exposure to Africa, similar to the Corporation. OER's TSR will be measured over a period of three financial years, beginning with the financial year in which the PSUs were granted. The vesting of the PSUs is also subject to an overriding discretion for the Compensation Committee to reduce (including to zero) or increase the level of vesting as it considers appropriate in the event that the Committee determines that OER's TSR performance is not reflective of OER's underlying financial performance. In addition, the Compensation Committee has the discretion to reduce (including to zero) the level of vesting of the PSUs in the event that the Committee determines that there has been a negative health, safety and/or environmental event.

On June 11, 2015 the Corporation granted 600,000 stock options to Directors of the Corporation with strike prices ranging from CAD1.24 to 1.77 per unit. In addition, on August 5, 2015 the Corporation granted 400,000 stock options with a CAD$1.14 strike price.

On July 24, 2015 1,333,333 restricted share unites expired.

Off-balance-sheet arrangements

The Corporation has not entered into any off-balance sheet arrangements.

Internal controls over financial reporting and disclosure controls

Based on their evaluation as at September 30, 2015, OER's Chief Executive Officer and Chief Financial Officer concluded that the Corporation's disclosure controls and procedures are effective to ensure that information required to be disclosed by the Corporation in reports that are filed or submitted to Canadian authorities is recorded, processed, summarized and reported within the time periods specified in Canadian securities laws. In addition, as at September 30, 2015, there were no changes in the internal control over financial reporting that occurred since December 31, 2014 that have materially affected, or are reasonably likely to materially affect, the Corporation's internal control over financial reporting. In making its assessment, Management uses the Committee of Sponsoring Organizations of the Treadway Commission framework in Internal Control – Integrated Framework (2013) to evaluate the design and effectiveness of internal control over financial reporting. Management will continue to periodically evaluate the Corporation's disclosure controls and procedures and internal control over financial reporting and will make any modifications from time to time as deemed necessary.

Based on their inherent limitations, disclosure controls and procedures and internal control over financial reporting may not prevent or detect misstatements, and even those controls determined to be effective can provide only reasonable assurance with respect to financial statement preparation and presentation.

Advisory regarding 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 changes 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 successfully integrate the acquired assets and derive the anticipated economic benefits therefrom; statements with respect to the Corporation's development potential and programs; the Corporation's ability to raise required capital or draw down on existing loans, the future price of crude oil, natural gas and NGLs; the continuing impact of the change of management; the estimation of crude oil, natural gas and NGLs reserves; conclusions of economic evaluation; the realization of reserve resource 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 over lifting; 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 crude oil, natural gas and NGLs ; 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 documents on file with Canadian securities regulatory authorities and may be accessed through the SEDAR website, or at the Corporation's website. 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.

Corporate Information

Board of Directors
Omamofe Boyo [3]
Deputy Group CEO Oando PLC
Olapade Durotoye [2, 5]
CEO Oando Energy Resources
Philippe Laborde [1, 2, 3]
CEO Olaeum Energy
John Orange [3, 4, 5]
Independent Businessman
Ron Royal [1, 4, 5]
Independent Businessman
Adewale Tinubu
CEO Oando PLC
Bill Watson [1, 2, 4]
Independent Businessman

[1] Member of Audit Committee
[2] Member of Reserves Committee
[3] Member of Compensation Committee
[4] Corporate Governance
[5] Environmental, Health, Safety, Security and Quality

Officers
Olapade Durotoye
Chief Executive Officer
Yannis Korakakis
Chief Operating Officer
Deola Ogunsemi
Chief Financial Officer

Transfer Agent
TMX Equity Transfer Services

Reserve Engineers
DeGolyer and MacNaughton

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