NIKO RESOURCES LTD

Q3 RESULTS FOR THE QUARTER ENDED DECEMBER 31, 2014

NIKO REPORTS RESULTS FOR THE QUARTER ENDED DECEMBER 31, 2014

Niko Resources Ltd. ("Niko" or the "Company") is pleased to report its operating and financial results for the quarter ended December 31, 2014. The operating results are effective February 13, 2015. 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

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, but is lower than expected. In addition, there is uncertainty around the long-term natural gas price outlook in India. As a result, the Company announced in December that it had engaged Jefferies as its financial advisor to assist the Company in pursuing strategic alternatives including the sale of assets of the Company, a merger or other business combination, the outright sale of the Company, a refinancing of its existing debt with replacement debt, or some combination thereof. Marketing efforts are underway for the potential sale of the Company's interest in the D6 Block in India along with other assets of the Company and/or the entire Company.

On February 12, 2015, the Company announced that it had reached an agreement with the institutional lenders of its term loan facilities to amend the terms of the facilities agreement. The Company believes that the amendment provides the Company with sufficient flexibility during the next year to complete its strategic alternatives plan. In this regard, the Company believes that the milestones related to its strategic alternatives plan agreed to in the amendment are consistent with an orderly sale and will be achieved on a timely basis.

On the operational side, the drilling of the MJ-A3 appraisal well confirmed hydrocarbons in a third fault block of the structure with the zone of interest thinner than expected, and the resource assessment for the significant MJ gas and condensate discovery is underway. The Company continues to focus its capital spending on core assets while minimizing cash outflows in other areas.

The Company also announces that Frederic (Jake) Brace, left his position as President of the Company, effective December 31, 2014. On behalf of the Board of Directors, I thank Jake for his service to the Company.

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 December 31, 2014 should be read in conjunction with the interim consolidated financial statements for the quarter ended December 31, 2014. This MD&A is dated February 13, 2015. 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 October 1, 2014 through December 31, 2014. The term "prior year's quarter" is used throughout the MD&A for comparative purposes and refers to the period from October 1, 2013 through December 31, 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 December 31, 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 December 31, 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.

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:

- the Company's ability to give effect to its strategic alternatives plan announced on December 17, 2014, including the potential sale of its interest in the D6 Block in India, assets in other countries, or the sale of the Company;
- the Company's ability to comply with the terms of its amended term loan facilities agreement;
- 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;
- debt and liquidity levels, and particularly in respect of:
    - the term loan facilities and settlement agreement with Diamond Offshore ("Diamond");

    - the proposed sale of non-core assets and farm-out transactions involving exploratory production sharing contract ("PSC"), rescheduling of exploration commitments and settlement of vendor liabilities
    - deferred obligations under the D6 Royalty Agreements; and
    - the satisfaction of all covenants and conditions under the amended term loan facilities;
- 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 India's 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;
- sources of funding for the Company's planned operating, investing, and financing cash outlfows;
- 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;
- 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.

Certain statements in this press release constitute forward-looking information. Specifically, this press release contains forward looking information relating to the ability of the Company to successfully complete its strategic alternatives plan on a timely basis (including meeting and satisfying certain milestones), the Company complying with the terms of the facilities agreement, as amended by the amendment, and the ability of the Company to give effect to its business plan. Such forward-looking information is based on a number of risks, uncertainties and assumptions, which may cause actual results or other expectations to differ materially from those anticipated and which may prove to be incorrect. There can be no assurances that the Company will be able to successfully complete its strategic alternatives plan on a timely basis, or that the Company will be able to comply with the terms of the facilities agreement, as amended by the amendment, or that the Company will be able to meet the goals and purposes of its business plan or meet and satisfy the milestones agreed to in the amendment. The failure to meet or satisfy any of the foregoing is likely to have a material adverse impact on the Company. Undue reliance should not be placed on forward-looking information. Such forward-looking information reflects the Company's current beliefs and assumptions and is based on information currently available to the Company. This forward-looking information is based on certain key expectations and assumptions, many of which are not within the control of the Company and include expectations and assumptions 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, 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, the availability and cost of labour and services and general market conditions. The reader is cautioned that the assumptions used in the preparation of such information, although considered reasonable at the time of preparation, may prove to be incorrect. Actual results may vary from the information provided herein as a result of numerous known and unknown risks and uncertainties and other factors and such variations may be material. Such risk factors include, but are not limited to: the risks associated with the Company meeting its obligations under the amended facilities agreement and successfully completing its strategic alternatives plan, as well as 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, costs and expenses, commodity price and exchange rate fluctuations, government regulation, marketing and transportation risks, environmental risks, competition, the ability to access sufficient capital from internal and external sources, changes in tax, royalty and environmental legislation, the impact of general economic conditions, imprecision of reserve estimates, the lack of availability of qualified personnel or management, stock market volatility, risks associated with meeting all of the Company's financing obligations and contractual commitments (including work commitments), the risks discussed under "Risk Factors" in the Company's Annual Information Form for the year-ended March 31, 2014 ("AIF") and in the Company's public disclosure documents, and other factors, many of which are beyond the Company's control. Niko makes no representation that the actual results achieved during the forecast period will be the same in whole or in part as those forecast.

The forward looking information included in this press release is expressly qualified in its entirety by this cautionary statement. The forward looking information included herein is made as of the date of this MD&A and Niko assumes no obligation to update or revise any forward looking information to reflect new events or circumstances, except as required by law.

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 updates 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 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, gain or loss on derivatives, 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, 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 third quarter of fiscal 2015 are as follows:

Sales Volumes

	Three months ended December 31,		Nine months ended December 31	
(mmcfe/d)	2014	2013	2014	2013
D6 Block, India	44	47	47	52
Block 9, Bangladesh	63	62	65	56
Other(1)	2	2	2	2
Total(2)	109	112	114	110

(1) Other includes Hazira in India, and Canada.
(2) Figures may not add up due to rounding.

D6 Block, India

- In October 2014, the Cabinet Committee of Economic Affairs of the Government of India ("GOI") approved the new domestic gas pricing policy for India and the GOI issued the New Domestic Natural Gas Guidelines, 2014 (the "Guidelines"). As a result, the price for natural gas sales from the D6 Block in India increased by 33 percent, effective November 1, 2014. 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.
- During the quarter, the price for oil and condensate sales for the third quarter of fiscal 2015 decreased by nearly 45 percent compared to the third quarter of fiscal 2014 as a result of the decline in world oil prices.
- Total sales volumes in the third quarter of fiscal 2015 of 44 mmcfe/d were lower compared to the third 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 well sidetrack well brought on-stream in April 2014.
- Construction activities for the onshore terminal compression project continued in the third quarter of fiscal 2015, with commissioning underway on two of the compressors with the third compressor expected to be commissioned by March 2015.
- Appraisal of the MJ field continued in the third quarter with the drilling of the third appraisal well, MJ-A3, completed in the third quarter. The well encountered hydrocarbon at the zone of interest, with the zone thinner than expected. Analysis of the impact on the overall resources for the MJ gas and condensate field is currently underway.
- Drilling on MA-5H sidetrack well commenced in December 2014 and is expected to be completed in the fourth quarter.

Block 9, Bangladesh

- Total sales volumes for the third quarter of fiscal 2015 of 63 mmcfe/d reflected the impact of a scheduled plant turnaround in early October and plant compression facilities which came on-line in the quarter.
- Total sales volumes for the nine months ended December 31, 2014 of 65 mmcfe/d reflected the impact of workovers performed in the first half of fiscal 2014.

Restructuring

- In October 2014, the Company executed a definitive agreement with a subsidiary of Ophir Energy Plc ("Ophir") relating to the sale of the Company's interests in seven Indonesian 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.

- Due primarily to the projected impact of the new domestic gas pricing policy for India on the Company's future liquidity and significant uncertainty on the future long-term price outlook in India, the Company engaged Jefferies LLC as its financial advisor to assist the Company in pursuing strategic alternatives including the sale of assets of the Company, a merger or other business combination, the outright sale of the Company, a refinancing of its existing debt with replacement debt, or some combination thereof. Marketing efforts are underway for the potential sale of the Company's interest in the D6 Block in India along with other assets of the Company and/or the entire Company, and in this regard the Company has entered into confidentiality agreements with several parties.
- In February 2015, the Company reached an agreement with the institutional lenders of its term loan facilities agreement to amend the terms thereof.

  Subject to certain conditions, the key terms of the amendment are as follows:
  - Requirement to achieve certain milestones related to the potential sale of the Company's interest in the D6 Block in India, which could include the sale of the Company
  - Waiver of certain financial covenants and undertakings set out in the facilities agreement (including senior debt to EBITDAX, and proved plus probable reserves for the D6 Block to senior debt) until December 15, 2015 (or June 16, 2015, if certain milestones related to the potential sale of the Company's interest in the D6 Block are not met by such date)
  - Requirement to maintain specified minimum cash balances
  - Restrictions on capital expenditures for non-core assets and general and administrative expenditures
  - An offer by the Company to make a principal repayment of $5 million on the term loan facilities by February 26, 2015
  - If the lenders agree to the Company having access to the restricted cash in the reserve accounts specified in the facilities agreement, the Company shall (i) offer to make a principal repayment of $15 million on the term loan facilities, which repayment shall be made within 10 business days of the lenders making such agreement and (ii) pay a fee equal to 0.5 percent of the outstanding principal amount on the date the loan is repaid

  The Company believes that the amendment provides the Company with sufficient flexibility during the next year to complete its strategic alternatives plan. In this regard, the Company believes that the milestones agreed to in the amendment are consistent with an orderly sale and will be achieved on a timely basis. However, if the strategic alternatives plan does not result in one or more transactions, or results in one or more transactions the terms or timing of which are unacceptable to the Company or the lenders, this could have a material adverse impact on the Company. Further, the results of the strategic alternatives plan could prove to be unsatisfactory for security holders, which could have a material adverse impact on the value of their interest in the Company.

  The Company's operating results for the trailing four quarters ended December 31, 2014 were not sufficient to satisfy the senior debt to EBITDAX financial covenant and under the original agreement, this breach of covenant would have, but for the amendment, resulted in the right for the lenders to accelerate payment of the outstanding principal amount of the term loan facilities of $308 million. Due to cross default provisions of the note indenture for the Company's convertible notes, an event of default under the term loan facilities agreement that was not cured within 45 days would permit the holders of the convertible notes to accelerate payment of the outstanding principal amount of the convertible notes of approximately $99 million. As a result, and not withstanding that an event of default did not occur under the facilities agreement, the Company has reflected the outstanding balances of the term loan facilities and convertible notes as current liabilities as at December 31, 2014.

CAPITAL AND EXPLORATION EXPENDITURES

For the nine months ended December 31, 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	26,877	739	15,225	249	43,090
Other	62	(5,812)	1,880	14,432	10,562
Total	29,939	(5,073)	17,105	14,681	53,652

(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 $43 million for the nine months ended December 31, 2014, including $10 million in the current quarter. Development capital of $27 million incurred year to date related primarily to the drilling of wells and workover operations in the Dhirubhai 1 and 3 field in the D6 Block in India and compression projects in the D6 Block and in Block 9 in Bangladesh. Exploration and evaluation capital of $15 million for the nine months ended December 31, 2014 is primarily related to the appraisal drilling of MJ-A2 and MJ-A3 in the MJ field in the D6 Block in India. Costs related to the unsuccessful MJ-A2 well in the first quarter were expensed.

Other Countries

Capital and exploration expenditures outside of India and Bangladesh totaled $11 million for the nine months ended December 31, 2014, including $4 million in the current quarter. Year to date exploration and evaluation costs expensed directly to income of $14 million and other exploration and evaluation expenditures of $2 million have been 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 interim consolidated financial statements of comprehensive income (loss) to EBITDAX.

	Three months ended December 31,		Nine months ended December 31,	
(thousands of US Dollars)	2014	2013	2014	2013
Oil and natural gas revenue	29,009	33,349	92,641	97,779
Production and operating expenses	(8,672)	(11,005)	(27,824)	(33,282)
General and administrative expenses	(2,689)	(2,064)	(8,115)	(5,660)
Finance and other income	1,413	2,930	6,130	21,351
Bank charges and other finance costs	(166)	(66)	(240)	(748)
Realized foreign exchange gain	18	686	18	1,526
EBITDAX(1)	18,913	23,830	62,610	80,966
Cash interest expense	(14,227)	(10,135)	(44,101)	(20,403)
Cash restructuring costs	(2,473)	(7,982)	(6,139)	(7,982)
Current income tax expense	(1)	7	(24)	(4)
Non-cash production and operating expenses	(148)	(204)	(504)	(547)
Depletion and depreciation expenses	(22,598)	(25,769)	(70,356)	(84,463)
Exploration and evaluation expenses	(6,177)	(39,598)	(29,914)	(191,534)
Non-cash restructuring (costs) recovery	-	(29,610)	584	(29,610)
Loss on investments	-	-	-	(1,342)
Loss on asset disposal	(1,567)	-	(904)	-
Asset impairment	(66,836)	(497,172)	(68,006)	(518,270)
Share-based compensation recovery (expense)	56	(1,625)	783	(6,755)
Accretion expense	(91,137)	(13,266)	(120,256)	(20,039)
Gain on derivative	48,302	-	48,302	-
Interest expense due upon repayment	(3,833)	-	(7,844)	-
Unrealized foreign exchange gain (loss)	1,663	(2,398)	1,678	(10,940)
Deferred income tax recovery (expense)	(3,469)	155,745	(3,559)	155,033
Net loss	(143,532)	(448,177)	(237,650)	(655,890)

(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 year's quarter and prior year to date primarily due to decreased oil and condensate prices, decreased sales volumes from the D6 Block in India, and higher government share of revenue in Block 9 in Bangladesh, partially offset by higher natural gas prices for the D6 Block in India and increased sales volumes from Block 9 in Bangladesh.

Production and operating expenses

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

General and administrative expenses

General and administrative expense for the current quarter and current year to date increased from prior year primarily due to legal costs associated with the Company's ICSID arbitration cases in Bangladesh and lower overhead recoveries.

Finance and other income

Finance and other income for the current quarter and year-to-date included benefits from settlement of vendor obligations and insurance premiums refunds in India. Finance and other income in the prior year's quarter included the benefit from a transfer of the Company's interest in a Canadian property as part of a retirement agreement and insurance premium refunds. In the prior year to date, the Company farmed out a portion of its interest in the Grand Prix block in Madagascar, resulting in recovery income of $18 million.

Interest expense

Cash interest expense for the current quarter and current year to date increased compared to prior year primarily due to interest on the term loan facilities. Interest expense due upon repayment is related to an additional 5 percent interest per annum on the term loan facilities, effective June 2014, that is payable on repayment of the term loan facilities 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 current year to date decreased due to lower severance and allocated costs, offset by increased advisory costs incurred for the Company's restructuring efforts initiated in the third quarter of fiscal 2014. In the prior year quarter and prior year to date, severance and allocated expenses primarily related to the retirement of the Company's Chief Executive Officer. Non-cash restructuring cost in the current year to date were significantly lower than prior year to date as the Company previously recognized $38 million costs related to the settlement of the Company's contract settlement obligations partially offset by the recovery from the forfeiture of stock options by former management and employees of the Company.

Depletion and depreciation expenses

Depletion and depreciation expenses in current quarter and current 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 current year to date as a result of the Company's overall reduction in exploration activities in countries outside of India. Exploration and evaluation expenses directly expensed during the current quarter and current year to date included branch office costs in Indonesia and Trinidad, obligations specified in PSCs in Trinidad, and final costs related to operation of the Ocean Monarch rig in Indonesia. Exploration and evaluation expenses for the current year to date included costs associated with 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 in Indonesia.

Asset impairment

During the current quarter, the Company impaired the remaining $48 million of exploration and evaluation asset value related to its blocks in Trinidad as a result of management's assessment of the Company's likelihood of realizing value for these assets in the current environment. The Company also recognized $20 million of impairment expense related to capital inventory in Indonesia and Trinidad. Asset impairments in the prior year related to the reduction in the carrying value of its exploration and evaluation assets in Indonesia and Trinidad to the Company's estimates of net recoverable amounts.

Share-based compensation expense

Share-based compensation recovery in the current quarter and year to date resulted from adjustments due to forfeitures of stock options. No new options were granted in the third quarter of fiscal 2015.

Accretion expense

As at December 31, 2014, the Company reclassified the outstanding balances of its term loan facilities and convertible notes from long-term to current liabilities and recognized $81 million of accelerated accretion expense in the current quarter. In the prior year's quarter, $10 million of accelerated accretion expense resulted from the Company's financial restructuring in December 2013. Year to date accretion expense increased compared to prior year primarily due to the impact of the reclassification of term-loan and convertible notes, early prepayments of the $20 million outstanding principal on Facility E of the term loan facilities and $15 million of the contract settlement obligation in the first quarter of fiscal 2015, partially offset by the impact of the Company's financial restructuring in December 2013.

Gain on derivative

In the current quarter, the Company revalued its outstanding deferred obligations related to the D6 Block in India based on the new gas price guidelines, effective November 1, 2014, and forecast production volumes, and recognized a $48 million gain on derivative.

Unrealized foreign exchange gain (loss)

The unrealized foreign exchange gain experienced in the current quarter and current year to date primarily reflected the impact of the weakening of the Canadian dollar against the US dollar on Canadian dollar denominated convertible notes, partially offset by the impact of the weakening of the Indian rupee against the US dollar on Indian Rupee denominated income tax receivables. The unrealized foreign exchange loss in the prior quarter and prior year to date related primarily to the impact of the weakening of the Canadian dollar against the US dollar on US dollar denominated debt and the impact of the weakening of Indian Rupee against the US Dollar on Indian Rupee denominated income tax receivables.

Deferred income tax recovery (expense)

The deferred income tax recovery for the prior quarter and year to date related primarily to the impairment of exploration and evaluation assets in Indonesia.

SEGMENT PROFIT

India

(thousands of US Dollars)	Three months ended December 31, 2014	2013	Nine months ended December 31, 2014	2013
Natural gas revenue	19,528	16,876	54,435	56,759
Oil and condensate revenue	3,098	7,674	18,059	18,878
Royalties	(1,059)	(1,125)	(3,428)	(3,773)
Government share of profit petroleum	(280)	68	(1,193)	(818)
Production and operating expense	(6,474)	(7,440)	(21,006)	(18,858)
Depletion and depreciation expense	(21,012)	(23,481)	(65,979)	(78,090)
Asset impairment	-	-	(9)	-
Exploration and evaluation expense	(248)	(48)	(7,369)	(97)
Gain from asset disposal	-	-	664	-
Current tax expense	(1)	(1)	(24)	(4)
Deferred income tax expense	(3,469)	(1,948)	(3,559)	(5,811)
Segment loss(1)	(9,917)	(9,425)	(29,409)	(31,814)
Daily natural gas sales (Mcf/d)	42,266	44,637	44,652	50,148
Daily oil and condensate sales (bbls/d)	572	794	730	650
Operating costs ($/Mcfe)	1.44	1.66	1.49	1.26
Depletion rate ($/Mcfe)	4.79	5.21	4.77	5.17

(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 increased in the current quarter compared to prior year's quarter primarily due to a higher natural gas price of $5.05/MMBtu based on gross calorific value ("GCV") effective November 1, 2014, partially offset by lower gas sales volumes. Year to date natural gas revenue decreased from prior year to date due to anticipated natural declines in the D6 Block, partially offset by higher production from two wells in the MA field brought on-stream in January 2014 and April 2014, respectively, and higher prices effective Nov 1, 2014.

Oil and condensate revenue in the current quarter decreased from the prior year's quarter resulting from lower oil and condensate prices and lower oil and condensate sales volumes. Year to date oil and condensate revenues in D6 Block decreased slightly from the prior year due to lower prices, partially offset by higher sales volumes.

Production and operating expenses for the current quarter was lower than the prior year's 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 for the current quarter and current year to date decreased due to lower production volumes in the D6 Block.

Exploration and evaluation expenses in the current quarter and current year to date increased from the prior year primarily due to the unsuccessful MJ-A2 appraisal well expensed in the first quarter of the fiscal 2015.

The natural gas price for the period from November 1, 2014 to March 31, 2015 under India's new domestic natural gas guidelines is lower than prices used in preparation of the Company's independent reserve evaluation for these blocks as at March 31, 2014. As a result, the Company evaluated its $358 million of carrying value of development and producing assets related to the D6 and NEC-25 blocks as at December 31, 2014 for impairment. The lower oil price environment and uncertainty of future natural gas prices in India have been considered in management's impairment evaluations and management has determined that no impairment existed as at December 31, 2014. Gas price estimates are used in the preparation of reserves estimates and asset impairment tests and are subject to measurement uncertainty. Future oil and natural gas prices lower than reflected in the Company's evaluations and/or changes in the Company's plans could result in impairment in the future.

Bangladesh

	Three months ended December 31,		Nine months ended December 31,	
(thousands of US Dollars)	2014	2013	2014	2013
Natural gas revenue	13,210	12,870	40,453	35,148
Condensate revenue	1,188	1,687	4,716	4,534
Government share of profit petroleum	(6,687)	(4,917)	(20,444)	(13,413)
Production and operating expense	(2,346)	(3,669)	(7,322)	(14,690)
Depletion and depreciation expense	(1,419)	(2,115)	(3,826)	(5,710)
Exploration and evaluation expense	(33)	(17)	(59)	(197)
Segment profit(1)	3,913	3,839	13,518	5,672
Daily natural gas sales (Mcf/d)	61,915	61,231	63,349	55,180
Daily condensate sales (bbls/d)	178	154	184	158
Operating costs ($/Mcfe)	0.43	0.59	0.41	0.91
Depletion rate ($/Mcfe)	0.24	0.37	0.22	0.37

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

Natural gas revenues for the current year to date increased compared to the prior year to date due to higher sales volumes resulting from the successful completion of well workovers in the first half of fiscal 2014.

The government share of profit petroleum for the current quarter and current year to date increased compared to the 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 PSC.

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

Depletion and depreciation expense for the current quarter and current 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 in the current year.

Indonesia

	Three months ended December 31,		Nine months ended December 31,	
(thousands of US Dollars)	2014	2013	2014	2013
Exploration and evaluation expense	3,861	29,491	13,272	158,806
Depletion and depreciation expense	40	-	117	144
Asset impairment	12,711	472,484	13,252	486,313
Restructuring cost	484	38,395	516	38,395
Deferred tax recovery	-	(157,694)	-	(160,848)
Segment loss(1)	17,096	382,676	27,157	522,810

(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 year's quarter and prior year to date as a result of the reduced exploration and evaluation efforts due to the Company's shift in strategic focus. Exploration and evaluation expense incurred in the current quarter and year to date reflect final costs related to operation of the Ocean Monarch rig in Indonesia and branch office costs. In the prior year to date, exploration and evaluation expenses of $159 million included the costs of three unsuccessful wells, rig mobilization and standby costs, seismic and other exploration projects, branch office costs and share based compensation.

Asset impairment in the current quarter and current year to date relates to impairment of capital inventory. In the prior year, the Company recognized impairment of its exploration and evaluation assets and a resulting deferred tax recovery.

Restructuring cost in the current quarter and current year to date decreased significantly from prior year as in the prior year to date, the Company recognized $38 million for the settlement of drilling contract obligations. Current year to date restructuring costs primarily reflect severance, allocated expenses and advisory costs.

Trinidad

	Three months ended December 31,		Nine months ended December 31,	
(thousands of US Dollars)	2014	2013	2014	2013
Exploration and evaluation expense	1,373	10,026	7,057	26,672
Depletion and depreciation expense	23	27	70	88
Loss on asset disposal	828	-	704	-
Asset impairment	54,125	24,688	54,185	31,957
Restructuring cost	-	-	20	-
Segment loss[1]	56,349	34,741	62,036	58,717

(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 year's quarter and prior year to date as a result of the reduced exploration and evaluation efforts due to the Company's shift in strategic focus. Expenses incurred in the current quarter and year to date primarily relate to branch office costs and obligations specified in PSCs.

During the current quarter, the Company sold capital inventory to third parties and recognized a $1 million loss on asset disposal.

During the current quarter, the Company impaired the remaining $48 million of exploration and evaluation carrying value related to its blocks in Trinidad as a result of management's assessment of the Company's likelihood of realizing value for these assets in the current environment. The Company also recognized $7 million of asset impairment relating to the reduction of the carrying value of capital inventory to the Company's estimated net realizable value. In the prior year to date, the Company recognized $27 million of asset impairment related to reductions in the carrying values of various exploration and evaluation assets in Trinidad.

All Other (Brazil, Madagascar, Pakistan)

	Three months ended December 31,		Nine months ended December 31,	
(thousands of US Dollars)	2014	2013	2014	2013
Other expense (income)	37	5	(1,930)	(18,047)
Exploration and evaluation expense	662	16	2,157	5,762
Production and operation expense	-	100	-	281
Depletion and depreciation expense	104	146	364	431
Asset impairment	-	-	560	-
Income tax expense	-	(7)	-	-
Segment loss (income)[1]	803	260	1,151	(11,573)

(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 to date, 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 carrying value.

Exploration and evaluation expenses in the current quarter increased from prior year's quarter due to higher branch office costs in Brazil. Exploration and evaluation expenses year to date decreased from prior year due to the Company's shift in strategic focus.

During current year to date, the Company recognized an impairment relating to the transfer 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 December 31, 2014	2013	Nine months ended December 31, 2014	2013
Finance and other income	722	2,930	3,380	3,299
General and administrative expenses	(2,689)	(2,064)	(8,115)	(5,660)
Share-based compensation recovery (expense)	56	(1,625)	783	(6,755)
Restructuring cost	(1,989)	803	(5,019)	803
Finance expense	(109,363)	(23,467)	(172,441)	(41,190)
Foreign exchange gain (loss)	1,681	(1,712)	1,696	(9,413)
Loss on investments	-	-	-	(1,342)
Gain on derivatives	48,302	-	48,302	-
	(63,280)	(63,530)	(131,414)	(98,653)

Finance and other income

Finance and other income for the current quarter decreased from prior year's quarter primarily due to the recorded benefits from a transfer of the Company's interest in a Canadian property as part of a retirement agreement and an insurance premium refund in the prior year's quarter. Other income for the current year to date includes insurance premium refunds in India.

General and administrative expenses

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

Share-based compensation expense

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

Restructuring costs

Restructuring costs in the current quarter and current year to date relate to advisory costs and allocated expenses incurred for the Company's restructuring efforts initiated in the third quarter of fiscal 2014, partially offset by recovery from the forfeitures of stock options. Restructuring recoveries in the prior year's quarter and prior year to date relate to share-based compensation adjustments from the forfeitures of stock options by former management and employees of the Company, partially offset by the costs of retirement arrangements with the Company's former President and Chief Executive Officer and other former employees.

Finance expense

(thousands of US Dollars)	Three months ended December 31, 2014	2013	Nine months ended December 31, 2014	2013
Interest expense	18,060	10,135	51,945	20,403
Accretion expense	91,137	13,266	120,256	20,039
Bank charges and other finance costs	166	66	240	748
Finance expense	109,363	23,467	172,441	41,190

Interest expense for the current quarter and current year to date increased primarily due to interest on the term loan facilities drawn at the end of the third quarter of fiscal 2014, including an additional 5 percent interest per annum, effective June 2014, that is payable on repayment of the term loan facilities 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).

As at December 31, 2014, the Company reclassified the outstanding balances of its term loan facilities and convertible notes from long-term to current liabilities and recognized $81 million of accelerated accretion expense in the current quarter. In the prior year's quarter, $10 million of accelerated accretion expense resulted from the Company's financial restructuring in December 2013. Year to date accretion expense increased compared to prior year primarily due to the impact of the reclassification of term-loan and convertible notes, early prepayments of the $20 million outstanding principal on Facility E of the term loan facilities and $15 million of the contract settlement obligation in the first quarter of fiscal 2015, partially offset by the impact of the Company's financial restructuring in December 2013.

Foreign Exchange

(thousands of US Dollars)	Three months ended December 31, 2014	2013	Nine months ended December 31, 2014	2013
Realized foreign exchange gain	(18)	(686)	(18)	(1,526)
Unrealized foreign exchange (gain) loss	(1,663)	2,398	(1,678)	10,940
Total foreign exchange (gain) loss	(1,681)	1,712	(1,696)	9,414

The unrealized foreign exchange gain experienced in the current quarter and current year to date primarily reflected the impact of the weakening of the Canadian dollar against the US dollar on Canadian dollar denominated convertible notes, partially offset by the impact of the weakening of the Indian rupee against the US dollar on Indian Rupee denominated income tax receivables. The unrealized foreign exchange loss in the prior year's quarter and prior year to date related primarily to the impact of the weakening of the Canadian dollar against the US dollar on US dollar denominated debt and the impact of the weakening of Indian Rupee against the US Dollar on Indian Rupee denominated income tax receivables.

Realized foreign exchange gain experienced in the current quarter and current year to date declined from prior year due to the lower impact of the weakening of the Indian Rupee against the US Dollar on Indian Rupee denominated payables as compared to prior year.

LIQUIDITY AND CAPITAL RESOURCES

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, in December 2013, the Company entered into a definitive facilities agreement with certain institutional lenders (the "lenders") providing for term loan facilities. At that time, prices for natural gas sales from the D6 Block were expected to approximately double effective April 1, 2014, as per the pricing formula approved by the Government of India ("GOI") in June, 2013.

After three deferrals, in October 2014, the GOI approved the new domestic gas pricing policy for India effective November 1, 2014, and issued the New Domestic Natural Gas Guidelines, 2014 (the "Guidelines"), which reflect a pricing formula that has been revised from the pricing formula approved in June, 2013. 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 24(d) of the interim consolidated financial statements). 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".

As per the Guidelines, the announcement of the gas price will be determined on a semi-annual basis. Notification of the gas price for the period of April 1, 2015 to September 30, 2015 is expected to occur in mid-March 2015. Prices will be calculated based on a volume weighted average of prices in the US, Canada, Europe and Russia based on the twelve month trailing average price with a lag of three months. Gas price estimates are used in the preparation of reserves estimates and asset impairment tests and are subject to measurement uncertainty. Actual gas pricing results may differ from these estimates and may impact the interim consolidated financial statements.

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 significant 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.

Due primarily to the projected impact of the new domestic gas pricing policy for India on the Company's future liquidity and significant uncertainty on the future long-term price outlook in India, the Company engaged Jefferies LLC as its financial advisor to assist the Company in pursuing strategic alternatives including the sale of assets of the Company, a merger or other business combination, the outright sale of the Company, a refinancing of its existing debt with replacement debt, or some combination thereof.

Covenants and Liquidity

In the current quarter, the Company was subject to the following financial covenants under its term loan facilities agreement (which covenants have since been waived per the amendment discussed below):

- Maximum ratio of (a) consolidated senior debt (defined as debt incurred under facilities A, B and C of the term loan facilities 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).

The Company's operating results for the trailing four quarters ended December 31, 2014 were not sufficient to satisfy the senior debt to EBITDAX financial covenant and under the original agreement, this breach of covenant would have, but for the amendment, resulted in the right for the lenders to accelerate payment of the outstanding principal amount of the term loan facilities of $308 million. Due to cross default provisions of the note indenture for the Company's convertible notes, an event of default under the term loan facilities agreement that was not cured within 45 days would permit the holders of the convertible notes to accelerate payment of the outstanding principal amount of the convertible notes of approximately $99 million. As a result, and not withstanding that an event of default did not occur under the facilities agreement, the Company has reflected the outstanding balances of the term loan facilities and convertible notes as current liabilities as at December 31, 2014.

In February 2015, the Company reached an agreement with the institutional lenders of its term loan facilities agreement to amend the terms thereof.

Subject to certain conditions, the key terms of the amendment are as follows:

- Requirement to achieve certain milestones related to the potential sale of the Company's interest in the D6 Block in India, which could include the sale of the Company
- Waiver of certain financial covenants and undertakings set out in the facilities agreement (including senior debt to EBITDAX, and proved plus probable reserves for the D6 Block to senior debt) until December 15, 2015 (or June 16, 2015, if certain milestones related to the potential sale of the Company's interest in the D6 Block are not met by such date)
- Requirement to maintain specified minimum cash balances
- Restrictions on capital expenditures for non-core assets and general and administrative expenditures
- An offer by the Company to make a principal repayment of $5 million on the term loan facilities by February 26, 2015
- If the lenders agree to the Company having access to the restricted cash in the reserve accounts specified in the facilities agreement, the Company shall (i) offer to make a principal repayment of $15 million on the term loan facilities, which repayment shall be made within 10 business days of the lenders making such agreement and (ii) pay a fee equal to 0.5 percent of the outstanding principal amount on the date the loan is repaid

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 December 31, 2014 of $74 million;
- Restricted cash as at December 31, 2014 of $58 million subject to terms under the amendment;
- 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 believes that the amendment provides the Company with sufficient flexibility during the next year to complete its strategic alternatives plan. In this regard, the Company believes that the milestones agreed to in the amendment are consistent with an orderly sale and will be achieved on a timely basis. However, if the strategic alternatives plan does not result in one or more transactions, or results in one or more transactions the terms or timing of which are unacceptable to the Company or the lenders, this could have a material adverse impact on the Company. Further, the results of the strategic alternatives plan could prove to be unsatisfactory for security holders, which could have a material adverse impact on the value of their interest in the Company.

As at December 31, 2014, the Company had $108 million of accounts payable and accrued liabilities related to its exploration subsidiaries in Indonesia and Trinidad and $272 million of exploration work commitments associated with these subsidiaries, including commitments of the Trinidad subsidiaries that are backed by parent company guarantees (see note 23 of the interim consolidated financial statements for the quarter ended December 31, 2014). For six production sharing contracts ("PSCs") in Indonesia that have commitments due in November 2014, the Company has requested amendments to the PSCs to extend the initial exploration period to ten years, and related extensions to the commitment dates. 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 ("Ophir") relating to the sale of the Company's interests in seven Indonesian 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, and the Company will indemnify Ophir for any Land and Building Tax obligations related to its interests in three of the PSCs being sold through issuance of a parent company guarantee (see note 24(g) of the interim consolidated financial statements for the quarter ended December 31, 2014).

The Company is continuing its efforts to sell or farm out interests in many of its exploration PSCs, 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.

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.

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 December 31, 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). The additional 5 percent interest is referred to as "D6 PIK interest".

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 increased 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.
- 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.Requirement that, subject to certain exceptions, asset sales be completed at fair market value with at least 90 percent of the consideration received in the form of cash (including assumed liabilities).
- Restrictions on the incurrence of debt, granting of liens, investments and similar transactions.

As per the amendment, financial covenants and undertakings set out in the facilities agreement (including senior debt to EBITDAX, and proved plus probable reserves for the D6 Block to senior debt) are waived until December 15, 2015 (or June 16, 2015, if certain milestones related to the potential sale of the Company's interest in the D6 Block are not met by such date).

Change in Control

If a change in control of the Company occurs or the Company's indirect subsidiary, Niko (NECO) Ltd., disposes of any part of its rights in respect of the D6 PSC, the Company shall make an offer to prepay all of the outstanding principal (plus a one percent prepayment fee) and accrued and unpaid interest (including cash interest and D6 PIK interest) within ten days of the change of control.

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 with respect to Block 9 in Bangladesh which will become effective upon consent by Petrobangla and the Bangladesh government, 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 facilities, 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 $35 million. During the third quarter, the Company repaid $5 million to Diamond and $0.5 million of proceeds from asset sales. The amounts due are non-interest bearing.

Unsecured Notes

In June 2013, the Company issued $64 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 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 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.

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. The guarantees of the convertible notes are subordinated to the guarantees provided to lenders of the Company's term loan facilities.

Undertakings and covenants in respect of the convertible notes include:

- Requirement to make offers to purchase the convertible notes at par plus accrued and unpaid interest within 30 days following a change of control (as defined below); and
- Requirement to obtain the consent of the holders of the convertible notes to sell all or substantially all of the Company's assets to another person, subject to certain exceptions.

For the purpose of such undertakings and covenants, subject to certain exceptions, a change of control includes a sale of all or substantially all of the Company's assets, and a sale of assets of a subsidiary of the Company that would constitute all or substantially all of the assets of the Company on a consolidated basis is deemed to be a sale of all or substantially all of the assets of the Company.

The note indenture provides that an event of default in respect of the convertible notes will occur, if an event of default occurs or exists under the term loan facilities agreement, if that default:

- is caused by a failure to pay obligations prior to the expiration of any applicable grace or cure period, or
- results in the lenders of the term loan facilities having the right to accelerate such obligations prior to their stated maturity,

and that default is not cured or waived within a period of 45 days from the occurrence of that default.

If an event of default in respect of the convertible notes has occurred and is continuing, the note trustee may, in its discretion, and shall upon request of holders of not less than 25 percent of the principal amount of convertible notes then outstanding, declare the principal of and interest on all outstanding convertible notes to be immediately due and payable. In certain cases, the holders of more than 50 percent of the principal amount of the convertible notes then outstanding may, on behalf of the holders of all convertible notes, waive any event of default and/or cancel any such declaration upon such terms and conditions as such holders shall prescribe.

As discussed above, a breach of the senior debt to EBITDAX financial covenant of the original term loan facilities agreement would have resulted in the right of the lenders of the term loan facilities to accelerate payment of the outstanding principal amount of the term loan facilities. As a result of the cross default provisions of the note indenture, the Company has reflected the outstanding balances of the term loan facilities as current liabilities as at December 31, 2014. Refer to the amendment of the term loan facilities.

Contractual Obligations

The Company has various contractual obligations, as follows:

As at December 31, 2014		Obligations by Period			
(thousands of US Dollars)	Total	< 1 year	1 to 3 years	3 to 5 years	> 5 years
Term loan facilities[3]	345,625	345,625	-	-	-
Finance lease obligations[1]	42,143	10,757	31,386	-	-
Convertible notes[2]	106,030	106,030	-	-	-
Other long-term liabilities[4]	112,488	20,630	36,186	26,703	28,969
Decommissioning obligations[5]	85,807	1,796	6,484	-	77,527
Exploration work commitments[6][7][8][9]	275,320	202,600	69,720	3,000	-
Total contractual obligations	967,413	687,438	143,776	29,703	106,496

(1) The term loan facilities are recorded in the interim consolidated financial statements at $308 million. The term loan facilities is included in the table based on the sum of principal amount plus quarterly interest payments until December 15, 2015, the end of the amendment period. This table excludes potential additional interest of 5 percent per annum accrued since 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. As at December 31, 2014 the Company has reflected the outstanding balances of the term loan facilities as current liabilities (refer to note 2 and 11(a) of the interim consolidated financial statements

(2) 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 interim consolidated financial statements at $32 million (including current and long-term portions).

(3) The convertible notes are recorded in the interim consolidated financial statements at $99 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 repay in cash the Cdn$115 million convertible notes plus quarterly interest payments until December 15, 2015, the end of the amendment period for the term loan facilities, 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. As at December 31, 2014 the Company has reflected the outstanding balances of the convertible notes as current liabilities (refer to note 2 and 11(c) of the interim consolidated financial statements).

(4) Other long-term liabilities are recorded in the interim consolidated financial statements at $65 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 interim consolidated financial statements. They do not include costs related to wells or facilities that were not completed as at December 31, 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 PSCs in these countries are backed by parent company guarantees. Exploration work commitments for the Company's PSCs in Indonesia total $139 million, with certain commitments guaranteed with performance bonds that are secured by $2 million of cash deposits reflected in restricted cash. In November, 2014, the initial exploration period of six years expired in the six PSCs (South East Ganal I, West Sageri, Seram, South Matindok, Bone Bay and Semai V) and will expire within the next three years for the remaining four PSCs. For the six PSCs, request for amendment to the PSCs to extend the initial exploration period to ten years have been submitted to the Government of Indonesia for approval and requests for amendments to the four remaining PSCs may be submitted. There is no guarantee that such amendments will be granted.

(7) The Company also signed an exploration option agreement granting a farm-in option to the option holder to (i) acquire a 5 percent working interest in a block 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. Pursuant to the exploration option agreement, if a well is not spud in an applicable block in Indonesia prior to July 2016, the Company is obligated to pay approximately $5 million to the option holder, which is payable after the repayment of the term loan facilities.

(8) 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 PSCs. Upon closing of the transactions, the Company's outstanding work commitment obligations are to be reduced by $1 million.

(9) 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 PSCs 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 several of its PSCs. A delay or rejection of the requested extensions may result in additional funding required to fulfill the commitments.

SUMMARY OF QUARTERLY RESULTS

Three months ended	Dec 31, 2014	Sept 30, 2014	Jun 30, 2014	Mar 31, 2014	Dec 31, 2013	Sept 30, 2013	June 30, 2013	Mar 31, 2013
(thousands of US Dollars, except per share amounts)								
Oil and natural gas revenue(1)	29,009	28,471	35,161	31,623	33,349	36,388	28,042	39,670
Net loss	(143,532)	(39,173)	(54,943)	(1,116)	(448,177)	(148,541)	(59,171)	(2,092)
Per share - basic and diluted	(1.53)	(0.42)	(0.59)	(0.01)	(6.17)	(2.12)	(0.84)	(0.03)

(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 slightly higher than the second quarter of fiscal 2015 due to due to higher gas prices in the D6 Block in India, partially offset by lower oil prices and overall sales volumes. Oil and natural gas revenue in the second quarter of fiscal 2015 reflected a higher government share of profit petroleum 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 PSC.

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 impairments of $481 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. 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 consideration received in exchange for assuming a 100 percent interest in the Semai V block in Indonesia. In the current quarter, the Company recognized an impairment loss of $67 million relating to its exploration and evaluation assets and capital inventory in Indonesia and Trinidad. In addition, $81 million of additional accretion expense resulted from reclassification of the term loan facilities and convertible notes from long-term to current liabilities.

FINANCIAL INSTRUMENTS

A detailed description of the Company's financial instruments is included in note 14 to the interim consolidated financial statements for the quarter ended December 31, 2014.

CHANGES IN ACCOUNTING STANDARDS

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 interim consolidated financial statements of the Company.

- Indian domestic natural gas guidelines
- 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 December 31, 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 give effect to its strategic alternatives plan announced on December 17, 2014, including the potential sale of its interest in the D6 Block in India, assets in other countries, or the sale of the Company;
  The Company's ability to comply with the terms of its amended term loan facilities agreement;
- 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;
- The Company's ability to meet all of its financing obligations and contractual commitments (including work commitments and settlement obligations) in fiscal 2015 and 2016;
- Uncertainty surrounding the ability of the Company to successfully pursue and complete strategic alternatives including the sale of assets of the Company, a merger or other business combination, the outright sale of the Company, a refinancing of its existing debt with replacement debt, or some combination thereof;
- The ability of the Company to continue as a going concern;
- 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's exploration subsidiaries may not be able to meet existing and future obligations and continue activities in the future;
- The Company's liability for any Land and Building Tax;
- 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, deferred or be subject to material reductions 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;
- 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 December 31, 2014 are described in note 24 of the interim consolidated financial statements for the quarter ended December 31, 2014.

OUTSTANDING SHARE DATA

At February 13, 2015, the Company had the following outstanding shares:

	Number	Cdn$[1]
Common shares	94,019,172	1,701,287,772
Preferred shares	Nil	Nil
Stock options	2,245,949	-

(1) Equals the amount received in Canadian Dollars for common shares issued. The US Dollar equivalent at February 13, 2015 is $1,366,605,970.

INTERIM CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

(unaudited) (thousands of US Dollars)	As at December 31, 2014	As at March 31, 2014
Assets		
Current assets		
Cash and cash equivalents	74,067	82,479
Restricted cash (note 3)	60,898	87,830
Accounts receivable (note 4)	44,742	42,608
Inventories (note 6)	7,982	10,599
Exploration assets held for sale (note 7)	-	-
	187,689	223,516
Restricted cash (note 3)	8,115	24,394
Long-term accounts receivable (note 5)	6,281	4,483
Exploration and evaluation assets (note 8)	119,716	167,665
Property, plant and equipment (note 9)	410,743	532,703
Income tax receivable (note 24)	30,817	31,830
	763,361	984,591
Liabilities		
Current liabilities		
Accounts payable and accrued liabilities (note 10)	164,203	180,844
Current portion of long-term debt (note 2 and 11)	414,629	22,722
Current portion of long-term liabilities (note 12)	18,433	5,000
Current portion of decommissioning obligations (note 13)	1,785	-
Current tax payable	1,257	1,263
	600,307	209,829
Decommissioning obligations (note 13)	45,209	44,574
Long-term debt (note 2 and 11)	24,542	347,127
Long-term liabilities (note 12)	47,066	108,355
Deferred tax liabilities	14,015	10,456
	731,139	720,341
Shareholders' Equity		
Share capital (note 15)	1,366,605	1,360,668
Contributed surplus	142,933	143,248
Equity component of convertible notes (note 11(c))	23,232	23,232
Currency translation reserve	2,147	2,147
Deficit	(1,502,695)	(1,265,045)
	32,222	264,250
	763,361	984,591

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

INTERIM CONSOLIDATED STATEMENTS OF COMPREHENSIVE LOSS

(unaudited)	Three months ended December 31,		Nine months ended December 31,	
(thousands of US Dollars, except per share amounts)	2014	2013	2014	2013
Oil and natural gas revenue (note 16)	29,009	33,349	92,641	97,779
Production and operating expenses	(8,820)	(11,209)	(28,328)	(33,829)
General and administrative expenses	(2,689)	(2,064)	(8,115)	(5,660)
Loss from asset disposal	(1,567)	-	(904)	-
Finance and other income (note 18)	1,413	2,930	6,130	21,351
Finance expense (note 19)	(109,363)	(23,467)	(172,441)	(41,190)
Foreign exchange gain (loss)	1,681	(1,712)	1,696	(9,414)
Depletion and depreciation expenses (note 9)	(22,598)	(25,769)	(70,356)	(84,463)
Exploration and evaluation expenses (note 17)	(6,177)	(39,598)	(29,914)	(191,534)
Share-based compensation expense (note 15)	56	(1,625)	783	(6,755)
Restructuring costs (note 20)	(2,473)	(37,592)	(5,555)	(37,592)
Asset impairment (notes 8 and 9)	(66,836)	(497,172)	(68,006)	(518,270)
Loss on investments	-	-	-	(1,342)
Gain on derivative	48,302	-	48,302	-
Loss before income tax	(140,062)	(603,929)	(234,067)	(810,919)
Income tax recovery (expense)	(1)	7	(24)	(4)
Deferred income tax recovery (expense)	(3,469)	155,745	(3,559)	155,033
Income tax recovery (expense)	(3,470)	155,752	(3,583)	155,029
Net loss	(143,532)	(448,177)	(237,650)	(655,890)
Foreign currency translation gain	-	2,916	-	6,014
Comprehensive loss	(143,532)	(445,261)	(237,650)	(649,876)
Loss per share (note 21)				
Basic and diluted	$ (1.53)	$ (6.17)	$ (2.54)	$ (9.24)

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

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	-	-	6,644	-	-	-	6,644
Issuance of common shares	16,853,575	29,610	-	-	-	-	29,610
Conversion of unsecured notes	2,103,303	3,600	-	-	-	-	3,600
Net loss for the year	-	-	-	-	-	(655,890)	(655,890)
Foreign currency translation	-	-	-	6,014	-	-	6,014
Balance, December 31, 2013	89,172,789	1,357,444	145,781	3,257	23,232	(1,263,929)	265,785
Share-based compensation expense	-	-	(2,533)	-	-	-	(2,533)
Issuance of common shares	-	(79)	-	-	-	-	(79)
Conversion of unsecured notes	1,540,149	3,303	-	-	-	-	3,303
Net loss for the year	-	-	-	-	-	(1,116)	(1,116)
Foreign currency translation	-	-	-	(1,110)	-	-	(1,110)
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	-	-	(315)	-	-	-	(315)
Conversion of unsecured notes	3,306,234	5,937	-	-	-	-	5,937
Net loss for the period	-	-	-	-	-	(237,650)	(237,650)
Balance, December 31, 2014	94,019,172	1,366,605	142,933	2,147	23,232	(1,502,695)	32,222

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

INTERIM CONSOLIDATED STATEMENTS OF CASHFLOWS

(unaudited) (thousands of US Dollars, except per share amounts)	Three months ended December 31, 2014	2013	Nine months ended December 31, 2014	2013
Cash flows from operating activities:				
Net loss	(143,532)	(448,177)	(237,650)	(655,890)
Adjustments for:				
Depletion and depreciation expenses	22,598	25,769	70,356	84,463
Accretion expense	91,137	13,266	120,256	20,039
Deferred income tax expense (recovery)	3,469	(155,745)	3,559	(155,033)
Unrealized foreign exchange (gain) loss	(1,663)	2,398	(1,678)	10,940
Loss on investments	-	-	-	1,342
Asset impairment	66,836	497,172	68,006	518,270
Exploration and evaluation write-off (note 8)	42	15,125	8,572	97,997
Share-based compensation expense	252	(1,893)	262	6,091
Restructuring costs (note 20)	-	32,688	(583)	32,688
Loss from asset disposal	1,567	-	904	-
Gain on derivative	(48,302)	-	(48,302)	-
Release of restricted cash (note 3)	-	-	8,701	-
Interest due upon repayment of term loan facilities (note 11(a))	3,833	-	7,844	-
Change in non-cash working capital	197	49,418	(4,260)	35,313
Change in long-term accounts receivable	(1,349)	(24)	(1,368)	(3,164)
Net cash from (used in) from operating activities	(4,915)	29,997	(5,381)	(6,944)
Cash flows from investing activities:				
Exploration and evaluation expenditures	(7,480)	(10,257)	(17,105)	(89,911)
Property, plant and equipment expenditures	(3,378)	(25,244)	(21,867)	(55,404)
Proceeds from farm-outs and other arrangements	-	-	-	5,008
Proceeds from asset sales, net of costs	1,688	-	63,364	-
Dispositions of exploration and evaluation assets	-	-	-	14,917
Contribution of restricted cash (note 3)	(112)	(18,720)	(112)	(34,590)
Release of restricted cash (note 3)	630	33,000	630	36,461
Change in non-cash working capital	(8,404)	1,682	(15,227)	52,852
Repayment of contract settlement obligation (note 12(a))	(5,525)	(25,000)	(20,250)	(25,000)
Net cash used in investing activities	(22,581)	(44,539)	(10,567)	(95,667)
Cash flows from financing activities:				
Proceeds from advances on long term debt, net of issuance costs (note 11)	(963)	306,271	(1,155)	416,502
Proceeds from issuance of common shares, net of issuance costs (note 11)	-	29,610	-	29,610
Repayment of long-term debt (note 11)	(1,747)	(181,816)	(25,063)	(205,355)
Contribution of restricted cash (note 3)	(27,875)	-	(27,875)	-
Release of restricted cash (note 3)	11,744	(114,551)	61,629	(114,551)
Net cash from (used in) financing activities	(18,841)	39,514	7,536	126,206
Change in cash and cash equivalents	(46,337)	24,972	(8,412)	23,595
Effect of translation on foreign currency cash	-	287	-	281
Cash and cash equivalents, beginning of period	120,404	55,010	82,479	56,393
Cash and cash equivalents, end of period	74,067	80,269	74,067	80,269

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

NOTES TO THE 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 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 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 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 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 in 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.

After three deferrals, in October 2014, the Government of India ("GOI") approved the new domestic gas pricing policy for India effective November 1, 2014, and issued the New Domestic Natural Gas Guidelines, 2014 (the "Guidelines"), which reflect a pricing formula that has been revised from the pricing formula approved in June, 2013. 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 ("GCV") 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 24(d)). 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".

As per the Guidelines, the announcement of the gas price will be determined on a semi-annual basis. Notification of the gas price for the period of April 1, 2015 to September 30, 2015 is expected to occur in mid-March 2015. Prices will be calculated based on a volume weighted average of prices in the US, Canada, Europe and Russia based on the twelve month trailing average price with a lag of three months. Gas price estimates are used in the preparation of reserves estimates and asset impairment tests and are subject to measurement uncertainty. Actual gas pricing results may differ from these estimates and may impact the interim consolidated financial statements.

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 significant 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.

Due primarily to the projected impact of the new domestic gas pricing policy for India on the Company's future liquidity and significant uncertainty on the future long-term price outlook in India, the Company engaged Jefferies LLC as its financial advisor to assist the Company in pursuing strategic alternatives including the sale of assets of the Company, a merger or other business combination, the outright sale of the Company, a refinancing of its existing debt with replacement debt, or some combination thereof.

In the current quarter, the Company was subject to the following financial covenants under its term loan facilities agreement (which covenants have since been waived per the amendment discussed below):

- Maximum ratio of (a) consolidated senior debt (defined as debt incurred under facilities A, B and C of the term loan facilities 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).

The Company's operating results for the trailing four quarters ended December 31, 2014 were not sufficient to satisfy the senior debt to EBITDAX financial covenant and under the original agreement, this breach of covenant would have, but for the amendment, resulted in the right for the lenders to accelerate payment of the outstanding principal amount of the term loan facilities of $308 million. Due to cross default provisions of the note indenture for the Company's convertible notes, an event of default under the term loan facilities agreement that was not cured within 45 days would permit the holders of the convertible notes to accelerate payment of the outstanding principal amount of the convertible notes of approximately $99 million. As a result, and not withstanding that an event of default did not occur under the facilities agreement, the Company has reflected the outstanding balances of the term loan facilities and convertible notes as current liabilities as at December 31, 2014.

In February 2015, the Company reached an agreement with the institutional lenders of its term loan facilities agreement to amend the terms thereof.

Subject to certain conditions, the key terms of the amendment are as follows:

- Requirement to achieve certain milestones related to the potential sale of the Company's interest in the D6 Block in India, which could include the sale of the Company
- Waiver of certain financial covenants and undertakings set out in the facilities agreement (including senior debt to EBITDAX, and proved plus probable reserves for the D6 Block to senior debt) until December 15, 2015 (or June 16, 2015, if certain milestones related to the potential sale of the Company's interest in the D6 Block are not met by such date)
- Requirement to maintain specified minimum cash balances
- Restrictions on capital expenditures for non-core assets and general and administrative expenditures
- An offer by the Company to make a principal repayment of $5 million on the term loan facilities by February 26, 2015
- If the lenders agree to the Company having access to the restricted cash in the reserve accounts specified in the facilities agreement, the Company shall (i) offer to make a principal repayment of $15 million on the term loan facilities, which repayment shall be made within 10 business days of the lenders making such agreement and (ii) pay a fee equal to 0.5 percent of the outstanding principal amount on the date the loan is repaid

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 December 31, 2014 of $74 million;
- Restricted cash as at December 31, 2014 of $58 million subject to terms under the amendment;
- 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 believes that the amendment provides the Company with sufficient flexibility during the next year to complete its strategic alternatives plan. In this regard, the Company believes that the milestones agreed to in the amendment are consistent with an orderly sale and will be achieved on a timely basis. However, if the strategic alternatives plan does not result in one or more transactions, or results in one or more transactions the terms or timing of which are unacceptable to the Company or the lenders, this could have a material adverse impact on the Company. Further, the results of the strategic alternatives plan could prove to be unsatisfactory for security holders, which could have a material adverse impact on the value of their interest in the Company

As at December 31, 2014, the Company had $108 million of accounts payable and accrued liabilities related to its exploration subsidiaries in Indonesia and Trinidad and $272 million of exploration work commitments associated with these subsidiaries, including commitments of the Trinidad subsidiaries that are backed by parent company guarantees (see note 23). For six production sharing contracts ("PSCs") in Indonesia that have commitments due in November 2014, the Company has requested amendments to the PSCs to extend the initial exploration period to ten years, and related extensions to the commitment dates. 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 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, and the Company will indemnify Ophir for any Land and Building Tax obligations related to its interests in three of the PSCs being sold through issuance of a parent company guarantee (see note 24(g)).

The Company is continuing its efforts to sell or farm out interests in many of its exploration PSCs, 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.

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 February 13, 2015.

3. Restricted cash

(thousands of US Dollars)	As at December 31, 2014	As at March 31, 2014
Current portion of restricted cash		
Bank guarantee(1)	-	8,701
Performance security guarantee(2)	1,500	-
Site restoration(3)	1,523	-
Term loan facilities reserve account(4)	57,875	79,129
	60,898	87,830
Non-current portion of restricted cash		
Performance security guarantee(2)	900	3,030
Site restoration(3)	7,215	8,864
Term loan facilities reserve accounts(4)	-	12,500
	8,115	24,394
	69,013	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. During the quarter, $0.6 million of the performance bonds were released and then re-instated in January 2015.
(3) In accordance with the provisions of its PSCs, 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. As at December 31, 2014, $2 million of site restoration funds related to the abandonment program of the Surat block in India have been reflected as current.
(4) Under the original terms of the term loan facilities agreement, the Company is required to maintain balances in the debt service and vendor financing reserve accounts for funding of interest on the term loan facilities and the repayment of contract settlement obligations. In addition, 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 11(a).

4. Accounts receivable

(thousands of US Dollars)	As at December 31, 2014	As at March 31, 2014
Oil and gas revenues receivable	15,081	18,758
Receivable from joint venture partners	17,221	13,890
Advances to vendors	7,418	4,315
Prepaid expenses and deposits	1,078	2,115
VAT receivable	1,913	1,283
Other receivables	2,031	2,247
	44,742	42,608

5. Long-term receivable

(thousands of US Dollars)	As at December 31, 2014	As at March 31, 2014
Long term receivable	4,515	4,483
Gas pool account receivable	1,766	-
	6,281	4,483

Effective November 1, 2014, customers of the D6 Block in India pay for natural gas at the new gas price of $5.05 / MMBtu GCV, which equates to approximately $5.61 / MMBtu NCV. The contractor group is paid the earlier price of $4.20 / MMBtu NCV for the production in the Dhirubhai 1 and 3 fields in the D6 Block and the difference between the revised price and the $4.20 / MMBtu NCV is credited to a gas pool account. The Company has reflected the gas pool account receivable as long-term due to the uncertainty of timing regarding resolutions from the cost recovery arbitration described in note 24(d).

6. Inventories

(thousands of US Dollars)	As at December 31, 2014	As at March 31, 2014
Stock, spares and consumables	7,508	9,394
Oil and condensate inventories	474	1,205
	7,982	10,599

7. Exploration assets held for sale

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 PSCs for $31 million in proceeds, with further payments of up to $56 million contingent on future exploration success, and future farm-in rights to one of the blocks. 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. The transaction is expected to close in the fourth quarter of fiscal 2015.

The Company reclassified all assets that are in the process of being sold as assets held for sale. Any contingent land and building tax liability associated with three of the blocks shall be indemnified by the Company (see note 24(g)). Total net losses for the assets held for sale were $0.2 million and $4 million for the three and nine months ended December 31, 2014 respectively. The assets held for sale did not produce revenues for the three and nine months ended December 31, 2014 respectively.

The reconciliation of assets held for sale is as follows:

(thousands of US Dollars)	As at December 31, 2014
Exploration and evaluation assets and capital inventory	50,843
Impairment of exploration and evaluation assets and capital inventory (1)	(50,843)
Total assets held for sale	-

(1) For the year ended March 31, 2014, the Company had impaired $50 million of its exploration and evaluation assets in the respective seven Indonesia blocks (see note 8).

8. Exploration and evaluation assets

(thousands of US Dollars)	Nine months ended December 31, 2014	Year ended March 31, 2014
Opening balance	167,665	695,624
Additions	17,110	91,728
Disposals and other arrangements	(8,046)	(17,056)
Transfers	-	6,437
Expensed	(8,572)	(105,132)
Impairment	(48,441)	(498,775)
Foreign currency translation	-	(5,161)
Closing balance	119,716	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. The Company also entered into a definitive term loan facilities agreement in fiscal 2014 that limited capital expenditure spending outside of India and Bangladesh (see note 11(a)). 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 the third quarter of fiscal 2015, the Company recognized asset impairment of $48 million relating to its exploration and evaluation assets in 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.

Based on the new pricing guidelines, the Company evaluated its assets in India, including the potential impact on exploration and evaluation assets totaling $115 million related to discoveries in the D6 and NEC-25 blocks in India. The lower oil price environment and uncertainty of future natural gas prices in India have been considered in management's impairment evaluations and management has determined that no impairment existed as at December 31, 2014. Gas price estimates are used in the preparation of reserves estimates and asset impairment tests and are subject to measurement uncertainty (see note 2). Future oil and natural gas prices lower than reflected in the Company's evaluations and/or changes in the Company's plans could result in impairment in the future.

9. Property, plant and equipment

(a) Development assets

(thousands of US Dollars)	Nine months ended December 31, 2014	Year ended March 31, 2014
Opening balance	137,211	129,822
Additions	26,742	37,621
Disposals	(52,934)	-
Transfers from/to other asset categories	(38,635)	(30,232)
Asset impairment	(5)	-
Closing balance	72,379	137,211

(b) Producing assets

(thousands of US Dollars)	Nine months ended December 31, 2014	Year ended March 31, 2014
Cost		
Opening balance	1,070,231	1,039,208
Transfers from other asset categories	38,635	31,145
Disposals	-	(1)
Foreign currency translation	-	(121)
Closing balance	1,108,866	1,070,231
Accumulated depletion		
Opening balance	(734,528)	(627,883)
Additions	(68,906)	(106,788)
Foreign currency translation	-	143
Closing balance	(803,434)	(734,528)
Net producing assets	305,432	335,703

The natural gas price for the period from November 1, 2014 to March 31, 2015 under India's new domestic natural gas guidelines is lower than prices used in preparation of the Company's independent reserve evaluation for these blocks as at March 31, 2014. As a result, the Company evaluated its $358 million of carrying value of development and producing assets related to the D6 and NEC-25 blocks as at December 31, 2014 for impairment. The lower oil price environment and uncertainty of future natural gas prices in India have been considered in management's impairment evaluations and management has determined that no impairment existed as at December 31, 2014. Gas price estimates are used in the preparation of reserves estimates and asset impairment tests and are subject to measurement uncertainty (see note 2). Future oil and natural gas prices lower than reflected in the Company's evaluations and/or changes in the Company's plans could result in impairment in the future.

(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	-	-	147	50	197
Disposals	(258)	-	(106)	-	(364)
Balance, December 31, 2014	17,976	2,346	9,286	10,797	40,405
Accumulated depreciation and impairment					
Balance, March 31, 2014	(8,093)	(1,791)	(6,579)	(8,270)	(24,733)
Additions	(570)	(71)	(640)	(170)	(1,451)
Disposals	172	-	56	-	228
Impairment	(3)	-	(187)	-	(190)
Balance, December 31, 2014	(8,494)	(1,862)	(7,350)	(8,440)	(26,146)
Net book value, December 31, 2014	9,482	484	1,936	2,357	14,259

(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	-	-	(227)	-	(227)
Balance, March 31, 2014	18,234	2,346	9,404	10,747	40,731
Accumulated depreciation and impairment					
Balance, March 31, 2013	(7,161)	(1,654)	(5,755)	(7,852)	(22,422)
Additions	(932)	(137)	(947)	(418)	(2,434)
Disposals	-	-	261	-	261
Impairment	-	-	(320)	-	(320)
Balance, March 31, 2014	(8,093)	(1,791)	(6,761)	(8,270)	(24,915)
Net book value, March 31, 2014	10,141	555	2,643	2,477	15,816

(d) *Capital work-in-progress*

(thousands of US Dollars)	Nine months ended December 31, 2014	Year ended March 31, 2014
Opening balance	43,973	34,746
Additions	(5,073)	24,810
Disposals	(3,151)	-
Transfers	2,732	(3,022)
Impairment	(19,808)	(12,561)
Closing balance	18,673	43,973

The Company recognized $20 million of impairment in the third quarter related to reduction in the carrying value of capital inventory in Trinidad and Indonesia to the Company's estimated net realizable value.

10. Accounts payable and accrued liabilities

(thousands of US Dollars)	As at December 31, 2014	As at March 31, 2014
India	46,126	53,539
Bangladesh	1,086	3,341
Indonesia	86,951	91,011
Trinidad	21,269	21,179
All others	8,771	11,774
	164,203	180,844

11. Long-term debt

(a) Term loan Facilities

(thousands of US Dollars)	Nine months ended December 31, 2014	Year ended March 31, 2014
Opening balance	249,014	-
Advances, net of issuance costs	(1,155)	305,450
Deferred obligation (note 12(b))	-	(60,540)
Accretion	72,414	3,823
Interest due upon repayment	8,344	281
Repayment	(20,500)	-
Closing balance	308,117	249,014
Current portion	308,117	10,140
Long-term portion	-	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 December 31, 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). The additional 5 percent interest is referred to as "D6 PIK interest".

Financial covenants

In the current quarter, the Company was subject to the following financial covenants under its term loan facilities agreement (which covenants have since been waived per the amendment discussed below):

- 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).

The Company's operating results for the trailing four quarters ended December 31, 2014 were not sufficient to satisfy the senior debt to EBITDAX financial covenant and under the original agreement, this breach of covenant would have, but for the amendment, resulted in the right for the lenders to accelerate payment of the outstanding principal amount of the term loan facilities of $308 million. Due to cross default provisions of the note indenture for the Company's convertible notes, an event of default under the term loan facilities agreement that was not cured within 45 days would permit the holders of the convertible notes to accelerate payment of the outstanding principal amount of the convertible notes of approximately $99 million. As a result, and not withstanding that an event of default did not occur under the facilities agreement, the Company has reflected the outstanding balances of the term loan facilities and convertible notes as current liabilities as at December 31, 2014.

In February 2015, the Company reached an agreement with the institutional lenders of its term loan facilities agreement to amend the terms thereof.

Subject to certain conditions, the key terms of the amendment are as follows:

- Requirement to achieve certain milestones related to the potential sale of the Company's interest in the D6 Block in India, which could include the sale of the Company
- Waiver of certain financial covenants and undertakings set out in the facilities agreement (including senior debt to EBITDAX, and proved plus probable reserves for the D6 Block to senior debt) until December 15, 2015 (or June 16, 2015, if certain milestones related to the potential sale of the Company's interest in the D6 Block are not met by such date)
- Requirement to maintain specified minimum cash balances
- Restrictions on capital expenditures for non-core assets and general and administrative expenditures
- An offer by the Company to make a principal repayment of $5 million on the term loan facilities by February 26, 2015
- If the lenders agree to the Company having access to the restricted cash in the reserve accounts specified in the facilities agreement, the Company shall (i) offer to make a principal repayment of $15 million on the term loan facilities, which repayment shall be made within 10 business days of the lenders making such agreement and (ii) pay a fee equal to 0.5 percent of the outstanding principal amount on the date the loan is repaid

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 increased 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 12(a)) 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.
- 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.Requirement that, subject to certain exceptions, asset sales be completed at fair market value with at least 90 percent of the consideration received in the form of cash (including assumed liabilities).
- Restrictions on the incurrence of debt, granting of liens, investments and similar transactions.

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.

Change in Control

If a change in control of the Company occurs or the Company's indirect subsidiary, Niko (NECO) Ltd., disposes of any part of its rights in respect of the D6 PSC, the Company shall make an offer to prepay all of the outstanding principal (plus a one percent prepayment fee) and accrued and unpaid interest (including cash interest and D6 PIK interest) within ten days of the change of control.

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 (see note 12(b)).

Security

The obligations under the facilities agreement and the deferred obligation (see note 12(b)) 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 with respect to Block 9 in Bangladesh, which will become effective upon consent by Petrobangla and the Bangladesh government, 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)	Nine months ended December 31, 2014	Year ended March 31, 2014
Opening balance	37,024	43,081
Repayments	(5,063)	(6,057)
Closing balance	31,961	37,024
Current portion	7,419	6,801
Long-term portion	24,542	30,223

(c) Convertible notes

(thousands of US Dollars)	Nine months ended December 31, 2014	Year ended March 31, 2014
Opening balance	78,030	79,785
Accretion	24,948	4,948
Foreign currency translation	(3,885)	(6,703)
Closing balance	99,093	78,030
Current portion	99,093	-
Long-term portion		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 at 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 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.

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. The guarantees of the convertible notes are subordinated to the guarantees provided to lenders of the Company's term loan facilities.

Undertakings and covenants in respect of the convertible notes include:

- Requirement to make offers to purchase the convertible notes at par plus accrued and unpaid interest within 30 days following a change of control (as defined below); and
- Requirement to obtain the consent of the holders of the convertible notes to sell all or substantially all of the Company's assets to another person, subject to certain exceptions.

For the purpose of such undertakings and covenants, subject to certain exceptions, a change of control includes a sale of all or substantially all of the Company's assets, and a sale of assets of a subsidiary of the Company that would constitute all or substantially all of the assets of the Company on a consolidated basis is deemed to be a sale of all or substantially all of the assets of the Company.

The note indenture provides that an event of default in respect of the convertible notes will occur, if an event of default occurs or exists under the term loan facilities agreement, if that default:

- is caused by a failure to pay obligations prior to the expiration of any applicable grace or cure period, or
- results in the lenders of the term loan facilities having the right to accelerate such obligations prior to their stated maturity,

and that default is not cured or waived within a period of 45 days from the occurrence of that default.

If an event of default in respect of the convertible notes has occurred and is continuing, the note trustee may, in its discretion, and shall upon request of holders of not less than 25 percent of the principal amount of convertible notes then outstanding, declare the principal of and interest on all outstanding convertible notes to be immediately due and payable. In certain cases, the holders of more than 50 percent of the principal amount of the convertible notes then outstanding may, on behalf of the holders of all convertible notes, waive any event of default and/or cancel any such declaration upon such terms and conditions as such holders shall prescribe.

As discussed in note 11(a), a breach of the senior debt to EBITDAX financial covenant of the original term loan facilities agreement would have resulted in the right of the lenders of the term loan facilities to accelerate payment of the outstanding principal amount of the term loan facilities. As a result of the cross default provisions of the note indenture, the Company has reflected the outstanding balances of the term loan facilities as current liabilities as at December 31, 2014. Refer to the amendment of the term loan facilities.

(d) Unsecured notes

(thousands of US Dollars)	Nine months ended December 31, 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 $64 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 unsecured 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 $7 million of outstanding principal plus accrued interest into a total of 3,643,452 common shares of the Company. In the first and second quarter of fiscal 2015, $6 million of remaining outstanding principal plus accrued interest was converted into 3,306,234 common shares.

12. Long-term liabilities

(a) Contract settlement obligation

(thousands of US Dollars)	Nine months ended December 31, 2014	Year ended March 31, 2014
Opening balance	34,686	-
Additions	-	57,688
Accretion	12,351	1,998
Repayments	(20,250)	(25,000)
Closing balance	26,787	34,686
Current portion	12,891	5,000
Long-term portion	13,896	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 facilities (see note 11(a)), 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. For the nine months ended December 31, 2014 the Company repaid Diamond approximately $20 million, in which comprised of 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 and the first scheduled repayment. 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)	Nine months ended December 31, 2014	Year ended March 31, 2014
Opening balance	78,669	-
Additions	-	60,541
Accretion	8,345	2,584
(Gain) / loss on valuation of derivative (note 14)	(48,302)	15,544
Closing balance	38,712	78,669
Current portion	5,542	-
Long-term portion	33,170	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 facilities 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 facilities. Subsequent changes in the valuation of the deferred obligation have been reflected on the statement of comprehensive loss as gain or loss on derivatives (see note 14).

13. Decommissioning obligations

(thousands of US Dollars)	Nine months ended December 31, 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	24	(134)
Accretion	2,196	2,909
Closing balance	46,994	44,574
Current portion	1,785	-
Long-term portion	45,209	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 $47 million as at December 31, 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 PSCs, 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. As at December 31, 2014, $2 million of decommissioning obligations related to the abandonment program of the Surat block in India have been reflected as current.

14. 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 December 31, 2014	As at March 31, 2014
Term loan facilities	308,117	249,014
Convertible notes	99,093	78,030
Unsecured notes	-	5,781
Shareholders' equity	32,222	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. There was a $1 million loss for the nine month ended December 31, 2013 on recognizing at their fair value. The investments were fully impaired as at June 30, 2013.

The Company's deferred obligation as at December 31, 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. During the quarter, a $48 million gain on derivative resulted from the change in estimated production volumes and natural gas prices for the D6 Block based on natural gas pricing guidelines announced by the GOI effective November 1, 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 December 31, 2014 was:

(thousands of US Dollars)	As at December 31, 2014
0—30 days[(2)]	22,195
30—60 days[(2)]	-
60—365 days[(2)]	1,092
	23,287

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

(2) Accounts receivables are past due but not impaired as at December 31, 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 December 31, 2014:

(thousands of US Dollars)	Carrying amount	< 1 year	> 1 year
Accounts payable and accrued liabilities	164,203	164,203	-
Current taxes payable	1,257	1,257	-
Term loan facilities(1)(5)	308,117	308,117	-
Finance lease obligations(2)(5)	31,961	7,419	24,542
Convertible notes(3)(5)	99,093	99,093	-
Other long-term liabilities(4)(5)	65,499	18,433	47,066

(1) The carrying amount of the term loan facilities is the fair value of $308 million. The amount to be repaid is $300 million. As at December 31, 2014 the Company has reflected the outstanding balances of the term loan facilities as current (see note 2 and 11(a)).

(2) The carrying value of the finance lease obligation is the fair value of $32 million. The lease payments are $11 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 3).

(3) The carrying amount of the convertible notes is $99 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. As at December 31, 2014 the Company has reflected the outstanding balances of the convertible notes as current (see note 2 and 11(c)).

(4) The carrying amount of the other long-term liabilities is the fair value of $65 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 $78 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 consists of currency risk, commodity prices and interest rate risk. The Company may use both financial derivatives and physical delivery sales contracts to manage market risks. 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

Foreign currency exchange rate risk is the risk that the fair value or future cash flows will fluctuate as a result of changes in foreign exchange rates. All of the Company's revenues 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. The Company has limited cash exposure to fluctuations in the value of the US Dollar versus other currencies. Exposure to changes in the value of the Indian Rupee versus the US Dollar is applicable to the Company's working capital, income tax receivable and deferred tax liability of its subsidiaries in India; in addition to exposure to changes in the value of the Euros versus the US Dollar applicable to certain vendor payables for its subsidiary in India. The foreign exchange impact on Euro is capitalized under development projects. The Company does not have any foreign exchange contracts in place to mitigate currency risk as at December 31, 2014.

Assuming that all other variables remained constant, a 4 percent strengthening or weakening of the Indian Rupee against the US Dollar at December 31, 2014, based on historical movements in the foreign exchange rates, would respectively decreased or increased the year to date net loss by $0.2 million. The financial instruments are exposed to fluctuations in foreign exchange rates, which are used in the translation of Canadian corporate operations to US Dollars. The reported US Dollar value of the cash and cash equivalents, debt and accounts payable of the Canadian corporate operations is exposed to fluctuations in the value of the Canadian Dollar versus the US Dollar. A 3 percent strengthening or weakening of the Canadian Dollar against the US Dollar at December 31, 2014, which is based on historical movement in foreign exchange rates, would have respectively increased or decreased year to date net loss by $2 million. This analysis assumes that all other variables remained constant.

(ii) Commodity price risk

Commodity price risk is the risk that the fair value of future cash flows may have potential adverse impact due to changes in commodity prices. Commodity prices for petroleum and natural gas are impacted by global economic events that dictate the level of supply and demand as well as the relationship between the Canadian and US Dollar. Crude oil prices are subject to fluctuation and volatility as evident in today's market. A US$10.00/bbl increase or decrease in crude oil would respectively increase or decrease year to date net income or loss by $2 million. As per the Guidelines, the announcement of the gas price will be determined on a semi-annual basis. Prices will be calculated based on a volume weighted average of prices in the US, Canada, Europe and Russia based on the twelve month trailing average price with a lag of three months with deductions for transportation and treatment charges. A US$0.10/mmcfe increase or decrease in natural gas would respectively increase or decrease year to date net income or loss by $3 million.

(iii) *Interest rate risk*

Interest rate risk is the risk that future cash flows will fluctuate as a result of changes in market interest rates. The Company has minimum exposure to interest rates as the term loan facilities and convertible notes have a fixed interest rate. The Company has not entered into any contracts to hedge against interest rate risk as at December 31, 2014.

15. 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 (see note 11(d)) converted approximately $7 million of the outstanding principal plus accrued interest into a total of 3,643,452 common shares of the Company. In the first and second quarter of fiscal 2015, $6 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:

	Nine months ended December 31, 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	(745,356)	32.34	(2,144,373)	36.90
Expired	(123,416)	59.12	(929,069)	68.67
Closing balance	2,838,487	19.19	3,128,188	27.04
Exercisable	1,964,884	18.80	830,630	40.48

The following table summarizes stock options outstanding and exercisable under the plan at December 31, 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	1,447,479	0.80	2.43	977,575	2.41
3.00 – 10.00	744,404	0.65	8.58	609,329	8.63
10.00 – 112.64	646,604	0.91	68.94	377,980	77.59
	2,838,487	0.79	19.19	1,964,884	18.80

The weighted average share price during the nine months ended December 31, 2014 was $1.02 (2013 - $4.82).

(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 December 31, 2014	Three months ended December 31, 2013	Nine months ended December 31, 2014	Nine months ended December 31, 2013
Grant-date fair value	-	-	Cdn$0.47	Cdn$3.76
Market price per share	-	-	Cdn$2.22	Cdn$8.33
Exercise price per option	-	-	Cdn$2.22	Cdn$8.33
Expected volatility	-	-	68%	75%
Expected life (years)	-	-	0.7	2.5
Expected dividend rate	-	-	0%	0%
Risk-free interest rate	-	-	1.1%	1.1%
Expected forfeiture rate	-	-	13%	9%

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 December 31, 2014	Three months ended December 31, 2013	Nine months ended December 31, 2014	Nine months ended December 31, 2013
Share-based compensation expense included in:				
Exploration and evaluation assets	-	155	5	553
Production and operating expenses	148	204	504	547
Exploration and evaluation expenses	160	(645)	542	1,866
Share-based compensation (recovery) expense	(56)	1,625	(783)	6,755
Restructuring costs	-	-	(583)	-
	252	1,339	(315)	9,721

16. Revenue

(thousands of US Dollars)	Three months ended December 31, 2014	Three months ended December 31, 2013	Nine months ended December 31, 2014	Nine months ended December 31, 2013
Natural gas sales	32,737	29,938	94,888	91,906
Oil and condensate sales	4,287	9,390	22,775	23,882
Less:				
Royalties	(1,048)	(1,130)	(3,385)	(3,778)
Government's share of profit petroleum	(6,967)	(4,849)	(21,637)	(14,231)
Oil and natural gas revenue	29,009	33,349	92,641	97,779

In Bangladesh, revenues from oil and gas sales to Petrobangla comprised 38 percent of total natural gas, oil and condensate sales for the nine months ended December 31, 2014 (2013 – 37 percent). In India, revenues from crude oil sales to Reliance Jamnagar represented 12 percent of total natural gas, oil and condensate sales for the nine months ended December 31, 2014.

17. Exploration and evaluation expenses

(thousands of US Dollars)	Three months ended December 31, 2014	Three months ended December 31, 2013	Nine months ended December 31, 2014	Nine months ended December 31, 2013
Geological and geophysical	362	3,931	1,548	15,552
Exploration and evaluation	2,556	21,339	14,692	145,973
General and administrative	2,394	11,470	8,141	21,211
Production sharing contract annual payments	705	3,503	4,991	6,932
Share-based compensation	160	(645)	542	1,866
Exploration and evaluation	6,177	39,598	29,914	191,534

18. Finance and other income

(thousands of US Dollars)	Three months ended December 31, 2014	Three months ended December 31, 2013	Nine months ended December 31, 2014	Nine months ended December 31, 2013
Finance income	219	2,930	870	3,299
Other income	1,194	-	5,260	18,052
Finance and other income	1,413	2,930	6,130	21,351

Other income for the nine months ended December 31, 2014 included $3 million related to settlement of outstanding vendor obligations in Trinidad and Brazil and $2 million of insurance refunds received in India. 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.

19. Finance expense

(thousands of US Dollars)	Three months ended December 31, 2014	Three months ended December 31, 2013	Nine months ended December 31, 2014	Nine months ended December 31, 2013
Interest expense(1)	18,060	10,135	51,945	20,403
Accretion expense	91,137	13,266	120,256	20,039
Bank charges and other finance costs	166	66	240	748
Finance expense	109,363	23,467	172,441	41,190

(1) For the nine months ended December 31, 2014, interest expense included $8 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 11(a).

20. Restructuring costs

(thousands of US Dollars)	Three months ended December 31, 2014	Three months ended December 31, 2013	Nine months ended December 31, 2014	Nine months ended December 31, 2013
Contract settlement	-	38,395	-	38,395
Severance and allocated expenses	420	2,194	2,319	2,194
Advisory costs	2,053	80	3,819	80
Share-based compensation recovery	-	(3,077)	(583)	(3,077)
Restructuring costs	2,473	37,591	5,555	37,592

21. 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 December 31, 2014	Three months ended December 31, 2013	Nine months ended December 31, 2014	Nine months ended December 31, 2013
Net loss	(143,532)	(448,177)	(237,650)	(655,890)

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 December 31, 2014	Three months ended December 31, 2013	Nine months ended December 31, 2014	Nine months ended December 31, 2013
Weighted average number of common shares used in the calculation of basic earnings per share	94,019,172	72,612,338	93,508,561	71,017,625

As a result of the net loss in the quarters ended December 31, 2014 and 2013, the outstanding stock options and shares issuable upon conversion of the outstanding notes as at December 31, 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 11(c) and 11(d) for details of the conversion of the convertible notes and senior unsecured notes payable.

22. 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 nine months ended December 31, 2014 (2013 – 37 percent). In India, revenues from crude oil sales to Reliance Jamnagar represented 12 percent of total natural gas, oil and condensate sales for the nine months ended December 31, 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)	Nine months ended December 31, 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	21	1,572	-	9,664
India	15,204	25,961	19,863	28,140
Indonesia	1,851	(5,565)	60,981	21,527
Trinidad	34	(246)	9,930	3,333
Other	-	145	954	230
Total	17,110	21,867	91,728	62,894

(thousands of US Dollars)	As at December 31, 2014			As at March 31, 2014		
Segment	Total E&E	Total PP&E	Total Assets	Total E&E	Total PP&E	Total Assets
Bangladesh	4,758	23,407	40,437	4,737	25,660	46,406
India	114,958	380,654	655,742	106,817	418,033	711,553
Indonesia	-	1,243	23,387	-	19,834	61,898
Trinidad	-	5,003	8,986	55,551	68,494	129,710
Other	-	436	34,809	560	682	35,024
Total	119,716	410,743	763,361	167,665	532,703	984,591

(thousands of US Dollars)

	Three months ended December 31, 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	Gain / (loss) on investments and derivatives	Share-based compensation	Asset impairment	General and administrative expenses	Restructuring costs	Finance and other income, gain / (loss) from asset disposal	Finance expense and foreign exchange (loss) gain	Income tax recovery / (expense)	Segment profit (loss)
Bangladesh	14,398	(6,687)	-	(2,346)	(1,419)	(33)	-	-	-	-	-	-	-	-	3,913
India	22,626	(280)	(1,059)	(6,474)	(21,012)	(248)	-	-	-	-	-	-	-	(3,470)	(9,917)
Indonesia	-	-	-	-	(40)	(3,861)	-	-	(12,711)	-	(484)	-	-	-	(17,096)
Trinidad	-	-	-	-	(23)	(1,373)	-	-	(54,125)	-	-	(828)	-	-	(56,349)
All other	-	-	11	-	(104)	(662)	48,302	56	-	(2,689)	(1,989)	674	(107,682)	-	(64,083)
Total	37,024	(6,967)	(1,048)	(8,820)	(22,598)	(6,177)	48,302	56	(66,836)	(2,689)	(2,473)	(154)	(107,682)	(3,470)	(143,532)

(thousands of US Dollars)

	Three months ended December 31, 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	Gain / (loss) on investments and derivatives	Share-based compensation	Asset impairment	General and administrative expenses	Restructuring costs	Finance and other income, gain / (loss) from asset disposal	Finance expense and foreign exchange (loss) gain	Income tax recovery / (expense)	Segment profit (loss)
Bangladesh	14,557	(4,917)	-	(3,669)	(2,115)	(17)	-	-	-	-	-	-	-	-	3,839
India	24,550	68	(1,125)	(7,440)	(23,481)	(48)	-	-	-	-	-	-	-	(1,949)	(9,425)
Indonesia	-	-	-	-	-	(29,491)	-	-	(472,484)	-	(38,395)	-	-	157,694	(382,676)
Trinidad	-	-	-	-	(27)	(10,026)	-	-	(24,688)	-	-	-	-	-	(34,741)
All other	221	-	(5)	(100)	(146)	(16)	-	(1,625)	-	(2,064)	803	2,930	(25,179)	7	(25,174)
Total	39,328	(4,849)	(1,130)	(11,209)	(25,769)	(39,598)	-	(1,625)	(497,172)	(2,064)	(37,592)	2,930	(25,179)	155,752	(448,177)

(thousands of US Dollars)

Nine months ended December 31, 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	Gain / (loss) on investments and derivatives	Share-based compensation	Asset impairment	General and administrative expenses	Restructuring costs	Finance and other income, gain / (loss) from asset disposal	Finance expense and foreign exchange (loss) gain	Income tax recovery / (expense)	Segment profit (loss)
Bangladesh	45,169	(20,444)	-	(7,322)	(3,826)	(59)	-	-	-	-	-	-	-	-	13,518
India	72,494	(1,193)	(3,428)	(21,006)	(65,979)	(7,369)	-	-	(9)	-	-	664	-	(3,583)	(29,409)
Indonesia	-	-	-	-	(117)	(13,272)	-	-	(13,252)	-	(516)	-	-	-	(27,157)
Trinidad	-	-	-	-	(70)	(7,057)	-	-	(54,185)	-	(20)	(704)	-	-	(62,036)
All other	-	-	43	-	(364)	(2,157)	48,302	783	(560)	(8,115)	(5,019)	5,266	(170,745)	-	(132,566)
Total	117,663	(21,637)	(3,385)	(28,328)	(70,356)	(29,914)	48,302	783	(68,006)	(8,115)	(5,555)	5,226	(170,745)	(3,583)	(237,650)

(thousands of US Dollars)

Nine months ended December 31, 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	Gain / (loss) on investments and derivatives	Share-based compensation	Asset impairment	General and administrative expenses	Restructuring costs	Finance and other income, gain / (loss) from asset disposal	Finance expense and foreign exchange (loss) gain	Income tax recovery / (expense)	Segment profit (loss)
Bangladesh	39,682	(13,413)	-	(14,690)	(5,710)	(197)	-	-	-	-	-	-	-	-	5,672
India	75,637	(818)	(3,773)	(18,858)	(78,090)	(97)	-	-	-	-	-	-	-	(5,815)	(31,814)
Indonesia	-	-	-	-	(144)	(158,806)	-	-	(486,313)	-	(38,395)	-	-	160,848	(522,810)
Trinidad	-	-	-	-	(88)	(26,672)	-	-	(31,957)	-	-	-	-	-	(58,717)
All other	469	-	(5)	(281)	(431)	(5,762)	(1,342)	(6,755)	-	(5,660)	803	21,351	(50,604)	(4)	(48,221)
Total	115,788	(14,231)	(3,778)	(33,829)	(84,463)	(191,534)	(1,342)	(6,755)	(518,270)	(5,660)	(37,592)	21,351	(50,604)	155,029	(655,890)

23. 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[(1)(2)(3)]	139,000	Various
Trinidad and Tobago[(4)]	133,320	Various
Brazil	3,000	September 2018
Total	275,320	

(1) The deadlines for fulfilling the work commitments in Indonesia as at December 31, 2014 are: $99 million by November 2014; $38 million by May 2015; $1 million by November 2015 and $1 million by December 2015. In November, 2014, the initial exploration period of six years expired in the six PSCs (South East Ganal I, West Sageri, Seram, South Matindok, Bone Bay and Semai V) and will expire within the next three years for the remaining four PSCs. For the six PSCs, request for amendment to the PSCs to extend the initial exploration period to ten years have been submitted to the Government of Indonesia for approval and requests for amendments to the four remaining PSCs may be submitted. There is no guarantee that such amendments will be granted.

(2) The Company also signed an exploration option agreement granting a farm-in option to the option holder to (i) acquire a 5 percent working interest in a block 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. Pursuant to the exploration option agreement, if a well is not spud in an applicable block in Indonesia prior to July 2016, the Company is obligated to pay approximately $5 million to the option holder, which is payable after the repayment of the term loan facilities.

(3) 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 PSCs. Upon closing of the transactions, the Company's outstanding work commitment obligations are to be reduced by $1 million (see note 7).

(4) The deadlines for fulfilling the work commitments in Trinidad and Tobago are: $64 million by April 2015; $4 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 and Brazil are backed by parent company guarantees.

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 PSCs 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 several of its PSCs. A delay or rejection of the requested extensions may result in additional funding required to fulfill the commitments.

(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 $39 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 $32 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	28,674
Subtotal	39,431
Imputed interest	(7,470)
Carrying value	31,961

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 12(a)). The future minimum payments relate to this agreement are as follows:

(thousands of US Dollars)	Payments
<1 year	15,000
1 - 5 years	19,750
Total	34,750
Imputed interest	(7,963)
Carrying value	26,787

(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 11(a) and 12(b)). The estimated future minimum payments related to this agreement are as follows:

(thousands of US Dollars)	Payments
1 - 5 year	48,769
> 5 years	28,969
Subtotal	77,738
Imputed interest	(39,026)
Carrying value	38,712

24. 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 up 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 originally scheduled for November 2014 was deferred. The rescheduled hearing for the Payment Claim has been rescheduled to the first quarter of fiscal 2016.

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. 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 ended 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 $12 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. 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 April 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 ended 2013. Approval has been received for cost overruns till fiscal year 2010 to 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 billion. To the extent that any amount of joint venture costs are disallowed, such amount would be removed from the 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 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 to relate periods up to December 31, 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 and the matter is sub judice. 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 $2 million. The Company believes the outcome is currently not determinable.

(g) The Tax Directorate General of Indonesia had assessed several oil and gas companies operating in Indonesia for Land and Building Tax ("LBT") using a new framework which applies to PSCs signed subsequent to the implementation of a government regulation effective December 20, 2010. The Surface and Sub Surface assessments of LBT have been applied to offshore PSCs out of which majority of the assessed tax relates to Surface Area. The LBT assessments are being challenged by the impacted oil and gas companies and industry associations.

Certain of the Company's Indonesian subsidiaries holding interests in three of its operated offshore PSCs (Obi, South East Seram and Aru) received assessment notices raising demands for a total of $31 million net for assessment years 2012 to 2014. Each subsidiary filed an objection letter with the tax department, which was subsequently rejected by the tax authorities. Each of the subsidiaries has filed an appeal in the tax court against objection decision of the tax department. The operator for two of the Company's partner-operated offshore PSCs (North Ganal and Halmahera II) has also received 2012 to 2014 assessments totaling $5 million net and filed objection letters and appeals regarding these assessments.

For assessment year 2014, the Tax Directorate General has further amended its framework, which will result in nil surface assessments for LBT for 2014. Effective January 1, 2015, assessments for exploration PSCs have been exempt from LBT as a result of change in the law by Finance Ministry. The Company believes that it has a strong legal position against the taxes assessed from 2012 to 2014 and therefore has not recorded these amounts in its financial statements. In the event that the appeal is not successful, the subsidiaries of the Company would be liable for a penalty of up to 100 percent of the LBT tax owing in addition to the amount of assessed tax.

In October 2014, the Company signed a definitive agreement for the sale of its interest in seven Indonesian PSCs to Ophir Energy LLC (see note 7). Included in the agreement are the Company's interest in the Obi, Aru and North Ganal PSCs. Upon closing the Company will indemnify Ophir for any Land and Building Tax obligations related to its interests in three of the PSCs being sold through issuance of a parent company guarantee.

(h) 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.