NIKO RESOURCES LTD

Q2 RESULTS FOR THE QUARTER ENDED SEPTEMBER 30, 2014

NIKO REPORTS RESULTS FOR THE QUARTER ENDED SEPTEMBER 30, 2014

Niko Resources Ltd. ("Niko" or the "Company") is pleased to report its operating and financial results for the quarter ended September 30, 2014. The operating results are effective November 13, 2014. All amounts are in US dollars unless otherwise indicated and all amounts are reported using International Financial Reporting Standards unless otherwise indicated.

CHAIRMAN'S MESSAGE TO THE SHAREHOLDERS

I am pleased to have joined Niko as Chairman of the Board and interim Chief Executive Officer this quarter. Our new Board along with our executive team is focused, aligned and provides significant subject matter expertise to meet the challenges facing the Company at this time.

Our business strategy continues to be based on the following principles:

- Focus on value generation in the D6 Block in India;
- Reduce the Company's exposure to future drilling commitments in its exploration portfolio while, if possible, maintaining optionality to benefit from the exploration potential in its portfolio; and
- Continue to restructure the Company to create the necessary financial strength and flexibility to realize the inherent value of the Company's assets.

Thus far in fiscal 2015, the Company's strategic efforts have included the following:

- Closing the sale of its interest in the Block 5(c) asset in Trinidad, providing funds to repay $15 million of its settlement obligation for its drilling contracts and $20 million of the short-term Facility E portion of its term loan facilities, and adding an additional $26 million in cash to the balance sheet;
- Transferring its remaining interest in the Grand Prix block in Madagascar to an existing partner in exchange for contingent future success payments;
- Executing an agreement to sell its interest in seven PSCs in Indonesia for $31 million in proceeds, with further payments of up to $56 million contingent on future exploration success;
- Working with the governments to reschedule its exploration commitments and continuing its efforts to farm-out or sell assets in its exploration portfolio; and
- Focusing on innovative solutions to further improve the balance sheet and increase operating flexibility.

In October 2014, the Government of India announced its new domestic gas pricing policy effective November 1, 2014. The announced price for the period from November 2014 to March 2015 is a 33 percent increase over the price received previously and the Company expects to receive a cash benefit of $4 million over this period related to gas sales from the MA field in the D6 Block in India. However, there is uncertainty around the long-term natural gas price outlook in India and as a result, the Company is evaluating its plans for its assets in India.

At quarter end, the Company had available cash of over $130 million and will continue to focus its capital spending on core assets while minimizing cash outflows in other areas.

Kevin J. Clarke – Chairman and interim Chief Executive Officer, Niko Resources Ltd.

MANAGEMENT'S DISCUSSION AND ANALYSIS

Niko Resources Ltd. ("Niko" or the "Company") is a company incorporated in Alberta, Canada. The address of its registered office and principal place of business is Suite 4600 Devon Tower, 400 – 3 Avenue SW, Calgary, Alberta, Canada, T2P 4H2. The Company is engaged in the exploration for and development and production of oil and natural gas, primarily in India, Bangladesh, Indonesia, and Trinidad. The Company's common shares are traded on the Toronto Stock Exchange under the symbol "NKO".

The following Management's Discussion and Analysis ("MD&A") of the financial condition, results of operations and cash flows of the Company for the quarter ended September 30, 2014 should be read in conjunction with the unaudited interim consolidated financial statements for the quarter ended September 30, 2014. This MD&A is dated November 13, 2014. Additional information relating to the Company, including the Company's Annual Information Form ("AIF"), is available on SEDAR at www.sedar.com. All financial information is presented in thousands of US Dollars unless otherwise indicated.

The term "the current quarter" is used throughout the MD&A and in all cases refers to the period from July 1, 2014 through September 30, 2014. The term "prior year's quarter" is used throughout the MD&A for comparative purposes and refers to the period from July 1, 2013 through September 30, 2013. The term "current year to date" is used throughout the MD&A and in all cases refers to the period from April 1, 2014 through September 30, 2014. The term "prior year" and "prior year to date" is used throughout the MD&A and in all cases refers to the period from April 1, 2013 through September 30, 2013. The terms "fiscal 2014" used throughout the MD&A and in all cases refer to the period from April 1, 2013 through March 31, 2014. The term "fiscal 2015" is used throughout the MD&A and in all cases refer to the period from April 1, 2014 through March 31, 2015. The term "fiscal 2016" is used throughout the MD&A and in all cases refer to the period from April 1, 2015 through March 31, 2016.

Mcfe (thousand cubic feet equivalent) is a measure used throughout the MD&A. Mcfe is derived by converting oil and condensate to natural gas in the ratio of 1 bbl:6 Mcf. Mcfe may be misleading, particularly if used in isolation. A Mcfe conversion ratio of 1 bbl: 6 Mcf is based on an energy equivalency conversion method primarily applicable at the burner tip and does not represent a value equivalency at the wellhead. MMBtu (million British thermal units) is a measure used in the MD&A. It refers to the energy content of natural gas (as well as other fuels) and is used for pricing purposes. One MMBtu is equivalent to 1 Mcf plus or minus up to 20 percent, depending on the composition and heating value of the natural gas in question.

Cautionary Statement Regarding Forward-Looking Information and Material Assumptions

Certain statements in this MD&A are "forward-looking statements" or "forward-looking information" within the meaning of applicable securities laws, herein referred to as "forward looking statements" or "forward looking information". Forward-looking information is frequently characterized by words such as "plan," "expect," "project," "intend," "believe," "anticipate," "estimate," "scheduled," "potential" or other similar words, or statements that certain events or conditions "may," "should" or "could" occur. Forward-looking information is based on the Company's expectations regarding its future growth, results of operations, production, future capital and other expenditures (including the amount, nature and sources of funding thereof), competitive advantages, plans for and results of drilling activity, environmental matters, business prospects and opportunities. Such forward-looking information reflects the Company's current beliefs and assumptions and is based on information currently available to it. Forward-looking information involves significant known and unknown risks and uncertainties. A number of factors could cause actual results to differ materially from the results discussed in the forward-looking information including risks discussed below. Although the forward-looking information contained in this report is based upon assumptions which the Company believes to be reasonable, it cannot assure investors that actual results will be consistent with such forward-looking information. Because of the risks, uncertainties and assumptions inherent in forward-looking information, you should not place undue reliance on this forward-looking information. See also "Risk Factors."

Specific forward-looking information contained in this MD&A may include, among others, statements regarding:

- a shift in strategic focus of the Company, specifically, the planned limitation of exploration outside of India and Bangladesh, and the planned decrease in commitments and capital obligations with respect to exploration and evaluation assets;
- the interpretation and quantification of the India new domestic natural gas pricing guidelines issued in October 2014, including the quantum and applicability of gas price premium on the Company's existing gas fields in D6 and NEC-25 blocks;
- the addition of compression at the Block 9 gas processing plant and at D6 Block and the sustained production levels resulting therefrom;

- the Company's future development and exploration activities and the timing of these activities, including drilling and workover activities in the D6 Block in India and the corresponding increases in sales volumes from these activities;
- the success in securing farm-outs, swaps, or asset sales in Indonesia, Trinidad and Brazil and the rescheduling of certain of the Company's work commitments;
- the ability to seek joint venture partners;
- the sufficiency of the restricted cash and oil and gas revenues to satisfy the cash requirements for the Company's operational subsidiaries in India and Bangladesh for the foreseeable future;
- whether the Company's restructuring efforts will be sufficient to allow certain of the Company's exploration subsidiaries to meet existing and future obligations and create necessary financial strength and flexibility needed to fully realize the inherent value of the Company's assets;
- the performance characteristics of the Company's oil, natural gas liquids ("NGL") and natural gas properties;
- natural gas, crude oil, and condensate production levels, sales volumes and revenue;
- the volume and value of the Company's oil, NGL and natural gas reserves;
- projections of market prices and costs;
- the Company's ability to raise capital and to continually add to reserves through development;
- future funds from operations;
- debt and liquidity levels, and particularly in respect of debt and liquidity;
    - term loan and settlement agreement with Diamond Offshore ("Diamond");
    - the proposed sale of non-core assets and farm-out transactions involving exploratory production sharing contract ("PSC");
    - deferred obligations under the D6 Royalty Agreements; and
    - the satisfaction of all conditions under the term loan.
- future royalty rates;
- treatment under governmental regulatory regimes and tax laws;
- work commitments and capital expenditure programs;
- the Company's future ability to satisfy certain contractual obligations;
- future economic conditions, including future interest rates;
- the impact of governmental controls, regulations and applicable royalty rates on the Company's operations;
- the Company's expectations regarding the development and production potential of its properties;
- the Company's expectations regarding the costs for development activities;
- the resolution of various legal claims raised against the Company;
- the potential for asset impairment and recoverable amounts of such assets; and
- changes to accounting estimates and accounting policies.

The forward-looking statements contained in this MD&A are based on certain key expectations and assumptions made by us, including expectations and assumptions relating to prevailing commodity prices and exchange rates, applicable royalty rates and tax laws, future well production rates, the performance of existing wells, the success of drilling new wells, the availability of capital to undertake planned activities and the availability and cost of labor and services. Although the Company believes that the expectations reflected in the forward-looking statements in this MD&A are reasonable, it can give no assurance that such expectations will prove to be correct. Since forward-looking statements address future events and conditions, by their very nature they involve inherent risks and uncertainties. Actual results may differ materially from those currently anticipated due to a number of factors and risks. These include, but are not limited to, the risks associated with the oil and natural gas industry in general, such as operational risks in development, exploration and production, delays or changes in plans with respect to exploration or development projects or capital expenditures, the uncertainty of estimates and projections relating to production rates, governmental regulation, imprecision of reserve estimates, environmental risks, competition from other industry participants, the lack of availability of qualified personnel or management, stock market volatility and the Company's ability to access sufficient capital from internal and external sources, costs and expenses, commodity price and exchange rate fluctuations, marketing and transportation risks, changes in tax, royalty and environmental legislation, the impact of general economic conditions, risks associated with meeting all the Company's financing obligations and contractual commitments (including work commitments), the risks discussed under "Risk Factors" in the Company's most recent AIF and under the heading "Risk Factors" herein and in the Company's public disclosure documents, and other factors, many of which are beyond the Company's control. Statements relating to "reserves" are deemed to be forward-looking information, as they involve the implied assessment, based on certain estimates and assumptions, that the reserves described exist in the quantities predicted or estimated, and can be profitably produced in the future to achieve the future net revenue calculated in accordance with certain assumptions. The assumptions relating to the reserves reported are contained in the reports of Deloitte LLP dated June 25, 2014 and effective March 31, 2014 and are summarized in the Company's most recent AIF. Future net revenues associated with reserves do not necessarily represent fair market value. Additionally, test results from exploration discoveries may not be reflective of long-term performance or stabilized production levels of such wells or ultimate recovery. You are cautioned that the foregoing list of factors and risks is not exhaustive.

The Company prepares production forecasts taking into account historical and current production, and actual and planned events that are expected to increase or decrease production and production levels indicated in its reserve reports.

The Company prepares capital spending forecasts based on internal budgets for operated properties, budgets prepared by the Company's joint venture partners, when available, for non-operated properties, field development plans and actual and planned events that are expected to affect the timing or amount of capital spending.

The Company prepares operating expense forecasts based on historical and current levels of expenses and actual and planned events that are expected to increase or decrease production and/or the associated expenses. The Company makes no representation that the actual results achieved during the forecasted period will be the same in whole or in part as those forecasts.

The Company discloses the nature and timing of expected future events based on budgets, plans, intentions and expected future events for operated properties. The nature and timing of expected future events for non-operated properties are based on budgets and other communications received from joint venture partners.

The Company updates forward-looking information related to operations, production and capital spending on a quarterly basis when the change is material and update reserve estimates on an annual basis. See "Risk Factors" for discussion of uncertainties and risks that may cause actual events to differ from forward-looking information provided in this report. The information contained in this report, including the information provided under the heading "Risk Factors," identifies additional factors that could affect the Company's operating results and performance. The Company urges you to carefully consider those factors and the other information contained in this report.

The forward-looking statements contained in this report are made as of the date of this MD&A. The Company undertakes no obligation to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise, unless so required by applicable law. The forward-looking statements and the forward-looking information contained in this report are expressly qualified by this cautionary statement.

Non-IFRS Measures

The selected financial information presented throughout this MD&A is prepared in accordance with International Financial Reporting Standards ("IFRS"), except for "EBITDAX", and "segment profit". These non-IFRS financial measures, which have been derived from the unaudited interim consolidated financial statements and applied on a consistent basis, are used by management as measures of performance of the Company. These non-IFRS measures should not be viewed as substitutes for measures of financial performance presented in accordance with IFRS or as a measure of a company's profitability or liquidity. These non-IFRS measures do not have any standardized meaning prescribed by IFRS and are therefore unlikely to be comparable to similar measures presented by other companies.

The Company utilizes EBITDAX to assess performance and to help determine its ability to fund future capital investments and to repay debt. EBITDAX is calculated as net income before interest expense, income taxes, depletion and depreciation expenses, exploration and evaluation expenses, and other non-cash items (gain or loss on investments, gain or loss on asset disposal, asset impairment, share-based compensation expense, restructuring expenses, accretion expense, and unrealized foreign exchange gain or loss).

The Company utilizes segment profit to evaluate performance by segment and overall. Segment profit is defined as oil and natural gas revenues less royalties, the government share of profit petroleum, production and operating expenses, depletion expense, exploration and evaluation expense, asset impairment and current and deferred income taxes related to each business segment.

BUSINESS HIGHLIGHTS

The significant business highlights of the second quarter of fiscal 2015 are as follows:

Sales Volumes

	Three months ended September 30,		Six months ended September 30,	
(mmcfe/d)	2014	2013	2014	2013
D6 Block, India	47	54	49	54
Block 9, Bangladesh	65	56	65	53
Other(1)	2	2	2	3
Total(1)	114	113	116	110

(1) Other includes Hazira in India, and Canada.

(2) Figures may not add up due to rounding.

D6 Block, India

- Total sales volumes in the second quarter of fiscal 2015 from the D6 Block in India of 47 MMcfe/d were lower compared to the second quarter of fiscal 2014 primarily due to the impact of natural production declines in the fields in the block, partially offset by incremental production from the MA-8 development well brought on-stream in January 2014 and the MA-6H sidetrack well brought on-stream in April 2014.
- Construction activities for the onshore terminal booster compression project continued in the second quarter of fiscal 2015 with targeted completion by the fourth quarter of fiscal 2015.
- Appraisal of the MJ field continued in the second quarter of fiscal 2015 with the spud of the MJ-A3 appraisal well in September 2014. A conceptual engineering study is underway to evaluate potential development options for the MJ field.
- A workover in the Dhirubhai 1 and 3 fields concluded in the second quarter and has been suspended pending evaluation after installation of booster compression.
- In October 2014, the Cabinet Committee of Economic Affairs of the Government of India ("GOI") approved the new domestic gas pricing policy for India effective November 1, 2014 and the GOI issued the New Domestic Natural Gas Guidelines, 2014 (the "Guidelines"). Refer to the "Liquidity and Capital Resources" for a detailed discussion of the gas pricing policy and its impact on the Company and the Company's future outlook.

Block 9, Bangladesh

- Total sales volumes in the second quarter of fiscal 2015 were higher compared to second quarter of fiscal 2014 primarily due to the impact of workovers performed during the first half of fiscal 2014.
- Installation of plant compression facilities was completed in the second quarter of fiscal 2015 and a scheduled plant turnaround was completed in early October.

Restructuring

- In July 2014, the Company transferred its remaining 35 percent interest in the Grand Prix block in Madagascar to an existing partner in exchange for potential future payments that are contingent on certain future events in the block.
- In October 2014, the Company executed a definitive agreement with a subsidiary of Ophir Energy Plc relating to the sale of the Company's interests in seven Indonesian production sharing contracts ("PSCs") for cash consideration of $31 million, with further payments of up to $56 million contingent on future exploration success. Upon closing of the transactions, a specified portion of the proceeds would be used to reduce the Company's outstanding contract settlement obligation to Diamond Offshore, with the remainder subject to conditions outlined in the Company's term loan facilities agreement.

Legal Proceedings

- In September 2014, the arbitral tribunal ("Tribunal") under the International Centre for Settlement of Investment Disputes issued a favourable decision on the Payment Claim dispute between Niko Resources (Bangladesh) Ltd. ("NRBL") and Bangladesh Oil, Gas and Mineral Corporation ("Petrobangla"). The Tribunal decided that Petrobangla owes NRBL approximately $34 million (including accrued interest to September 30, 2014) for gas delivered from the Feni field in Bangladesh from 2004 to 2010 pursuant to a gas purchase and sales agreement between the parties. The decision invited the parties to seek an amicable settlement with respect to implementing the present decision. An amicable settlement has not been reached between the parties and is currently under further negotiations.

- At the direction of the Tribunal, the hearing on the Compensation Declaration dispute over compensation claims arising from the uncontrolled flow problems that occurred in Chattak field in January and June 2005 has been deferred from the original scheduled date of November 2014 and has not yet been rescheduled.

CAPITAL AND EXPLORATION EXPENDITURES

For the six months ended September 30, 2014:

(thousands of US Dollars)	Additions to property, plant and equipment(1)	Additions to capital inventory	Additions to exploration and evaluation assets(1)(2)	Directly expensed exploration and evaluation costs(1)	Total
India and Bangladesh	23,124	1,053	7,743	586	32,506
Other	163	(5,812)	1,882	10,952	7,185
Total	23,287	(4,759)	9,625	11,538	39,691

(1) Share-based compensation and other non-cash items are excluded.

(2) Includes additions that were subsequently written off.

India and Bangladesh

Capital and exploration expenditures in India and Bangladesh totaled $33 million for the six months ended September 30, 2014, including $15 million in the current quarter. Development capital of $23 million incurred year to date related primarily to the drilling of wells and workover operations in the D1-D3 field in the D6 Block in India. Exploration and evaluation capital of $8 million year to date related primarily to the appraisal drilling in the MJ field in India. Costs related to drilling of the MJ-A2 well in the first quarter have been expensed.

Other Countries

Capital and exploration expenditures outside of India and Bangladesh totaled $7 million for the six months ended September 30, 2014, including $5 million in the current quarter. Exploration and evaluation costs expensed directly to income of $11 million and other exploration and evaluation expenditures of $2 million were partially offset by the impact of returning $6 million of drilling inventory to suppliers in the first quarter.

FINANCIAL HIGHLIGHTS

EBITDAX / Net Loss

The following table provides a reconciliation of net loss under IFRS as disclosed in the unaudited interim consolidated financial statements of comprehensive income/(loss) to EBITDAX.

	Three months ended September 30,		Six months ended September 30,	
(thousands of US Dollars)	2014	2013	2014	2013
Oil and natural gas revenue	28,471	36,388	63,632	64,430
Production and operating expenses	(9,558)	(14,180)	(18,927)	(22,277)
General and administrative expenses	(1,455)	(2,262)	(5,152)	(3,597)
Finance and other income	932	18,281	4,717	18,421
Bank charges and other finance costs	(18)	(542)	(74)	(682)
Realized foreign exchange (loss) gain	(29)	(116)	-	840
EBITDAX(1)	18,343	37,569	44,196	57,135
Cash interest expense	(14,382)	(5,915)	(29,874)	(10,268)
Cash restructuring costs	(2,260)	-	(3,665)	-
Current income tax expense	-	(6)	(22)	(10)
Non-cash production and operating expenses	(174)	(193)	(356)	(343)
Depletion and depreciation expenses	(23,517)	(28,506)	(47,758)	(58,693)
Exploration and evaluation expenses	(7,984)	(121,704)	(24,236)	(151,936)
Non-cash restructuring (costs) recovery	(165)	-	583	-
Loss on investments	-	(453)	-	(1,342)
Gain from asset disposal	664	-	664	-
Asset impairment	(570)	(21,097)	(1,170)	(21,097)
Share-based compensation recovery (expense)	1,623	(2,444)	727	(5,130)
Accretion expense	(10,830)	(4,587)	(29,118)	(6,773)
Interest expense due upon repayment	(3,833)	-	(4,011)	-
Unrealized foreign exchange gain (loss)	2,920	388	14	(8,542)
Deferred income tax recovery (expense)	992	(1,593)	(90)	(712)
Net loss	(39,173)	(148,541)	(94,116)	(207,711)

(1) Non-IFRS measures as defined under "Non-IFRS measures" in this MD&A.

OVERALL PERFORMANCE AND RESULTS OF OPERATIONS

Oil and natural gas revenue

For the current quarter and year to date, oil and natural gas revenue decreased compared to the prior quarter and prior year primarily due to decreased natural gas sales volumes from the D6 Block in India, offset by increased crude oil and gas sales volumes from Block 9 in Bangladesh and an increase in crude oil and condensate sales volumes from the D6 Block in India.

Production and operating expenses

Production and operating expense for the current year and year to date decreased compared to the prior quarter and prior year primarily due to the costs of workovers in Block 9 in Bangladesh in the prior year period and the impact of the transfer of costs to expense related to the change in crude oil and condensate inventory volumes in the D6 Block in India.

General and administrative expenses

General and administrative expense for the current year to date increased compared to prior quarter and prior year due to higher legal costs incurred associated with the Company's ICSID arbitration cases in Bangladesh.

Finance and other income

Finance and other income for the current year to date included $2 million of insurance premium refunds in India and $2 million in settlement of vendor obligations. In the prior year's quarter, the Company farmed out a portion of its interest in Madagascar property resulting in other income of $18 million.

Interest expense

Cash interest expense for the current quarter and year to date increased primarily due to the term loan facilities agreement entered in the third quarter of fiscal 2014. Interest expense due upon repayment is related to an additional 5 percent interest per annum since June 2014, that is payable on repayment of the term loan if first ranking security is not provided for over the Company's participating interest in the D6 Block. If security is provided prior to March 31, 2015, the additional interest would not be required to be paid (with the additional interest payable to be reduced if the security is provided after March 31, 2015).

Restructuring costs

Cash restructuring costs in the current quarter and year to date is related to allocated expenses and advisory costs incurred for the Company's restructuring efforts initiated in fiscal 2014. Current year to date non-cash restructuring cost recovery was due to share-based compensation adjustments resulting from the forfeiture of stock options.

Depletion and depreciation expenses

Depletion and depreciation expenses in current quarter and year to date decreased primarily due to lower production volumes for the D6 Block in India.

Exploration and evaluation expenses

Exploration and evaluation expenses decreased in the current quarter and year to date as a result of the Company's overall reduction in exploration activities in various blocks. In the first quarter of the current year, the Company expensed the costs of the unsuccessful MJ-A2 appraisal well in the D6 Block in India. Exploration and evaluation expenses in the prior year to date included costs associated with unsuccessful wells in Indonesia and standby costs for the Ocean Monarch rig and associated services.

Share-based compensation expense

Share-based compensation recovery in the current quarter and year to date resulted from higher forfeitures of stock options compared to prior year.

Accretion expense

Accretion expense increased in the current quarter and year to date primarily due to the term loan agreement, contract settlement obligation and deferred obligation entered into at the end of the third quarter of fiscal 2014, along with the impacts of early prepayments of the outstanding principal on Facility E of the term loan and of a portion of the contract settlement obligation in the first quarter of fiscal 2015.

Unrealized foreign exchange gain (loss)

The unrealized foreign exchange gain experienced in the current quarter primarily reflected the impact of the weakening of the Canadian Dollar against the US Dollar on the Company's Canadian Dollar denominated convertible notes. The unrealized foreign exchange loss in the prior year to date primarily related to the impact of the weakening of the Indian Rupee against the US Dollar on Indian Rupee denominated income tax and minimum alternative tax receivables.

SEGMENT PROFIT

India

(thousands of US Dollars)	Three months ended September 30, 2014	2013	Six months ended September 30, 2014	2013
Natural gas revenue	17,184	19,036	34,907	39,881
Oil and condensate revenue	5,978	9,938	14,960	11,205
Royalties	(1,135)	(1,272)	(2,369)	(2,647)
Government share of profit petroleum	(324)	(321)	(912)	(886)
Production and operating expense	(7,346)	(7,852)	(14,531)	(11,418)
Depletion and depreciation expense	(22,121)	(26,323)	(44,966)	(54,609)
Asset impairment	-	-	(9)	-
Exploration and evaluation expense	(212)	(13)	(7,121)	(49)
Gain from asset disposal	664	-	664	-
Current tax expense	-	-	(22)	(3)
Deferred income tax recovery (expense)	992	(4,321)	(90)	(3,863)
Segment loss[(1)]	(6,320)	(11,128)	(19,489)	(22,389)
Daily natural gas sales (Mcf/d)	44,842	50,309	45,852	52,918
Daily oil and condensate sales (bbls/d)	699	998	809	578
Operating costs ($/Mcfe)	1.59	1.57	1.52	1.09
Depletion rate ($/Mcfe)	4.77	5.21	4.76	5.16

(1) Segment loss is a non-IFRS measure as calculated above.

The India segment includes results from the Dhirubhai 1 and 3 natural gas fields and the MA oil and natural gas field in the D6 Block, the Hazira oil and natural gas field and the Surat gas field.

Natural gas revenue decreased in the current quarter and year to date compared to prior quarter and prior year primarily due to anticipated natural declines in the D6 Block, partially offset by production from two wells in the MA field brought on-stream in January 2014 and April 2014, respectively. Oil and condensate revenue in the current quarter is lower than the prior year's quarter due to lower sales of crude oil and condensate volumes held in inventory and lower prices, while oil and condensate revenue in the current year to date is higher than the prior year to date due to higher sales of crude oil and condensate volumes held in inventory, partially offset by lower prices.

Production and operating expenses for the current quarter and year to date was lower than the prior quarter and higher than the prior year to date respectively, primarily due to the impact of the transfer of costs to expense related to the change in crude oil and condensate inventory volumes.

Depletion and depreciation expense decreased for the current quarter and year to date due to lower production volumes in the D6 Block.

Exploration and evaluation expenses in the current year to date increased from the prior year to date primarily related to the costs of the unsuccessful appraisal well in the MJ field in the first quarter of the fiscal 2015.

Due to the uncertainty around the future long-term natural gas price outlook, the Company is currently evaluating its assets in India, including the potential impact on the Company's plans for development of undeveloped proved and probable reserves in the D6 and NEC-25 blocks in India. The announced gas price for the period from November 1, 2014 to March 31, 2015 is lower than prices used in preparation of the Company's independent reserve evaluation for these blocks as at March 31, 2014 and there is significant uncertainty in the future long-term gas price outlook in India. Changes to the Company's plans could result in material impairments to the carrying value of assets related to the D6 and NEC-25 blocks in India. The magnitude of any potential impairment is indeterminable at this time.

Bangladesh

(thousands of US Dollars)	Three months ended September 30, 2014	2013	Six months ended September 30, 2014	2013
Natural gas revenue	13,603	11,725	27,243	22,086
Condensate revenue	1,665	1,687	3,528	3,038
Government share of profit petroleum	(8,515)	(4,537)	(13,757)	(8,496)
Production and operating expense	(2,386)	(6,430)	(4,752)	(11,021)
Depletion and depreciation expense	(1,202)	(1,909)	(2,406)	(3,595)
Exploration and evaluation expense	(333)	-	(526)	(180)
Segment profit[(1)]	2,832	536	9,330	1,832
Daily natural gas sales (Mcf/d)	63,721	55,079	64,203	52,138
Daily condensate sales (bbls/d)	182	172	187	161
Operating costs ($/Mcfe)	0.38	1.21	0.38	1.09
Depletion rate ($/Mcfe)	0.20	0.37	0.20	0.37

(1) Segment profit is a non-IFRS measure as calculated above.

Natural gas revenues for the current quarter and year to date increased as a result of higher sales volumes resulting from the completion of well workovers in the prior year periods.

The government share of profit petroleum for the current quarter and year to date increased compared to the prior quarter and prior year as past unrecovered allowable costs have been fully recovered in the current year to date, resulting in a higher proportion of gross revenue being shared with the government under the terms of the production sharing contract.

Production and operating expense for the current quarter and year to date decreased primarily due to workover costs in the prior year periods.

Depletion and depreciation expense for the current quarter and year to date decreased due to a lower depletion rate arising from positive reserve revisions recorded at the end of fiscal 2014, partially offset by increased production volumes.

Indonesia

(thousands of US Dollars)	Three months ended September 30, 2014	2013	Six months ended September 30, 2014	2013
Exploration and evaluation expense	(4,431)	(106,407)	(9,411)	(129,314)
Depletion and depreciation expense	(40)	(97)	(77)	(144)
Asset impairment	(10)	(13,830)	(541)	(13,829)
Restructuring cost	6	-	(32)	-
Income tax recovery	-	2,728	-	3,151
Segment loss[(1)]	(4,475)	(117,606)	(10,061)	(140,136)

(1) Segment loss is a non-IFRS measure as calculated above.

Exploration and evaluation expenses in Indonesia in the current quarter and current year to date decreased from prior quarter and prior year as a result of the reduced exploration and evaluation efforts due to the Company's shift in strategic focus. In the prior year to date, exploration and evaluation expenses of $129 million included $89 million of unsuccessful wells, $26 million for rig mobilization and standby costs, $6 million for seismic and other exploration projects, and $8 million for branch office costs and share based compensation. In the prior quarter, $13 million of asset impairment was recognized in relation to the Cendrawasih block.

Trinidad

(thousands of US Dollars)	Three months ended September 30, 2014	2013	Six months ended September 30, 2014	2013
Exploration and evaluation expense	(2,388)	(11,669)	(5,684)	(16,646)
Depletion and depreciation expense	(23)	(30)	(48)	(61)
Asset impairment	-	(7,267)	(60)	(7,268)
Restructuring cost	(20)	-	(20)	-
Segment loss(1)	(2,431)	(18,966)	(5,812)	(23,975)

(1) Segment loss is a non-IFRS measure as calculated above.

Exploration and evaluation expenses in Trinidad in the current quarter and current year to date decreased from prior quarter and prior year as a result of the reduced exploration and evaluation efforts due to the Company's shift in strategic focus. In the prior year to date, $7 million of asset impairment was recognized in relation to the relinquishment of the Central Range Blocks.

All Other (Brazil, Madagascar, Pakistan, Canada)

(thousands of US Dollars)	Three months ended September 30, 2014	2013	Six months ended September 30, 2014	2013
Other income	560	18,052	2,159	18,052
Royalty (expense) / income	15	(4)	32	(1)
Exploration and evaluation expense	(620)	(3,615)	(1,494)	(5,747)
Production and operation expense	-	(91)	-	(181)
Depletion and depreciation expense	(131)	(147)	(261)	(284)
Asset impairment	(560)	-	(560)	-
Income tax expense	-	(7)	-	(7)
Segment loss(1)	(736)	14,188	(124)	11,832

(1) Segment loss is a non-IFRS measure as calculated above.

Other income in the current year to date included $2 million related to settlement of outstanding vendor obligations in Brazil. In the prior year's quarter, the Company farmed out a portion of its interest in its Madagascar property and recorded other income of $18 million for the proceeds of the farm-out in excess of the recorded asset. Exploration and evaluation expenses in the current quarter and current year to date decreased from prior periods as a result of the reduced exploration and evaluation efforts due to the Company's shift in strategic focus. Asset impairment recognized during the current quarter relates to the farm-out of the remaining 35 percent interest in the Grand Prix block in Madagascar to an existing joint venture partner.

CORPORATE

(thousands of US Dollars)	Three months ended September 30, 2014	2013	Six months ended September 30, 2014	2013
Finance and other income	372	229	2,558	369
General and administrative expenses	(1,455)	(2,262)	(5,152)	(3,597)
Share-based compensation expense	1,623	(2,444)	727	(5,130)
Restructuring cost	(2,411)	-	(3,030)	-
Finance expense	(29,063)	(11,044)	(63,077)	(17,723)
Foreign exchange gain (loss)	2,891	272	14	(7,702)
Gain / (loss) on investments	-	(453)	-	1,342

Finance and other income

Finance and other income for the current year to date increased from prior year primarily due to insurance premium refunds in India.

General and administrative expenses

General and administrative expenses for the current year to date increased from prior year to date due to higher legal costs incurred associated with the Company's ICSID arbitration cases in Bangladesh.

Share-based compensation expense

Share-based compensation recovery in the current quarter and year to date resulted from higher forfeitures of stock options compared to prior year.

Restructuring costs

Restructuring costs in the current quarter and year to date relate to allocated expenses and advisory costs incurred for the Company's restructuring efforts initiated in the third quarter of fiscal 2014, partially offset by recoveries resulting from forfeitures of stock options.

Finance expense

	Three months ended September 30,		Six months ended September 30,	
(thousands of US Dollars)	2014	2013	2014	2013
Interest expense	18,215	5,915	33,885	10,268
Accretion expense	10,830	4,587	29,118	6,773
Bank charges and other finance costs	18	542	74	682
Finance expense	29,063	11,044	63,077	17,723

Interest expense for the current quarter and year to date increased primarily due to the term loan facilities agreement entered into at the end of the third quarter of fiscal 2014, including an additional 5 percent interest per annum since June 2014, that is payable on repayment of the term loan if first ranking security is not provided for over the Company's participating interest in the D6 Block. If security is provided prior to March 31, 2015, the additional interest would not be required to be paid (with the additional interest payable to be reduced if the security is provided after March 31, 2015).

Accretion expense increased in the current quarter and year to date primarily due to the term loan agreement, contract settlement obligation and deferred obligation entered in fiscal 2014, along with the impacts of early prepayments of the outstanding principal on Facility E of the term loan and a portion of the contract settlement obligation during the first quarter of fiscal 2015.

Foreign Exchange

	Three months ended September 30,		Six months ended September 30,	
(thousands of US Dollars)	2014	2013	2014	2013
Realized foreign exchange loss (gain)	29	116	-	(840)
Unrealized foreign exchange (gain) loss	(2,920)	(388)	(14)	8,542
Total foreign exchange (gain) loss	(2,891)	(272)	(14)	7,702

An unrealized foreign exchange gain in the current quarter primarily relates the impact of the weakening of the Canadian Dollar against the US Dollar on the Company's Canadian Dollar denominated convertible notes. The unrealized foreign exchange loss in the prior year to date was related to the impact of the weakening of the Indian Rupee against the US Dollar on Indian Rupee denominated income tax and minimum alternative tax receivables.

Realized foreign exchange gain in the prior year to date primarily relates to the impact of the weakening of the Indian Rupee against the US Dollar on Indian Rupee denominated payables.

LIQUIDITY AND CAPITAL RESOURCES

To implement its strategy of developing and appraising the assets in the D6 Block in India while maintaining optionality in the balance of its exploration portfolio, the Company has the following sources of funding for its planned operating, investing and financing cash outflows (including working capital requirements):

- Unrestricted cash and cash equivalents as at September 30, 2014 of $120 million;
- Restricted cash as at September 30, 2014 of $12 million that is available for funding of expenditures related to the D6 Block in India (including working capital requirements);
- Receipts of oil and natural gas revenues from its producing assets in India and Bangladesh;
- Potential proceeds from asset sales, farm-outs and other arrangements; and
- Potential proceeds from future equity or debt issues.

Subsequent Event: Domestic Natural Gas Pricing Policy for India

In October 2014, the Cabinet Committee of Economic Affairs of the GOI approved the new domestic gas pricing policy for India effective November 1, 2014 and the GOI issued the New Domestic Natural Gas Guidelines, 2014 (the "Guidelines"). In accordance with the new Guidelines, the GOI issued a notification that the initial price for the period of November 1, 2014 to March 31, 2015 is $5.05 / MMbtu based on the gross calorific value of the sales gas. This price equates to approximately $5.61 / MMbtu based on the net calorific value ("NCV") of the sales gas, an increase of approximately 33 percent from the $4.20 / MMbtu NCV that natural gas sales had been priced at prior to the adoption of the Guidelines.

The Guidelines indicate that, subject to certain exceptions, this initial price is applicable to all natural gas produced from various types of blocks in India including NELP blocks (such as the D6 and NEC-25 blocks in which the Company holds a 10 percent interest). One of the exceptions noted in the Guidelines is the Dhirubhai 1 and 3 fields in the D6 Block where a dispute between the contractor group and the GOI on the cost recovery of certain costs is under arbitration. The Guidelines indicate that the contractor group will be paid the earlier price of $4.20 / MMbtu and the difference between the revised price and the $4.20 / MMbtu will be credited to a gas pool account and "whether the amount so collected is payable or not to the contractors of this block would be dependent on the outcome of the award of the pending arbitration and any attendant legal proceedings".

Approximately 40 percent of the natural gas sold from the D6 Block for the period of April to September of 2014 was produced from the MA field and approximately 60 percent was produced from the D1 D3 fields. Based on the Company's current projections of natural gas production from the MA field, the revised price will provide incremental revenue to Niko of approximately $4 million from the MA field for the period from November 1, 2014 to March 31, 2015, while the cash flow benefit of the revised price on the Company's share of gas sales from the D1 D3 fields is not expected to be available to the Company unless and until the pending arbitration is resolved in the favour of the contractors of the D6 Block (see note 23d in the unaudited interim consolidated financial statements).

As per the Guidelines, the announcement of the gas price for the period of April 1, 2015 to September 30, 2015 is expected to occur in mid-March 2015.

The Guidelines indicate that "For all discoveries after the issuance of these guidelines, in Ultra Deep Water Areas, Deep Water Areas and High Pressure-High Temperature areas, a premium would be given on the gas price determined as per the formula" defined in the Guidelines, with the premium to be "determined as per prescribed procedure." The applicability of the premium to existing undeveloped discoveries in the D6 and NEC-25 blocks, such as the discoveries included in the approved plans of development for the R-Cluster and Satellite Areas, remains to be clarified. The development of these discoveries is dependent on the future long-term price outlook for gas sales from these projects and the uncertainty in this outlook could mean that the development of these reserves could be deferred and/or material reductions in the Company's reported reserves or future net revenues could result.

Liquidity and Covenants

The Company is currently projecting that its current balances of unrestricted cash and restricted cash that is available for funding of expenditures related to the D6 Block in India and its receipts of oil and natural gas revenues from its producing assets in India and Bangladesh will be sufficient to satisfy the cash requirements of its operating subsidiaries in India and Bangladesh, its corporate general and administrative costs, and its interest obligations for at least the next twelve months, assuming that previously planned investments targeted towards the development projects in India are deferred as expected.

As at September 30, 2014, the Company had $107 million of accounts payable and accrued liabilities related to its exploration subsidiaries in Indonesia and Trinidad and has significant exploration work commitments associated with these subsidiaries, including commitments of the Trinidad subsidiaries that are backed up by parent company guarantees. The Company has requested extensions to the deadlines for fulfilling certain of these commitments, some of which have a current deadline of November 2014. The terms of the Company's term loan facilities limit the funding of capital expenditures and working capital requirements in these areas and the Company is evaluating its options for these subsidiaries as part of its strategy of maintaining optionality in its exploration portfolio. The Company is working on selling or farming out interests in many of its exploration production sharing contracts, rescheduling its exploration commitments, and settling its vendor liabilities. In October 2014, the Company executed an agreement to sell its interest in seven PSCs in Indonesia and plans to continue its efforts related to selected assets in its portfolio, as described below. The Company plans to continue its efforts to sell or farm out interests in many of its exploration production sharing contracts, reschedule its exploration commitments, and settle its vendor liabilities. There is significant uncertainty regarding whether these efforts will be sufficient to allow certain of the Company's exploration subsidiaries to meet existing and future obligations and continue activities in the future.

The Company is subject to the following financial covenants under its term loan facilities agreement:

- Maximum ratio of (a) consolidated senior debt (defined as debt incurred under facilities A, B and C of the term loan and finance lease obligations) to (b) the consolidated EBITDAX (as defined in the facilities agreement) for the trailing four quarters, commencing with the period ended June 30, 2014.
- Minimum ratio of (a) proved plus probable reserves for the D6 Block to (b) senior debt, commencing with the period ended March 31, 2014 (with the calculation performed annually based on its year-end reserves and financial statements).

As at September 30, 2014, the Company is in compliance with all of the covenants specified in the facilities agreement for the Company's term loan. For future periods, the Company's ability to meet its financial covenants is dependent on the issues noted above regarding gas pricing in India and other factors outside the control of the Company. While management currently believes that the Company will be able to meet such covenants, obtain a waiver with respect to a breach of such covenants, or take other appropriate actions, there can be no assurance that the Company will be successful.

As a result of the foregoing matters (including the ongoing obligations of the Company and its subsidiaries), there is material uncertainty that may cast significant doubt about the ability of the Company to continue as a going concern.

Non-core Asset Dispositions, Farm-outs and Other Arrangements

In the second quarter of fiscal 2015, the Company transferred its remaining 35 percent interest in the Grand Prix block in Madagascar to an existing partner in exchange for potential future payments to the Company that are contingent on certain future events in the block.

Subsequent Event: Sale of Interests in Seven Indonesian PSCs

In October 2014, the Company executed a definitive agreement with a subsidiary of Ophir Energy Plc relating to the sale of the Company's interests in seven Indonesian production sharing contracts for cash consideration of $31 million, with further payments of up to $56 million contingent on future exploration success. Closings of the transactions for each of the seven PSCs are subject to closing adjustments and a number of conditions including the approval of the Government of Indonesia, certain other third party consents and agreements, and other conditions customary for transactions of this nature. Upon closings of the transactions, a specified portion of the proceeds would be used to reduce the Company's outstanding contract settlement obligation to Diamond Offshore, with the remainder subject to conditions outlined in the Company's term loan facilities agreement.

Term Loan Facilities

In December 2013, the Company entered into a definitive facilities agreement with certain institutional investors providing for senior secured term loan facilities in an aggregate principal amount of $340 million. As of September 30, 2014, the outstanding principal on the facilities is $300 million, reflecting the Company's decision to forego its option to drawdown on the $20 million amount of Facility D and the repayment in June 2014 of the $20 million drawn on Facility E. The key terms related to the outstanding facilities under the facilities agreement and related documentation are as follows:

Specific terms of facilities A/B/C:

- Facilities amount: $300 million (combined)
- Prepayment: At the Company's option at any time after December 20, 2015 (at a 7 percent premium, decreasing to 4 percent after December 20, 2016)
  At the Lenders option (without premium) from the remaining net proceeds of certain asset sales, farm-outs, equity and debt issuances, after contract settlement payments and Facility D/E prepayments
- Repayment: On September 30, 2017
- Use of proceeds: $175 million Facility A: General corporate purposes, subject to certain restrictions
  $125 million Facilities B/C: Restricted to expenditures related to the D6 Block in India
- Interest: Quarterly cash interest payments at 15 percent per annum; commencing June 2014, potential additional 5 percent per annum payable upon repayment if first ranking security is not provided over the Company's participating interest in the D6 Block. If security is provided prior to March 31, 2015, the additional interest would not be required to be paid (with the additional interest payable to be reduced if the security is provided after March 31, 2015).

Uncommitted D6 facility:

The facilities agreement also includes a provision for an uncommitted facility that can be funded at the option of any lenders if the Company is unable to fund the cash call requirements of the D6 Block. Advances under this facility are repayable from the Company's gross revenues from the D6 Block until an amount equal to 200 percent of the advanced amount has been paid.

General covenants

The Company has agreed to several other undertakings and covenants in the facilities agreement, including:

- Maintenance of certain reserve accounts, including:
  - A reserve account for anticipated capital expenditures in the D6 Block, with a minimum balance that increases over time to the greater of US$30 million and the Company's forecasted capital expenditures in the D6 Block for the subsequent six month period.
  - A reserve account for settlement payments, with a minimum balance commencing December 31, 2014 equal to the payments required under the terms of the settlement agreement with Diamond Offshore for the subsequent six month period.
  - A reserve account for debt service, with a minimum balance commencing December 31, 2014 equal to the interest payments due under the facilities agreement for the subsequent six month period.
- Requirement to make offers to prepay the facilities in certain circumstances, including:
  - Receipt of net proceeds of asset sales, farm-outs and equity issuances
  - Change of control
  - Disposal of all or any part of the Company's rights in respect of the D6 Block.
- Restrictions on cash expenditures relating to areas outside of India and Bangladesh, subject to certain exceptions.
- Requirement to raise certain minimum amounts from asset sales, farm-outs and/or equity issuances by June 30, 2015.
- Restrictions on the incurrence of debt, granting of liens, investments and similar transactions.

Deferred Obligation

As a condition of the facilities agreement, the Company entered into an agreement that provides for a monthly payment equal to six percent of the Company's share of the gross revenues from the D6 Block in India, commencing April 1, 2015 for a period of seven years.

Security

The obligations under the facilities agreement and the deferred obligation are initially secured by:

- charges over all of the present and after-acquired personal and real property of the Company and certain of its subsidiaries;
- specific pledges and charges over the shares of substantially all of the Company's subsidiaries; and
- specific charges over the bank accounts of the Company and certain of its subsidiaries.

The Company has entered into security deeds to grant first ranking security which will become effective upon consent by Petrobangla and the Bangladesh government with respect to Block 9 in Bangladesh, and has agreed to use best endeavours to obtain all necessary India governmental authorizations to provide first ranking security over the Company's participating interest in the D6 PSC in India.

Contract Settlement Obligation

In December 2013, the Company entered into an agreement with Diamond Offshore relating to settlement of payment obligations and other commitments under the Ocean Monarch and Ocean Lexington drilling contracts. The settlement agreement includes a mutual release of claims in respect of certain rights and obligations under the drilling contracts, with the claims in respect of the Company's payment obligations under the drilling contracts to be released upon payment by the Company of $80 million. An initial payment of $25 million was made to Diamond Offshore using proceeds from the initial advance of the term loan, with the outstanding balance to be paid over subsequent years up to September 30, 2017, subject to early prepayment upon the occurrence of certain events. In the first quarter of fiscal 2015, approximately $15 million was prepaid on the contract settlement obligation, reducing the undiscounted amount outstanding to approximately $40 million. The amounts due are non-interest bearing.

Unsecured Notes

In June 2013, the Company issued $63.5 million of unsecured notes that bear interest at 7 percent per annum. In December 2013, the Company agreed with the holders of the notes to amend the terms of the notes by deleting the required monthly instalment payments and granting the holders a conversion right in respect of the remaining principal balance of approximately $13 million. From December 2013 to July 2014, the holders of the notes converted the remaining principal balance plus accrued interest into a total of 6,949,686 common shares of the Company.

Convertible Notes

In December 2012, the Company issued Cdn$115 million principal amount of convertible unsecured notes that mature on December 31, 2017 and bear interest at a rate of seven percent, with interest payable semi-annually in arrears on June 30 and December 31 of each year, commencing June 30, 2013. The convertible notes are convertible at the option of each holder into common shares at a conversion price of Cdn$11.30 per share. After December 31, 2015, the convertible notes are redeemable by the Company, in whole or in part from time to time, provided that the market price of the Company's common shares (defined as the weighted average trading price of the common shares for the twenty consecutive trading days ending five trading days prior to the issue of the notice of redemption) is at least 130 percent of the conversion price. The Company has the right to use common shares to satisfy some or all of its obligations for the convertible notes.

Contractual Obligations

The Company has various contractual obligations, as follows:

As at September 30, 2014			Obligations by Period		
(thousands of US Dollars)	Total	< 1 year	1 to 3 years	3 to 5 years	> 5 years
Finance lease obligations(1)	42,143	10,757	31,386	-	-
Convertible notes(2)	130,024	7,309	14,618	108,097	-
Term loan(3)	437,000	45,625	391,375	-	-
Other long-term liabilities(4)	201,149	22,361	63,113	59,536	56,139
Decommissioning obligations(5)	84,116	1,796	6,484	-	75,836
Exploration work commitments(6)(7)	275,633	202,600	69,720	3,313	-
Total contractual obligations	1,170,065	290,448	576,696	170,946	131,975

(1) The finance lease obligation relating to the charter of the floating, production, storage and offloading vessel ("FPSO") used in the MA field in the D6 Block is recorded in the unaudited interim consolidated financial statements at $34 million (including current and long-term portions). Financing lease payments can be funded with cash restricted to D6 Block expenditures.

(2) The convertible notes are recorded in the unaudited interim consolidated financial statements at $80 million, reflecting the impact of a lower interest rate than the market interest rate on similar notes without a conversion feature and the un-accreted portion of debt issuance costs. The convertible notes are included in the table based on the sum of the principal amount that would be required to be repay in cash the Cdn$115 million convertible notes plus quarterly interest payments, converted at the year-end exchange rate. The Company has the right to use common shares to satisfy some or all of its obligations for the convertible notes.

(3) The term loan is recorded in the unaudited interim consolidated financial statements at $241 million, reflecting the impact of the un-accreted portion of debt issuance costs and estimated discounted value of the deferred obligation at closing. The term loan is included in the table based on the sum of principal amount plus quarterly interest payments. This table excludes potential additional interest of five percent per annum accrued commencing June 19, 2014 and payable upon repayment. The potential additional interest is fully refundable if first ranking security over the Company's participating interest in the D6 Block is provided prior to March 31, 2015, and partially refundable if security is provided thereafter.

(4) Other long-term liabilities are recorded in the unaudited interim consolidated financial statements at $116 million (including current and long-term portions), reflecting the discounted value of the contract settlement obligation and the deferred obligation. Other long-term liabilities are included in the table based on the estimated undiscounted value of the contract settlement obligation and the deferred obligation.

(5) Decommissioning obligations are based on the undiscounted estimated future liability of the Company as disclosed in the notes of the unaudited interim consolidated financial statements. They do not include costs related to wells or facilities that were not completed as at September 30, 2014. Site restoration funds totalling $9 million have been set up for certain of these obligations and are reflected in restricted cash.

(6) The exploration work commitments reflect the amounts that the host government may claim if the Company does not perform the work commitments. Exploration work commitments totalling $133 million in Trinidad and $3 million in Brazil, for the Company's production sharing contracts are backed by parent company guarantees. Exploration work commitments for the Company's production sharing contracts in Indonesia are a total of $139 million, with certain commitments guaranteed with $3 million of performance bonds that are secured by cash deposits reflected in restricted cash. The actual cost of fulfilling the work commitments may exceed the amount of the commitment included in the table. The majority of the exploration work commitments relate to production sharing contracts where the Company is working on asset sales or farm-outs to joint venture partners in exchange for a re-imbursement a portion of the sunk costs, funding of a disproportionate share of future costs, and/or future payments related to commencement of production or other milestones. Completion of these asset sales and/or farm-outs could significantly reduce the Company's share of the future commitment costs. The Company has in the past received and has currently applied for extensions to the periods required to complete the work commitments related to various of its production sharing contracts. A delay or rejection of the requested extensions may result in additional funding required to fulfill the commitments. In July 2014, the Company transferred its remaining 35 percent interest in the Grand Prix block in Madagascar to an existing partner in exchange for potential future payments to the Company that are contingent on certain future events in the block.

(7) In October 2014, the Company executed a definitive agreement with a subsidiary of Ophir Energy Plc relating to the sale of the Company's interests in seven Indonesian production sharing contracts ("PSCs"). Upon closing of the transactions, the Company's outstanding work commitment obligations would be reduced by $1 million.

SUMMARY OF QUARTERLY RESULTS

Three months ended	Sept 30, 2014	Jun 30, 2014	Mar 31, 2014	Dec 31, 2013	Sept 30, 2013	June 30, 2013	Mar 31, 2013	Dec 31, 2012
(thousands of US Dollars, except per share amounts)								
Oil and natural gas revenue(1)	28,471	35,161	31,623	33,349	36,388	28,042	39,670	46,515
Net loss	(39,173)	(54,943)	(1,116)	(448,177)	(148,541)	(59,171)	(2,092)	(93,709)
Per share - basic and diluted	(0.42)	(0.59)	(0.01)	(6.17)	(2.12)	(0.84)	(0.03)	(1.64)

(1) Oil and natural gas revenue is oil and natural gas sales less royalties and the government share of profit petroleum.

Oil and natural gas revenue fluctuated over the last eight quarters as natural declines and reservoir management activities, crude oil and condensate sales from inventory, and production resulting from workovers and new wells had varying impacts on quarterly sales volumes. Oil and natural gas revenue in the current quarter was offset by a higher government share of profit petroleum for the current quarter compared to the prior periods as past unrecovered allowable costs have been fully recovered in the current year to date, resulting in a higher proportion of gross revenue being shared with the government under the terms of the production sharing contract.

Net loss fluctuated throughout the last eight quarters primarily due to fluctuations in oil and natural gas revenues, changes in exploration expenses from quarter to quarter, increases in interest and accretion expenses since the quarter ended December 31, 2013, and differences in asset impairments and restructuring costs. In the quarter ended December 31, 2013, the Company recognized after-tax impairments of $341 million related to exploration and evaluation costs and property, plant and equipment assets in Indonesia and Trinidad blocks along with $38 million of restructuring costs relating to contract settlement, retirement and advisory costs. In the quarter ended March 31, 2013, the Company recognized a $102 million reversal of asset impairment related to the D6 Block in India. The reversal of the impairment resulted from the impact of increased reserve volumes assigned to the D6 Block as at March 31, 2013 by an independent reservoir engineering firm. Management's estimate of value in use for the block was determined using forecasted cash flows using escalated prices and estimates of future production, capital and operating expenses. In the quarter ended March 31, 2014, the Company recognized a $20 million deferred income tax recovery from asset impairment; in addition, the Company recognized $20 million of proceeds from the Hess farm-out for Semai V in Indonesia.

FINANCIAL INSTRUMENTS

A detailed description of the Company's financial instruments is included in note 13 to the unaudited interim consolidated financial statements for the quarter ended September 30, 2014.

CHANGES IN ACCOUNTING STANDARDS

The nature and material impact of accounting pronouncements are described in note 3 of the unaudited interim consolidated financial statements for the three months ended September 30, 2014. The Company adopted certain standards and amendments in fiscal 2014 which are described in the audited consolidated financial statements for the Company's fiscal year-ended March 31, 2014, available on SEDAR at www.sedar.com.

CRITICAL ACCOUNTING ESTIMATES

The Company makes assumptions in applying certain critical accounting estimates that are uncertain at the time the accounting estimate is made and may have a significant effect on the unaudited interim consolidated financial statements of the Company.

- Oil and natural gas reserves
- Depletion, depreciation and amortization
- Asset impairment
- Decommissioning obligations
- Share-based compensation
- Income taxes

For a complete discussion of the critical accounting estimates, refer to the MD&A for the Company's fiscal year-ended March 31, 2014, available on SEDAR at www.sedar.com.

DISCLOSURE CONTROLS AND PROCEDURES

The Chief Executive Officer and Chief Financial Officer are responsible for designing disclosure controls and procedures or causing them to be designed under their supervision and evaluating the effectiveness of the Company's disclosure controls and procedures. The Chief Executive Officer and Chief Financial Officer oversee the design and evaluation process and have concluded that the design and operation of these disclosure controls and procedures were effective in ensuring material information relating to the Company required to be disclosed by the Company in its quarterly and yearly filings or other reports filed or submitted under applicable Canadian securities laws is made known to management on a timely basis to allow decisions regarding required disclosure.

INTERNAL CONTROLS OVER FINANCIAL REPORTING

The Chief Executive Officer and Chief Financial Officer of the Company are responsible for designing internal controls over financial reporting or causing them to be designed under their supervision and evaluating the effectiveness of the Company's internal controls over financial reporting. The Chief Executive Officer and Chief Financial Officer have overseen the design and evaluation of internal controls over financial reporting and have concluded that the design and operation of these internal controls over financial reporting were effective in providing reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with IFRS. Because of their inherent limitations, disclosure controls and procedures and internal controls over financial reporting may not prevent or detect misstatements, errors or fraud. Control systems, no matter how well conceived or operated, can provide only reasonable, not absolute, assurance that the objectives of the control system are met. There were no changes in internal controls over financial reporting during the quarter ended September 30, 2014.

RISK FACTORS

In the normal course of business the Company is exposed to a variety of actual and potential events, uncertainties, trends and risks. In addition to the risks associated with the use of assumptions in the critical accounting estimates, financial instruments, the Company's commitments and actual and expected operating events, all of which are discussed above, the Company has identified the following events, uncertainties, trends and risks that could have a material adverse impact on the Company. For additional risk factors and uncertainties, see the AIF under the heading "Risk factors":

- The Company's ability to meet all of its financing obligations and contractual commitments (including work commitments) in fiscal 2015 and 2016;
- The Company may not receive the forecasted natural gas price from the GOI;
- Uncertainties in the future long-term natural gas price outlook in India;
- The Company may not be able to find reserves at a reasonable cost, develop reserves within required time-frames or at a reasonable cost, or sell these reserves for a reasonable profit;
- Reserves may be revised due to economic and technical factors;
- The Company may not be able to obtain approval, or obtain approval on a timely basis for exploration and development activities;
- There can be no assurance that debt or equity financing or cash generated by operations will be sufficient or available to meet our obligations for debt repayment and development, rehabilitation, production and acquisition of oil and natural gas reserves in the future;
- Changes in capital markets and uncertainties as to the availability and cost of financing;

- Changing governmental policies, social instability and other political, economic or diplomatic developments in the countries in which the Company operates;
- Changing taxation policies, taxation laws and interpretations thereof;
- Adverse factors including climate and geographical conditions, weather conditions and labour disputes;
- Changes in foreign exchange rates that impact the Company's non-US Dollar transactions;
- Future oil and natural gas prices are subject to large fluctuations in the market;
- Uncertainties associated with the negotiations with foreign governments and the possibility of adverse decisions regarding outstanding litigations and arbitration; and
- Environmental regulations and legislations including restriction and prohibitions on the release of emission from oil and gas operations.

The Company's AIF containing additional information related to the Company and its identified risks is available on SEDAR at www.sedar.com.

A complete description of the potential effects of the Company's contingencies on the Company as at September 30, 2014 are described in note 23 of the unaudited interim consolidated financial statements for the quarter ended September 30, 2014.

OUTSTANDING SHARE DATA

At November 13, 2014, the Company had the following outstanding shares:

	Number	Cdn$(1)
Common shares	94,019,172	1,523,235,901
Preferred shares	Nil	Nil
Stock options	2,908,572	-

(1) Equals the amount received in Canadian Dollars for common shares issued. The US Dollar equivalent at November 13, 2014 is $1,366,605,970.

CONDENSED INTERIM CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

(unaudited) (thousands of US Dollars)	As at September 30, 2014	As at March 31, 2014
Assets		
Current assets		
Cash and cash equivalents	120,404	82,479
Restricted cash (note 4)	11,744	87,830
Accounts receivable (note 5)	42,085	42,608
Inventories (note 6)	7,470	10,599
	181,703	223,516
Restricted cash (note 4)	41,695	24,394
Long-term accounts receivable	4,502	4,483
Exploration and evaluation assets (note 7)	159,800	167,665
Property, plant and equipment (note 8)	452,847	532,703
Income tax receivable	31,524	31,830
	872,071	984,591
Liabilities		
Current liabilities		
Accounts payable and accrued liabilities (note 9)	168,803	180,844
Current portion of long-term debt (note 10)	7,207	22,722
Current portion of long-term liabilities (note 11)	20,707	5,000
Current tax payable	1,262	1,263
	197,979	209,829
Decommissioning obligations (note 12)	46,255	44,574
Long-term debt (note 10)	346,778	347,127
Long-term liabilities (note 11)	95,009	108,355
Deferred tax liabilities	10,546	10,456
	696,567	720,341
Shareholders' Equity		
Share capital (note 14)	1,366,605	1,360,668
Contributed surplus	142,681	143,248
Equity component of convertible notes (note 10c)	23,232	23,232
Currency translation reserve	2,147	2,147
Deficit	(1,359,161)	(1,265,045)
	175,504	264,250
	872,071	984,591

The accompanying notes are an integral part of these condensed interim consolidated financial statements.

CONDENSED INTERIM CONSOLIDATED STATEMENTS OF COMPREHENSIVE LOSS

(unaudited) (thousands of US Dollars, except per share amounts)	Three months ended September 30, 2014	 2013	Six months ended September 30, 2014	 2013
Oil and natural gas revenue (note 15)	28,471	36,388	63,632	64,430
Production and operating expenses	(9,732)	(14,373)	(19,283)	(22,620)
General and administrative expenses	(1,455)	(2,262)	(5,152)	(3,597)
Gain from asset disposal	664	-	664	-
Finance and other income (note 17)	932	18,281	4,717	18,421
Finance expense (note 18)	(29,063)	(11,044)	(63,077)	(17,723)
Foreign exchange gain (loss)	2,891	272	14	(7,702)
Depletion and depreciation expenses (note 8)	(23,517)	(28,506)	(47,758)	(58,693)
Exploration and evaluation expenses (note 16)	(7,984)	(121,704)	(24,236)	(151,936)
Share-based compensation expense (note 14)	1,623	(2,444)	727	(5,130)
Restructuring costs (note 19)	(2,425)	-	(3,082)	-
Asset impairment (notes 7 and 8)	(570)	(21,097)	(1,170)	(21,097)
Loss on investments	-	(453)	-	(1,342)
Loss before income tax	(40,165)	(146,942)	(94,004)	(206,989)
Income tax expense	-	(6)	(22)	(10)
Deferred income tax recovery (expense)	992	(1,593)	(90)	(712)
Income tax expense	992	(1,599)	(112)	(722)
Net loss	(39,173)	(148,541)	(94,116)	(207,711)
Foreign currency translation gain (loss)	-	(2,214)	-	3,098
Comprehensive loss	(39,173)	(150,755)	(94,116)	(204,613)
Loss per share (note 20)				
Basic and diluted	$ (0.42)	$ (2.12)	$ (1.01)	$ (2.96)

The accompanying notes are an integral part of these condensed interim consolidated financial statements.

CONDENSED INTERIM CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY

(unaudited) (thousands of US Dollars, except number of common shares)	Common shares (#)	Share capital	Contributed surplus	Currency translation reserve	Equity component of convertible notes	Deficit	Total
Balance, March 31, 2013	70,215,911	1,324,234	139,137	(2,757)	23,232	(608,039)	875,807
Share-based compensation expense	-	-	8,382	-	-	-	8,382
Net loss for the year	-	-	-	-	-	(207,711)	(207,711)
Foreign currency translation	-	-	-	3,098	-	-	3,098
Balance, September 30, 2013	70,215,911	1,324,234	147,519	341	23,232	(815,750)	679,576
Share-based compensation expense	-	-	(4,271)	-	-	-	(4,271)
Issuance of common shares	16,853,575	29,531	-	-	-	-	29,531
Conversion of unsecured notes	3,643,452	6,903	-	-	-	-	6,903
Net loss for the year	-	-	-	-	-	(449,295)	(449,295)
Foreign currency translation	-	-	-	1,806	-	-	1,806
Balance, March 31, 2014	90,712,938	1,360,668	143,248	2,147	23,232	(1,265,045)	264,250
Share-based compensation expense	-	-	(567)	-	-	-	(567)
Conversion of unsecured notes	3,306,234	5,937	-	-	-	-	5,937
Net loss for the period	-	-	-	-	-	(94,116)	(94,116)
Balance, September 30, 2014	94,019,172	1,366,605	142,681	2,147	23,232	(1,359,161)	175,504

The accompanying notes are an integral part of these condensed interim consolidated financial statements.

CONDENSED INTERIM CONSOLIDATED STATEMENTS OF CASHFLOWS

(unaudited) (thousands of US Dollars, except per share amounts)	Three months ended September 30, 2014	2013	Six months ended September 30, 2014	2013
Cash flows from operating activities:				
Net loss	(39,173)	(148,541)	(94,116)	(207,711)
Adjustments for:				
Depletion and depreciation expenses	23,517	28,506	47,758	58,693
Accretion expense	10,830	4,587	29,118	6,773
Deferred income tax reduction	(992)	1,593	90	712
Unrealized foreign exchange (gain) loss	(2,920)	(388)	(14)	8,542
Loss on investments	-	453	-	1,342
Asset impairment	570	21,097	1,170	21,097
Exploration and evaluation write-off (note 7)	328	67,890	8,529	82,873
Share-based compensation expense	(1,288)	3,889	11	7,985
Restructuring costs (note 19)	165	-	(583)	-
Gain from asset disposal	(664)	-	(664)	-
Release of restricted cash (note 4)	8,701	-	8,701	-
Interest due upon repayment of term loan (note 10a)	3,833	-	4,011	-
Change in non-cash working capital	3,294	(16,229)	(4,458)	(14,104)
Change in long-term accounts receivable	(4)	(2,424)	(19)	(3,140)
Net cash from (used in) from operating activities	6,197	(39,567)	(466)	(36,938)
Cash flows from investing activities:				
Exploration and evaluation expenditures	(1,516)	(53,538)	(9,625)	(79,655)
Property, plant and equipment expenditures	(12,934)	(14,083)	(18,402)	(30,160)
Proceeds from farm-outs and other arrangements	-	640	-	5,008
Proceeds from asset sales, net of costs	662	-	61,589	14,917
Contribution of restricted cash (note 4)	-	(15,870)	-	(15,870)
Release of restricted cash (note 4)	-	2,045	-	3,461
Change in non-cash working capital	(5,601)	106,684	(6,823)	51,171
Repayment of contract settlement obligation (note 11a)	-	-	(14,725)	-
Net cash from (used in) investing activities	(19,389)	25,878	12,014	(51,128)
Cash flows from financing activities:				
Proceeds from advances on long term debt, net of issuance costs (note 10)	(160)	51,861	(192)	110,231
Repayment of long-term debt (note 10)	(1,697)	(12,097)	(23,316)	(23,538)
Release of restricted cash (note 4)	29,124	-	49,885	-
Net cash from financing activities	27,267	39,764	26,377	86,693
Change in cash and cash equivalents	14,075	26,075	37,925	(1,373)
Effect of translation on foreign currency cash	-	5	-	(11)
Cash and cash equivalents, beginning of period	106,329	28,929	82,479	56,393
Cash and cash equivalents, end of period	120,404	55,009	120,404	55,009

The accompanying notes are an integral part of these condensed interim consolidated financial statements

NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

(Unaudited)

1. General information

Niko Resources Ltd. (the "Company") is a limited company incorporated in Alberta, Canada. The address of its registered office and principal place of business is Suite 4600 Devon Tower, 400 – 3 Avenue SW, Calgary, Alberta, Canada, T2P 4H2. The Company is engaged in the exploration for and development and production of oil and natural gas in India, Bangladesh, Indonesia, Trinidad, and other countries. The Company's common shares are traded on the Toronto Stock Exchange under the symbol "NKO".

2. Basis of presentation, subsequent events and going concern

The condensed interim consolidated financial statements have been prepared by management in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB"). These condensed interim consolidated financial statements include the accounts of the Company and all of its subsidiaries. The majority of the exploration, development and production activities of the Company are conducted jointly with others and, accordingly, these financial statements reflect only the Company's proportionate interest in such activities.

The condensed interim consolidated financial statements have been prepared following the same accounting policies and methods of application as the audited consolidated financial statements for the fiscal year ended March 31, 2014. The disclosures provided herein are incremental to those included with the annual consolidated financial statements and the notes thereto for the year ended March 31, 2014. The condensed interim consolidated financial statements should be read in conjunction with the consolidated financial statements and notes thereto for the year ended March 31, 2014. The consolidated financial statements are presented in US Dollars and all values are rounded to the nearest thousand dollars ($000), except where otherwise indicated. Under IFRS, an entity's functional currency should reflect the primary economic environment in which the entity operates in normally along with underlying transactions, events, and conditions relevant to the entity. On April 1, 2014, based on management's evaluation, taking into consideration of the US denominated term loan facilities the Company had entered into late fiscal 2014; management changed the functional currency of the Canadian entities from Canadian Dollars to US Dollars. This change in accounting treatment is applied prospectively. The assets and liabilities of the Canadian entities were translated from Canadian Dollars to US Dollars at the exchange rate on the date of change in functional currency.

In fiscal 2014, the Company shifted its strategic focus to developing and appraising the assets in the D6 Block in India, while maintaining optionality of the balance of its exploration portfolio. To provide the financial capacity to implement this strategy, the Company entered into a definitive facilities agreement with certain institutional investors providing for senior secured term loan facilities in fiscal 2014. A portion of the funds from these facilities were used to refinance certain of the Company's debt obligations outstanding at the time, a portion was restricted to funding of the Company's expenditures in the D6 Block, and a portion was made available for general corporate purposes, subject to certain limitations (see note 10a).

In October 2014, the Cabinet Committee of Economic Affairs of the GOI approved the new domestic gas pricing policy for India effective November 1, 2014 and the GOI issued the New Domestic Natural Gas Guidelines, 2014 (the "Guidelines"). In accordance with the new Guidelines, the GOI issued a notification that the initial price for the period of November 1, 2014 to March 31, 2015 is $5.05 / MMbtu based on the gross calorific value of the sales gas. This price equates to approximately $5.61 / MMbtu based on the net calorific value ("NCV") of the sales gas, an increase of approximately 33 percent from the $4.20 / MMbtu NCV that natural gas sales had been priced at prior to the adoption of the Guidelines.

The Guidelines indicate that, subject to certain exceptions, this initial price is applicable to all natural gas produced from various types of blocks in India including NELP blocks (such as the D6 and NEC-25 blocks in which the Company holds a 10 percent interest). One of the exceptions noted in the Guidelines is the Dhirubhai 1 and 3 fields in the D6 Block where a dispute between the contractor group and the GOI on the cost recovery of certain costs is under arbitration (see note 23d). The Guidelines indicate that the contractor group will be paid the earlier price of $4.20 / MMbtu and the difference between the revised price and the $4.20 / MMbtu will be credited to a gas pool account and "whether the amount so collected is payable or not to the contractors of this block would be dependent on the outcome of the award of the pending arbitration and any attendant legal proceedings".

Approximately 40 percent of the natural gas sold from the D6 Block for the period of April to September of 2014 was produced from the MA field and approximately 60 percent was produced from the D1 D3 fields. Based on the Company's current projections of natural gas production from the MA field, the revised price will provide incremental revenue to Niko of approximately $4 million from the MA field for the period from November 1, 2014 to March 31, 2015, while the cash flow benefit of the revised price on the Company's share of gas sales from the D1 D3 fields is not expected to be available to the Company unless and until the pending arbitration is resolved in the favour of the contractors of the D6 Block (see note 23d).

As per the Guidelines, the announcement of the gas price for the period of April 1, 2015 to September 30, 2015 is expected to occur in mid-March 2015.

The Guidelines indicate that "For all discoveries after the issuance of these guidelines, in Ultra Deep Water Areas, Deep Water Areas and High Pressure-High Temperature areas, a premium would be given on the gas price determined as per the formula" defined in the Guidelines, with the premium to be "determined as per prescribed procedure." The applicability of the premium to existing undeveloped discoveries in the D6 and NEC-25 blocks, such as the discoveries included in the approved plans of development for the R-Cluster and Satellite Areas, remains to be clarified. The development of these discoveries is dependent on the future long-term price outlook for gas sales from these projects and the uncertainty in this outlook could mean that the development of these reserves could be deferred and/or material reductions in the Company's reported reserves or future net revenues could result.

The Company has the following sources of funding of its planned operating, investing and financing cash outflows (including working capital requirements):

- Unrestricted cash and cash equivalents at September 30, 2014 of $120 million;
- Restricted cash as at September 30, 2014 of $12 million that is available for funding of expenditures related to the D6 Block in India (including working capital requirements);
- Receipts of oil and natural gas revenues from its producing assets in India and Bangladesh;
- Potential proceeds from asset sales, farm-outs and other arrangements; and
- Potential proceeds from future equity or debt issuances.

The Company is currently projecting that its current balances of unrestricted cash and restricted cash that is available for funding of expenditures related to the D6 Block in India and its receipts of oil and natural gas revenues from its producing assets in India and Bangladesh will be sufficient to satisfy the cash requirements of its operating subsidiaries in India and Bangladesh, its corporate general and administrative costs, and its interest obligations for at least the next twelve months, assuming that previously planned investments targeted towards the development projects in India are deferred as expected.

As at September 30, 2014, the Company had $107 million of accounts payable and accrued liabilities related to its exploration subsidiaries in Indonesia and Trinidad and has significant exploration work commitments associated with these subsidiaries, including commitments of the Trinidad subsidiaries that are backed by parent company guarantees (see note 22). The Company has requested extensions to the deadlines for fulfilling certain of these commitments, some of which have a current deadline of November 2014. The terms of the Company's term loan facilities limit the funding of capital expenditures and working capital requirements in these areas and the Company is evaluating its options for these subsidiaries as part of its strategy of maintaining optionality in its exploration portfolio. In October 2014, the Company executed a definitive agreement with a subsidiary of Ophir Energy Plc relating to the sale of the Company's interests in seven Indonesian production sharing contracts ("PSCs") for cash consideration of $31 million, with further payments of up to $56 million contingent on future exploration success. Closings of the transactions for each of the seven PSCs are subject to closing adjustments and a number of conditions including the approval of the Government of Indonesia, certain other third party consents and agreements, and other conditions customary for transactions of this nature. Upon closings of the transactions, a specified portion of the proceeds would be used to reduce the Company's outstanding contract settlement obligation to Diamond Offshore, with the remainder subject to conditions outlined in the Company's term loan facilities agreement. The Company plans to continue its efforts to sell or farm out interests in many of its exploration production sharing contracts, reschedule its exploration commitments, and settle its vendor liabilities. There is significant uncertainty regarding whether these efforts will be sufficient to allow certain of the Company's exploration subsidiaries to meet existing and future obligations and continue activities in the future.

The Company is subject to the following financial covenants under its term loan facilities agreement:

- Maximum ratio of (a) consolidated senior debt (defined as debt incurred under facilities A, B and C of the term loan and finance lease obligations) to (b) the consolidated EBITDAX (as defined in the facilities agreement) for the trailing four quarters, commencing with the period ended June 30, 2014.
- Minimum ratio of (a) proved plus probable reserves for the D6 Block to (b) senior debt, commencing with the period ended March 31, 2014 (with the calculation performed annually based on its year-end reserves and financial statements).

As at September 30, 2014, the Company is in compliance with all of the covenants specified in the facilities agreement for the Company's term loan. For future periods, the Company's ability to meet its financial covenants is dependent on the issues noted above regarding gas pricing in India and other factors outside the control of the Company. While management currently believes that the Company will be able to meet such covenants, obtain a waiver with respect to a breach of such covenants, or take other appropriate actions, there can be no assurance that the Company will be successful.

As a result of the foregoing matters (including the ongoing obligations of the Company and its subsidiaries), there is material uncertainty that may cast significant doubt about the ability of the Company to continue as a going concern.

The financial statements were approved by the Board of Directors and authorized for issue on November 13, 2014.

3. Accounting pronouncements

New standards adopted

In December 2011, "Offsetting Financial Assets and Financial Liabilities", amendments to IAS 32 "Financial Instruments: Presentation" was published by the IASB. These amendments clarify the requirements for offsetting financial instruments. The amendments introduce new disclosure requirements for financial assets and financial liabilities that are offset in the Condensed Interim Consolidated Statements of Financial Position, or are subject to enforceable master netting arrangements or similar agreements. The amendments to IAS 32 are applied retrospectively for annual periods beginning on or after January 1, 2014. The adoption of these standards had no impact on the amounts recorded in the financial statements for the periods presented in these interim consolidated financial statements.

4. Restricted cash

(thousands of US Dollars)	As at September 30, 2014	As at March 31, 2014
Current portion of restricted cash		
Bank guarantee(1)	-	8,701
Term loan reserve account(4)	11,744	79,129
	11,744	87,830
Non-current portion of restricted cash		
Performance security guarantees(2)	3,030	3,030
Site restoration(3)	8,665	8,864
Term loan reserve account(4)	30,000	12,500
	41,695	24,394
	53,439	112,224

(1) In March 2014, the Company provided a bank guarantee to Reliance, the operator of the D6 Block, in connection with the anticipated requirements of the Domestic Natural Gas Guidelines 2014, whereby a bank guarantee was to be provided by Reliance to the GOI as security in the case of an adverse outcome of the D6 arbitration proceedings. The bank guarantee expired in July 2014 and cash was released from the bank.

(2) The Company has performance security guarantees related to the work commitments for certain exploration blocks in Indonesia. The Company is required to provide funds to support the guarantees in the amounts indicated above.

(3) In accordance with the provisions of its production sharing contracts, the Company is required to deposit funds in separate accounts restricted to funding of future decommissioning obligations. The funds may be used for site restoration on the expiry or termination of an agreement or relinquishment of part of the contract area.

(4) Under the terms of the term loan facilities agreement, the advances under Facility B and C are required to be used by the Company to fund expenditures in the D6 Block, with a portion to be retained as a minimum balance. See note 10a for details.

5. Accounts receivable

(thousands of US Dollars)	As at September 30, 2014	As at March 31, 2014
Oil and gas revenues receivable	16,287	18,758
Receivable from joint venture partners	14,228	13,890
Advances to vendors	7,238	4,315
Prepaid expenses and deposits	1,344	2,115
VAT receivable	1,414	1,283
Other receivables	1,574	2,247
	42,085	42,608

6. Inventories

(thousands of US Dollars)	As at September 30, 2014	As at March 31, 2014
Stock, spares and consumables	7,098	9,394
Oil and condensate inventories	372	1,205
	7,470	10,599

7. Exploration and evaluation assets

(thousands of US Dollars)	Six months ended September 30, 2014	Year ended March 31, 2014
Opening balance	167,665	695,624
Additions	9,629	91,728
Disposals and other arrangements	(7,990)	(17,056)
Transfers	-	6,437
Expensed	(8,529)	(105,132)
Impairment	(975)	(498,775)
Foreign currency translation	-	(5,161)
Closing balance	159,800	167,665

In fiscal 2014 the Company shifted its focus to developing and appraising its assets in the D6 block in India while striving to maintain optionality on its exploration and evaluation assets. In conjunction, the Company entered into a definitive term loan facilities agreement in fiscal 2014 that limited capital expenditure spending outside of India and Bangladesh. As such, the Company continues to evaluate its options for its exploration subsidiaries outside of these areas by means of potential farm out agreements, sale of assets or relinquishment. For the year ended March 31, 2014, the Company recognized impairments of $499 million relating to its exploration and evaluation assets in Indonesia and Trinidad.

In fiscal 2014, the GOI issued an order, requiring certain portions of the D6 Block contract area to be relinquished. The areas required to be relinquished include areas around five successful exploration discoveries. The Company, along with the operator, is contesting with GOI that the areas around these discoveries should be not required to be relinquished. The matter is currently pending for resolution. In the event of an adverse decision, the Company will write off the carrying value of these discoveries of $12 million.

Due to the uncertainty around the future long-term natural gas price outlook in India (see note 2), the Company is currently evaluating its assets in India, including the potential impact on exploration and evaluation assets totaling $108 million related to discoveries in the D6 and NEC-25 blocks in India. The magnitude of any potential impairment is indeterminable at this time.

8. Property, plant and equipment

(a) Development assets

(thousands of US Dollars)	Six months ended September 30, 2014	Year ended March 31, 2014
Opening balance	137,211	129,822
Additions	23,128	37,621
Disposals	(52,936)	-
Transfers from/to other asset categories	(30,845)	(30,232)
Asset impairment	(5)	-
Closing balance	76,553	137,211

(b) Producing assets

(thousands of US Dollars)	Six months ended September 30, 2014	Year ended March 31, 2014
Cost		
Opening balance	1,070,233	1,039,208
Transfers from other asset categories	30,838	31,145
Disposals	-	(1)
Foreign currency translation	-	(121)
Closing balance	1,101,071	1,070,231
Accumulated depletion		
Opening balance	(734,529)	(627,883)
Additions	(46,763)	(106,788)
Foreign currency translation	-	143
Closing balance	(781,292)	(734,528)
Net producing assets	319,779	335,703

Due to the uncertainty around the future long-term natural gas price outlook in India (see note 2), the Company is currently evaluating its assets in India, including the potential impact on the Company's plans for development of undeveloped proved and probable reserves in the D6 and NEC-25 blocks in India. The announced gas price for the period from November 1, 2014 to March 31, 2015 is lower than prices used in preparation of the Company's independent reserve evaluation for these blocks as at March 31, 2014 and there is significant uncertainty in the future long-term gas price outlook in India. Changes to the Company's plans could result in material impairments to the $375 million of carrying value of development and producing assets related to the D6 and NEC-25 blocks in India. The magnitude of any potential impairment is indeterminable at this time.

(c) Other property, plant and equipment

(thousands of US Dollars)	Land and buildings	Vehicles, helicopters and aircraft	Office equipment, furniture and fittings	Pipelines	Total
Cost					
Balance, March 31, 2014	18,234	2,346	9,245	10,747	40,572
Additions	-	-	143	16	159
Disposals	(259)	-	(1)	-	(260)
Impairment	(3)	-	(187)	-	(190)
Balance, September 30, 2014	17,972	2,346	9,200	10,763	40,281
Accumulated depreciation					
Balance, March 31, 2014[1]	(8,093)	(1,791)	(6,579)	(8,270)	(24,733)
Additions	(382)	(44)	(457)	(112)	(995)
Disposals	172	-	1	-	173
Balance, September 30, 2014	(8,303)	(1,835)	(7,035)	(8,382)	(25,555)
Net book value, September 30, 2014	9,669	511	2,165	2,381	14,726

(thousands of US Dollars)	Land and buildings	Vehicles, helicopters and aircraft	Office equipment, furniture and fittings	Pipelines	Total
Cost					
Balance, March 31, 2013	18,234	2,346	9,353	10,762	40,695
Additions	-	-	278	(15)	263
Disposals / impairment	-	-	(227)	-	(227)
Foreign currency translation loss	-	-	(320)	-	(320)
Balance, March 31, 2014	18,234	2,346	9,084	10,747	40,411
Accumulated depreciation					
Balance, March 31, 2013	(7,161)	(1,654)	(5,755)	(7,852)	(22,422)
Additions	(932)	(137)	(947)	(418)	(2,434)
Foreign currency translation gain	-	-	261	-	261
Balance, March 31, 2014	(8,093)	(1,791)	(6,441)	(8,270)	(24,595)
Net book value, March 31, 2014	10,141	555	2,643	2,477	15,816

(d) Capital work-in-progress

(thousands of US Dollars)	Six months ended September 30, 2014	Year ended March 31, 2014
Opening balance	43,973	34,746
Additions	(4,759)	24,810
Disposals	(39)	-
Transfers	2,614	(3,022)
Impairments	-	(12,561)
Closing balance	41,789	43,973

9. Accounts payable and accrued liabilities

(thousands of US Dollars)	As at September 30, 2014	As at March 31, 2014
India	50,730	53,539
Bangladesh	1,042	3,341
Indonesia	83,330	91,011
Trinidad	23,883	21,179
All others	9,818	11,774
	168,803	180,844

10. Long-term debt

(a) Term loan

(thousands of US Dollars)	Six months ended September 30, 2014	Year ended March 31, 2014
Opening balance	249,014	-
Advances, net of issuance costs	(192)	305,450
Deferred obligation (note 11b)	-	(60,540)
Accretion	7,872	3,823
Interest payable due upon repayment	4,511	281
Repayment	(20,500)	-
Closing balance	240,705	249,014
Current portion	-	10,140
Long-term portion	240,705	238,874

In December 2013, the Company entered into a definitive facilities agreement with certain institutional investors providing for senior secured term loan facilities in an aggregate principal amount of $340 million. As of September 30, 2014, the outstanding principal on the facilities is $300 million, reflecting the Company's decision to forego its option to drawdown on the $20 million amount of Facility D and the repayment in June 2014 of the $20 million drawn on Facility E. The key terms related to the outstanding facilities under the facilities agreement and related documentation are as follows:

Specific terms of facilities A/B/C:

- Facilities amount: $300 million (combined)
- Prepayment: At the Company's option at any time after December 20, 2015 (at a 7 percent premium, decreasing to 4 percent after December 20, 2016)
  At the Lenders option (without premium) from the remaining net proceeds of certain asset sales, farm-outs, equity and debt issuances, after contract settlement payments and Facility D/E prepayments
- Repayment: On September 30, 2017
- Use of proceeds: $175 million Facility A: General corporate purposes, subject to certain restrictions
  $125 million Facilities B/C: Restricted to expenditures related to the D6 Block in India
- Interest: Quarterly cash interest payments at 15 percent per annum commencing June 2014; potential 5 additional percent per annum payable upon repayment if first ranking security is not provided over the Company's participating interest in the D6 Block. If security is provided prior to March 31, 2015, the additional interest would not be required to be paid (with the additional interest payable to be reduced if the security is provided after March 31, 2015).

Uncommitted D6 facility:

The facilities agreement also includes a provision for an uncommitted facility that can be funded at the option of any lenders if the Company is unable to fund the cash call requirements of the D6 Block. Advances under this facility are repayable from the Company's gross revenues from the D6 Block until an amount equal to 200 percent of the advanced amount has been paid.

Financial covenants

The Company is subject to the following financial covenants under the facilities agreement:

- Maximum ratio of (a) consolidated senior debt (defined as debt incurred under facilities A, B and C and finance lease obligations) to (b) the consolidated EBITDAX (as defined in the facilities agreement) for the trailing four quarters, commencing with the period ended June 30, 2014.
- Minimum ratio of (a) proved plus probable reserves for the D6 Block to (b) senior debt, commencing with the period ended March 31, 2014 (with the calculation performed annually based on its year-end reserves and financial statements).

General covenants

The Company has agreed to several other undertakings and covenants in the facilities agreement, including:

- Maintenance of certain reserve accounts, including:
  - A reserve account for anticipated capital expenditures in the D6 Block, with a minimum balance that increases over time to the greater of US$30 million and the Company's forecasted capital expenditures in the D6 Block for the subsequent six month period.
  - A reserve account for settlement payments, with a minimum balance commencing December 31, 2014 equal to the payments required under the terms of the settlement agreement with Diamond Offshore (see note 11a) for the subsequent six month period.
  - A reserve account for debt service, with a minimum balance commencing December 31, 2014 equal to the interest payments due under the facilities agreement for the subsequent six month period.
- Requirement to make offers to prepay the facilities in certain circumstances, including:
  - Receipt of net proceeds of asset sales, farm-outs and equity issuances
  - Change of control
  - Disposal of all or any part of the Company's rights in respect of the D6 Block.
- Restrictions on cash expenditures relating to areas outside of India and Bangladesh, subject to certain exceptions.
- Requirement to raise certain minimum amounts from asset sales, farm-outs and/or equity issuances by June 30, 2015.
- Restrictions on the incurrence of debt, granting of liens, investments and similar transactions.

As at September 30, 2014, the Company is in compliance with all of the covenants specified in the facilities agreement.

Deferred Obligation
As a condition of the facilities agreement, the Company entered into an agreement that provides for a monthly payment equal to six percent of the Company's share of the gross revenues from the D6 Block in India, commencing April 1, 2015 for a period of seven years.

Security
The obligations under the facilities agreement and the deferred obligation (see note 11b) are initially secured by:

- charges over all of the present and after-acquired personal and real property of the Company and certain of its subsidiaries;
- specific pledges and charges over the shares of substantially all of the Company's subsidiaries; and
- specific charges over the bank accounts of the Company and certain of its subsidiaries.

The Company has entered into security deeds to grant first ranking security which will become effective upon consent by Petrobangla and the Bangladesh government with respect to Block 9 in Bangladesh, and has agreed to use best endeavours to obtain all necessary India governmental authorizations to provide first ranking security over the Company's participating interest in the D6 PSC in India.

Farm-in Options
As a condition of the facilities agreement, the Company entered into a farm-in rights agreement with an affiliate of the lenders that grants four exclusive, irrevocable, non-assignable rights to acquire interests in pre-selected Indonesian PSCs. Each farm-in right provides the holder with the option to purchase a 5 percent participating interest in selected PSCs (subject to a maximum acquired participating interest equal to the lesser of 50 percent of the Company's aggregate participating interests in the selected PSC and 10 percent) by paying its proportionate share of the previously incurred costs of the selected PSC. A farm-in right may be exercised by the holder by giving at least seven days' notice prior to the target spud date of a well to be drilled in the selected PSC. Unexercised farm-in rights expire on the earlier of (i) the date on which the eighth well on the selected PSCs is spudded and (ii) December 20, 2020.

(b) Finance lease obligation

(thousands of US Dollars)	Six months ended September 30, 2014	Year ended March 31, 2014
Opening balance	37,024	43,081
Repayments	(3,316)	(6,057)
Closing balance	33,708	37,024
Current portion	7,207	6,801
Long-term portion	26,501	30,223

(c) Convertible notes

(thousands of US Dollars)	Six months ended September 30, 2014	Year ended March 31, 2014
Opening balance	78,030	79,785
Accretion	2,702	4,948
Foreign currency translation	(1,160)	(6,703)
Closing balance	79,572	78,030

In December 2012, the Company issued Cdn$115 million principal amount of convertible senior unsecured notes of which Cdn$32 million (less issuance costs of Cdn$1 million) was allocated to the conversion option and classified in the equity section on the Statement of Financial Position. The equity portion was recorded net of a Cdn$7 million deferred tax liability which results from temporary difference between the carrying amount and the tax value of the notes. The issuance costs were allocated pro-rata between the debt and equity portion of the convertible notes based on the valuation of the gross proceeds.

The convertible notes mature on December 31, 2017 and bear interest a rate of 7 percent, with interest payable semi-annually in arrears on June 30 and December 31 of each year, commencing June 30, 2013. The convertible notes are convertible at the option of the holders into common shares at a conversion price of Cdn$11.30 per share. After December 31, 2015, the convertible notes are redeemable by the Company, in whole or in part from time to time, provided that the market price of the Company's common shares (defined as the weighted average trading price of the common shares for the twenty consecutive trading days ending five trading days prior to the issue of the notice of redemption) is at least 130 percent of the conversion price. The Company has the right to use common shares to satisfy some or all of its obligations for the convertible notes.

The convertible notes are guaranteed on an unsecured basis by the Company's subsidiaries, Niko Resources (Cayman) Ltd., Niko (NECO) Ltd. and Niko Exploration (Block 9) Ltd. Each guarantor guarantees that the notes shall be paid in accordance with the agreement terms.

(d) Unsecured notes

(thousands of US Dollars)	Six months ended September 30, 2014	Year ended March 31, 2014
Opening balance	5,781	-
Issuance, net of issuance costs	-	58,370
Repayment	-	(45,686)
Conversions	(5,781)	(6,903)
Closing balance	-	5,781

In June 2013, the Company issued $63.5 million of senior unsecured notes. The notes bore interest at 7 percent per annum, payable monthly, and were to be repaid through twelve equal monthly principal payments commencing August 13, 2013. Principal and interest payments were to be payable in cash or, at the Company's option, in common shares of the Company. The installment payments from August to November 2013 were made in cash.

In December 2013, the Company used the net proceeds from issuance of subscription receipts to repay $30 million of outstanding principal and accrued interest and agreed with the holders of the unsecured notes to amend the terms of the Notes by deleting the required instalment payments, and granting the holders a conversion right in respect of the outstanding principal balance of the unsecured notes of approximately $13 million remaining after such repayment. At any time during the remaining term of the unsecured notes, the holders of the unsecured notes were entitled to convert all or any portion of the outstanding principal and accrued interest into shares of the Company. The number of shares to be issued upon conversion is determined by dividing the amount to be paid in shares by 94.5 percent of the lower of the volume weighted average price of the shares for the fifteen trading days prior to the conversion and the volume weighted average price of the shares for the five trading days prior to the conversion.

From December 2013 to March 31, 2014, the holders of the unsecured notes converted approximately $6.9 million of outstanding principal plus accrued interest into a total of 3,643,452 common shares of the Company. For the six months ended September 30, 2014, $5.9 million of outstanding principal plus accrued interest was converted into 3,306,234 common shares.

11. Long-term liabilities

(a) Contract settlement obligation

(thousands of US Dollars)	Six months ended September 30, 2014	Year ended March 31, 2014
Opening balance	34,686	-
Additions	-	57,688
Accretion	10,474	1,998
Repayments	(14,725)	(25,000)
Closing balance	30,435	34,686
Current portion	13,115	5,000
Long-term portion	17,320	29,686

In December 2013, the Company entered into an agreement with Diamond Offshore relating to settlement of payment obligations and other commitments under the Ocean Monarch and Ocean Lexington drilling contracts. The settlement agreement includes a mutual release of claims in respect of certain rights and obligations under the drilling contracts, with the claims in respect of Niko's payment obligations under the drilling contracts to be released upon payment by the Company of $80 million. An initial payment of $25 million was made to Diamond Offshore using proceeds from the advance on the term loan (see note 10a), with the outstanding balance to be paid over subsequent years up to September 30, 2017, subject to early prepayment upon the occurrence of certain events. In first quarter of fiscal 2015, the Company made an early prepayment of approximately $15 million using a portion of the proceeds from the sale of its interest in the Block 5(c) asset. The amounts due are non-interest bearing.

The settlement obligation has been reflected at the net present value of the expected payments, with the imputed interest of 23.85 percent to be recorded as accretion expense over the term of the settlement payments. The net remaining settlement obligation after the initial payment was expensed as restructuring costs.

(b) Deferred obligation

(thousands of US Dollars)	Six months ended September 30, 2014	Year ended March 31, 2014
Opening balance	78,669	-
Additions	-	60,541
Accretion	6,612	2,584
Loss on valuation of derivative	-	15,544
Closing balance	85,281	78,669
Current portion	7,592	-
Long-term portion	77,689	78,669

In December 2013, as a condition of the term loan facilities agreement, the Company entered into an agreement that provides for a monthly payment equal to 6 percent of the Company's share of the gross revenues from the D6 Block in India, commencing April 1, 2015 for a period of seven years. If the Company sells or disposes of all or any portion of its participating interest in the D6 PSC prior to the end of the term of this agreement, it must pay an amount equal to the pro-rata share of the net present value of the remaining payments under the agreement. The Company may optionally redeem the entire remaining amount of the obligation at any time on terms satisfactory to the parties to the agreement. For so long as obligations under the term loan facilities agreement remain outstanding, the security for the term loan also secures this obligation.

The deferred obligation has been reflected at the net present value of the estimated payments, with the imputed interest of 16.30 percent to be recorded as accretion expense over the term of the payments. The initial valuation of the deferred obligation was recognized as additional debt issuance cost of the term loan. Subsequent changes in the valuation of the deferred obligation have been reflected on the statement of comprehensive loss as loss on derivatives.

12. Decommissioning obligations

(thousands of US Dollars)	Six months ended September 30, 2014	Year ended March 31, 2014
Opening balance	44,574	41,177
Provisions made during the year	200	622
Change in estimate during the year	25	(134)
Accretion	1,456	2,909
Closing balance	46,255	44,574

The Company's total decommissioning obligation is estimated based on the Company's net estimated costs of removal of all equipment and installations and site restoration and the estimated timing of the costs to be incurred in future years. The Company has estimated the net present value of the decommissioning obligations to be $46 million as at September 30, 2014 (March 31, 2014 - $45 million) based on an undiscounted total future liability of $84 million (March 31, 2014 - $84 million). These costs are expected to be incurred over the next thirteen years. The discount rate used to calculate the net present value of the future decommissioning obligations is the pre-tax rate reflecting current market assessments of the time value of money. In accordance with provisions of its production sharing contracts, the Company has deposited $9 million in separate accounts restricted to funding of future decommissioning obligations. These amounts have been treated as restricted cash and included in non-current assets.

13. Financial instruments

(a) Capital risk management

The Company's objective is to maintain a strong capital base and related capital structure. The objectives include the following:

(i) To promote confidence in the Company by the capital markets, by investors, by creditors and by government agencies in the countries in which the Company bids for concessions and/or operates;

(ii) To maintain resources required to withstand financial difficulties due to exogenous influences such as financial, political, economic, social or market uncertainties and events; and

(iii) To facilitate the Company's ability to fulfill exploration and development commitments, and to seek and execute growth opportunities.

The Company's capital base includes shareholders' equity and debt as follows:

(thousands of US Dollars)	As at September 30, 2014	As at March 31, 2014
Term loan	240,705	249,014
Convertible notes	79,572	78,030
Unsecured notes	-	5,781
Shareholders' equity	175,504	264,250

The Company's objective in capital management is to have the flexibility to alter the capital structure to take advantage of capital-raising opportunities in the capital markets, whether they are equity or debt-related.

The Company uses short-term and long-term forecasting models that capture the details of the major sources and uses of cash related to operating, financing, and investing activities. Management and the Board of Directors review the forecast models regularly. The regular reviews help ensure that the Company has the ability to fulfill its obligations and to fund ongoing operations.

(b) Fair value measurements

The Company classifies fair value measurements using the following fair value hierarchy that reflects the significance of the inputs used in making the measurements:

- Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2: Inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and
- Level 3: Inputs for the asset or liability that are not based on observable market date (unobservable inputs).

The Company's investments were assessed on the fair value hierarchy described above and have been classified as Level 1. The fair value of the investments was based on publicly quoted market values. The investments have been fully impaired in prior year. There was a $0.5 million loss for the quarter ended September 30, 2013 on recognizing at their fair value.

The Company's deferred obligation as at September 30, 2014 have been assessed on the fair value hierarchy described above and has been classified as a Level 3 instrument. The fair value of the deferred obligation was based on estimates of production volumes and natural gas prices included in the reserve report for the D6 Block as at March 31, 2014.

(c) Credit risk management

Credit risk is the risk of financial loss to the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Company's receivables from customers. The carrying amounts of the cash and cash equivalents, restricted cash, and accounts receivable reflect management's assessment of the maximum credit exposure. The Company takes measures in order to mitigate any risk of loss, which may include obtaining guarantees. There were no changes in the Company's exposure to credit risks or any changes to the Company's processes for managing the risks from the previous period.

The aging of the accounts receivable(1) as at September 30, 2014 was:

(thousands of US Dollars)	As at September 30, 2014
0—30 days(2)	30,570
30—60 days(2)	-
60—365 days(2)	1,519
	32,089

(1) Excludes accrued receivables that have not yet been invoiced or due, loans and advances, prepaid expenses, and VAT receivables which are not past due.

(2) Accounts receivables are past due but not impaired as at September 30, 2014.

The accounts receivable that are not past due are receivable from counterparties with whom the Company has a history of collection and the Company considers the accounts receivable collectible. The Company has assessed the receivables that have been outstanding for more than ninety days and has determined that they are not impaired.

(d) Liquidity risk management

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company manages its exposure to this risk by preparing cash flow forecasts to assess when and if additional funds are required.

The Company has the following financial liabilities and due dates as at September 30, 2014:

(thousands of US Dollars)	Carrying amount	< 1 year	> 1 year
Accounts payable and accrued liabilities	168,803	168,803	-
Current taxes payable	1,262	1,262	-
Long-term debt			
Term loan(1)(5)	240,705	-	240,705
Finance lease obligations(2)(5)	33,708	7,207	26,501
Convertible notes(3)(5)	79,572	-	79,572
Other long-term liabilities(4)(5)	115,716	20,707	95,009

(1) The carrying amount of the term loan is the fair value of $241 million. The amount to be repaid is $300 million.

(2) The carrying value of the finance lease obligation is the fair value of $34 million. The lease payments are $10.8 million per year (including principal and interest) until August 2018. Financing lease payments can be funded with cash restricted to D6 Block expenditures (see note 4).

(3) The carrying amount of the convertible notes is $80 million. The amount that will be required to be repaid assuming that the notes are not converted or repaid in common shares is Cdn$115 million. The convertible notes will mature on December 31, 2017.

(4) The carrying amount of the other long-term liabilities is the fair value of $116 million. The amount that will be required to be repaid for the contract settlement obligation is $40 million, which will be repaid in instalments by March 31, 2017. The amount that will be paid on the deferred obligation is estimated to be $161 million over seven years, commencing in April 2015.

(5) The amount due relates to the principal portion and excludes interest.

(e) Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and equity prices, will affect the Company's income or the value of its financial instruments. There were no changes in the Company's exposure to market risks or the Company's processes for managing the risks from the previous period.

(i) Currency risk

The majority of the Company's revenues and expenses are denominated in US Dollars and the Company holds the majority of its funds in US Dollars, except as required to fund dividends and make interest payments on the convertible notes. As a result, the Company has limited its cash exposure to fluctuations in the value of the US Dollar versus other currencies. However, the Company is exposed to changes in the value of the Indian Rupee versus the US Dollar as they are applied to the Company's working capital, income tax receivable and deferred tax liability of its subsidiaries in India. The Company does not have any foreign exchange contracts in place to mitigate currency risk.

A 4 percent strengthening or a 4 percent weakening of the Indian Rupee against the US Dollar at September 30, 2014, which is based on historical movements in the foreign exchange rates, would have respectively decreased or increased the net loss by $0.5 million. This analysis assumes that all other variables remained constant.

The financial instruments are exposed to fluctuations in foreign exchange rates, which are used in the translation of the financial statements of the Canadian and corporate operations to US Dollars. The reported US Dollar value of the cash and cash equivalents, accounts receivable, debt and accounts payable of the Canadian and corporate operations is exposed to fluctuations in the value of the Canadian Dollar versus the US Dollar. A 3 percent strengthening or a 3 percent weakening of the Canadian Dollar against the US Dollar at September 30, 2014, which is based on historical movement in foreign exchange rates, would have respectively increased or decreased other comprehensive loss by $3 million. This analysis assumes that all other variables remained constant.

(ii) *Commodity price risk*

The Company is exposed to the risk of changes in market prices of commodities. Natural gas prices in India are based on a domestic price formula approved by the Cabinet Committee of Economic Affairs of the GOI. The domestic pricing formula is based on the trailing four quarter weighted average price of USA, Canada, Russian and European Union with appropriate deductions on account of transportation and treatment charges. The formulated price policy has been applied in India which is to be aligned with global market prices for natural gas in due course of time. The periodicity of price determination/notification shall occur on a semi-annual basis.

14. Share capital

(a) *Fully paid ordinary shares*

The Company has authorized for issue an unlimited number of common shares and an unlimited number of preferred shares. The common shares issued are fully paid and the shares have no par value. No preferred shares have been issued.

In fiscal 2014, the holders of the unsecured notes converted approximately $6.9 million of the outstanding principal plus accrued interest into a total of 3,643,452 common shares of the Company. For the six months ended September 30, 2014, $5.9 million of outstanding principal plus accrued interest was converted into 3,306,234 common shares.

(b) *Share options granted under the employee share option plan*

The Company has reserved for issue 9,401,917 common shares for granting under stock options to directors, officers, and employees. The options become vested immediately to five years after the date of grant and expire one to six years after the date of grant. The stock options are settled in equity.

Stock option transactions for the respective periods were as follows:

	Six months ended September 30, 2014		Year ended March 31, 2014	
	Number of options	Weighted average exercise price (Cdn$)	Number of options	Weighted average exercise price (Cdn$)
Opening balance	3,128,188	27.04	4,953,145	45.04
Granted	579,071	2.22	1,248,485	3.53
Forfeited	(578,937)	32.82	(2,144,373)	36.90
Expired	(108,916)	65.18	(929,069)	68.67
Closing balance	3,019,406	19.80	3,128,188	27.04
Exercisable	1,664,893	19.42	830,630	40.48

The following table summarizes stock options outstanding and exercisable under the plan at September 30, 2014:

	Outstanding Options			Exercisable Options	
Exercise Price	Options	Remaining life (years)	Weighted average exercise price (Cdn$)	Options	Weighted average exercise price (Cdn$)
2.00 – 3.00	1,511,480	1.0	2.42	967,575	2.42
3.00 – 10.00	786,238	0.8	8.58	368,754	8.52
10.00 – 112.64	721,688	1.1	68.40	328,564	81.74
	3,019,406	1.0	19.80	1,664,893	19.42

The weighted average share price during the six months ended September 30, 2014 was $1.74 (2013 - $6.75).

(c) Fair value measure of equity instruments granted

The fair value of each option granted was estimated on the date of grant using the Black-Scholes option-pricing model with the following weighted average inputs:

(thousands of US Dollars)	Three months ended September 30, 2014	Three months ended September 30, 2013	Six months ended September 30, 2014	Six months ended September 30, 2013
Grant-date fair value	-	Cdn$3.76	Cdn$0.47	Cdn$3.76
Market price per share	-	Cdn$8.33	Cdn$2.22	Cdn$8.33
Exercise price per option	-	Cdn$8.33	Cdn$2.22	Cdn$8.33
Expected volatility	-	75%	68%	75%
Expected life (years)	-	2.5	0.67	2.5
Expected dividend rate	-	0%	0%	0%
Risk-free interest rate	-	1.1%	1.1%	1.1%
Expected forfeiture rate	-	8.6%	13%	8.6%

Expected volatility was determined based on the historical movements in the closing price of the Company's stock for a length of time equal to the expected life of each option. See note *d.* below for categorization of share-based payment expense during the period.

(d) Share-based compensation disclosure

The Company prepares its statement of comprehensive income/(loss) classifying costs according to function as opposed to the nature of the costs. As a result, share-based compensation expense is charged to various other headings in the statement of comprehensive income (loss).

(thousands of US Dollars)	Three months ended September 30, 2014	Three months ended September 30, 2013	Six months ended September 30, 2014	Six months ended September 30, 2013
Share-based compensation expense included in:				
Exploration and evaluation assets	-	174	5	398
Production and operating expenses	174	193	356	343
Exploration and evaluation expenses	161	1,252	382	2,511
Share-based compensation (recovery) expense	(1,623)	2,444	(727)	5,130
Restructuring costs	165	-	(583)	-
	(1,123)	4,063	(567)	8,382

15. Revenue

(thousands of US Dollars)	Three months ended September 30, 2014	Three months ended September 30, 2013	Six months ended September 30, 2014	Six months ended September 30, 2013
Natural gas sales	30,787	30,760	62,150	61,968
Oil and condensate sales	7,643	11,762	18,488	14,492
Less:				
Royalties	(1,120)	(1,276)	(2,337)	(2,648)
Government's share of profit petroleum	(8,839)	(4,858)	(14,669)	(9,382)
Oil and natural gas revenue	28,471	36,388	63,632	64,430

In Bangladesh, revenues from oil and gas sales to Petrobangla comprised 38 percent of total natural gas, oil and condensate sales for the quarter ended September 30, 2014 (2013 - 32 percent). In India, revenues from crude oil sales to Reliance Jamnagar represents 14 percent of total natural gas, oil and condensate sales for the six months ended September 30, 2014.

16. Exploration and evaluation expenses

(thousands of US Dollars)	Three months ended September 30, 2014	Three months ended September 30, 2013	Six months ended September 30, 2014	Six months ended September 30, 2013
Geological and geophysical	569	6,427	1,187	11,621
Exploration and evaluation	2,583	106,649	12,316	121,760
General and administrative	3,076	4,502	6,066	9,741
Production sharing contract annual payments	1,595	2,874	4,285	6,303
Share-based compensation	161	1,252	382	2,511
Exploration and evaluation	7,984	121,704	24,236	151,936

17. Finance and other income

(thousands of US Dollars)	Three months ended September 30, 2014	Three months ended September 30, 2013	Six months ended September 30, 2014	Six months ended September 30, 2013
Finance income	260	229	651	369
Other income	672	18,052	4,066	18,052
Finance and other income	932	18,281	4,717	18,421

Other income for the six months ended September 30, 2014 includes $2 million of insurance refunds received in India and $2 million related to settlement of outstanding vendor obligations in Brazil. In the prior year to date, $18 million of other income included proceeds from the farm out of a 40 percent working interest in the Grand Prix block in Madagascar in excess of the carrying value of the asset.

18. Finance expense

(thousands of US Dollars)	Three months ended September 30, 2014	Three months ended September 30, 2013	Six months ended September 30, 2014	Six months ended September 30, 2013
Interest expense(1)	18,215	5,915	33,885	10,268
Accretion expense	10,830	4,587	29,118	6,773
Bank charges and other finance costs	18	542	74	682
Finance expense	29,063	11,044	63,077	17,723

(1) Six months ended September 30, 2014 includes $4 million of interest at 5 percent per annum payable upon repayment if first ranking security is not provided over the Company's participating interest in the D6 Block under the term loan facilities agreement. If security is provided prior to March 31, 2015, the additional interest would not be required to be paid (with the additional interest payable to be reduced if the security is provided after March 31, 2015). See note 10a.

19. Restructuring costs

(thousands of US Dollars)	Three months ended September 30, 2014	Three months ended September 30, 2013	Six months ended September 30, 2014	Six months ended September 30, 2013
Severance and allocated expenses	705	-	1,899	-
Advisory cost	1,555	-	1,766	-
Share-based compensation recovery	165	-	(583)	-
Restructuring costs	2,425	-	3,082	-

20. Earnings per share

The earnings used in the calculation of basic and diluted per share amounts are as follows:

(thousands of US Dollars)	Three months ended September 30, 2014	Three months ended September 30, 2013	Six months ended September 30, 2014	Six months ended September 30, 2013
Net loss	(39,173)	(148,541)	(94,116)	(207,711)

A reconciliation of the weighted average number of ordinary shares for the purpose of calculating basic earnings per share to the weighted average number of ordinary shares for the purpose of calculating diluted earnings per share is as follows:

(thousands of US Dollars)	Three months ended September 30, 2014	Three months ended September 30, 2013	Six months ended September 30, 2014	Six months ended September 30, 2013
Weighted average number of common shares used in the calculation of basic earnings per share	94,010,947	70,215,911	93,251,860	70,215,911

As a result of the net loss in the quarters ended September 30, 2014 and 2013, the outstanding stock options and shares issuable upon conversion of the outstanding notes as at September 30, 2014 were considered anti-dilutive to the loss per share and were excluded from the weighted average number of common shares for the purposes of diluted earnings per share. The average market value of the Company's common shares for purposes of calculating the dilutive effect of stock options for the periods was based on quoted market prices for the periods that the options were outstanding. See note 10c and 10d for details of the conversion of the convertible notes and senior unsecured notes payable.

21. Segmented information

(a) Products and services from which reportable segments derive their revenues

The Company's operations are conducted in one business sector, the oil and natural gas industry. All revenues are from external customers. In Bangladesh, revenues from oil and gas sales to Petrobangla comprised 38 percent of total natural gas, oil and condensate sales for the quarter ended September 30, 2014 (2013 - 32 percent). In India, revenues from crude oil sales to Reliance Jamnagar represents 14 percent of total natural gas, oil and condensate sales for the six months ended September 30, 2014.

(b) Determination of reportable segments

Geographical areas are used to identify the Company's reportable segments. A significant geographic segment is considered a reportable segment once its activities are regularly reviewed by the Company's management. The accounting policies of the information of the reportable segments are the same as those described in the summary of significant accounting policies.

(c) Segment assets, revenues and results

(thousands of US Dollars)	Six months ended September 30, 2014		Year ended March 31, 2014	
	Additions to:			
Segment	Exploration and evaluation assets (E&E)	Property, plant and equipment (PP&E)	Exploration and evaluation assets (E&E)	Property, plant and equipment (PP&E)
Bangladesh	14	1,217	-	9,664
India	7,729	22,981	19,863	28,140
Indonesia	1,851	(5,565)	60,981	21,527
Trinidad	35	(246)	9,930	3,333
Other	-	141	954	230
Total	9,629	18,528	91,728	62,894

(thousands of US Dollars)	As at September 30, 2014			As at March 31, 2014		
Segment	Total E&E	Total PP&E	Total Assets	Total E&E	Total PP&E	Total Assets
Bangladesh	4,751	24,471	57,133	4,737	25,660	46,406
India	107,583	398,553	687,073	106,817	418,033	711,553
Indonesia	-	14,007	33,827	-	19,834	61,898
Trinidad	47,466	15,232	67,859	55,551	68,494	129,710
Other	-	584	26,179	560	682	35,024
Total	159,800	452,847	872,071	167,665	532,703	984,591

(thousands of US Dollars)

Three months ended September 30, 2014

Segment	Natural gas, condensate and oil sales	Government share of profit petroleum	Royalty (expense) / income	Production and operating expenses	Depletion and depreciation expenses	Exploration and evaluation expenses	Loss on investments and derivatives	Share-based compensation	Asset impairment	General and administrative expenses	Restructuring costs	Finance and other income, gain from asset disposal	Finance expense and foreign exchange (loss) gain	Income tax recovery / (expense)	Segment profit (loss)
Bangladesh	15,268	(8,515)	-	(2,386)	(1,202)	(333)	-	-	-	-	-	-	-	-	2,832
India	23,162	(324)	(1,135)	(7,346)	(22,121)	(212)	-	-	-	-	-	664	-	992	(6,320)
Indonesia	-	-	-	-	(40)	(4,431)	-	-	(10)	-	6	-	-	-	(4,475)
Trinidad	-	-	-	-	(23)	(2,388)	-	-	-	-	(20)	-	-	-	(2,431)
All other	-	-	15	-	(131)	(620)	-	1,623	(560)	(1,455)	(2,411)	932	(26,172)	-	(28,779)
Total	38,430	(8,839)	(1,120)	(9,732)	(23,517)	(7,984)	-	1,623	(570)	(1,455)	(2,425)	1,596	(26,172)	992	(39,173)

(thousands of US Dollars)

Three months ended September 30, 2013

Segment	Natural gas, condensate and oil sales	Government share of profit petroleum	Royalty (expense) / income	Production and operating expenses	Depletion and depreciation expenses	Exploration and evaluation expenses	Loss on investments and derivatives	Share-based compensation	Asset impairment	General and administrative expenses	Restructuring costs	Finance and other income, gain from asset disposal	Finance expense and foreign exchange (loss) gain	Income tax recovery / (expense)	Segment profit (loss)
Bangladesh	13,412	(4,537)	-	(6,430)	(1,909)	-	-	-	-	-	-	-	-	-	536
India	28,974	(321)	(1,272)	(7,852)	(26,323)	(13)	-	-	-	-	-	-	-	(4,321)	(11,128)
Indonesia	-	-	-	-	(97)	(106,407)	-	-	(13,830)	-	-	-	-	2,728	(117,606)
Trinidad	-	-	-	-	(30)	(11,669)	-	-	(7,267)	-	-	-	-	-	(18,966)
All other	136	-	(4)	(91)	(147)	(3,615)	(453)	(2,444)	-	(2,262)	-	18,281	(10,772)	(6)	(1,377)
Total	42,522	(4,858)	(1,276)	(14,373)	(28,506)	(121,704)	(453)	(2,444)	(21,097)	(2,262)	-	18,281	(10,772)	(1,599)	(148,541)

(thousands of US Dollars)

Segment	Natural gas, condensate and oil sales	Government share of profit petroleum	Royalty (expense) / income	Production and operating expenses	Depletion and depreciation expenses	Exploration and evaluation expenses	Loss on investments and derivatives	Share-based compensation	Asset impairment	General and administrative expenses	Restructuring costs	Finance and other income, gain from asset disposal	Finance expense and foreign exchange (loss) gain	Income tax recovery / (expense)	Segment profit (loss)
	Six months ended September 30, 2014														
Bangladesh	30,771	(13,757)	-	(4,752)	(2,406)	(526)	-	-	-	-	-	-	-	-	9,330
India	49,867	(912)	(2,369)	(14,531)	(44,966)	(7,121)	-	-	(9)	-	-	664	-	(112)	(19,489)
Indonesia	-	-	-	-	(77)	(9,411)	-	-	(541)	-	(32)	-	-	-	(10,061)
Trinidad	-	-	-	-	(48)	(5,684)	-	-	(60)	-	(20)	-	-	-	(5,812)
All other	-	-	32	-	(261)	(1,494)	-	727	(560)	(5,152)	(3,030)	4,717	(63,063)	-	(68,084)
Total	80,638	(14,669)	(2,337)	(19,283)	(47,758)	(24,236)	-	727	(1,170)	(5,152)	(3,082)	5,381	(63,063)	(112)	(94,116)

(thousands of US Dollars)

Segment	Natural gas, condensate and oil sales	Government share of profit petroleum	Royalty (expense) / income	Production and operating expenses	Depletion and depreciation expenses	Exploration and evaluation expenses	Loss on investments and derivatives	Share-based compensation	Asset impairment	General and administrative expenses	Restructuring costs	Finance and other income, gain from asset disposal	Finance expense and foreign exchange (loss) gain	Income tax recovery / (expense)	Segment profit (loss)
	Six months ended September 30, 2013														
Bangladesh	25,124	(8,496)	-	(11,021)	(3,595)	(180)	-	-	-	-	-	-	-	-	1,832
India	51,086	(886)	(2,647)	(11,418)	(54,609)	(49)	-	-	-	-	-	-	-	(3,866)	(22,389)
Indonesia	-	-	-	-	(144)	(129,314)	-	-	(13,829)	-	-	-	-	3,151	(140,136)
Trinidad	-	-	-	-	(61)	(16,646)	-	-	(7,268)	-	-	-	-	-	(23,975)
All other	250	-	(1)	(181)	(284)	(5,747)	(1,342)	(5,130)	-	(3,597)	-	18,421	(25,425)	(7)	(23,043)
Total	76,460	(9,382)	(2,648)	(22,620)	(58,693)	(151,936)	(1,342)	(5,130)	(21,097)	(3,597)	-	18,421	(25,425)	(722)	(207,711)

22. Commitments and contractual obligations

(a) Exploration commitments

The Company has minimum work commitments as specified in the PSCs for its exploration properties. The Company may apply for extensions to commitment deadline if it is unable to fulfill the commitment by the deadline or may relinquish the property (see note 2). The estimated cost of the minimum work commitments is as follows:

(thousands of US Dollars)	Work Commitment	Exploration period
Indonesia[4]	139,000	Various[1]
Trinidad and Tobago	133,320	Various[2]
Brazil	3,313	September 2018
Total	275,633	

(1) The deadlines for fulfilling the work commitments in Indonesia are: $100 million by November 2014; $1 million by December 2014 and $38 million by May 2015. The Company has submitted extensions to the Government of Indonesia for the work commitments due in November 2014, in which is pending approval. The Company has applied or plans to apply for extensions to commitment deadlines if it is unable to fulfill the commitment by the deadline. In connection with the loan agreement, the Company also signed exploration option agreements granting farm-in options to the option holder to (i) acquire a 5 percent working interest in each of two blocks in Indonesia, by paying its proportionate share of previously incurred costs within a specified period after the drilling of the first exploration well in the block, or (ii) receive a cash payment of approximately $10 million if a commercial discovery is made with the first exploration well drilled in the applicable block and the optionee elects not to exercise its farm-in option in the applicable block. The optionee did not exercise its farm-in option for one of the blocks after the drilling of the first exploration well in this block and the exploration option agreement for this block has terminated. Pursuant to the exploration option agreement still in effect, if a well is not spud in another applicable block in Indonesia prior to July 2016, the Company is obligated to pay approximately $5 million to the option holder.

(2) The deadlines for fulfilling the work commitments in Trinidad and Tobago are: $64 million by April 2015; $5 million by July 2015; $11 million by December 2015 and $54 million by April 2016. The Company has applied or plans to apply for extensions to commitment deadlines if it is unable to fulfill the commitment by the deadline. Work commitments in Trinidad are backed by parent company guarantees.

(3) In July 2014, the Company transferred its remaining 35 percent interest in the Grand Prix block in Madagascar to an existing partner in exchange for potential future payments to the Company that are contingent on certain future events in the block.

(4) In October 2014, the Company executed a definitive agreement with a subsidiary of Ophir Energy Plc relating to the sale of the Company's interests in seven Indonesian production sharing contracts ("PSCs"). Upon closing of the transactions, the Company's outstanding work commitment obligations are to be reduced by $1 million.

(b) Finance lease obligation

The Company has recognized a finance lease for the floating, production, storage and offloading vessel ("FPSO") used in the D6 Block in India. The fair value of $42 million for the finance lease is calculated based on future lease payments discounted at a rate of 11.65 percent. The finance lease asset is included in producing properties within property, plant and equipment and the net carrying amount is $34 million. The future minimum lease payments as at the end of the reporting period and their net present value are:

	Lease payments
<1 year	10,757
1 - 5 years	31,387
Subtotal	42,144
Imputed interest	(8,436)
Carrying value	33,708

The lease has an initial charter period of 3,650 days maturing in August 2018, which is cancellable by paying exit costs. The Company has an option to purchase the leased asset.

(c) Contract settlement obligation

In December 2013, the Company entered into a settlement agreement related to drilling rig contracts in Indonesia and Trinidad (see note 11a). The future minimum payments relate to this agreement are as follows:

(thousands of US Dollars)	Payments
<1 year	15,000
1 - 5 years	25,275
Total	40,275
Imputed interest	(9,840)
Carrying value	30,435

(d) Deferred obligation

In December 2013, as a condition of the term loan facilities agreement, the Company entered into an agreement related to D6 Block in India (see note 10a and 11b). The estimated future minimum payments related to this agreement are as follows:

(thousands of US Dollars)	Payments
1 - 5 year	104,735
> 5 years	56,140
Subtotal	160,875
Imputed interest	(75,594)
Carrying value	85,281

23. Contingent liabilities

(a) ***ICSID Arbitration***

The Company's indirect subsidiary, Niko Resources (Bangladesh) Ltd. ("NRBL"), is a party to two arbitration disputes to be decided upon by a tribunal panel ("Tribunal") under the International Centre for Settlement of Investment Disputes ("ICSID"). These disputes are related to its Feni Gas Purchase and Sales Agreement ("GPSA") with Bangladesh Oil, Gas and Mineral Corporation ("Petrobangla") and to its joint venture agreement ("JVA") with Bangladesh Petroleum Exploration & Production Company Limited ("BAPEX") for the Feni and Chattak fields in Bangladesh:

1. "Payment Claim": Dispute over payment for gas delivered from the Feni field from and after November 2, 2004 under the Feni GPSA with Petrobangla.
2. "Compensation Declaration": Dispute over compensation claims arising from the uncontrolled flow problems that occurred in Chattak field in January and June 2005, including the claims raised in the pleadings filed in the Money Suit discussed below.

In August 2013, the ICSID Tribunal delivered its decision that ICSID does have jurisdiction over the two arbitration disputes.

In September 2014, the Tribunal issued a favourable decision on the Payment Claim dispute. The Tribunal decided that:

i. Petrobangla owes NRBL $25 million plus Bangladeshi taka ("BDT") 140 million ($2 million) for gas delivered from November 2004 to April 2010;
ii. Petrobangla must pay interest on NRBL's invoices at the rate of six month London Interbank Offered Rate plus 2 percent on the US$ amounts and at 5 percent for the BDT amounts, with interest due from 45 after the delivery date of each invoice till the funds are placed at NRBL's unrestricted disposition; and
iii. The parties were invited to seek an amicable settlement with respect to the implementation of the present decision and to report to the Tribunal by no later than September 30, 2014. Failing amicable settlement, either party may ask the Tribunal to order provisional measures or issue a final decision concerning the outstanding amounts.

The Payment Claim amount due to NRBL totals $34 million (including $7 million for accrued interest to September 30, 2014). An amicable settlement has not been reached between the parties and is currently under further negotiation. The Company believes that while the magnitude of the Payment Claim amount is determinable, the process and timing for implementation is not yet certain. As such, no amounts have been recorded in these consolidated financial statements.

At the direction of the Tribunal, the hearing on the Compensation Declaration has been deferred from the original scheduled date of November 2014 and has not yet been rescheduled.

It is anticipated that the ICSID process could reach conclusion over the next year, prior to the Money Suit (discussed below) which could provide substantial grounds for resolution of the Money Suit on the grounds that the issues have already been adjudicated by a competent arbitration tribunal under ICSID which is binding on the Government of Bangladesh.

Money Suit
During the year ended March 31, 2006, NRBL received a letter from Petrobangla demanding compensation related to the uncontrolled flow problems that occurred in the Chattak field in January and June 2005, and in June 2008, NRBL was named as a defendant in a lawsuit (the "Money Suit") that was filed in Bangladesh by the GOB and Petrobangla, demanding compensation as follows:

i. $5 million for 3 Bcf of free natural gas delivered from the Feni field as compensation for the burnt natural gas;
ii. $10 million for 5.89 Bcf of free natural gas delivered from the Feni field as compensation for the subsurface loss;
iii. Bangladesh Taka 846 million ($11 million) for environmental damages, an amount subject to be increased upon further assessment;
iv. Bank guarantee for $79 million for 45 Bcf of natural gas as compensation for further subsurface loss to be finally determined on the basis of production data and analysis; and
v. any other claims that arise from time to time.

Various court dates for the Money Suit have been set at which the proceedings have been progressing at a slow pace with the next hearing scheduled in March 2015. If NRBL were to lose the Money Suit, the Company may lose its rights to the assets of NRBL (including the receivable for gas sales supplied under the GPSA). The Company believes that the outcome of the Money Suit and the associated cost to the Company, if any, are not determinable. As such, no amounts have been recorded in these consolidated financial statements. Settlement costs, if any, will be recorded in the period of determination.

(b) In accordance with natural gas sales contracts to customers of production from the Hazira field in India, the Company had committed to deliver certain minimum quantities and was unable to deliver the minimum quantities for a period ending December 31, 2007. The Company's partner in the Hazira field delivered the shortfall volumes in return for either: (a) delivery of replacement volumes five times greater than the shortfall; (b) a cash payment; or (c) a combination of (a) and (b). The Company's partner has served a notice of arbitration as the Company is unable to supply gas from the D6 block to the partner and the arbitration process has commenced. The Company estimates the cash amount to settle the contingency at $11.6 million. The Company believes that the agreement with its partner is not effective as the GOI's gas utilization policy prevents the Company from supplying the gas to the partner. The arbitration is in process and the matter is sub judice in a court of law. The Company believes that the outcome is not determinable.

The Company may not be able to supply gas to a customer in Hazira whose contract runs until mid-2016. The Company had previously planned to supply gas from the D6 Block to the customer. Due to a change in the gas allocation policy by the GOI, the Company may not be able to fulfill the contract with gas supply from the D6 Block. The Company has notified the customer that the underperformance of reservoir is a force majeure event. The customer does not agree with this position and has served a notice of arbitration on the Company. The arbitration is in process. The Company believes that the outcome is not determinable.

(c) The calculation of the government share of profit petroleum for Hazira field has been made based on the assumption that all expenditures incurred and claimed by the Hazira joint venture would be allowable for cost recovery. The audited accounts with details of expenditure incurred in excess of the budgeted expenditure have been submitted, where applicable, up to the year 2012-2013. Approval has been received for cost overruns till fiscal year 2010-2011. Some of the cost overruns have not been approved by the GOI. Necessary clarifications have been provided by the Company on the issues disputed by the GOI. If expenditures in excess of the previously approved expenditures are disallowed by the GOI, the GOI's share of profit petroleum for the Hazira field would increase by approximately $1 million, with interest due of approximately $1 million. In addition, GOI has disputed the methodology of calculation of royalties due to the GOI on natural gas sales in Hazira, with the Company's share of the disputed amounts totaling approximately $1 million, along with interest of approximately $1 million. The disputed amounts have been paid to the GOI and recorded as long-term receivables. The Company has commenced

arbitration proceedings against the GOI challenging the above actions on cost recovery and royalty. The Company believes that the outcome of the disputes is not determinable. If the Company is unsuccessful on these disputes, the long-term receivables will be written off.

(d) In a May 2012 letter, the GOI alleged that the D6 contractor group is in breach of the PSC for the D6 Block as they failed to drill all of the wells and attain production levels contemplated in the Addendum to the Initial Development Plan for the Dhirubhai 1 and 3 fields. The GOI further asserted that certain joint venture costs are therefore disallowed for cost recovery. The contractor group is of the view that the disallowance of recovery of costs incurred by the joint venture has no basis in the terms of the PSC and that there are strong grounds to challenge the action of the GOI. The contractor group has commenced arbitration proceedings against the GOI challenging the allegations and the disallowance of cost recovery. In a July 2014 letter, the GOI updated their preliminary estimate of disallowed costs as at March 31, 2014 to $2.4 billion. To the extent that any amount of joint venture costs are disallowed, such amount would be removed from calculation of profit petroleum, a portion of which would be payable to the GOI under the PSC. Because profit petroleum percentages for the contractor group and the GOI change as the contractor group recovers specified percentages of their investments, the potential impact on the GOI's share of profit petroleum is dependent on the future revenue and expenditures in the block and cannot be precisely determined. Based on the current profit petroleum percentage of 90 percent for the contractor group and 10 percent for the GOI, if the GOI were to be successful in the cost recovery arbitration and the entire $2.4 billion ($238 million Niko share) of costs were disallowed, Niko's share of the potential impact would be a total of $24 million, of which $13 million would relate periods up to September 30, 2014 and $11 million would relate to future periods. The GOI has also raised issues regarding other potential adjustments to the profit petroleum calculation and the contractor group has refuted these potential adjustments. In October 2014, the Cabinet Committee of Economic Affairs of the GOI approved the new domestic gas pricing policy for India, effective November 1, 2014, and the GOI issued the New Domestic Natural Gas Guidelines, 2014 (see note 2). The Guidelines indicate that the contractor group for the D6 Block will be paid the earlier price of $4.20 / MMbtu for gas sales from the Dhirubhai 1 and 3 fields and the difference between the revised price and the $4.20 / MMbtu will be credited to a gas pool account and "whether the amount so collected is payable or not to the contractors of this block would be dependent on the outcome of the award of the pending arbitration and any attendant legal proceedings".

(e) The Company has filed its income tax returns in India for the taxation years 1998 through 2008 under provisions that provide for a tax holiday deduction for eligible undertakings related to the Hazira and Surat fields.

The Company has received unfavorable tax assessments related to taxation years 1998 through 2010. The assessments contend that the Company is not eligible for the requested tax holiday because: a) the holiday only applies to "mineral oil" which excludes natural gas; and/or b) the Company has inappropriately defined undertakings. The taxation years 2011 and later have not yet been assessed by the tax authorities. The Company has appealed the tax assessments and has received favorable rulings at the second level of four possible levels of appeals, the Tribunal Court. This decision has been appealed by the Indian tax department to the third level of appeals, the High Court. The fourth level of appeals is the Supreme Court.

In August 2009, the GOI through the Finance (No.2) Act 2009 amended the tax holiday provisions in the Income Tax Act (Act). The amended Act provides that the blocks licensed under the NELP-VIII round of bidding and starting commercial production on or after April 1, 2009 are eligible for the tax holiday on production of natural gas. However, the budget did not address the issue of whether the tax holiday is applicable to natural gas production from blocks that have been awarded under previous rounds of bidding, which includes all of the Company's Indian blocks. The Company has previously filed and recorded its income taxes on the basis that natural gas will be eligible for the tax holiday.

With respect to undertakings eligible for the tax holiday deduction, the Act was amended to include an "explanation" on how to determine undertakings. The Act now states that all blocks licensed under a single contract shall be treated as a single undertaking. The Company was granted an interim relief by the High Court on instructing the tax Department to not give effect to the "explanation" referred to above retrospectively until the matter is clarified in the courts.

The decision regarding retrospective application of the definition of undertaking and whether or not mineral oil includes natural gas for purposes of tax holiday claim is currently pending with the High Court.

Based on the circumstances described above, the Company continued to calculate its income tax provision in accordance with its earlier practice of treating a single well / cluster of wells as a single undertaking and considering the production of natural gas as eligible for the tax holiday claim. However, to avoid interest and penalties, the Company post amendment of the Income tax act has paid its income tax excluding the tax holiday deduction and has filed its income tax return without tax holiday deduction so as not deemed to be in violation of the current legislation.

Should the High Court overturn the rulings previously awarded in favor of the Company by the Tribunal court, and the Company either decides not to appeal to the Supreme Court or appeals to the Supreme Court and is unsuccessful, the Company would have to accordingly change its tax position and record a tax expense of approximately $52 million (comprised of additional taxes of $33 million and write off of approximately $19 million of the net income tax receivable). In addition, the Company could be obligated to pay interest on taxes for the past periods.

(f) The Cauvery and D4 Blocks in India are under relinquishment. The Company believes it has fulfilled all commitments for the Cauvery block while the GOI contends that the Company has unfulfilled commitments of up to approximately $2 million. The Company believes the outcome is currently not determinable.

(g) Various lawsuits have been filed against the Company for incidents arising in the ordinary course of business. In the opinion of management, the outcome of the lawsuits, now pending, is not determinable or not material to the Company's operations. Should any loss result from the resolution of these claims, such loss will be charged to operations in the year of resolution.