

**UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
Washington, D.C. 20549**

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**FORM 10-Q**

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(Mark One)

- QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**  
For the quarterly period ended March 31, 2016  
OR  
 **TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**  
For the transition period from \_\_\_\_\_ to \_\_\_\_\_  
Commission File Number: 01-34525

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**ERIN ENERGY CORPORATION**

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**Delaware**  
(State or Other jurisdiction of  
incorporation or organization)  
  
**1330 Post Oak Blvd.,  
Suite 2250, Houston, Texas**  
(Address of principal executive offices)

**30-0349798**  
(I.R.S. Employer  
Identification No.)  
  
**77056**  
(Zip Code)

**(713) 797-2940**  
(Registrant's telephone number, including area code)

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Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes  No

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate website, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§ 232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes  No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer	<input type="checkbox"/>	Accelerated filer	<input checked="" type="checkbox"/>
Non-accelerated filer	<input type="checkbox"/> (Do not check if a smaller reporting company)	Smaller reporting company	<input type="checkbox"/>

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes  No

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date.

At May 2, 2016, there were 212,284,732 shares of common stock, par value \$0.001 per share, outstanding.

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**PART I. – FINANCIAL INFORMATION**  
**ITEM 1. FINANCIAL STATEMENTS**

**ERIN ENERGY CORPORATION**  
**CONSOLIDATED BALANCE SHEETS**  
(Unaudited)  
(In thousands, except for share and per share amounts)

	March 31, 2016	December 31, 2015
<b>ASSETS</b>		
Current assets:		
Cash and cash equivalents	\$ 698	\$ 8,363
Restricted cash	540	8,661
Accounts receivable - trade	—	1,029
Accounts receivable - partners	570	287
Accounts receivable - related party	1,635	1,186
Accounts receivable - other	25	28
Crude oil inventory	5,222	4,789
Prepays and other current assets	5,214	684
Total current assets	<u>13,904</u>	<u>25,027</u>
Property, plant and equipment:		
Oil and gas properties (successful efforts method of accounting), net	344,459	348,331
Other property, plant and equipment, net	1,165	1,174
Total property, plant and equipment, net	<u>345,624</u>	<u>349,505</u>
Other non-current assets		
	<u>76</u>	<u>67</u>
Total assets	<u>\$ 359,604</u>	<u>\$ 374,599</u>
<b>LIABILITIES AND CAPITAL DEFICIENCY</b>		
Current liabilities:		
Accounts payable and accrued liabilities	\$ 228,122	\$ 213,120
Accounts payable and accrued liabilities - related party	33,293	30,133
Accounts payable - partners	33	—
Current portion of long-term debt	90,782	96,558
Total current liabilities	<u>352,230</u>	<u>339,811</u>
Long-term notes payable - related party	123,702	120,006
Asset retirement obligations	21,061	20,609
Total liabilities	<u>496,993</u>	<u>480,426</u>
Commitments and contingencies (Note 10)		
Capital deficiency:		
Preferred stock \$0.001 par value - 50,000,000 shares authorized; none issued and outstanding as of March 31, 2016 and December 31, 2015, respectively	—	—
Common stock \$0.001 par value - 416,666,667 shares authorized; 212,284,732 and 211,615,773 shares issued as of March 31, 2016 and December 31, 2015, respectively	212	212
Additional paid-in capital	790,648	789,615
Accumulated deficit	(928,862)	(896,451)
Treasury stock at cost, 83,113 and -0- shares as of March 31, 2016 and December 31, 2015, respectively	(189)	—
Total deficit - Erin Energy Corporation	<u>(138,191)</u>	<u>(106,624)</u>
Non-controlling interests	802	797
Total capital deficiency	<u>(137,389)</u>	<u>(105,827)</u>
Total liabilities and capital deficiency	<u>\$ 359,604</u>	<u>\$ 374,599</u>

See accompanying notes to unaudited consolidated financial statements.

**ERIN ENERGY CORPORATION**  
**CONSOLIDATED STATEMENTS OF OPERATIONS**  
(Unaudited)  
(In thousands, except per share amounts)

	<b>Three Months Ended March 31,</b>	
	<b>2016</b>	<b>2015</b>
<b>Revenues:</b>		
Crude oil sales, net of royalties	\$ 4,929	\$ —
<b>Operating costs and expenses:</b>		
Production costs	22,564	21,315
Crude oil inventory (increase) decrease	(831)	13
Exploratory expenses	2,062	6,515
Depreciation, depletion and amortization	4,812	120
Accretion of asset retirement obligations	452	577
Loss on settlement of asset retirement obligations	205	—
General and administrative expenses	3,958	3,491
Total operating costs and expenses	33,222	32,031
Operating loss	(28,293)	(32,031)
<b>Other income (expense):</b>		
Currency transaction gain	863	1,436
Interest expense	(5,425)	(2,611)
Total other income (expense)	(4,562)	(1,175)
Loss before income taxes	(32,855)	(33,206)
Income tax expense	—	—
Net loss before non-controlling interest	(32,855)	(33,206)
Net loss attributable to non-controlling interest	444	147
Net loss attributable to Erin Energy Corporation	\$ (32,411)	\$ (33,059)
<b>Net loss per common share:</b>		
Basic	\$ (0.15)	\$ (0.16)
Diluted	\$ (0.15)	\$ (0.16)
<b>Weighted average common shares outstanding:</b>		
Basic	211,844	210,470
Diluted	211,844	210,470

See accompanying notes to unaudited consolidated financial statements.

**ERIN ENERGY CORPORATION**  
**CONSOLIDATED STATEMENTS OF EQUITY**  
(Unaudited)  
(In thousands)

	Common Stock	Additional Paid-in Capital	Accumulated Deficit	Treasury Stock	Non-controlling Interest	Total Equity
Balance at December 31, 2015	\$ 212	\$ 789,615	\$ (896,451)	\$ —	\$ 797	\$ (105,827)
Common stock issued	—	145	—	—	—	145
Stock-based compensation	—	888	—	—	—	888
Transfer to treasury upon vesting of restricted stock	—	—	—	(189)	—	(189)
Non-controlling interest	—	—	—	—	449	449
Net loss	—	—	(32,411)	—	(444)	(32,855)
Balance at March 31, 2016	<u>\$ 212</u>	<u>\$ 790,648</u>	<u>\$ (928,862)</u>	<u>\$ (189)</u>	<u>\$ 802</u>	<u>\$ (137,389)</u>

See accompanying notes to unaudited consolidated financial statements.

**ERIN ENERGY CORPORATION**  
**CONSOLIDATED STATEMENTS OF CASH FLOWS**  
(Unaudited)  
(In thousands)

	<b>Three Months Ended March 31,</b>	
	<b>2016</b>	<b>2015</b>
<b>Cash flows from operating activities</b>		
Net loss, including non-controlling interest	\$ (32,855)	\$ (33,206)
Adjustments to reconcile net loss to cash used in operating activities:		
Depreciation, depletion and amortization	4,812	120
Accretion of asset retirement obligations	452	577
Amortization of debt discount and debt issuance costs	878	267
Foreign currency transaction gain	(863)	(1,436)
Share-based compensation	888	1,320
Payments to settle asset retirement obligations	—	(6,282)
Change in operating assets and liabilities:		
Decrease in accounts receivable	782	894
Decrease (increase) in crude oil inventory	(831)	13
Increase in prepaids and other current assets	(4,539)	(1,012)
Increase in accounts payable and accrued liabilities	21,123	22,157
Net cash used in operating activities	<u>(10,153)</u>	<u>(16,588)</u>
<b>Cash flows from investing activities</b>		
Capital expenditures	(3,554)	(35,300)
Net cash used in investing activities	<u>(3,554)</u>	<u>(35,300)</u>
<b>Cash flows from financing activities</b>		
Proceeds from exercise of stock options and warrants	145	—
Payments for treasury stock arising from withholding taxes upon restricted stock vesting	(189)	—
Repayments of term loan facility	(5,981)	—
Proceeds from notes payable - related party, net	3,000	33,815
Funds released from restricted cash	8,121	—
Funding from non-controlling interest	—	374
Net cash provided by financing activities	<u>5,096</u>	<u>34,189</u>
Effect of exchange rate changes on cash and cash equivalents	946	297
Net decrease in cash and cash equivalents	(7,665)	(17,402)
Cash and cash equivalents at beginning of period	8,363	25,143
Cash and cash equivalents at end of period	<u>\$ 698</u>	<u>\$ 7,741</u>
<b>Supplemental disclosure of cash flow information</b>		
Cash paid for:		
Interest, net	\$ 5,280	\$ 2,093
Supplemental disclosure of non-cash investing and financing activities:		
Issuance of common shares for settlement of liabilities	\$ —	\$ 125
Discount on notes payable pursuant to issuance of warrants	\$ —	\$ 2,067

See accompanying notes to unaudited consolidated financial statements.

ERIN ENERGY CORPORATION  
NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS

## 1. Company Description

Erin Energy Corporation (NYSE MKT: ERN; JSE: ERN) is an independent oil and gas exploration and production company engaged in the acquisition and development of energy resources in Africa. The Company's asset portfolio consists of nine licenses across four countries covering an area of approximately 40,000 square kilometers (approximately 10 million acres). The Company owns producing properties and conducts exploration activities offshore Nigeria, conducts exploration activities offshore Ghana and The Gambia, and both onshore and offshore Kenya.

The Company is headquartered in Houston, Texas and has offices in Lagos, Nigeria, Nairobi, Kenya, Banjul, The Gambia, Accra, Ghana and Johannesburg, South Africa.

The Company's operating subsidiaries include Erin Petroleum Nigeria Limited ("EPNL"), CAMAC Energy Kenya Limited, Erin Energy Gambia Ltd., and Erin Energy Ghana Limited. The terms "we," "us," "our," "the Company," and "our Company" refer to Erin Energy Corporation and its subsidiaries.

The Company also conducts certain business transactions with its majority shareholder, CAMAC Energy Holdings Limited ("CEHL"), and its affiliates, which include Allied Energy Plc. ("Allied"). See *Note 9 - Related Party Transactions* for further information.

The Company's Executive Chairman of the Board of Directors and Chief Executive Officer, Dr. Kase L. Lawal, is a director of each of the above listed related parties. He indirectly owns 27.7% of CEHL, which is the majority shareholder of the Company. As a result, he may be deemed to have an indirect material interest in transactions contemplated with any of the above companies and their affiliates.

## 2. Basis of Presentation and Recently Issued Accounting Standards

The accompanying unaudited consolidated financial statements include the accounts of the Company and its wholly owned and majority-owned direct and indirect subsidiaries, and have been prepared in accordance with generally accepted accounting principles in the United States ("U.S. GAAP") pursuant to the rules and regulations of the Securities and Exchange Commission (the "SEC"). All significant intercompany transactions and balances have been eliminated in consolidation. The unaudited consolidated financial statements reflect all adjustments that are, in the opinion of management, necessary for a fair presentation of the consolidated financial position and results of operations for the indicated periods. All such adjustments are of a normal recurring nature. This Form 10-Q should be read in conjunction with our audited consolidated financial statements included in our Annual Report on Form 10-K for the year ended December 31, 2015, filed with the SEC on March 24, 2016.

### *Use of Estimates*

The preparation of the Company's consolidated financial statements in conformity with U.S. GAAP requires management to make estimates based on certain assumptions. Estimates affect the reported amounts of assets and liabilities, disclosure of contingent liabilities, and the reported amounts of revenues and expenses attributable to the reporting periods. Accordingly, accounting estimates in conformity with U.S. GAAP require the exercise of judgment. These estimates and assumptions used in the preparation of the Company's consolidated financial statements are based on information available as of the date of the consolidated financial statements, and while management believes that the estimates and assumptions are appropriate, actual results could differ from management's estimates.

Estimates that may have a significant effect on the Company's financial position and results from operations include share-based compensation assumptions, oil and natural gas reserve quantities, depletion and amortization relating to oil and natural gas properties, asset retirement obligation assumptions, and income taxes. The accounting estimates used in the preparation of the Company's consolidated financial statements may change as new events occur, more experience is acquired, additional information is obtained and our operating environment changes.

### *Capitalized Interest*

The Company capitalizes interest costs for qualifying oil and gas properties. The capitalization period begins when expenditures are incurred on qualified properties, activities begin which are necessary to prepare the property for production, and interest costs have been incurred. The capitalization period continues as long as these events occur. Capitalized interest is added to the cost of

ERIN ENERGY CORPORATION  
NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS

the underlying assets and is depleted using the unit-of-production method in the same manner as the underlying assets.

During the three months ended March 31, 2016 and 2015, the Company capitalized nil and \$1.3 million, respectively, in interest cost as additions to property, plant and equipment related to the Oyo field redevelopment campaign.

**Treasury Stock**

Treasury stock is reported at cost and is included in the accompanying consolidated balance sheets. Pursuant to the Company's withholding tax policy with respect to vested restricted stock awards, the Company may withhold, on a cashless basis, a number of shares needed to settle statutory withholding tax requirements. During the three months ended March 31, 2016, 83,113 shares were withheld for taxes at a total cost of \$0.2 million. The Company had no treasury stock withheld for taxes during the three months ended March 31, 2015.

The following table sets forth certain information with respect to the withholding and related repurchases of our common stock during the quarter ended March 31, 2016.

	Total Number of Shares Purchased (1)	Average Price Paid Per Share
January 1 - January 31, 2016	3,643	\$ 4.02
February 1 - February 29, 2016	62,152	2.16
March 1 - March 31, 2016	17,318	2.31
Total	83,113	\$ 2.28

(1) All shares repurchased were surrendered by employees to settle tax withholding obligations upon the vesting of restricted stock awards.

**Net Earnings (Loss) Per Common Share**

Basic net earnings or loss per common share is computed by dividing net earnings or loss by the weighted average number of shares of common stock outstanding at the end of the reporting period. Diluted net earnings or loss per share is computed by dividing net earnings or loss by the fully dilutive common stock equivalent, which consists of shares outstanding, augmented by potentially dilutive shares issuable upon the exercise of the Company's stock options and non-vested restricted stock awards, calculated using the treasury stock method.

The table below sets forth the number of stock options, and non-vested restricted stock that were excluded from dilutive shares outstanding during the three months ended March 31, 2016 and 2015, as these securities are anti-dilutive because the Company was in a loss position during each period.

( In thousands )	Three Months Ended March 31,	
	2016	2015
Stock options	328	425
Unvested restricted stock awards	1,546	1,301
	1,874	1,726

Upon the occurrence of certain events, the Company is also contingently liable to make additional payments to Allied, under the Transfer Agreement, up to an additional amount totaling \$50.0 million in cash, or the equivalent in shares of the Company's common stock, at Allied's option. See Note 10 - Commitments and Contingencies for further information.

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NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS

***Fair Value Measurements***

Fair value is defined as the amount at which an asset (or liability) could be bought (or incurred) or sold (or settled) in an orderly transaction between market participants at the measurement date. The established framework for measuring fair value establishes a fair value hierarchy based on the quality of inputs used to measure fair value, and includes certain disclosure requirements. Fair value estimates are based on either (i) actual market data or (ii) assumptions that other market participants would use in pricing an asset or liability, including estimates of risk.

There are three levels of valuation hierarchy for disclosure of fair value measurements. The valuation hierarchy categorizes assets and liabilities measured at fair value into one of three different levels depending on the observability of the inputs employed in the measurement. The three levels are defined as follows:

Level 1 - Unadjusted quoted prices in active markets that are accessible at the measurement date for identical, unrestricted assets or liabilities. The Company considers active markets as those in which transactions for the assets or liabilities occur in sufficient frequency and volume to provide pricing information on an on-going basis.

Level 2 - Quoted prices in markets that are not active, or inputs which are observable, either directly or indirectly, for substantially the full term of the asset or liability. Substantially all of these inputs are observable in the marketplace throughout the term, can be derived from observable data, or supported by observable levels at which transactions are executed in the marketplace.

Level 3 - Inputs that are unobservable and significant to the fair value measurement (including the Company's own assumptions in determining fair value).

The Company's assessment of the significance of a particular input to the fair value measurement in its entirety requires judgment and considers factors specific to the asset or liability.

***Fair Value of Financial Instruments***

The carrying amounts of the Company's financial instruments, which include cash and cash equivalents, restricted cash, accounts receivable, inventory, deposits, accounts payable and accrued liabilities, and debt at floating interest rates, approximate their fair values at March 31, 2016 and December 31, 2015, respectively, principally due to the short-term nature, maturities or nature of interest rates of the above listed items.

***Reclassification***

Certain reclassifications have been made to the 2015 consolidated financial statements to conform to the 2016 presentation. These reclassifications were not material to the accompanying consolidated financial statements.

***Recently Issued Accounting Standards***

In February 2016, the FASB issued ASU No. 2016-2, *Leases (Topic 842)*. ASU 2016-2 is aimed at making leasing activities more transparent and comparable, and requires substantially all leases be recognized by lessees on their balance sheet as a right-of-use asset and corresponding lease liability, including leases currently accounted for as operating leases. ASU 2016-2 is effective for the Company in the fiscal year beginning after December 15, 2018, and interim periods within those fiscal years with early adoption permitted. The Company is still evaluating the impact of the adoption of this standard on its financial statements.

In March 2016, the FASB issued ASU No. 2016-07, *Investments-Equity Method and Joint Ventures (Topic 323): Simplifying the Transition to the Equity Method of Accounting*. ASU No. 2016-07 eliminates the requirement to retroactively adopt the equity method of accounting. ASU No. 2016-07 is effective for interim and annual periods beginning after December 15, 2016, and the Company will adopt this standards update, as required, beginning with the first quarter of 2017. The adoption of this standards update is not expected to have a material impact on the Company's consolidated financial statements.

In March 2016, the FASB issued ASU No. 2016-08, *Revenue from Contracts with Customers (Topic 606): Principal versus Agent Consideration (Reporting Revenue Gross versus Net)*. ASU No. 2016-08 requires that an entity should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. ASU No. 2016-08 is effective for interim and annual periods beginning after

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December 15, 2017, and the Company will adopt this standards update, as required, beginning with the first quarter of 2018. The adoption of this standards update is not expected to have a material impact on the Company's consolidated financial statements.

In March 2016, the FASB issued ASU No. 2016-09, *Compensation-Stock Compensation (Topic 718): Improvements to Employee Share-Based Payment Accounting*. The areas of simplification in ASU NO. 2016-09 involve several aspects of the accounting for share-based payment transactions, including the income tax consequences, classification of awards as either equity or liabilities, and classification on the statement of cash flows. ASU No. 2016-09 is effective for interim and annual periods beginning after December 15, 2016, and the Company will adopt this standards update, as required, beginning with the first quarter of 2017. The adoption of this standards update is not expected to have a material impact on the Company's consolidated financial statements.

***Adoption of Previously Issued ASUs***

In April 2015, the FASB issued ASU 2015-03, " *Interest - Imputation of Interest (Subtopic 835-30): Simplifying the Presentation of Debt Issuance Costs* ("ASU 2015-03"), which requires that debt issuance costs be presented as a direct deduction from the carrying amount of the related debt liability, consistent with the presentation of debt discounts. Prior to the issuance of ASU 2015-03, the Company recorded and presented debt issuance costs as part of prepaids and other current assets, separate from the related debt liability. ASU 2015-03 does not change the recognition and measurement requirement for debt issuance costs. The adoption of ASU 2015-03 resulted in the reclassification of approximately \$1.6 million unamortized debt issuance costs related to the Company's Term Loan Facility (see *Note 8 - Debt*) from prepaids and other current assets to current portion of long-term debt within its consolidated balance sheets as of December 31, 2015. Other than this reclassification, the adoption of ASU 2015-03 did not have an impact on the Company's consolidated financial statements.

**3. Liquidity Matters and Going Concern**

The Company incurred losses from operations for the three months ended March 31, 2016. As of March 31, 2016, the Company's total current liabilities of \$352.2 million exceeded its total current assets of \$13.9 million, resulting in a working capital deficit of \$338.3 million. As a result of the current low commodity prices and the Company's low oil production volumes due to the recent mechanical problem associated with well Oyo-8, the Company has not been able to generate sufficient cash from operations to satisfy certain obligations as they became due.

The Company is currently pursuing a number of actions, including (i) obtaining additional funds through public or private financing sources, (ii) restructuring existing debts from lenders, (iii) obtaining forbearance of debt from trade creditors, (iv) reducing ongoing operating costs, (v) minimizing projected capital costs for the 2016 exploration and development campaign and (vi) farming-out a portion of our rights to certain of our oil and gas properties. There can be no assurances that sufficient liquidity can be raised from one or more of these actions or that these actions can be consummated within the period needed to meet certain obligations.

The Company's consolidated financial statements have been prepared under the assumption that it will continue as a going concern, which assumes the continuity of operations, the realization of assets and the satisfaction of liabilities as they come due in the normal course of business. Although the Company believes that it will be able to generate sufficient liquidity from the measures described above, its current circumstances raise substantial doubt about its ability to continue to operate as a going concern. The accompanying consolidated financial statements do not include any adjustments that might result from the outcome of this uncertainty.

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NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS

**4. Property, Plant and Equipment**

Property, plant and equipment were comprised of the following:

<i>( In thousands )</i>	March 31, 2016	December 31, 2015
Wells and production facilities	\$ 328,787	\$ 329,133
Proved properties	386,196	386,196
Work in progress and other	65,793	65,043
Oilfield assets	780,776	780,372
Accumulated depletion	(446,757)	(442,481)
Oilfield assets, net	334,019	337,891
Unevaluated leaseholds	10,440	10,440
Oil and gas properties, net	344,459	348,331
Other property and equipment	3,092	2,963
Accumulated depreciation	(1,927)	(1,789)
Other property and equipment, net	1,165	1,174
Total property, plant and equipment, net	\$ 345,624	\$ 349,505

All of the Company's oilfield assets are located offshore Nigeria in the Oil Mining Leases 120 and 121 (the "OMLs"). "Work-in-progress and other" includes suspended costs for wells that are not yet completed, as well as warehouse inventory items purchased as part of the redevelopment plan of the Oyo field.

The Company's unevaluated leasehold costs include costs to acquire the rights to the exploration acreage in its various oil and gas properties.

**5. Suspended Exploratory Well Costs**

In November 2013, the Company achieved both its primary and secondary drilling objectives for the well Oyo-7. The primary drilling objective was to establish production from the existing Pliocene reservoir. The secondary drilling objective was to confirm the presence of hydrocarbons in the deeper Miocene formation. Hydrocarbons were encountered in three Miocene intervals totaling approximately 65 feet, as interpreted by the logging-while-drilling ("LWD") data. Plans are underway to secure a rig to drill at least one exploration well in the nearby G-Prospect. The primary objective of the G-Prospect is to target the same Miocene-age sediments as the ones found in the Oyo-7 exploratory drilling objective. Suspended exploratory well costs were \$26.5 million at both March 31, 2016 and December 31, 2015 for the costs related to the Miocene exploratory drilling activities.

In August 2014, the Company drilled well Oyo-8 to a total vertical depth of approximately 6,059 feet (approximately 1,847 meters) and successfully encountered four new oil and gas reservoirs in the eastern fault block, with total gross hydrocarbon thickness of 112 feet, based on results from the LWD data, reservoir pressure measurement, and reservoir fluid sampling. Management has completed a detailed evaluation of the results and has future development plans in the area. Suspended exploratory well costs were \$6.5 million at both March 31, 2016 and December 31, 2015 for the costs related to the Pliocene exploration drilling activities in the eastern fault block.

**6. Accounts Payable and Accrued Liabilities**

The table below sets forth a summary of the Company's accounts payable and accrued liabilities at March 31, 2016 and December 31, 2015 :

<i>(In thousands)</i>	March 31, 2016	December 31, 2015
Accounts payable - vendors	\$ 169,559	\$ 153,085
Amounts due to government entities	56,721	53,119
Accrued payroll and benefits	906	629
Accrued interest	100	2,510
Other liabilities	836	3,777
	\$ 228,122	\$ 213,120

ERIN ENERGY CORPORATION  
NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS

### 7. Asset Retirement Obligations

The Company's asset retirement obligations primarily represent the estimated fair value of the amounts that will be incurred to plug, abandon and remediate its producing properties at the end of their productive lives. Significant inputs used in determining such obligations include, but are not limited to, estimates of plugging and abandonment costs, estimated future inflation rates and changes in property lives. The inputs used in the fair value determination were based on Level 3 inputs, which were essentially management's assumptions.

On a quarterly basis, the Company reviews the assumptions used to estimate the expected cash flows required to settle the asset retirement obligations, including changes in estimated probabilities, amounts and timing of the settlement of the asset retirement obligations, as well as changes in the legal obligation for each of its properties. Changes in any one or more of these assumptions may cause revisions in the estimated liabilities for the corresponding assets. The following summarizes changes in the Company's asset retirement obligations during the three months ended March 31, 2016 (*in thousands*):

Balance at January 1, 2016	\$	20,609
Accretion expense		452
Balance at March 31, 2016	\$	<u>21,061</u>

Accretion expense is recognized as a component of depreciation, depletion and amortization expense in the accompanying consolidated statements of operations.

### 8. Debt

#### Short-Term Debt – Term Loan Facility:

In September 2014, the Company, through its wholly owned subsidiary EPNL, entered into the Term Loan Facility. 90.0% of the Term Loan Facility was available in U.S. dollar, while the remaining 10% was available in Nigerian Naira. U.S. dollar borrowings under the Term Loan Facility currently bear interest at the rate of LIBOR plus 11.1%. The obligations under the Term Loan Facility include a legal charge over the OMLs and an assignment of proceeds from oil sales. The obligations of EPNL have been guaranteed by the Company and rank in priority with all its other obligations. Proceeds from the Term Loan Facility were used for the further expansion and development of the Oyo field offshore Nigeria.

Upon executing the Term Loan Facility, the Company paid fees totaling \$2.6 million, which were recorded as debt issuance cost and are being amortized over the life of the Term Loan Facility using the effective interest method. As of March 31, 2016, \$1.4 million of the debt issuance costs remained unamortized.

Under the Term Loan Facility, the following events, among others, constitute events of default: EPNL failing to pay any amounts due within thirty days of the due date; bankruptcy, insolvency, liquidation or dissolution of EPNL; a material breach of the Loan Agreement by EPNL that remains unremedied within thirty days of written notice by EPNL; or a representation or warranty of EPNL proves to have been incorrect or materially inaccurate when made. Upon any event of default, all outstanding principal and interest under any loans will become immediately due and payable.

As of the date of this report, the Company was out of compliance with the funding requirement for a debt service reserve account ("DSRA"). However, the Bank has agreed to waive its rights under the default provisions of the Term Loan Facility, as it relates to the funding requirement of the DSRA through December 31, 2016.

Further, the Bank has the right to unilaterally review the terms and conditions of the Term Loan Facility and, among other things, terminate the Term Loan Facility and accelerate its maturity based on any adverse information putting the Term Loan Facility at risk. The Company believes that the likelihood of the Bank electing to terminate the Term Loan Facility and accelerate its maturity is remote, given the Bank's demonstrated willingness to restructure the Term Loan Facility. In April 2016, as part of ongoing discussions to restructure the Term Loan Facility, the Bank made a proposal granting certain concessions, including deferring all principal payments for one year, through June 2017. The Company is evaluating the bank's proposal and expects to reach a mutually beneficial restructuring agreement with the Bank. Although the Company believes that its discussions with the Bank will yield favorable results, there can be no assurances that the final agreement with the Bank will be favorable to the Company.

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During the three months ended March 31, 2016, the Company made payments of \$0.4 million and \$5.6 million for the principal repayment of the Naira portion of the loan due on March 31, 2016 and for the U.S. dollar principal that was due as of December 31, 2015, respectively. In March 2016, the Bank agreed to defer, for 90 days, the \$5.6 million U.S. dollar principal that would have been due on March 31, 2016. If ongoing loan restructuring discussions with the Bank conclude positively, all principal repayments will be deferred for one year, through June 2017.

As of March 31, 2016, the Company recognized an unrealized foreign currency gain of \$1.5 million on the Naira portion of the loan, reducing the balance under the Term Loan Facility to \$90.8 million, net of debt discount. Accrued interest for the Term Loan Facility was \$0.1 million as of March 31, 2016.

**Long-Term Debt – Related Party:**

As of March 31, 2016, the Company's long-term related party debt was \$123.7 million, consisting of \$25.0 million owed under a 2011 Promissory Note, \$50.0 million owed under a 2014 Convertible Subordinated Note, \$45.7 million, net of discount, under a 2015 Convertible Note, and \$3.0 million under a 2016 Promissory Note.

Allied, a related party, is the holder of each of the 2011 Promissory Note, the 2014 Convertible Subordinated Note, and the 2015 Convertible Note (collectively the "Allied Notes"). Each of the Allied Notes contains certain default and cross-default provisions, including failure to pay interest and principal amounts when due and default under other indebtedness. As of March 31, 2016, the Company was not in compliance with certain default provisions of the Allied Notes with respect to the payment of quarterly interest. Further, the risk of cross-default exists for each of the Allied Notes if the holder of the Term Loan Facility exercises its right to terminate the Term Loan Facility and accelerate its maturity. Allied has agreed to waive its rights under all default provisions of each of the Allied Notes through April 2017.

*2011 Promissory Note*

The Company has a \$25.0 million borrowing facility under a Promissory Note (the "2011 Promissory Note") with Allied. Interest accrues on the outstanding principal under the 2011 Promissory Note at a rate of the 30-day LIBOR plus 2% per annum, payable quarterly. In October 2015, the 2011 Promissory Note was amended to extend the maturity date by one year to July 30, 2017. The stock of the Company's subsidiary that holds the exploration licenses in The Gambia and Kenya were pledged as collateral to secure the 2011 Promissory Note, pursuant to an Equitable Share Mortgage arrangement. The entire \$25.0 million facility amount can be utilized for general corporate purposes. As of March 31, 2016, the outstanding principal and accrued interest under the 2011 Promissory Note was \$25.0 million and \$1.1 million, respectively.

*2014 Convertible Subordinated Note*

As partial consideration in connection with the February 2014 acquisition of the Allied Assets, the Company issued a \$50.0 million Convertible Subordinated Note in favor of Allied (the "2014 Convertible Subordinated Note"). Interest on the 2014 Convertible Subordinated Note accrues at a rate per annum of one-month LIBOR plus 5%, payable quarterly in cash until the maturity of the 2014 Convertible Subordinated Note five years from the closing of the Allied Transaction.

At the election of the holder, the 2014 Convertible Subordinated Note is convertible into shares of the Company's common stock at an initial conversion price of \$4.2984 per share, subject to anti-dilution adjustments. The 2014 Convertible Subordinated Note is subordinated to the Company's existing and future senior indebtedness and is subject to acceleration upon an Event of Default (as defined in the 2014 Convertible Subordinated Note). The following events, among others, constitute an Event of Default under the 2014 Convertible Subordinated Note: the Company failing to pay interest within thirty days of the due date; the Company failing to pay principal when due; bankruptcy, insolvency, liquidation or dissolution of the Company; a material breach of the 2014 Convertible Subordinated Note by the Company that remains unremedied within ten days of such material breach; or a representation or warranty of the Company proves to have been incorrect or materially inaccurate when made. Upon any event of default, all outstanding principal and interest under any loans will become immediately due and payable. Interest is due and payable quarterly on the 2014 Convertible Subordinated Note. As of March 31, 2016, the Company owed \$5.9 million in interest under the 2014 Convertible Subordinated Note.

The Company may, at its option, prepay the 2014 Convertible Subordinated Note in whole or in part, at any time, without premium or penalty. Further, the 2014 Convertible Subordinated Note is subject to mandatory prepayment upon (i) the Company's issuance of capital stock or incurrence of indebtedness, the proceeds of which the Company does not apply to repayment of senior indebtedness or (ii) any capital markets debt issuance to the extent the net proceeds of such issuance exceed \$250.0 million. Allied

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may assign all or any part of its rights and obligations under the 2014 Convertible Subordinated Note to any person upon written notice to the Company. As of March 31, 2016, the outstanding principal under the 2014 Convertible Subordinated Note was \$50.0 million.

*2015 Convertible Note*

In March 2015, the Company entered into a new borrowing facility with Allied in the form of a Convertible Note (the "2015 Convertible Note"), allowing the Company to borrow up to \$50.0 million for general corporate purposes. In March 2016, the maturity date of the 2015 Convertible Note was extended to December 2017. Interest accrues at the rate of LIBOR plus 5%, and is payable quarterly.

The 2015 Convertible Note is convertible into shares of the Company's common stock upon the occurrence and continuation of an event of default, at the sole option of the holder. The number of shares issuable upon conversion is equal to the sum of the principal amount and the accrued and unpaid interest divided by the conversion price, defined as the volume weighted average of the closing sales prices on the NYSE MKT for a share of common stock for the five complete trading days immediately preceding the conversion date.

As of March 31, 2016, the Company had borrowed \$48.0 million under the note and issued to Allied warrants to purchase approximately 2.6 million shares of the Company's common stock at prices ranging from \$2.46 to \$7.85 per share. The total fair market value of the warrants amounting to \$4.9 million based on the Black-Scholes option pricing model was recorded as a discount from the note, and is being amortized using the effective interest method over the life of the note. As of March 31, 2016, the unamortized balance of the note discount was \$2.3 million.

Additional warrants are issuable in connection with future borrowings, with the per share price for those warrants determined based on the market price of the Company's common stock at the time of such future borrowings. As of March 31, 2016, the outstanding balance of the 2015 Convertible Note, net of discount, was \$45.7 million. Accrued interest on the 2015 Convertible Note was \$2.7 million as of March 31, 2016.

Subsequent to March 31, 2016, the Company borrowed an additional \$0.5 million under the 2015 Convertible Note and issued to Allied warrants to purchase approximately 48,291 shares of the Company's common stock with an exercise price of ranging from \$2.00 to \$2.13 per share.

*2016 Promissory Note*

In March 2016, the Company borrowed \$3.0 million under a short-term Promissory Note agreement entered into with an entity related to the Company's majority shareholder. In April 2016, the Company borrowed an additional sum of \$1.0 million from the same lender, under another short-term Promissory Note. Both notes accrue interest at a rate of the 30-day LIBOR plus 7% per annum.

In May 2016, the Lender of the two Promissory Notes agreed to combine both notes into a \$10.0 million borrowing facility (the "2016 Promissory Note") with a maturity date of September 2017. Interest accrues at a rate of the 30-day LIBOR plus 7% per annum. As of March 31, 2016, the Company is deemed to have borrowed \$3.0 million under the 2016 Promissory Note.

**9. Related Party Transactions**

**Assets and Liabilities**

The Company has transactions in the normal course of business with its shareholders, CEHL and their affiliates. The following table sets forth the related party assets and liabilities as of March 31, 2016, and December 31, 2015:

<i>( In thousands )</i>	<b>March 31, 2016</b>	<b>December 31, 2015</b>
Accounts receivable, CEHL	\$ 1,635	\$ 1,186
Accounts payable and accrued liabilities, CEHL	\$ 33,293	\$ 30,133
Long-term notes payable - related party, CEHL	\$ 123,702	\$ 120,006

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As of March 31, 2016 and December 31, 2015, the related party receivable balances of \$1.6 million and \$1.2 million, respectively, were for advance payments made for certain transactions on behalf of affiliates.

As of March 31, 2016 and December 31, 2015, the Company owed \$33.3 million and \$30.1 million, respectively, to affiliates primarily for logistical and support services in relation to the Company's oilfield operations in Nigeria, as well as accrued interest on the various related party notes payable. As of March 31, 2016 and December 31, 2015, accrued and unpaid interest on the various related party notes payable were \$10.0 million and \$8.3 million, respectively.

As of March 31, 2016, the Company had a combined note payable balance of \$123.7 million owed to affiliates, consisting of a \$50.0 million 2014 Convertible Subordinated Note, \$25.0 million in borrowings under the 2011 Promissory Note, a \$45.7 million borrowing under the 2015 Convertible Note, net of discount, and \$3.0 million under the 2016 Promissory Note. As of December 31, 2015, the Company had a combined note payable balance of \$120.0 million owed to an affiliate, consisting of the \$50.0 million 2014 Convertible Subordinated Note, \$25.0 million in borrowings under the 2011 Promissory Note, and \$45.0 million borrowing under the 2015 Convertible Note, net of discount. See *Note 8 – Debt* for further information relating to the notes payable transactions.

### Results from Operations

The table below sets forth a summary of transactions included in the Company's results of operations that were incurred with affiliates during the three months ended March 31, 2016 and 2015:

<i>(In thousands)</i>	Three Months Ended March 31,	
	2016	2015
Total operating expenses, CEHL	\$ 1,683	\$ 1,956
Interest expense, CEHL	\$ 1,676	\$ 1,032

Certain affiliates of the Company provides procurement and logistical support services to the Company's operations. In connection therewith, during the three months ended March 31, 2016 and 2015, the Company incurred operating costs amounting to approximately \$1.7 million and \$2.0 million, respectively.

During the three months ended March 31, 2016 and 2015, the Company incurred interest expense, excluding debt discount amortization, totaling approximately \$1.7 million and \$1.0 million, respectively, in relation to related party notes payable.

### 10. Commitments and Contingencies

#### Commitments

In February 2014, a long-term contract was signed for the floating, production, storage, and offloading vessel ("FPSO") *Armada Perdana*, which is the vessel currently connected to the Company's productive wells, Oyo-7 and Oyo-8, offshore Nigeria. The contract provides for an initial term of seven years beginning January 1, 2014, with an automatic extension for an additional term of two years unless terminated by the Company with prior notice. The FPSO can process up to 40,000 barrels of liquid per day, with a storage capacity of approximately one million barrels. The annual minimum contractual commitment per the terms of the agreement is approximately \$48.4 million per year through 2020.

The Company also has commitments related to four production sharing contracts with the Government of the Republic of Kenya (the "Kenya PSCs"), two Petroleum Exploration, Development & Production Licenses with the Republic of The Gambia (the "Gambia Licenses"), and one Petroleum Agreement with the Republic of Ghana. In all cases, the Company entered into these commitments through a subsidiary. To maintain compliance and ownership, the Company is required to fulfill certain minimum work obligations and to make certain payments as stated in each of the Kenya PSCs, the Gambia Licenses, and the Ghana Petroleum Agreement.

In March 2016, the Company entered into a contract for light well intervention services using the intervention vessel *Island Constructor* (the "Well Intervention Contract") to repair the faulty subsurface controlled subsurface safety valve following the curtailment of production from well Oyo-8 in September 2015. As of March 31, 2016, remaining obligations under the Well Intervention Contract was approximately \$2.2 million.

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## Contingencies

### *Legal Contingencies*

From time to time, the Company may be involved in various legal proceedings and claims in the ordinary course of business. As of March 31, 2016, and through the filing date of this report, the Company does not believe the ultimate resolution of such actions or potential actions of which the Company is currently aware will have a material effect on its consolidated financial position or results of operations.

On January 22, 2016, a request for arbitration was filed with the London Court of International Arbitration by Transocean Offshore Gulf of Guinea VII Limited and Indigo Drilling Limited, as Claimants, against the Company and its Nigerian subsidiary, Erin Petroleum Nigeria Limited (fka CAMAC Petroleum Limited), as Respondents (the "Arbitration"). The Arbitration is in relation to a drilling contract entered into by the Claimants and CAMAC Petroleum Limited, and a parent company guarantee provided by the Company in relation thereto. The Claimants are seeking an order that the Respondents pay the sum of approximately \$20.2 million together with interest and costs. The Company is in the process of obtaining legal advice in relation to the Arbitration.

On February 5, 2016, a class action and derivative complaint was filed in the Delaware Chancery Court purportedly on behalf of the Company and on behalf of a putative class of persons who were stockholders as of the date the Company (1) acquired the Allied Assets pursuant to the Transfer Agreement and (2) issued shares to the PIC in a private placement (collectively the "February 2014 Transactions"). The complaint alleges the February 2014 Transactions were unfair to the Company and purports to assert derivative claims against (1) the seven individuals who served on our Board at the time of the February 2014 Transactions and (2) our majority shareholder, CEHL. The complaint also purports to assert a direct breach of fiduciary duty claim on behalf of the putative class against the seven individuals who served on our Board at the time of the February 2014 Transactions on the grounds that they purportedly caused the Company to disseminate a false and misleading proxy statement in connection with the 2014 Transactions, and a direct claim for aiding and abetting against Dr. Lawal. The plaintiff is seeking, on behalf of the Company and the putative class, an undisclosed amount of compensatory damages. The Company is named solely as a nominal defendant against whom the plaintiff seeks no recovery. On March 3, 2016, all of the defendants, including the Company, filed motions to dismiss the complaint.

### *Unrecognized Loss Contingency*

As of March 31, 2016, the Company has not accrued penalty and interest related to certain outstanding transactional tax obligations in Nigeria, including withholding taxes, value-added taxes, Nigerian Oil and Gas Industry Content Development Act (NCD) tax, Cabotage taxes, and Niger Delta Development Corporation taxes (NDDC). As of the date of this report, the Company believes that, based on its experience with local practices in Nigeria, the likelihood of being assessed penalty and interest is reasonably possible, with an estimated liability up to \$9.6 million.

### *Contingency under the Allied Transfer Agreement*

As provided for under the Transfer Agreement with Allied, the Company is required to make the following additional payments upon the occurrence of certain future events: (i) \$25.0 million cash or the equivalent in shares of the Company's common stock within fifteen days following the approval of a development plan by the Nigerian Department of Petroleum Resources ("DPR") with respect to a first new discovery of hydrocarbons in a non-Oyo field area; and (ii) \$25.0 million cash or the equivalent in shares of the Company's common stock within fifteen days starting from the commencement of the first hydrocarbon production in commercial quantities in a non-Oyo field area. The number of shares to be issued shall be determined by calculating the average closing price of the Company's common stock over a period of thirty days, counted back from the first business day immediately prior to the approval of a development plan by DPR or the date of the first hydrocarbon production in commercial quantities, as applicable.

### *Contingency under the 2015 Convertible Note*

As part of the condition to the extension of the maturity date of the 2015 Convertible Note, which extension was entered into in March 2016, the Company is required to (i) pay to Allied an amount equal to ten percent ( 10% ) of any successful debt fundraising event completed during the remaining term of the 2015 Convertible Note; and (ii) pay to Allied an amount equal to twenty percent ( 20% ) of any successful equity fundraising event completed during the remaining term of the 2015 Convertible Note.

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**11. Stock-Based Compensation**

*Stock Options*

The table below sets forth a summary of stock option activity for the three months ended March 31, 2016 .

	Shares Underlying Options (In Thousands)	Weighted-Average Exercise Price	Weighted-Average Remaining Contractual Term (Years)
Outstanding at December 31, 2015	2,532	\$2.10	1.6
Granted	—	\$—	—
Exercised	(438)	\$1.94	—
Forfeited	—	\$—	—
Expired	(65)	\$4.10	—
Outstanding at March 31, 2016	<u>2,029</u>	\$2.31	1.8
Expected to vest	540	\$3.10	3.5
Exercisable at March 31, 2016	1,489	\$2.02	1.1

During the three months ended March 31, 2016 , the Company issued 173,127 shares of common stock as a result of the exercise of stock options, and options to purchase 64,638 shares of common stock were forfeited.

*Stock Warrants*

The table below sets forth a summary of stock warrant activity for the three months ended March 31, 2016 .

	Shares Underlying Warrants (In Thousands)	Weighted-Average Exercise Price	Weighted-Average Remaining Contractual Term (Years)
Outstanding at December 31, 2015	2,935	\$3.61	4.2
Granted	—	\$—	—
Exercised	—	\$—	—
Forfeited	—	\$—	—
Expired	—	\$—	—
Outstanding at March 31, 2016	<u>2,935</u>	\$3.61	4.0
Expected to vest	—	\$—	—
Exercisable at March 31, 2016	2,935	\$3.61	4.0

*Restricted Stock Awards*

The table below sets forth a summary of restricted stock awards (“RSAs”) activity for the three months ended March 31, 2016 .

	Shares (In Thousands)	Weighted-Average Grant Date Price Per Share
<b>Restricted Stock</b>		
Non-vested at December 31, 2015	1,114	3.21
Granted	1,315	2.18
Vested	(496)	2.86
Forfeited	(39)	2.29
Non-vested as of March 31, 2016	<u>1,894</u>	2.60

During the three months ended March 31, 2016 , the Company granted officers, directors, and employees a total of approximately 1.3 million shares of restricted common stock, including 0.5 million performance-based restricted stock awards ("PBRSA"), with vesting periods varying from immediate vesting to 36 months . During the same period, 38,941 shares of restricted common stock were forfeited.

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With regards to the PBRSA, each grant will vest if the individuals remain employed three years from the date of grant and the Company achieves specific performance objectives at the end of the designated performance period. Up to 50% additional shares may be awarded if performance objectives are exceeded. None of the PBRsAs will vest if certain minimum performance goals are not met. The performance conditions are based on the Company's total shareholder return over the performance period compared to an industry peer group of companies. Total estimated compensation expense is \$0.6 million over three years.

**12. Segment Information**

The Company's current operations are based in Nigeria, Kenya, The Gambia, and Ghana. Management reviews and evaluates the operations of each geographic segment separately. Operations include exploration for and production of hydrocarbons where commercial reserves have been found and developed. Revenues and expenditures are recognized at the relevant geographical location. The Company evaluates each segment based on operating income (loss).

Segment activity for the three months ended March 31, 2016 and 2015 are as follows:

<i>( In thousands )</i>	<b>Nigeria</b>	<b>Kenya</b>	<b>The Gambia</b>	<b>Ghana</b>	<b>Corporate and Other</b>	<b>Total</b>
<b>Three months ended March 31,</b>						
<b>2016</b>						
Revenues	\$ 4,929	\$ —	\$ —	\$ —	\$ —	\$ 4,929
Operating income (loss)	\$ (23,160)	\$ (542)	\$ (274)	\$ (886)	\$ (3,431)	\$ (28,293)
<b>2015</b>						
Revenues	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —
Operating income (loss)	\$ (22,236)	\$ (5,551)	\$ (371)	\$ (294)	\$ (3,579)	\$ (32,031)

Total assets by segment as of March 31, 2016 , and December 31, 2015 , are as follows:

<i>( In thousands )</i>	<b>Nigeria</b>	<b>Kenya</b>	<b>The Gambia</b>	<b>Ghana</b>	<b>Corporate and Other</b>	<b>Total</b>
<b>Total Assets</b>						
As of March 31, 2016	\$ 351,195	\$ 1,366	\$ 3,017	\$ 3,411	\$ 615	\$ 359,604
As of December 31, 2015	\$ 366,766	\$ 1,399	\$ 3,016	\$ 2,447	\$ 971	\$ 374,599

## ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

### Our Business

Erin Energy Corporation, a Delaware corporation, is an independent oil and gas exploration and production company focused on energy resources in Africa. Our strategy is to acquire and develop high-potential exploration and production assets in Africa, and to explore and develop those assets through strategic partnerships with national oil companies, indigenous local partners and other independent oil companies. We seek to build and operate a strategic portfolio of high-impact exploration and near-term development projects with significant production, reserves and resources growth potential.

We actively manage investments and on-going operations by limiting capital exposure through farm-outs at various stages of exploration and development to share risks and costs. We prioritize on building a strong technical and operational team and place an emphasis on the utilization of modern oil field technologies that mature our assets, reduce the cost of our projects and improve the efficiency of our operations.

Our shares are traded on both the NYSE MKT and on the Johannesburg Stock Exchange ("JSE") under the symbol "ERN."

Our asset portfolio consists of nine licenses across four countries covering an area of approximately 10 million acres (approximately 40,000 square kilometers). We own producing properties offshore Nigeria and conduct exploration activities as an operator offshore Nigeria and conduct exploration activities as an operator onshore and offshore Kenya, offshore The Gambia, and offshore Ghana.

Our operating subsidiaries include Erin Petroleum Nigeria Limited, CAMAC Energy Kenya Limited, Erin Energy Gambia Ltd., and Erin Energy Ghana Limited.

We conduct certain business transactions with our majority shareholder, CAMAC Energy Holdings Limited ("CEHL") and its affiliates, which include CAMAC International Nigeria Limited ("CINL") and Allied. See *Note 9 - Related Party Transactions* to the Notes to Unaudited Consolidated Financial Statements for further information.

Our Executive Chairman of the Board of Directors and Chief Executive Officer, Dr. Kase L. Lawal, is a director of each of the above listed related parties. He indirectly owns 27.7% of CEHL, which is the majority shareholder of the Company. As a result, he may be deemed to have an indirect material interest in transactions contemplated with CEHL and any of its affiliates. In March 2016, the Company announced the retirement of Dr. Lawal from service as a member and the Executive Chairman of the Board of Directors and the Chief Executive Officer of the Company effective as of the first day after the Company's 2016 annual meeting of stockholders. Further, the Company announced that John Hofmeister, a current member of the Board of Directors subject to his reelection, would succeed Dr. Lawal as the Chairman of the Board of Directors, and Segun Omidele, the current Chief Operating Officer, would succeed Dr. Lawal as the Chief Executive Officer.

### Nigeria

The Company currently owns 100% of the economic interests in the OMLs, which include the currently producing Oyo field.

In early May 2016, with the help of a light intervention vessel, the Company successfully completed well repair operations to resolve the mechanical problem related to well Oyo-8 and successfully resumed production from the well. Current production from the Oyo field is approximately 8,900 BOPD (approximately 7,800 BOPD net to the Company)

Current plans include drilling a development well in the Oyo field, and drilling an exploration well in the Miocene formation of the OMLs, subject to capital and rig availability.

### Kenya

In May 2012, the Company, through a wholly owned subsidiary, entered into four production sharing contracts with the Government of the Republic of Kenya, covering onshore exploration blocks L1B and L16, and offshore exploration blocks L27 and L28 (the "Kenya PSCs"). Each block requires specific work commitments to be completed by the end of the respective license periods. The Company is the operator of all blocks with the Government having the right to participate up to 20%, either directly or through an appointee, in any area subsequent to declaration of a commercial discovery. The Company is responsible for all exploration expenditures.

The Company is currently in the First Additional Exploration Period for both onshore blocks, which will last through July 2017. In accordance with the Kenya PSCs, the Company is obligated, for each block, to (i) acquire, process and interpret high density

300 square kilometer 3-D seismic data at a minimum expenditure of \$12.0 million and (ii) drill one exploration well to a minimum depth of 3,000 meters at a minimum expenditure of \$20.0 million. The Company plans to pursue completion of the work program and is considering the possibility of farming-out a portion of its rights to both blocks to potential partners.

In August 2015, the Company received approval from the Kenya Ministry of Energy and Petroleum for an 18-month extension of the Initial Exploration Period for offshore blocks L27 and L28, which will now last through February 2017. The remaining contractual obligation under the initial exploration period is for the Company to acquire, process and interpret 1,500 square kilometers of 3-D seismic data over both offshore blocks. The Company plans to pursue completion of the work program, and is also considering the possibility of farming-out a portion of its rights to both offshore blocks to potential partners. Upon completion of the work program, the Company has the right to apply for up to two additional two-year exploration periods, with specified additional minimum work obligations, including the acquisition of seismic data and the drilling of one exploratory well on each block during each additional period.

### **The Gambia**

In May 2012, the Company, through a wholly owned subsidiary, signed two Petroleum Exploration, Development & Production Licenses with The Republic of The Gambia, for offshore exploration blocks A2 and A5 (the "Gambia Licenses"). For both blocks, the Company is the operator, with the Gambian National Petroleum Company ("GNPCo") having the right to elect to participate up to a 15% interest, following approval of a development and production plan. The Company is responsible for all expenditures prior to such approval even if the GNPCo elects to participate.

The term of the initial exploration period for both blocks A2 and A5, now extended through December 2018, require for the Company to (i) complete the processing and interpretation of approximately 1,600 square kilometers of 3-D seismic data that was acquired in September 2015 and (ii) drill one exploration well on either block A2 or A5 and evaluate the drilling results. The 3-D seismic processing by an outside contractor is ongoing and is expected to be completed by the third quarter of 2016. The Company intends to pursue completion of the work program, and is also considering the possibility of farming-out a portion of its rights to both blocks to potential partners.

### **Ghana**

In April 2014, the Company, through an indirect 50%-owned subsidiary, signed a Petroleum Agreement with the Republic of Ghana (the "Petroleum Agreement") relating to the Expanded Shallow Water Tano block offshore Ghana ("ESWT"). The Contracting Parties, which hold 90% of the participating interest in the block, are Erin Energy Ghana Limited as the operator, GNPC Exploration and Production Company Limited, and Base Energy (collectively the "Contracting Parties"), holding 60%, 25%, and 15% share of the participating interest of the Contracting Parties, respectively. The Ghana National Petroleum Corporation initially has a 10% carried interest through the exploration phase, and will have the option to acquire an additional paying interest of up to 10% following a declaration of commercial discovery. The Company owns 50% of its subsidiary Erin Energy Ghana Limited. The remaining 50% interest is owned by an affiliate of the Company's majority shareholder.

The ESWT block contains three previously discovered fields (the "Fields") and the work program requires the Contracting Parties to determine, within nine months of the effective date of the Petroleum Agreement, the economic viability of developing the Fields. In addition, the Petroleum Agreement provides for an initial exploration period of two years from the effective date of the Petroleum Agreement, with specified work obligations during that period, including the reprocessing of existing 2-D and 3-D seismic data and the drilling of one exploration well on the ESWT block.

The Petroleum Agreement became effective in January 2015. Having completed the initial technical and commercial evaluation of the Fields, the Contracting Parties concluded that certain fiscal terms in the Petroleum Agreement had to be adjusted in order to achieve commerciality of the Fields under current economic conditions. The Contracting Parties have presented this conclusion to the relevant government entities. The Ghanaian Government is currently reviewing the requests for adjustment of the fiscal terms.

### **Results of Operations**

The following discussion pertains to the Company's results of operations, financial condition, liquidity and capital resources and should be read together with our unaudited consolidated financial statements and the notes thereto contained in this report, and our audited consolidated financial statements and notes thereto contained in our Annual Report on Form 10-K for the year ended December 31, 2015, filed on March 24, 2016 with the SEC.

## Three months ended March 31, 2016 , compared to three months ended March 31, 2015

### *Revenues*

Revenue is recognized when an oil lifting occurs. Crude oil revenues for the three months ended March 31, 2016 , were \$4.9 million , as compared to nil for the same period in 2015 . For the three months ended March 31, 2016 , the Company sold approximately 161,000 net barrels of oil at an average price of \$30.54/Bbl. There were no oil liftings during the three months ended March 31, 2015 .

During the three months ended March 31, 2016 , the average daily production from the Oyo field, net of royalty, was approximately 1,800 BOPD.

### *Operating Costs and Expenses*

Production costs for the three months ended March 31, 2016 , were \$22.6 million , as compared to expenditures of \$21.3 million for the same period in 2015 . Production costs include costs directly related to the production of hydrocarbons. Production costs increased in 2016 primarily because certain logistical support costs that were previously partially capitalized in 2015, because they were shared with drilling activities, remained in production costs in 2016 since there was no drilling campaign.

During the three months ended March 31, 2016 , the Company incurred \$2.1 million of exploration expenses, including \$0.9 million spent in Ghana, \$0.5 million spent in Kenya, \$0.4 million spent in Nigeria, and \$0.3 million spent in The Gambia. During the three months ended March 31, 2015 , the Company incurred \$6.5 million of exploration expenses, including \$5.1 million spent onshore Kenya primarily for the 2-D seismic acquisition and interpretation, \$0.4 million offshore Kenya, \$0.4 million in The Gambia, and \$0.3 million spent both in Nigeria and Ghana for exploration activities.

Depreciation, depletion and amortization ("DD&A") expenses for the three months ended March 31, 2016 , were \$4.8 million , as compared to \$0.1 million for the same period in 2015 . DD&A expenses were higher during the three months ended March 31, 2016 because there were no oil liftings during the same period in 2015 . The average depletion rate for the three months ended March 31, 2016 was \$29.81/Bbl, as compared to nil in the same period in 2015 .

Accretion of asset retirement obligations ("ARO") for the three months ended March 31, 2016 , was \$0.5 million as compared to \$0.6 million for the 2015 period. The lower ARO accretion expense in 2016 reflects a reduced abandonment cost estimate for the Oyo field.

In April 2015, the Company completed plug and abandonment (P&A) activities for well Oyo-6 that was previously shut-in. Additional P&A expenditures paid in the three months ended March 31, 2016 , in relation to well Oyo-6 P&A activities were \$0.2 million . Accordingly, the Company recognized this cost as a loss on settlement of its ARO. No P&A activity occurred during the same period in 2015.

General and administrative (G&A) expenses for the three months ended March 31, 2016 were \$4.0 million , as compared to \$3.5 million in the same period in 2015 . G&A increased in 2016 because the cost of certain support functions that were previously allocated to drilling costs remained in G&A since there was no drilling campaign.

### *Other Income (Expense)*

Other expense for the three months ended March 31, 2016 was \$4.6 million , consisting of \$5.4 million interest expense on borrowings, partially offset by a \$0.9 million gain on foreign currency transactions. Other expense for the same period in 2015 was \$1.2 million , consisting of \$2.6 million in interest expense on borrowings partially offset by \$1.4 million gain on foreign currency transactions.

### *Income Taxes*

Income taxes were nil for each of the three months ended March 31, 2016 and 2015 . The Company did not have any taxable income from its oil and gas activities in Nigeria in these respective periods.

## Headline Earnings

In addition to the Company's primary listing on the New York Stock Exchange, the Company's common stock is also traded on the JSE. The JSE requires for the Company to file certain documents that it files with the SEC. The JSE requires that we calculate Headline Earnings Per Share ("HEPS") which, per the SEC, is considered a non-GAAP measurement.

As defined in the Circular 3/2009 of The South African Institute of Chartered Accountants, headline earnings is an additional earnings number that excludes certain separately identifiable re-measurements, net of related tax, and related non-controlling interest.

The number of shares used to calculate basic and diluted HEPS is the same as basic and diluted EPS. During the three months ended March 31, 2016 and 2015, there were no separate identifiable re-measurements required and headline earnings was the same as net loss per share as disclosed on the unaudited consolidated statements of operations. Therefore, HEPS for the three months ended March 31, 2016 and 2015, were \$(0.15) and \$(0.16), respectively.

## Liquidity

### *Cash Flows from Operating Activities*

Cash used in operating activities in the three months ended March 31, 2016 decreased by \$6.4 million as compared to the same period in 2015 primarily due to increased use of vendor financing and higher non-cash adjustments to net loss.

### *Cash Flows from Investing Activities*

Cash used in investing activities for the three months ended March 31, 2016 was \$3.6 million, as compared to \$35.3 million for the same period in 2015. Cash used in investing activities for both periods was used primarily to settle outstanding liabilities associated with additions to property, plant, and equipment for the Oyo field redevelopment campaign in the OMLs.

### *Cash Flows from Financing Activities*

Net cash provided by financing activities of \$5.1 million in the three months ended March 31, 2016, consisted of \$6.0 million principal repayment of our Term Loan Facility, \$0.2 million payment to settle withholding tax obligations upon vesting of restricted stock awards, partially offset by \$8.1 million funds released from restricted cash, \$3.0 million inflows from short-term borrowings from a related party, and \$0.1 million proceeds from the exercise of stock options. Net cash provided by financing activities of \$34.2 million for the three months ended March 31, 2015, consisted of \$20.0 million borrowings under the 2015 Convertible Note, \$13.8 million borrowings under the Promissory Note, and \$0.4 million funding received from a related party owning a non-controlling interest in the Company's Ghana subsidiary.

## Capital Resources

Our primary cash requirements are for capital expenditures for the continued development of the Oyo field in Nigeria, operating expenditures for the Oyo field, exploration activities in unevaluated leaseholds, working capital needs, and interest and principal payments under current indebtedness.

The Company incurred losses from operations for the three months ended March 31, 2016. As of March 31, 2016, the Company's total current liabilities of \$352.2 million exceeded its total current assets of \$13.9 million, resulting in a working capital deficit of \$338.3 million. As a result of the current low commodity prices and the Company's low oil production volumes due to the recent mechanical problem associated with well Oyo-8, the Company has not been able to generate sufficient cash from operations to satisfy certain obligations as they became due.

The Company is currently pursuing a number of actions, including (i) obtaining additional funds through public or private financing sources, (ii) restructuring existing debts from lenders, (iii) obtaining forbearance of debt from trade creditors, (iv) reducing ongoing operating costs, (v) minimizing projected capital costs for the 2016 exploration and development campaign and (vi) farming-out a portion of our rights to certain of our oil and gas properties. There can be no assurances that sufficient liquidity can be raised from one or more of these actions or that these actions can be consummated within the period needed to meet certain obligations.

In February 2016, the Company lifted and sold approximately 183,000 Bbls of crude oil (approximately 161,000 Bbls net to the Company). Net proceeds to the Company were approximately \$4.9 million. In April 2016, the Company lifted and sold approximately 159,000 Bbls of crude oil (approximately 140,000 Bbls net to the Company). Net proceeds to the Company were approximately \$5.6 million.

Although we believe that we will be able to generate sufficient liquidity from the measures described above, our current circumstances raise substantial doubt about our ability to continue to realize the carrying value of our assets and operate as a going concern.

### **Off-Balance Sheet Arrangements**

From time-to-time, we may enter into arrangements that can give rise to off-balance sheet obligations. As of March 31, 2016, material off-balance sheet obligations include operating leases for the FPSO and certain employment contracts. Other than the material off-balance sheet arrangements discussed above, no other arrangements are likely to have a current or future material effect on our financial condition, results from operations, liquidity, capital expenditures or capital resources.

### **CAUTIONARY STATEMENT REGARDING FORWARD-LOOKING STATEMENTS**

This Quarterly Report on Form 10-Q includes “forward-looking statements” within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Exchange Act. All statements, other than statements of historical fact, in this report, including, without limitation, statements regarding our future financial position, business strategy, budgets, projected revenues, projected costs and plans and objectives of management for future operations, are, or may be deemed to be, forward-looking statements. Such forward-looking statements involve assumptions, known and unknown risks, uncertainties and other factors, which may cause the actual results, performance or achievements of the Company, to be materially different from historical earnings and those presently anticipated or projected or any future results, performance or achievements expressed or implied by such forward-looking statements contained in this report.

In addition, forward-looking statements generally can be identified by the use of forward-looking terminology such as “anticipate,” “believe,” “continue,” “could,” “estimate,” “expect,” “forecast,” “goal,” “intend,” “may,” “objective,” “plan,” “potential,” “predict,” “project,” “should,” “will,” “will likely,” or similar expressions. Although we believe that the expectations reflected in such forward-looking statements are reasonable, we can give no assurance that such expectations will prove to have been correct. We caution you not to place undue reliance on any such forward-looking statements, which speak only as of the date made. Important factors that could affect our financial performance and that could cause actual results for future periods to differ materially from our expectations include, but are not limited to:

- the supply, demand and market prices of oil and natural gas;
- our current and future indebtedness;
- our ability to raise capital to fund our current and future operations;
- our ability to develop oil and gas reserves;
- competition from other companies in the energy market;
- political instability and foreign government regulations over international operations;
- our lack of diversification of production and reserves;
- compliance and enforcement of restriction on production and exports;
- compliance and enforcement of environmental laws and regulations;
- our ability to achieve profitability;
- our dependency on third parties to enable us to produce and deliver oil and gas; and
- other factors disclosed under *Item 1. Description of Business, Item 1A. Risk Factors, Item 2. Properties, Item 7. Management’s Discussion and Analysis of Financial Condition and Results of Operations, Item 7A. Quantitative and Qualitative Disclosures About Market Risk* of our Annual Report on Form 10-K for the year ended December 31, 2015, and elsewhere in this report.

We have based our forward-looking statements on our management’s beliefs and assumptions based on information available to our management at the time the statements are made. We caution you that assumptions, beliefs, expectations, intentions and projections about future events may and often do vary materially from actual results. Therefore, we cannot assure you that actual results will not differ materially from those expressed or implied by our forward-looking statements.

For a detailed description of these and other factors that could cause actual results to differ materially from those expressed in any forward-looking statement, please see “Risk Factors” in Item 1A of Part II of this report and in our Annual Report on Form 10-K for the year ended December 31, 2015. Should one or more of these risks or uncertainties materialize, or should underlying assumptions prove incorrect, actual outcomes may vary materially from those indicated. All subsequent written and oral forward-looking statements attributable to us or persons acting on our behalf are expressly qualified in their entirety by reference to these risks and uncertainties. You should not place undue reliance on our forward-looking statements. Each forward-looking statement speaks only as of the date of the particular statement, and, except as required by law, we undertake no duty to update or revise any forward-looking statement.

### **ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK**

The Company may be exposed to certain market risks related to changes in foreign currency exchange, interest rates, and commodity prices.

#### **Foreign Currency Exchange Risk**

Our results of operations and financial conditions are affected by currency exchange rates. While oil sales are denominated in U.S. dollars, portions of our capital and operating costs in Nigeria are denominated in Naira, the Nigerian local currency. Similarly, portions of our exploration costs in Kenya, The Gambia, and Ghana are denominated in each country’s respective local currency.

Historically, the exchange rate between the U.S. dollar and the local currencies in the countries in which we operate has fluctuated widely in response to international political conditions, general economic conditions, and other factors beyond our control.

The weighted average exchange rate between the U.S. dollar and the Nigerian Naira was 188.36 Naira per each U.S. dollar for the three months ended March 31, 2016. For the three months ended March 31, 2016, a 10% fluctuation in the weighted average exchange rate between the U.S. dollar and the Nigerian Naira would have had an approximate \$0.4 million impact on our capital and operating costs in Nigeria.

To date, we have not engaged in hedging activities to hedge our foreign currency exposure in our foreign operations. In the future, we may enter into hedging instruments to manage our foreign currency exchange risk or continue to be subject to exchange rate risk.

#### **Commodity Price Risk**

As an independent oil producer, our revenue, other income and profitability, reserve values, access to capital and future rate of growth are substantially dependent upon the prevailing prices of crude oil. Prevailing prices for such commodities are subject to wide fluctuations in response to relatively minor changes in supply and demand and a variety of additional factors beyond our control. Prices received for oil production have been volatile and unpredictable, and such volatility is expected to continue.

Historically, realized commodity prices received for our crude oil sales have been tied to the Brent oil prices. Prices received have been volatile and unpredictable. For the three months ended March 31, 2016, a \$10.00 fluctuation in the prices received for our crude oil sales would have had an approximate \$1.6 million impact on our revenues.

We do not currently engage in hedging activities to hedge our exposure to commodity price risks. In the future, we may enter into hedging instruments to manage our exposure to fluctuations in commodity prices.

#### **Interest Rate Risk**

We are exposed to changes in interest rates, primarily from possible fluctuations in the London Interbank Borrowing Rate (“LIBOR”). The interest rates on our debt obligations are stated at floating rates tied to the LIBOR. Currently, we do not use interest rate derivative instruments to manage exposure to interest rate changes. For the three months ended March 31, 2016, the weighted average interest rate on our variable rate debt was 8.6%. Assuming our current level of borrowings, a 100 basis point increase in the interest rates we pay under our various debt facilities would result in an increase of our interest expense by \$2.1 million over a twelve month period.

## ITEM 4. CONTROLS AND PROCEDURES

### Evaluation of Disclosure Controls and Procedures

The Company maintains disclosure controls and procedures that are designed to ensure that information required to be disclosed in the Company's reports under the Exchange Act is recorded, processed, summarized, and reported within the time periods specified in the SEC's rules and forms, and that such information is accumulated and communicated to management, including its Chief Executive Officer and Chief Financial Officer, as appropriate, to allow timely decisions regarding required disclosure.

Management of the Company, with the participation of its Chief Executive Officer and Chief Financial Officer, evaluated the effectiveness of the Company's disclosure controls and procedures as of March 31, 2016. Based on their evaluation, as of the end of the period covered by this Form 10-Q, the Company's Chief Executive Officer and Chief Financial Officer concluded that the Company's disclosure controls and procedures were effective.

### Changes in Internal Control Over Financial Reporting

There have not been any changes in our internal control over financial reporting during the period covered by this report that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

## PART II. OTHER INFORMATION

### Item 1. Legal Proceedings

The disclosures required in this Item 1 are included in *Note 10 - Commitments and Contingencies* in the Notes to the Unaudited Consolidated Financial Statements included in Part I, Financial Information, Item 1, Financial Statements and incorporated herein by reference.

### Item 1A. Risk Factors

The following risk factors update the Risk Factors included in our Annual Report on Form 10-K filed with the SEC on March 24, 2016 for the fiscal year ended December 31, 2015 (the "Annual Report"). Except as set forth below, there have not been any material changes to the risk factors previously disclosed in Part I, Item 1A of the Annual Report.

***We have substantial indebtedness and may incur substantially more debt. Higher levels of indebtedness make us more vulnerable to economic downturns and adverse developments in our business.***

As of March 31, 2016, we had approximately \$50.0 million outstanding in aggregate principal under the 2014 Convertible Subordinated Note, \$45.7 million, net of discount, under the 2015 Convertible Note, \$90.8 million, net of discount, under the Term Loan Facility, \$25.0 million under the 2011 Promissory Note, and \$3.0 million under a 2016 Promissory Note, and we may incur additional indebtedness in the future. Our level of indebtedness has, or could have, important consequences to our business because:

- a substantial portion of our cash flows from operations will be dedicated to interest and principal payments and may not be available for operations, working capital, capital expenditures, expansion, acquisitions, general corporate or other purposes;
- it may impair our ability to obtain additional financing in the future for acquisitions, capital expenditures or general corporate purposes;
- it may limit our flexibility in planning for, or reacting to, changes in our business and industry; and
- we may be substantially more leveraged than some of our competitors, which may place us at a relative competitive disadvantage and make us more vulnerable to downturns in our business, our industry or the economy in general.

In addition, the terms of the Term Loan Facility restrict, and the terms of any future indebtedness including any future credit facility, may restrict our ability to incur additional indebtedness and grant liens because of debt or financial covenants we are, or may be, required to meet. Thus, we may not be able to obtain sufficient capital to grow our business or implement our business strategy and may lose opportunities to acquire interests in oil properties or related businesses because of our inability to fund such growth.

Our ability to comply with restrictions and covenants, including those in the Term Loan Facility or in any future credit facility, is uncertain and will be affected by the levels of cash flow from our operations and events or circumstances beyond our control. Our

failure to comply with any of the restrictions and covenants in the Term Loan Facility could result in a default, which could permit the lenders to accelerate repayments and foreclose on the collateral securing such indebtedness.

***Events of default may occur under the Allied related party notes, subject to waivers entered into by the Company and Allied in March 2016. If events of default occur or Allied accelerates the repayment obligations, as to matters not covered or no longer covered by the waivers, cross-defaults will exist under the Allied related party notes, and we will not be able to repay the obligations that become immediately due.***

Allied, a related party, is the holder of the 2014 Convertible Subordinated Note, the 2015 Convertible Note, and the 2011 Promissory Note (collectively the "Allied Notes"). Each of the Allied Notes contains certain default and cross-default provisions, including failure to pay interest and principal amounts when due and default under other indebtedness. As of March 31, 2016, the Company was not in compliance with the default provisions of each of the Allied Notes with respect to the payment of quarterly interest. Further, the risk of cross-default exists for each of the Allied Notes if the holder of the Term Loan Facility exercises its right to terminate the Term Loan Facility and accelerate its maturity. Allied agreed to waive its rights under all default provisions of each of the Allied Notes through April 2017. For additional information regarding defaults, cross-defaults and potential cross-defaults, please see the discussion regarding each debt instrument in *Note 8 - Debt* to the financial statements included herein. If any of our debt obligations are accelerated due to the events of default or future cross-defaults, we may not be able to repay the obligations that become immediately due and will have severe liquidity restraints.

***Due to lack of liquidity, we may not be able to make the required principal and interest payments under the Term Loan Facility due June 30, 2016 if we are not able to reach a loan restructuring agreement with the Bank.***

As a result of the current low commodity prices and the Company's low oil production volumes due to the recent mechanical problem associated with well Oyo-8, the Company has not been able to generate sufficient cash from operations to satisfy certain obligations as they became due. Also, the Company has been relying on short-term promissory notes, such as the March 2016 Short-Term Note and the April 2016 Short-Term Note, with an entity related to the Company's majority shareholder to supplement the Company's liquidity needs, but there can be no assurances that the related party will continue to provide such short-term loans in the future.

Pursuant to the Term Loan Facility, the Company will contractually owe approximately \$9.0 million for quarterly principal and interest on June 30, 2016, in addition to the \$5.6 million deferred for the U.S. dollar principal repayment originally due on March 31, 2016. Further, the Bank has the right to unilaterally review the terms and conditions of the Term Loan Facility and, among other things, terminate the Term Loan Facility and accelerate its maturity based on any adverse information putting the Term Loan Facility at risk. In April 2016, as part of ongoing discussions to restructure the Term Loan Facility, the Bank made a proposal granting certain concessions, including deferring all principal payments for one year, through June 2017. The Company is evaluating the Bank's proposal and expects to reach a mutually beneficial restructuring agreement with the Bank. Although the Company believes that its discussions with the Bank will yield favorable results, there can be no assurances that the final agreement with the Bank will be favorable to the Company.

Our failure to make the required payments under the Term Loan Facility or to comply with its applicable debt covenants, should there be no loan restructuring agreement with the Bank, could result in a default under the Term Loan Facility, and under the Allied Notes as a cross-default as described in the preceding risk factor, which could result in the acceleration of the payment of such debt, termination of the Bank's commitments to make further loans to us, loss of our ownership interests in the secured properties and/or otherwise materially adversely affect our business, financial condition and results of operations. Also if we are unable to service our debt obligations generally, we cannot assure you that the Company will continue in its current state or continue to operate as a going concern.

***We may be unable to continue as a going concern.***

As mentioned in the risk factors above, we have substantial debt obligations and may not be able to maintain adequate liquidity throughout 2016. As a result, the Company's consolidated financial statements included in this Quarterly Report on Form 10-Q have been prepared under the assumption that it will continue as a going concern, which assumes the continuity of operations, the realization of assets and the satisfaction of liabilities as they come due in the normal course of business. Our financial statements do not include any adjustments that might result from the outcome of this uncertainty. Although the Company believes that it will be able to generate sufficient liquidity, its current circumstances raise substantial doubt about its ability to continue to operate as a going concern. If we become unable to continue as a going concern, we may have to liquidate our assets, and the values we receive for our assets in liquidation or dissolution could be significantly lower than the values reflected in our financial statements.

**Item 2. Unregistered Sales of Equity Securities and Use of Proceeds***Unregistered Sales of Equity Securities*

There were no unregistered sales of equity securities during the quarter ended March 31, 2016 .

*Issuer Purchases of Equity Securities*

The following table sets forth certain information with respect to repurchases of our common stock during the quarter ended March 31, 2016 .

	<b>Total Number of Shares Purchased (1)</b>	<b>Average Price Paid Per Share</b>	<b>Total Number of Shares Purchased as Part of Publicly Announced Plan or Program</b>	<b>Maximum Number (or Approximate Dollar Value) of Shares that May be Purchased Under the Plans or Programs</b>
January 1 - January 31, 2016	3,643	\$ 4.02	—	—
February 1 - February 29, 2016	62,152	2.16	—	—
March 1 - March 31, 2016	17,318	2.31	—	—
Total	83,113	\$ 2.28	—	—

(1) All shares repurchased were surrendered by employees to settle tax withholding upon the vesting of restricted stock awards.

**Item 6. Exhibits**

The following exhibits are filed with this report:

<b>Exhibit Number</b>	<b>Description</b>
3.1	Amended and Restated Certificate of Incorporation of the Company (incorporated herein by reference to Exhibit 3.1 to the Company's Form 10-SB filed on August 16, 2007).
3.2	Certificate of Amendment to Amended and Restated Certificate of Incorporation of the Company (incorporated herein by reference to Exhibit 3.1 to the Company's Current Report on Form 8-K filed on April 13, 2010).
3.3	Certificate of Amendment to Amended and Restated Certificate of Incorporation of the Company (incorporated herein by reference to Exhibit 3.1 to the Company's Current Report on Form 8-K filed on February 19, 2014).
3.4	Certificate of Amendment to Amended and Restated Certificate of Incorporation of the Company (incorporated herein by reference to Exhibit 3.1 to the Company's Current Report on Form 8-K filed on April 23, 2015).
3.5	Amended and Restated Bylaws of the Company as of April 11, 2011 (incorporated by reference to Exhibit 3.1 of the Company's Quarterly Report on Form 10-Q filed on May 3, 2011).
3.6	First Amendment to the Amended and Restated Bylaws of the Company adopted on March 11, 2016 (incorporated herein by reference to Exhibit 3.1 to the Company's Current Report on Form 8-K filed on March 17, 2016).
10.1	Extension of Maturity Date for the 2015 Convertible Note dated March 11, 2015, amended March 16, 2016, by and among the Company and Allied Energy Plc (incorporated herein by reference to Exhibit 10.57 to the Company's Annual Report on Form 10-K filed on March 24, 2016).
10.2	Deferment Letter, dated March 30, 2016, from Zenith Bank Plc (incorporated herein by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K filed on April 5, 2016).
10.3	Promissory Note, dated May 9, 2016, by and between the Company and James Street Capital Partners.
31.1	Certification of Chief Executive Officer Pursuant to 15 U.S.C. § 7241, as Adopted Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
31.2	Certification of Principal Financial Officer Pursuant to 15 U.S.C. § 7241, as Adopted Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
32.1	Certification of Chief Executive Officer Pursuant to 18 U.S.C. § 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
32.2	Certification of Principal Financial Officer Pursuant to 18 U.S.C. § 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
101. INS	XBRL Instance Document.
101. SCH	XBRL Schema Document.
101. CAL	XBRL Calculation Linkbase Document.
101. DEF	XBRL Taxonomy Extension Definition Linkbase Document
101. LAB	XBRL Label Linkbase Document.
101. PRE	XBRL Presentation Linkbase Document.

**SIGNATURES**

Pursuant to the requirements of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

**Erin Energy Corporation**

Date: May 10, 2016

/s/ Daniel Ogbonna

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Daniel Ogbonna

Senior Vice President and Chief Financial Officer  
*(Principal Financial Officer)*

## PROMISSORY NOTE DUE 30 SEPTEMBER 2017

US\$10,000,000

Georgetown, Cayman Islands

May 9, 2016

As hereinafter provided, **Erin Energy Corporation**, (the "Borrower") a Delaware corporation having its principal place of business at 1330 Post Oak Blvd., Suite 2250, Houston, Texas 77056, USA acting herein by and through its duly authorized officers, hereinafter called "Borrower" promises to pay to the order of **James Street Capital Partners**, (the "Lender") a company organized and existing under the laws of the Cayman Islands, and having its registered office at P.O. Box 32338 SMB, Genesis Building, 3<sup>rd</sup> Floor, Georgetown, Grand Cayman, Cayman Islands, BWI, hereinafter called "Lender", for value received, the principal sum of TEN Million Dollars (\$10,000,000) lawful money of the United States of America, or such lesser principal amount as may be deemed advanced (the "Loan"), together with interest on any and all amounts remaining unpaid hereon from time to time from the date hereof until maturity at a rate of interest equal to seven percent (7.0%) *plus* (ii) the LIBOR Rate from this date until paid.

The value received shall be comprised of the following:

- (i) US\$3,000,000 for funds disbursed pursuant to Promissory Note dated March 24, 2016 which shall be deemed as fully settled and superseded with this note.
- (ii) US\$1,000,000 for funds disbursed pursuant to Promissory Note dated April 7, 2016 which shall be deemed as fully settled and superseded with this note.
- (iii) Additional borrowing requests up to the sum of US\$6,000,000, but not to exceed US\$1,000,000 in any 60-day period, unless specifically agreed in writing by Lender. Drawdown requests shall be submitted to the Lender in a letter signed by the Borrower specifying aggregate amount of the drawdown, the date on which such payment is required, and the location and number of the Borrower's account to which funds are to be disbursed.

"*LIBOR Rate*" means, for any date, a rate per annum equal to the one month London interbank offered rate for deposits in U.S. dollars rounded upwards if necessary to the nearest one one-hundredth (1/100<sup>th</sup>) of one percent as in effect on such date (or if such date is not a Business Day, as in effect on the immediately preceding Business Day) appearing on the display designated as Reuters Screen LIBOR01 Page, or such other page as may replace LIBOR01 on that service (or such other service as may be nominated as the information vendor by the British Bankers' Association for the purpose of displaying British Bankers' Association interest settlement rates for U.S. dollar deposits as the composite offered rate for London interbank deposits). If the aforementioned sources of the LIBOR Rate are no longer available, then the term "*LIBOR Rate*" shall mean the one month London interbank offered rate for deposits in U.S. dollars rounded upwards if necessary to the nearest one one-hundredths (1/100<sup>th</sup>) of one percent as shown on the appropriate Bloomberg Financial Markets Services Screen or any successor index on such service under the heading "USD."

The Borrower shall pay the principal of and accrued, but unpaid interest on this Note on the Maturity Date without limiting in any way the Borrower's obligation to make prepayments. If any payment or prepayment of principal or interest on this Note shall become due on a day which is not a business day, such payment shall be made on the next succeeding business day and such extension of time shall in such case be included in computing interest in connection with such payment.

“ *Maturity Date* ” means September 30, 2017.

Interest on this Note shall be computed on a rate per annum based on a year of 360 days and for the actual number of days (including the first but excluding the last day) elapsed. No interest shall accrue on interest accrued hereunder except and until accrued interest has become past due.

All past due principal and past due accrued interest and all attorneys' fees due under this Note shall bear interest from the date such sums are due until paid at the rate of seven percent (7.0%) *plus* (ii) the LIBOR Rate from this date until paid.

Borrower may from time to time prepay all or any portion of the outstanding balance of the Loan without penalty or premium. Simultaneously with any prepayment of principal, there must also be paid all interest accrued on the amount of principal so prepaid and all other sums then due hereunder or under any instrument, document or other writing now or hereafter securing or pertaining to this Note. If the original or a copy of this Note shall be placed in the hands of an attorney for collection after the occurrence of any Event of Default hereunder, or for the purpose of being sued upon or established in any manner in any court (including, but not limited to bankruptcy or probate proceedings), or for any other purpose whatsoever in any manner connected with or pertaining to the extension of credit evidenced hereby or any of the Obligors or any property, rights or interests now or hereafter securing this Note, then, in any such event, Borrower promises to pay to the then holder of this Note all attorneys' fees, costs and expenses theretofore, then and thereafter paid or incurred by any holder of this Note in any manner connected with or pertaining to any such attempted collection or establishment or any other acts connected with or pertaining to this Note or the extension of credit evidenced hereby or any of the Obligors (as hereafter defined) or any property, rights or interests now or hereafter securing this Note.

To the maximum extent not prohibited by applicable law, all Obligors severally waive grace, demand, notice of default, notice of intent to accelerate maturity, notice that the holder hereof will not accept late payments, notice of acceleration of maturity, presentment for acceleration, presentment for payment, protest, notice of protest, dishonor or default, and diligence in taking any action with respect to any security or the collection of any sums owing hereon, and consent to and waive notice of any and all renewals, extensions, rearrangements hereof and partial payments hereon and to the release of all or any part of the security herefor or any person or entity liable hereon or herefor under any terms deemed by the holder hereof, in its sole discretion, to be adequate. Any such renewal, extension or rearrangement, or the release of any such security or person or entity, may be made without notice to any of the Obligors and without affecting any security or the liabilities and obligations of any of the Obligors which is not expressly released in writing. The exercise of any right or remedy conferred upon any holder hereof in this Note, or in any instrument, document or other writing now or hereafter securing or otherwise pertaining to this Note or any other indebtedness now or hereafter owing by any of the Obligors to any holder hereof, shall be wholly discretionary with such holder, and such exercise of, or failure to exercise, any such right or remedy shall not in any manner affect, impair or diminish the obligations and liabilities of any of the Obligors, or constitute or be deemed a waiver of any such right or remedy or any other

past, present or future right or remedy of any holder hereof. It is further expressly agreed (without in any manner limiting the foregoing) that the acceptance of late payments or the failure to exercise the option to accelerate upon any Event of Default shall not in any manner constitute a waiver of the right to exercise the option to accelerate the maturity of this Note upon the failure to promptly pay any subsequent payment or in the event there exists or thereafter occurs any other or subsequent Event of Default, and no waiver shall be enforceable against the holder of this Note unless such waiver is expressly set forth in writing and duly executed by such holder.

This Note shall be governed by, and construed in accordance with, the laws of the Cayman Islands regardless of the laws that might otherwise govern under applicable principles of conflicts of laws thereof and Borrower submits to the non-exclusive jurisdiction of the Cayman Islands.

This Note shall be binding upon and inure to the benefit of Borrower, Lender and their respective heirs, successors, and assigns, except that Borrower may not assign or transfer any of its rights or obligations under this Note without the prior written consent of Lender.

Borrower hereby represents and warrants to Lender that neither the execution and delivery of this Note, nor the consummation of the transactions herein contemplated, nor compliance with the provisions with, or result in the breach of, or constitute a default under, any indenture, mortgage, deed of trust, agreement or other instrument or contractual obligation to which Borrower is a party or by which it or any of its property may be bound or affected.

Erin Energy Corporation

By 

Name Daniel O'Donnogh

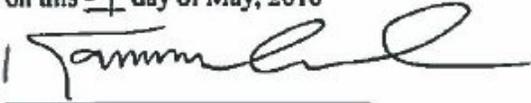
Title CFO

**Borrower's Address:**

1330 Post Oak Blvd., Suite 2250

Houston, Texas 77056, U.S.A.

Acknowledged and Agreed  
on this 9 day of May, 2016



By:  
For and on behalf of  
James Street Capital Partners

CERTIFICATION PURSUANT TO  
15 U.S.C. § 7241  
AS ADOPTED PURSUANT TO  
SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002

- I, Dr. Kase Lukman Lawal, certify that:
1. I have reviewed this Quarterly Report on Form 10-Q of Erin Energy Corporation;
  2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
  3. Based on my knowledge, the financial statements and other financial information included in this report, fairly present, in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
  4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
    - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
    - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of the financial statements for external purposes in accordance with generally accepted accounting principles;
    - (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
    - (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
  5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's Board of Directors:
    - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize, and report financial information; and
    - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: May 10, 2016

/s/ Dr. Kase Lukman Lawal

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Dr. Kase Lukman Lawal  
Chief Executive Officer  
(Principal Executive Officer)

CERTIFICATION PURSUANT TO  
15 U.S.C. § 7241  
AS ADOPTED PURSUANT TO  
SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002

I, Daniel Ogbonna, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Erin Energy Corporation;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements and other financial information included in this report, fairly present, in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
  - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
  - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of the financial statements for external purposes in accordance with generally accepted accounting principles;
  - (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
  - (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's Board of Directors:
  - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize, and report financial information; and
  - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: May 10, 2016

/s/ Daniel Ogbonna

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Daniel Ogbonna  
Senior Vice President and Chief Financial Officer  
(Principal Financial Officer)

CERTIFICATION PURSUANT TO  
18 U.S.C. § 1350  
AS ADOPTED PURSUANT TO  
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

The undersigned hereby certifies, in his capacity as the Principal Executive Officer of Erin Energy Corporation (the "Corporation"), that the Quarterly Report of the Corporation on Form 10-Q for the quarter ended March 31, 2016, fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended, and that the information contained in such report fairly presents, in all material respects, the financial condition and the results of operations of the Corporation.

Date: May 10, 2016

/s/ Dr. Kase Lukman Lawal

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Dr. Kase Lukman Lawal

Chief Executive Officer

*(Principal Executive Officer)*

CERTIFICATION PURSUANT TO  
18 U.S.C. § 1350  
AS ADOPTED PURSUANT TO  
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

The undersigned hereby certifies, in his capacity as the Principal Financial Officer of Erin Energy Corporation (the "Corporation"), that the Quarterly Report of the Corporation on Form 10-Q for the quarter ended March 31, 2016, fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended, and that the information contained in such report fairly presents, in all material respects, the financial condition and the results of operations of the Corporation.

Date: May 10, 2016

/s/ Daniel Ogbonna

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Daniel Ogbonna

Senior Vice President and Chief Financial Officer

*(Principal Financial Officer)*