NIKO RESOURCES LTD

NIKO REPORTS RESULTS FOR THE QUARTER ENDED DECEMBER 31, 2015

Niko Resources Ltd. ("Niko" or the "Company") is pleased to report its operating and financial results for the quarter ended December 31, 2015. The operating results are effective February 10, 2016. 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 the third quarter of fiscal 2015, the Board of Directors of the Company made a decision to pursue strategic alternatives, including the sale of the 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 for the potential sale of the Company's interest in the D6 Block in India during the first half of calendar 2015 did not result in a successful conclusion and the Board elected to pursue an alternate strategic plan to maintain the Company's core assets until the value of such assets can be enhanced for the benefit of the Company's stakeholders. While the Company has a significant working capital deficit, the Company believes it has sufficient liquidity to fund the cash requirements of its operating subsidiaries in India and Bangladesh and its corporate general and administrative expenses for the foreseeable future, provided that it receives concessions from its key stakeholders to significantly reduce the cash outflows to these stakeholders until the value of the Company's core assets can be enhanced. The Company is continuing its negotiations with its key stakeholders.

The Company continues to be in default of interest payment obligations under its term loan facilities agreement and the indenture governing the Company's 7% senior unsecured convertible notes due December 31, 2017 (the "Notes") and certain obligations under the terms of the agreement entered into with Diamond Offshore (the "Diamond Settlement Agreement").

The strategic plan that the Company is pursuing will likely be subject to certain approvals by certain stakeholders and could have a significant negative impact on securityholders and other stakeholders and the value of their interests in the Company. No assurance can be made that any strategic plan can be accomplished at all or on a timely basis. The failure to effect a transaction pursuant to a strategic plan on a timely basis could prove to be unsatisfactory for stakeholders, which would likely have a material adverse impact on the value of their interest in 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 510, 800 - 6 Avenue SW, Calgary, Alberta, T2P 3G3. The Company is engaged in the exploration for and development and production of oil and natural gas, primarily in India and Bangladesh. 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, 2015 should be read in conjunction with the condensed interim consolidated financial statements for the nine months ended December 31, 2015. This MD&A is dated February 10, 2016. 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, 2015 through December 31, 2015. The term "prior year quarter" is used throughout the MD&A for comparative purposes and refers to the period from October 1, 2014 through December 31, 2014. The term "current year" is used throughout the MD&A and in all cases refers to the period from April 1, 2015 through December 31, 2015. The term "prior year" is used throughout the MD&A and in all cases refers to the period from April 1, 2014 through December 31, 2014. The term "fiscal 2014" is used throughout the MD&A and in all cases refers 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 refers to the period from April 1, 2014 through March 31, 2015. The term "fiscal 2016" is used throughout the MD&A and in all cases refers to the period from April 1, 2015 through March 31, 2016.

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

Cautionary Statement Regarding Forward-Looking Information and Material Assumptions

Certain statements in this MD&A are "forward-looking statements" or "forward-looking information" within the meaning of applicable securities laws, herein referred to as "forward-looking 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, readers 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 ability to effect a transaction pursuant to a strategic plan;
- the Company's ability to comply with the terms of the term loan facilities agreement and the unsecured convertible notes (the "Notes") or to obtain waivers or amendments thereto;
- 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, the unsecured convertible notes and settlement agreement with Diamond Offshore ("Diamond");
    - the proposed sale of non-core assets and farm-out transactions involving exploratory production sharing contracts ("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 Company's debt agreements;
    - the cash requirements of the Company's operating subsidiaries in India and Bangladesh;

- receipt of concessions from key stakeholders to significantly reduce cash outflows to such stakeholders until the value of the Company's core assets can be enhanced;
- consideration to be received for the sale of certain interests;
- the interpretation and quantification of India's new Domestic Natural Gas Guidelines ("the Guidelines") issued in October 2014 and effective November 1, 2014, including the quantum and applicability of gas price premium on the Company's existing gas fields in Block D6;
- the enforcement of rights under note indentures, the term loan agreement and the Diamond Settlement Agreement;
- 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 Trinidad and Brazil and the rescheduling of certain of the Company's work commitments;
- receipt of government approvals;
- the ability to seek joint operating partners;
- sources of funding for the Company's planned operating, investing, and financing cash outflows;
- 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;
- 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 MD&A constitute forward-looking information. Specifically, this MD&A contains forward-looking information relating to the ability of the Company to successfully complete its strategic plan on a timely basis 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 plan on a timely basis or that the Company will be able to meet the goals and purposes of its business plan. The failure to meet or satisfy any of the foregoing is likely to have a material adverse impact on the Company and thereby significantly impair the value of security holders' interest in 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 actions of the Company's lenders and Noteholders, future commodity prices, 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: risks related to the ability of the Company to continue as a going concern, the risks associated with the Company meeting its obligations under the amended facilities agreement and convertible notes and successfully completing its strategic alternatives plan, risks related to the various legal claims against the Company, risks related to obtaining consents, risks relating to the Company's default under the indenture governing the Notes and the Company's default under the Diamond Settlement Agreement (as defined herein), 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 AIF for the year-ended March 31, 2015 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.

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 readers 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 / Loss”. These non-IFRS financial measures, which have been derived from the condensed 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 under IFRS and are therefore may not be comparable to similar measures presented by other issuers. The non-IFRS measures are further defined for use throughout this MD&A as follows:

EBITDAX

EBITDAX is defined 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 asset disposal, gain or loss on derivatives, asset impairment, share-based compensation expense, restructuring costs, accretion expense, unfulfilled exploration commitment expense and unrealized foreign exchange gain or loss). The Company utilizes EBITDAX to assess financial performance and determine its ability to fund future capital investments. EBITDAX provides useful information to investors to evaluate the Company’s financial health and determine ability to make debt repayments. The most directly comparable measure under IFRS presented in the condensed interim financial statements to EBITDAX is net income / loss on the statement of comprehensive loss. Reconciliation from EBITDAX to net income / loss is provided under “Financial Highlights”.

Segment Profit / Loss

Segment profit / loss is defined as oil and natural gas revenues less royalties, government share of profit petroleum, production and operating expenses, depletion and depreciation expense, exploration and evaluation expense, asset impairment, restructuring costs and current and deferred income taxes related to each business segment. Segment profit / loss provides useful information to the Company and investors to evaluate financial performance by each segment. The most directly comparable measure under IFRS presented in the condensed interim financial statements to segment profit / loss is net income / loss on the statement of comprehensive loss. Reconciliation of segment profit / loss for continuing and discontinued operations is provided under “Segment Profit” of the MD&A and Note 26 of the condensed interim financial statements.

LIQUIDITY AND CAPITAL RESOURCES

The Company continues to pursue a strategic plan to maintain the Company's core assets until the value of such assets can be enhanced for the benefit of the Company's stakeholders. While the Company has a significant working capital deficit, the Company believes it has sufficient liquidity to fund the cash requirements of its operating subsidiaries in India and Bangladesh and its corporate general and administrative expenses for the foreseeable future, provided that it receives concessions from its key stakeholders to significantly reduce the cash outflows to these stakeholders until the value of the Company's core assets can be enhanced. These concessions are a key aspect of the strategic plan which the Company is currently negotiating with its senior lenders, representatives of the holders of the Notes and the parties to the Diamond Settlement Agreement.

In the third quarter of fiscal 2016, the Company reached an agreement with the institutional lenders of its US$340 million senior term loan facilities on a standstill period to provide the Company with additional time to pursue its strategic plan. Subject to certain conditions, the lenders agreed not to act until after January 15, 2016 on any rights or remedies arising from any default on the term loan, provided that the lenders could terminate the standstill period with 10 days notice if they became of the opinion that there was no reasonable prospect of agreeing to a commercially acceptable strategic plan. The standstill agreement expired on January 15, 2016. Negotiations are ongoing with the Company's key stakeholders regarding its proposed strategic plan and the Company has been advised that the lenders will not seek to enforce any of their rights or remedies arising from any default on the term loan without prior notice.

In complying with the terms of amendments to the facilities agreement with its senior lenders, the Company was restricted from making any interest or other payments under the indenture governing the Notes, and under the terms of the Diamond Settlement Agreement and, as such, continues to be in default of interest payment obligations under the indenture governing the Notes and certain obligations under the Diamond Settlement Agreement. Accordingly, the noteholders have the option to accelerate repayment of the Notes. A group of noteholders have formed an ad hoc committee to evaluate proposals and next steps. Based on discussions with the ad hoc committee and the trustee under the Note indenture, the Company does not expect that any steps will be taken in the near term to enforce any rights under the indenture. There can be no assurance that steps will not be taken, particularly if no arrangements are reached with the lenders under the facilities agreement on a timely basis. On June 30, 2015, the Company did not make a scheduled payment of $5 million under the terms of the Diamond Settlement Agreement. Diamond has filed a lawsuit in a court in Texas seeking to enforce the payment and other obligations. The Company is currently considering the merits of the lawsuit and available defences. Also, on September 30, 2015 and December 31, 2015, the Company did not make scheduled payments totaling $10 million. Under the terms of Diamond Settlement Agreement, Diamond has the option to terminate the agreement and revert to the original drilling contracts that include termination provisions. To date, Diamond has not taken any steps to terminate the Diamond Settlement Agreement. The Company has estimated the maximum potential unsecured termination claim under the original drilling contracts could range from $100 to $220 million.

The discussions with the key stakeholder are now focused on the strategic plan of the Company to enhance value over a longer period of time. This strategic plan will likely be subject to certain approvals by certain stakeholders and could have a significant negative impact on securityholders and other stakeholders and the value of their interests in the Company. No assurance can be made that any strategic plan can be accomplished at all or on a timely basis. The failure to effect a transaction pursuant to a strategic plan on a timely basis could prove to be unsatisfactory for stakeholders, which would likely have a material adverse impact on the value of their interest in the Company.

Sources of Funding - Operating Subsidiaries in India and Bangladesh and Corporate
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, 2015 of $37 million;
- Restricted cash as at December 31, 2015 of $22 million (subject to terms of the facilities agreement, as amended);
- 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.

As per India's Domestic Natural Gas Guidelines, 2014 ("the Guidelines"), in late September 2015, the Government of India ("GOI") announced a price of $3.82 / MMbtu gross calorific value ("GCV") (equates to approximately $4.24 / MMbtu net calorific value ("NCV")) for the October 2015 to March 2016 period, which represents a reduction of approximately 18 percent from the price for natural gas sales for the April 2015 to September 2015 period. For the Dhirubhai 1 and 3 fields ("D1 D3") in the D6 Block where a dispute between the contractor group and the GOI on the cost recovery of certain costs is under arbitration, the Guidelines indicate that the contractor group would be paid the earlier price of $4.20 / MMbtu NCV and the difference between the revised price and $4.20 / MMbtu NCV would 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".

Under the Guidelines, gas prices are to be determined on a semi-annual basis and 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, and deductions for transportation and treatment charges. Using benchmark prices for the period of January 1, 2015 to December 31, 2015, the Company estimates that the price for gas sales from the D6 Block in India for the April 2016 to September 2016 period could decrease to approximately $3.15 / MMbtu GCV (approximately $3.50 / MMbtu NCV), with a potential negative impact on net cash flow of approximately $2 million per quarter during this period. Development of numerous existing discoveries in the D6 Block is dependent on the future economic viability of the required investments and the Company believes higher prices will be required before the Contractor Group of the D6 Block will make final investment decisions on these potential developments.

Exploration Subsidiaries in Trinidad
In the third quarter of fiscal 2016, the Company recognized the sales of its entire interests in the Guayaguayare Shallow and Deep production sharing contracts in Trinidad to subsidiaries of Range Resources Ltd. in exchange for the assumption of existing liabilities and commitments under the PSCs and for potential future payments that are contingent on certain future events in the PSCs.

As at December 31, 2015, the Company's exploration subsidiaries in Trinidad had $21 million of accounts payable and accrued liabilities (including PSC obligations), $75 million of recorded liabilities for unfulfilled exploration work commitments, and $54 million of unrecorded future exploration commitments due by April 2016, with the unfulfilled and future exploration commitments and PSC obligations backed by parent company guarantees.

Exploration Subsidiaries in Indonesia
In the third quarter of fiscal 2016, the Company closed on the sale of its subsidiary holding an interest in the North Ganal PSC for net cash consideration of $1.5 million after working capital adjustments. The transaction for the proposed sale of the Company's interest in one additional Indonesian PSC (North Makassar Strait) will not proceed under mutual agreement of the parties.

In the second quarter of fiscal 2016, the Company closed its Indonesian office and discontinued operating activities related to its remaining Indonesia PSCs.

As at December 31, 2015, the Company's exploration subsidiaries that previously held interests in Indonesian PSCs had $62 million of accounts payable and accrued liabilities and $139 million of recorded liabilities for unfulfilled exploration work commitments.

Ability of the Company's Exploration Subsidiaries to Meet Obligations and Continue Activities in the Future
There is significant uncertainty regarding whether certain of the Company's exploration subsidiaries will be able to meet existing and future obligations and continue activities in the future.

Contingent Liabilities
The Company and its subsidiaries are subject to various claims from other parties, as described in Note 28 of the condensed interim consolidated financial statements for the three months ended December 31, 2015, and is actively defending against these claims. An adverse outcome on one or more of these claims could significantly impact the future cash flows of the Company.

Ability of the Company to Continue as a Going Concern
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. At December 31, 2015, the outstanding principal on the facilities was $250 million, reflecting the Company's decision to forego its option to drawdown on the $20 million amount of Facility D, repayment of $20 million drawn on Facility E, and prepayments of $50 million on Facility A. In fiscal 2015, 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 under the original agreement; a breach of this covenant would have resulted in the right for the lenders to accelerate payment of the outstanding principal. As a result the Company has reflected the outstanding balances of the term loan facilities as current as at December 31, 2015.

The key terms related to the original 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 ("D6 PIK interest") if first ranking security is not provided over the Company's participating interest in the D6 Block. The GOI has not yet approved the grant of security to the lenders. If security is provided prior to March 31, 2016, the D6 PIK interest to be paid will be reduced by 50 percent and if the security is provided thereafter, the D6 PIK interest will be reduced by 25 percent.

In the first quarter of fiscal 2016, the Company and its lenders agreed to defer the interest payments due on June 23, 2015 to September 23, 2015. This interest payment and interest payments due on September 23, 2015 and December 23, 2015 have not been made, and as such, the Company is in default of the facilities agreement. Default interest of 25 percent is applicable effective September 23, 2015 on the outstanding cash interest payments overdue.

In the third quarter of fiscal 2016, the Company reached an agreement with the institutional lenders on a standstill period to provide the Company with additional time to pursue its strategic plan. Subject to certain conditions, the lenders agreed not to act until after January 15, 2016 on any rights or remedies arising from any default on the term loan, provided that the lenders could terminate the standstill period with 10 days notice if they became of the opinion that there was no reasonable prospect of agreeing to a commercially acceptable strategic plan. The standstill agreement expired on January 15, 2016. Negotiations are ongoing with the Company's key stakeholders regarding its proposed strategic plan and the Company has been advised that the lenders will not seek to enforce any of their rights or remedies arising from any default on the term loan without prior notice.

Uncommitted D6 facility

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

Financial Covenants

In the original facilities agreement, the Company was subject to the following financial covenants:

- 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 ending June 30, 2014.
- Minimum ratio of (a) proved plus probable reserves for the D6 Block to (b) senior debt, commencing with the period ending March 31, 2014.

The Company executed a number of amendments and other agreements during 2015 that waived or amended various covenants of the original facilities agreements. The previous waiver expired on November 15, 2015. The Company has been advised that the lenders will not seek to enforce any of their rights or remedies arising from any default on the term loan without prior notice subsequent to the expiry of the standstill agreement on January 15, 2016.

General covenants

In the original facilities agreement, the Company agreed to several other undertakings and covenants, including:

- Maintenance of certain reserve accounts, including:
    - A reserve account for anticipated expenditures in the D6 Block, with a minimum balance that increased over time to the greater of $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 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.

Per the amendments to the facilities agreement, the Company agreed to additional undertakings including:

- Requirement to maintain specified minimum cash balances.
- Restrictions on cash expenditures for non-core assets and general and administrative expenditures.
- Restrictions from making any interest or other payments under the convertible notes, or under the terms of the Diamond Settlement Agreement.

In addition, per the amendments to the facilities agreement, the following provisions of the facilities agreement were amended:

- Requirement to maintain minimum balance for the reserve account for anticipated expenditures in the D6 Block was reduced to $20 million;
- Requirement to maintain minimum balance for the reserve accounts for settlement payments and debt service was reduced to zero; and
- Requirement to raise minimum amounts from asset sales, farm-outs and equity issuances was waived until the end of the amendment period.

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 6 percent of the Company's share of the gross revenues received 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 Bangladesh Oil, Gas and Mineral Corporation ("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. Authorization has been received from the Reserve Bank of India and authorization from the GOI has been sought, but not yet granted.

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. The farm-in rights agreement is no longer exercisable as the Company discontinued operations in Indonesia in fiscal 2016.

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 the 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.

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 reflected the outstanding balances of the convertible notes as current liabilities in the third quarter of fiscal 2015.

In fiscal 2016, the Company initiated discussions and negotiations with holders of the Notes and their representatives to seek concessions from its key stakeholders to significantly reduce the cash outflows to these stakeholders until the value of the Company's core assets can be enhanced. The interest payment due on June 30, 2015 was not made and as a result, an event of default occurred on July 30, 2015. The scheduled interest payment due on December 31, 2015 was also not made. A group of convertible noteholders have formed an ad hoc committee to evaluate proposals and next steps. Based on discussions with the ad hoc committee and the trustee under the Note indenture, the Company does not expect that any steps will be taken in the near term to enforce any rights under the indenture.

Contract Settlement Obligation

In December 2013, the Company entered into an agreement with Diamond relating to the settlement of payment obligations and other commitments under the Ocean Monarch and Ocean Lexington drilling contracts (the "Diamond Settlement Agreement"). The Diamond 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 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. The amounts due are non-interest bearing. In fiscal 2014 and 2015, the Company made prepayments of $15 million from proceeds of asset sales and a scheduled payment of $5 million. In the first quarter of fiscal 2016, $4 million was prepaid from proceeds of asset sales, reducing the amount outstanding to $31 million.

In fiscal 2016, the Company initiated discussions with the parties to the Diamond Settlement Agreement to seek concessions from its key stakeholders to significantly reduce the cash outflows to these stakeholders until the value of the Company's core assets can be enhanced.

The scheduled payment of $5 million and the deposit into a reserve account of $5 million due on June 30, 2015 were not made and an event of default occurred under the Diamond Settlement Agreement. During the second quarter of fiscal 2016, Diamond filed a lawsuit in a court in Texas seeking to enforce the payment and other obligations. The Company is currently considering the merits of the lawsuit and available defences. Also, on September 30, 2015 and December 31, 2015, the Company did not make scheduled payments totaling $10 million. Under the terms of Diamond Settlement Agreement, Diamond has the option to terminate the agreement and revert to the original drilling contracts that include termination provisions. To date, Diamond has not taken any steps to terminate the Diamond Settlement Agreement. The Company has estimated the maximum potential unsecured termination claim under the original drilling contracts could range from $100 to $220 million.

Contractual Obligations

The Company has various contractual obligations, as follows:

As at December 31, 2015		Obligations by Period			
(thousands of US Dollars)	Total	< 1 year	1 to 3 years	3 to 5 years	> 5 years
Term loan facilities[1]	301,047	301,047	-	-	-
Finance lease obligations[2]	28,675	10,757	17,918	-	-
Convertible notes[3]	88,659	88,659	-	-	-
Other long-term liabilities[4]	54,277	33,597	6,510	14,170	-
Decommissioning obligations[5]	76,632	8,279	-	-	68,353
Exploration work commitments[6][7][8][9]	270,927	267,927	-	3,000	-
Total contractual obligations	820,217	710,266	24,428	17,170	68,353

(1) As at December 31, 2015, the term loan facilities are recorded in the condensed interim consolidated financial statements as current liabilities of $271 million, comprised of $250 million of outstanding principal plus $21 million of an accrued consent fee and additional D6 PIK interest of 5 percent per annum accrued up to December 31, 2015 and payable upon repayment (refer to notes 2 and 14(a) of the condensed interim consolidated financial statements). The additional interest payable upon repayment could be reduced by 50 percent if first ranking security over the Company's participating interest in the D6 Block is provided prior to March 31, 2016, and by 25 percent if security is provided thereafter. The term loan facilities are included in the table above based on these amounts plus accrued cash interest up to December 31, 2015, default interest of 25 percent on overdue unpaid quarterly interest payments up to December 31, 2015, and an accrued consent fee. Refer to note 14(a) of the condensed interim consolidated financial statements.

(2) The finance lease obligation relating to the charter of the FPSO used in the MA field in the D6 Block is recorded in the condensed interim consolidated financial statements at $25 million (including current and long-term portions).

(3) As at December 31, 2015 the Company has reflected the convertible notes, recorded at $83 million, as current liabilities in the condensed interim consolidated financial statements. The convertible notes included in the table are based on the sum of the principal amount that would be required to repay in cash the Cdn$115 million convertible notes plus accrued quarterly interest payments up to December 31, 2015 and default interest of 7 percent on overdue unpaid quarterly interest payments from July 1, 2015 to December 31, 2015, converted at the period end exchange rate. Refer to note 14(c) of the condensed interim consolidated financial statements for the three months ended December 31, 2015.

(4) Other long-term liabilities are recorded in the condensed interim consolidated financial statements at $45 million (including current and long-term portions), reflecting the undiscounted value of the contract settlement obligation and the discounted value of 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. As at December 31, 2015 the Company has reflected the outstanding balances of the contract settlement obligation as current liabilities (refer to notes 2 and 15(a) of the condensed interim consolidated financial statements).

(5) Decommissioning obligations are based on the undiscounted estimated future liability of the Company as disclosed in the notes of the condensed interim consolidated financial statements. They do not include costs related to wells or facilities that were not completed as at December 31, 2015. Site restoration funds totalling $10 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 $129 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 a performance bond that is secured by $0.6 million of cash deposits reflected in restricted cash. Refer to notes 13 and 27 in the condensed interim consolidated financial statements for discussion on unfulfilled exploration commitments recognized as liabilities as at December 31, 2015.

(7) The majority of the exploration work commitments relate to PSCs where the Company is working on asset sales or farm-outs to joint operating partners in exchange for re-imbursement of 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 applied for extensions to the periods required to complete the work commitments related to several of its Trinidad PSCs. A delay or rejection of the requested extensions may result in additional funding required to fulfill the commitments. As at December 31, 2015 the Company relinquished all PSCs holding interest in Indonesia.

BUSINESS HIGHLIGHTS

The significant business highlights of the third quarter in fiscal 2016 are as follows:

Sales Volumes

	Three months ended December 31,		Nine months ended December 31,	
(mmcfe/d)	2015	2014	2015	2014
D6 Block, India	39	44	41	47
Block 9, Bangladesh	62	63	63	65
Hazira, India	1	2	1	2
Total	102	109	105	114

D6 Block, India

- Per India's new Guidelines, effective November 1, 2014, the price for natural gas sales from the D6 Block in India for April 2015 to September 2015 was $4.66 / MMbtu based on the GCV of the sales gas, which equated to approximately $5.18 / MMbtu based on the NCV of the sales gas and represented an increase of 23 percent from the $4.20 / MMbtu NCV that natural gas sales had been priced at prior to the adoption of the Guidelines, and a decrease of approximately 8 percent from the price for the November 2014 to March 2015 period. The price announced by the GOI for October 2015 to March 2016 of $3.82 / MMbtu GCV (equates to approximately $4.24 / MMbtu NCV) represents a reduction of approximately 18 percent from the price for natural gas sales for the April 2015 to September 2015 period. For the Dhirubhai 1 and 3 fields ("D1 D3") in the D6 Block where a dispute between the contractor group and the GOI on the cost recovery of certain costs is under arbitration, the Guidelines indicate that the contractor group would be paid the earlier price of $4.20 / MMbtu NCV and the difference between the revised price and $4.20 / MMbtu NCV would 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".
- The price for oil and condensate sales for the third quarter of fiscal 2016 decreased by approximately 25 percent compared to the third quarter of fiscal 2015 as a result of the decline in world oil prices.
- Total sales volumes from the D6 Block in the third quarter of fiscal 2016 of 39 mmcfe/d decreased from the third quarter of fiscal 2015 primarily due to the impact of natural production declines in the fields in the block, partially offset by incremental production from sidetracks and reactivations during fiscal 2016.
- At the beginning of the third quarter of fiscal 2016, the drilling program in the D6 Block concluded for fiscal 2016 and is not expected to resume until fiscal 2017 with the potential drilling of one or more additional sidetracks in the MA field.

Block 9, Bangladesh

- Total sales volumes from Block 9 in the third quarter of fiscal 2016 of 62 mmcfe/d decreased slightly from the third quarter of fiscal 2015, primarily reflecting the impact of increased delivery pressure requirements of the sales trunkline.

CAPITAL AND EXPLORATION EXPENDITURES

For the nine months ended December 31, 2015:

(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][2]	Total
India and Bangladesh	19,109	-	5,166	103	24,378
Other	-	-	-	6,545	6,545
Total	19,109	-	5,166	6,648	30,923

(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 $24 million for the nine months ended December 31, 2015, including $3 million in the current quarter. Development capital of $19 million, including $2 million in the current quarter, related primarily to the completion and sidetrack of development wells in the D6 Block in India. Exploration and evaluation capital of $5 million related primarily to the cost of the DST programs on two discoveries in the D6 Block. These costs have been expensed as asset impairments in fiscal 2016 as the costs of the discoveries that the DST were performed on had previously been impaired.

Other Countries

Capital and exploration expenditures outside of India and Bangladesh totaled $7 million for the nine months ended December 31, 2015 primarily related to outstanding payments due under the PSCs in Trinidad.

FINANCIAL HIGHLIGHTS

EBITDAX / Net Loss

The following table provides a reconciliation of net loss from continuing operations under IFRS as disclosed in the condensed interim consolidated financial statements of comprehensive loss to EBITDAX from continuing operations.

	Three months ended December 31,		Nine months ended December 31,	
(thousands of US Dollars)	2015	2014	2015	2014
Oil and natural gas revenue	22,175	29,009	73,796	92,641
Production and operating expenses	(8,252)	(8,672)	(22,807)	(27,824)
General and administrative expenses	(3,641)	(2,689)	(6,838)	(8,115)
Finance and other income	243	1,410	1,209	6,127
Bank charges and other finance costs	(13)	(166)	(43)	(240)
Realized foreign exchange gain / (loss)	325	(32)	779	(232)
EBITDAX from continuing operations(1)	**10,837**	**18,860**	**46,096**	**62,357**
Cash interest expense	(13,185)	(14,227)	(39,432)	(44,101)
Cash restructuring costs	(2,418)	(1,989)	(7,039)	(4,684)
Current income tax expense	-	(1)	(1)	(24)
Non-cash production and operating expenses	(24)	(148)	(65)	(504)
Depletion and depreciation expenses	(11,115)	(22,558)	(42,631)	(70,239)
Exploration and evaluation expenses	(1,306)	(2,296)	(7,795)	(16,589)
Non-cash restructuring recovery / (costs)	(2)	-	354	(355)
Asset impairment	(11,980)	(54,125)	(78,839)	(54,754)
Share-based compensation recovery / (expense)	(41)	56	(93)	783
Accretion expense	(1,386)	(91,137)	(11,076)	(120,256)
Gain from asset disposal	-	(1,567)	27	(904)
Gain on derivative	4,217	48,302	10,458	48,302
Interest due upon repayment	(3,194)	(3,833)	(8,361)	(7,844)
Unrealized foreign exchange gain	2,384	1,663	5,105	1,678
Deferred income tax expense	-	(3,469)	-	(3,559)
Net loss from continuing operations	**(27,213)**	**(126,469)**	**(133,292)**	**(210,693)**

(1) Refer to "Non-IFRS Measures" for details.

OVERALL PERFORMANCE AND RESULTS OF CONTINUING OPERATIONS

Highlights for the three and nine months ended December 31, 2015 in comparison to the three and nine months ended December 31, 2014 are as follows:

Oil and natural gas revenue

Oil and natural gas revenue in the current quarter and current year was lower than the prior year quarter and prior year primarily due to lower sales volumes and lower oil and natural gas prices.

Production and operating expenses

Production and operating expense in the current quarter and year decreased compared to the same periods in the prior year primarily due to lower corporate costs allocated to production expense, lower insurance expenses in India, and a lower impact of transferring of costs to expense related to the sale of crude oil and condensate inventory volumes.

General and administrative expenses

General and administrative expenses in the current quarter increased compared to the prior year quarter primarily due to higher legal costs associated with the Company's ICSID arbitration cases. General and administrative expenses in the current year decreased from the prior year primarily due to lower legal costs associated with the Company's ICSID arbitration cases.

Interest expense

Cash interest expense in the current quarter and current year decreased from the same periods in the prior year, primarily due to a lower outstanding principal on the term loan facilities as $50 million of principal has been repaid since the prior year. Interest due upon repayment in the current quarter and year relates to an additional 5 percent interest accrued on the term loan facilities effective June 2014. Refer to "Liquidity and Capital Resources" for additional details.

Restructuring costs

Cash restructuring costs in the current quarter and year increased compared to the same periods in the prior year primarily due to increased advisory costs and costs associated with the termination of the Company's corporate office lease in the current quarter. Non-cash restructuring recoveries in the current year resulted from the forfeiture of stock options pertaining to severed employees.

Depletion and depreciation expenses
Depletion and depreciation expenses in the current quarter and year decreased compared to the same periods in the prior year, primarily due to lower production volumes experienced in India and Bangladesh and a lower depletion rate for the D6 Block in India.

Exploration and evaluation expenses
Exploration and evaluation expenses in the current quarter and year relate primarily to obligations specified in PSCs in Trinidad. Exploration and evaluation expenses in the prior year related primarily to the costs of the unsuccessful appraisal well in the MJ field in the D6 Block in India in the first quarter of fiscal 2015, obligations specified in PSCs in Trinidad and corporate costs allocated to exploration expenses.

Asset impairment
Asset impairment expense of $12 million in the current quarter primarily due to the reduction of $15 million in the carrying value of the Company's producing assets in the D6 Block in India primarily resulting from decreases in forecasted future crude oil and natural gas prices. The Company also recognized a reversal of impairment of $3 million related to the sale of its entire interests in the Guayaguayare Shallow and Deep PSCs in Trinidad. Asset impairment expense year to date of $79 million included $63 million pertaining to the producing assets in the D6 Block and the cost of the DST programs on two discoveries in the D6 Block of $5 million recognized in the second quarter of fiscal 2016. In the prior year, Company impaired $48 million of exploration and evaluation asset value and $7 million in capital inventory related to its blocks in Trinidad.

Share-based compensation expense
Share-based compensation expense in the current quarter and year increased compared to the same periods in the prior year due to reduction in forfeiture of options. No new options have been granted since May 2014.

Accretion expense
Accretion expense in the current quarter and year decreased compared to the same periods in the prior year. In the first quarter of fiscal 2016, the Company reclassified the outstanding balance of its contract settlement obligation from long-term to current and recognized $3 million of accelerated accretion expense. In the prior year periods, higher accretion expense resulted from the impact of prepayments of the outstanding principal on Facility E of the term loan facilities and a portion of the contract settlement obligation.

Unrealized foreign exchange gain
Unrealized foreign exchange gain in the current quarter and year reflected the impact of the weakening of the Canadian Dollar against the US Dollar on Canadian Dollar denominated convertible notes, offset by the impact of the weakening of the Indian Rupee against the US Dollar on Indian Rupee denominated income tax receivables.

SEGMENT PROFIT

Continuing Operations

India

(thousands of US Dollars)	Three months ended December 31, 2015	2014	Nine months ended December 31, 2015	2014
Natural gas revenue	14,144	19,528	50,908	54,435
Oil and condensate revenue	2,104	3,098	6,718	18,059
Royalties	(781)	(1,059)	(2,916)	(3,428)
Government share of profit petroleum	(152)	(280)	(555)	(1,193)
Production and operating expense	(5,260)	(6,474)	(15,407)	(21,009)
Depletion and depreciation expense	(9,165)	(21,012)	(36,869)	(65,979)
Asset impairment	(14,907)	-	(81,631)	(9)
Exploration and evaluation expense	8	(248)	(890)	(7,369)
Gain from asset disposal	-	-	-	664
Current tax expense	-	(1)	-	(24)
Deferred income tax expense	-	(3,469)	-	(3,559)
Segment loss(1)	(14,009)	(9,917)	(80,642)	(29,409)
Daily natural gas sales (Mcf/d)	36,988	44,842	38,896	45,852
Daily oil and condensate sales (bbls/d)	526	572	495	730
Operating costs ($/Mcfe)	1.38	1.44	1.28	1.49
Depletion rate ($/Mcfe)	2.35	4.77	3.02	4.76

(1) Refer to "Non-IFRS Measures" for details.

Natural gas revenue in the current quarter decreased compared to the prior year quarter primarily as a result of lower sales volumes and lower natural gas prices for the D6 Block. The natural gas price for the period of October 1, 2015 to March 31, 2015 is $4.24 / MMbtu NCV, approximately equal to the $4.20 / MMbtu NCV that natural gas sales had been priced at prior to the adoption of the Guidelines, effective November 1, 2014, and lower than the $5.61 / MMBtu NCV for the period of November 1, 2014 to March 31, 2015. Natural gas revenue in the current year decreased compared to the prior year primarily as a result of lower sales volumes, partially offset by higher natural gas prices for the D6 Block. The natural gas price for the period of April 1, 2015 to September 30, 2015 was $5.18 / MMbtu NCV.

Oil and condensate revenue in the current quarter and year decreased compared to the same periods in the prior year primarily due to the impact of lower oil and condensate prices and lower sales volumes.

Royalties and government share of profit petroleum expense decreased compared to the same periods in the prior year due to the impact of lower revenues.

Production and operating expense in the current quarter and year decreased compared to the same periods in the prior year primarily due to lower corporate costs allocated to production expense and lower insurance expenses in India.

Depletion and depreciation expense decreased primarily due to lower production volumes and a lower depletion rate for the D6 Block.

Asset impairment expense of $15 million in the current quarter primarily relate to the reduction in the carrying value of the Company's producing assets in the D6 Block in India primarily resulting from decreases in forecasted future crude oil and natural gas prices. Asset impairment expense year to date of $82 million included $63 million pertaining to the producing assets in the D6 Block and the cost of the DST programs on two discoveries in the D6 Block of $5 million recognized in the second quarter of fiscal 2016.

Bangladesh

(thousands of US Dollars)	Three months ended December 31, 2015	2014	Nine months ended December 31, 2015	2014
Natural gas revenue	12,892	13,210	39,491	40,453
Condensate revenue	688	1,188	2,246	4,716
Government share of profit petroleum	(6,724)	(6,687)	(22,108)	(20,444)
Production and operating expense	(3,012)	(2,346)	(7,456)	(7,322)
Depletion and depreciation expense	(1,760)	(1,419)	(5,373)	(3,826)
Exploration and evaluation expense	-	(33)	-	(59)
Segment profit(1)	2,084	3,913	6,800	13,518
Daily natural gas sales (Mcf/d)	60,516	63,721	61,971	64,203
Daily condensate sales (bbls/d)	182	178	167	184
Operating costs ($/Mcfe)	0.49	0.36	0.40	0.39
Depletion rate ($/Mcfe)	0.30	0.20	0.30	0.20

(1) Refer to "Non-IFRS Measures" for details.

Natural gas revenues for the current quarter and year decreased compared to the same periods in the prior year due to slightly lower sales volumes.

Condensate revenue for the current quarter and year decreased compared to the same periods in the prior year primarily as a result of lower condensate prices.

Year to date government share of profit petroleum increased from prior year as past unrecovered allowable costs were fully recovered in the first quarter of fiscal 2015, resulting in a higher proportion of gross revenue being shared with the government from that point forward, partially offset by the impact of lower revenues.

Depletion and depreciation expense in the current quarter and year increased primarily due to an increase in the depletion rate arising from the inclusion of compression project costs.

Trinidad

(thousands of US Dollars)	Three months ended December 31, 2015	2014	Nine months ended December 31, 2015	2014
Exploration and evaluation expenses	(1,053)	(1,373)	(6,385)	(7,057)
Depreciation expense	-	(23)	(111)	(70)
Loss on asset disposal	-	(1,519)	-	(1,519)
Asset impairment reversal (expense)	2,927	(54,125)	2,792	(54,185)
Restructuring cost	-	-	-	(20)
Segment profit / (loss)(1)	1,874	(57,040)	(3,704)	(62,851)

(1) Refer to "Non-IFRS Measures" for details.

Exploration and evaluation expenses in the current quarter and year to date relate to obligations specified in various PSCs.

In the current quarter, the Company recognized a reversal of impairment of $3 million related to the sale of its entire interests in the Guayaguayare Shallow and Deep PSCs in Trinidad in exchange for the assumption of existing liabilities and commitments under the PSCs. In the prior year quarter, the Company impaired $48 million of the 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, and $7 million of asset impairment relating to the reduction of the carrying value of capital inventory to the Company's estimated net realizable value.

All Other

(thousands of US Dollars)	Three months ended December 31, 2015	2014	Nine months ended December 31, 2015	2014
Other income	58	169	-	2,754
Royalty income	4	11	12	43
Exploration and evaluation expenses	(265)	(642)	(529)	(2,104)
Depreciation expenses	(190)	(104)	(278)	(364)
Segment profit / (loss)(1)	(393)	(566)	(795)	329

(1) Refer to "Non-IFRS Measures" for details.

Other income in the prior year of $2 million was related to settlements of outstanding vendor obligations in Brazil.

CORPORATE

	Three months ended December,		Nine months ended December 31,	
(thousands of US Dollars)	2015	2014	2015	2014
Finance and other income	185	1,193	1,236	3,324
General and administrative expenses	(3,641)	(2,689)	(6,838)	(8,115)
Share-based compensation recovery / (expense)	(41)	56	(93)	783
Restructuring cost	(2,440)	(1,989)	(6,685)	(5,309)
Finance expense	(17,778)	(109,363)	(58,912)	(172,441)
Gain on derivative	4,217	48,302	10,458	48,302
Foreign exchange gain	2,709	1,631	5,884	1,446

Finance and other income

Other income in the current quarter and year decreased from the same periods in the prior year as the prior year included recorded benefits from a transfer of the Company's interest in a Canadian property and insurance premium refunds in India.

General and administrative expenses

General and administrative expenses in the current quarter increased compared to the prior year quarter primarily due to higher legal costs associated with the Company's ICSID arbitration cases. General and administrative expenses in the current year decreased from the prior year primarily due to lower legal costs associated with the Company's ICSID arbitration cases.

Restructuring costs

Restructuring costs in the current quarter and year increased compared to the same periods in the prior year primarily due to increased advisory costs and costs associated with the termination of the Company's corporate office lease in the current quarter.

Finance expense

	Three months ended December 31,		Nine months ended December 31,	
(thousands of US Dollars)	2015	2014	2015	2014
Interest expense	16,379	18,059	47,793	51,945
Accretion expense	1,386	91,138	11,076	120,256
Bank charges and other finance costs	13	166	43	240
Finance expense	17,778	109,363	58,912	172,441

Interest expense for the current quarter and year decreased compared to the same periods in the prior year primarily due to principal repayments of $50 million made on the term loan facilities since the prior year. Interest expense includes accrued 5 percent interest due upon maturity of the term loan facilities, of which an advance repayment of $1 million was made in the first quarter of fiscal 2016 due to the amended terms. Refer to "Liquidity and Capital Resources" for details.

In the current quarter, accretion expense is related to decommissioning liabilities and deferred royalty obligation. Accretion expense in the current quarter and year significantly decreased compared to the same periods in the prior year. In the first quarter of fiscal 2016, the Company reclassified the outstanding balance of its contract settlement obligation from long-term to current and recognized $3 million of accelerated accretion expense. In the prior year periods, higher accretion expense attributed from the impact of prepayments of the outstanding principal on Facility E of the term loan facilities and a portion of the contract settlement obligation.

Foreign Exchange

	Three months ended December 31,		Nine months ended December 31,	
(thousands of US Dollars)	2015	2014	2015	2014
Realized foreign exchange gain / (loss)	325	(32)	779	(232)
Unrealized foreign exchange gain	2,384	1,663	5,105	1,678
Total foreign exchange gain	2,709	1,631	5,884	1,446

Realized foreign exchange gain in the current quarter and year to date resulted from the weakening of the Canadian Dollar against the US Dollar on Canadian Dollar denominated interest payable and from the weakening of the Indian Rupee against the US Dollar on Indian Rupee denominated payables.

Unrealized foreign exchange gain in the current quarter and year reflected the impact of the weakening of the Canadian Dollar against the US Dollar on Canadian Dollar denominated convertible notes, offset by the impact of the weakening of the Indian Rupee against the US Dollar on Indian Rupee denominated restricted site restoration funds and income tax receivables.

OVERALL PERFORMANCE AND RESULTS OF DISCONTINUED OPERATIONS

In the second quarter of fiscal 2016, the Company closed its Indonesian office, discontinued operating activities related to its remaining Indonesia PSCs and reclassified the Indonesia operating segment as discontinued operations. The operating segment includes the results of all of the Company's subsidiaries that own or have owned interests in Indonesian PSCs. As at December 31, 2015 the Company relinquished all PSCs holding interest in Indonesia.

In the third quarter of fiscal 2016, the Company reclassified the Pakistan operating segment as discontinued operations. Year to date expenditures in Pakistan primarily related to consulting activities in which the Company has discontinued in the third quarter of fiscal 2016.

Net loss from the discontinued operations for the three and nine months ended December 31, 2015 and 2014 is as follows:

	Three months ended December 31,		Nine months ended December 31,	
(thousands of US Dollars)	2015	2014	2015	2014
Other income	139	3	736	3
Expenses				
Foreign exchange gain / (loss)	(2)	50	(82)	250
Depletion and depreciation expenses	-	(40)	-	(117)
Exploration and evaluation expenses	194	(3,881)	(223)	(13,325)
Restructuring costs	(103)	(484)	(602)	(516)
Asset impairment	(1,516)	(12,711)	(7,385)	(13,252)
Unfulfilled exploration commitments recovery (expense)	4,800	-	(22,214)	-
Net loss from discontinued operations	3,512	(17,063)	(29,770)	(26,957)

Exploration and evaluation expenses

Exploration and evaluation expenses in the current quarter and year primarily related to general and administrative costs in Indonesia and Pakistan. Exploration and evaluation expense incurred in the prior year quarter and prior year reflected final costs related to operation of the Ocean Monarch rig in Indonesia and branch office costs in Indonesia.

Asset impairment

Asset impairment in the current quarter decreased from prior year quarter as the Company recognized impairment of its capital inventory in Indonesia in the prior year. Year to date asset impairment primarily related to the impairment of joint venture receivables upon reclassification of the Indonesia segment as discontinued operations.

Restructuring costs

Restructuring costs in the current quarter and year decreased compared to the same periods in the prior year as the Company primarily incurred advisory costs. Prior year restructuring costs included severance and advisory costs.

Unfulfilled exploration commitments expense

In the current quarter, the Company derecognized a provision of $5 million as a result of the expiry of the exploration option agreement in Indonesia, with consent from option holders. Year to date unfulfilled exploration commitments includes unexpired commitments for all relinquished PSCs in Indonesia.

SUMMARY OF QUARTERLY RESULTS

Three months ended	Dec 31, 2015	Sept 30, 2015	Jun 30, 2015	Mar 31, 2015	Dec 31, 2014	Sept 30, 2014	Jun 30, 2014	Mar 31, 2014
Oil and natural gas revenue	22,175	24,943	26,679	28,447	29,009	28,471	35,161	31,623
Net profit (loss):								
Continuing operations	(27,213)	(76,426)	(29,655)	(334,092)	(126,465)	(34,771)	(49,451)	(8,911)
Discontinuing operations	3,512	(33,631)	349	(101,172)	(17,063)	(4,402)	(5,492)	7,795
Per share - basic and diluted:								
Continuing operations	(0.29)	(0.81)	(0.31)	(3.55)	(1.35)	(0.37)	(0.53)	(0.16)
Discontinuing operations	0.04	(0.36)	(0.00)	(1.08)	(0.18)	(0.05)	(0.06)	0.14

Oil and natural gas revenue fluctuated throughout the last eight quarters based on a number of underlying factors. Production has naturally declined in India, while development activities in India have positively impacted sales volumes. Effective November 2014, natural gas prices have fluctuated in India reflecting semi-annual price notifications issued by the GOI pursuant to the Guidelines. In addition there has been declining oil prices in the market since mid-2014.

Net loss fluctuations throughout the last eight quarters primarily reflected the fluctuations in oil and natural gas revenues, interest and accretion expenses from financial restructuring, and asset impairments based on management's estimate of recoverability on the Company's assets. Key highlights include:

- In the quarter ended December 31, 2015, net loss from continuing operations resulted from the continuing impact of lower oil and natural gas revenues. The Company recognized $15 million asset impairment related to the D6 Block in India as a result of negative revisions to forecasted price in the D6 Block, offset by a reversal of impairment of $3 million from the sale of Guayaguayare Shallow and Deep PSCs in Trinidad. Net income from discontinued operations resulted from the reversal of provision of unfulfilled exploration commitments due to expiry of the exploration option agreement.
- In the quarter ended September 30, 2015, net loss from continuing operations resulted from the continuing impact of lower oil and natural gas revenues and $67 million asset impairment related to the D6 Block in India. Net loss from discontinued operations resulted from the recognition of $27 million in liabilities for unfulfilled exploration commitments and $5 million asset impairment related to joint venture receivables in Indonesia under discontinued operations.
- In the quarter ended June 30, 2015, net loss from continuing operations primarily resulted from lower oil and natural gas revenues, and accrued interest and accretion expense on the term loan facilities and convertible notes.
- In the quarter ended March 31, 2015, net loss from continuing operations was primarily a result of a $207 million impairment of the Company's assets in the D6 and NEC-25 blocks in India and $65 million write off due to impairment valuation, $4 million impairment of capital inventory in Trinidad, recognition of $75 million of liabilities for unfulfilled exploration commitments Trinidad, offset by a $17 million gain on derivative related to the revaluation of the Company's deferred obligation related to the D6 Block in India. Net loss from discontinuing operations primarily resulted from recording $117 million of liabilities for unfulfilled work commitments in Indonesia, offset by a $23 million reversal of asset impairments related to four Indonesia PSCs sold to Ophir in April 2015,
- In the quarter ended December 31, 2014, net loss from continuing operations was due to accelerated accretion expense recognized from the reclassification of the term loan facilities and convertible notes from long-term to current liabilities. Impairment of exploration and evaluation costs and capital inventory in Trinidad contributed to the loss by $54 million. The loss was offset by a gain on derivative on deferred royalty obligation of $48 million. Net loss from discontinued operations included $13 million of asset impairment on capital inventory in Indonesia.

FINANCIAL INSTRUMENTS

A detailed description of the Company's financial instruments is included in note 17 to the condensed interim consolidated financial statements for the period ended December 31, 2015.

CHANGES IN ACCOUNTING STANDARDS

(a) Accounting pronouncements issued but not yet effective

IFRS 9 – Financial Instruments

IFRS 9 includes revised requirements for the classification and measurement of financial liabilities and carrying over the existing derecognition requirements from IAS 39. New requirements apply where an entity chooses to measure a liability at fair value through profit or loss – in these cases, the portion of the change in fair value related to changes in the entity's own credit risk is presented in other comprehensive income rather than within profit or loss. In December 2011, amendments indicated instead of requiring restatement of comparative financial statements, entities are either permitted or required to provide modified disclosures on transition from IAS 39 to IFRS 9 on the basis of the entity's date of adoption and if the entity chooses to restate prior periods. In November 2013, amendments to IFRS 9 incorporated its new general hedge accounting model. The standard is effective for annual periods beginning on or after January 1, 2018, with early application permitted. The Company is currently assessing the impact of adopting this new standard on its consolidated financial statements.

IFRS 15 – Revenue from Contracts with Customers
In May, IASB issued IFRS 15 which replaces IAS 11 "Construction Contracts", IAS 18 "Revenue", IFRIC 13 "Customer Loyalty Programmes", IFRIC 15 "Agreements for the Construction of Real Estate", IFRIC 18 "Transfer of Assets from Customers" and SIC 31 "Revenue – Barter Transactions Involving Advertising Services". IFRS 15 establishes revenue recognition principles for reporting the nature, amount, timing, and uncertainty of revenue and cash flows arising from an entity's contract with customers. This standard is effective for annual periods beginning on or after January 1, 2018, and permits early adoption. The Company is currently assessing the impact of adopting this new standard on its consolidated financial statements.

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 condensed interim consolidated financial statements of the Company.

- Price Forecasts
- Oil and Natural Gas Reserves
- Depletion, Depreciation and Amortization
- Asset Impairment
- Property, Plant and Equipment
- Decommissioning Obligations
- Share-Based Compensation
- Income Taxes
- Contingencies

For a complete discussion of the critical accounting estimates, refer to the MD&A for the Company's fiscal year-ended March 31, 2015, available on SEDAR at www.sedar.com.

CORPORATE GOVERNANCE

Disclosure Controls and Procedures and Internal Controls over Financial Reporting

The Company's Chief Executive Officer and Chief Financial Officer are responsible for designing disclosure controls and procedures ("DC&P") and internal controls over financial reporting ("ICFR"), or causing them to be designed under their supervision, to provide reasonable assurance that material information relating to the Company's business is communicated to them, reported on a timely basis, financial reporting is reliable, and the financial statements for external purposes are in accordance with IFRS. The Chief Executive Officer and Chief Financial Officer used the criteria set forth by the Committee of Sponsoring Organizations of the Treadway Commission ("COSO 1992"). The Company is currently implementing the updated standards set out in the COSO 2013 framework.

There were no changes in the three months ended December 31, 2015 that materially affected, or are reasonably likely to materially affect, the Company's ICFR.

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.

- The ability of the Company to continue as a going concern;
- As no consents to defer any payments that are due and payable prior to December 31, 2015 have been obtained from the holders of the Notes, the Company is in breach of the indenture governing the Convertible Notes. Accordingly, the noteholders have the option to accelerate repayment of the Notes.
- As no consents to eliminate the required minimum balance in a reserve account specified in the Diamond Settlement Agreement have been obtained from the other parties to the Diamond Settlement Agreement, the Company is in breach

of the Diamond Settlement Agreement. Diamond has filed a lawsuit in a court in Texas to enforce the scheduled payment and the deposit into the reserve account.

- The receipt of concessions from various stakeholders;
- The failure to effect a strategic plan at all or on a timely basis could be unsatisfactory to stakeholders, which could have a material adverse impact on the value of their interest in the Company;
- The Company's ability to comply with the terms of its amended term loan facilities agreement and the convertible notes or to obtain waivers or amendments thereto
- 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 2016;
- Uncertainty surrounding the ability of the Company to successfully pursue and complete strategic alternatives;
- No assurance can be made that an alternative plan if pursued can be accomplished at all or on a timely basis, if the strategic alternatives noted above do not achieve the desired goal;
- The Company is subject to fluctuating natural gas and crude oil prices which could result in deferral of development plans, relinquishment of interests and material adverse effect on the Company's operations and financial condition;
- 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 may not be able to obtain approval, or obtain approval on a timely basis for exploration and development activities;
- The Company may not receive requested extensions to complete work commitments related to several PSCs;
- 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 third parties 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 2015 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, 2015 are described in note 28 of the condensed interim consolidated financial statements for the period ended December 31, 2015.

OUTSTANDING SHARE DATA

The Company had the following outstanding shares and options as at:

	December 31, 2015		February 10, 2016	
	Number	Cdn$(1)	Number	Cdn$(1)
Common shares	94,049,614	1,523,579,896	94,049,614	1,523,579,896
Preferred shares	Nil	Nil	Nil	Nil
Stock options	1,213,734	-	1,206,151	-

(1) Equals the amount received in Canadian Dollars for common shares issued. The US Dollar equivalent at December 31, 2015 and at February 10, 2016 is $1,366,868,061.

CONDENSED INTERIM CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

(unaudited) (thousands of US Dollars)	As at December 31, 2015	As at March 31, 2015
Assets		
Current assets		
Cash and cash equivalents	37,075	59,636
Restricted cash (note 5)	21,565	37,559
Accounts receivable (note 6)	15,315	29,871
Inventories (note 8)	5,272	7,892
Exploration assets held for sale (note 9)	-	22,936
	79,227	157,894
Restricted cash (note 5)	8,626	8,343
Long-term accounts receivable (note 7)	8,526	5,111
Exploration and evaluation assets (note 10)	37,787	37,321
Property, plant and equipment (note 11)	114,479	214,462
Income tax receivable	29,589	31,523
	278,234	454,654
Liabilities		
Current liabilities		
Accounts payable and accrued liabilities (note 12)	160,904	153,968
Unfulfilled exploration commitments obligation (note 13)	213,747	191,536
Current portion of long-term debt (notes 2 and 14)	362,064	390,837
Current portion of long-term liabilities (note 15)	33,418	22,538
Current portion of decommissioning obligations (note 16)	1,179	1,785
Current tax payable	1,252	1,230
	772,564	761,894
Decommissioning obligations (note 16)	43,905	42,507
Long-term debt (notes 2 and 14)	16,211	22,586
Long-term liabilities (note 15)	11,298	30,343
	843,978	857,330
Shareholders' Equity (Deficit)		
Share capital (note 18)	1,366,867	1,366,605
Contributed surplus	143,081	143,299
Equity component of convertible notes (note 14(c))	23,182	23,232
Currency translation reserve	2,147	2,147
Deficit	(2,101,021)	(1,937,959)
	(565,744)	(402,676)
	278,234	454,654

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

CONDENSED INTERIM CONSOLIDATED STATEMENTS OF COMPREHENSIVE LOSS

(unaudited)	Three months ended December 31,		Nine months ended December 31,	
(thousands of US Dollars)	2015	2014	2015	2014
Oil and natural gas revenue (note 19)	22,175	29,009	73,796	92,641
Production and operating expenses	(8,276)	(8,820)	(22,872)	(28,328)
General and administrative expenses	(3,641)	(2,689)	(6,838)	(8,115)
Finance and other income (note 21)	243	1,410	1,209	6,127
Finance expense (note 22)	(17,778)	(109,363)	(58,912)	(172,441)
Foreign exchange gain	2,709	1,631	5,884	1,446
Depletion and depreciation expenses (note 11)	(11,115)	(22,558)	(42,631)	(70,239)
Exploration and evaluation expenses (note 20)	(1,306)	(2,296)	(7,795)	(16,589)
Share-based compensation recovery (expense) (note 18)	(41)	56	(93)	783
Restructuring costs (note 23)	(2,420)	(1,989)	(6,685)	(5,039)
Asset impairment (notes 10 and 11)	(11,980)	(54,125)	(78,839)	(54,754)
Gain (loss) from asset disposal	-	(1,567)	27	(904)
Gain on derivative (note 15(b))	4,217	48,302	10,458	48,302
Loss before income tax from continuing operations	(27,213)	(122,999)	(133,291)	(207,110)
Income tax expense	-	(1)	(1)	(24)
Deferred income tax expense	-	(3,469)	-	(3,559)
Income tax expense from continuing operations	-	(3,470)	(1)	(3,583)
Net loss from continuing operations	(27,213)	(126,469)	(133,292)	(210,693)
Net income (loss) from discontinued operations (note 24)	3,512	(17,063)	(29,770)	(26,957)
Total net loss	(23,701)	(143,532)	(163,062)	(237,650)
Comprehensive loss	(23,701)	(143,532)	(163,062)	(237,650)
Income (loss) per share (note 25)				
Basic and diluted – continuing operations	(0.29)	(1.35)	(1.41)	(2.25)
Basic and diluted – discontinued operations	0.04	(0.18)	(0.32)	(0.29)
Loss per share, basic and diluted	(0.25)	(1.53)	(1.73)	(2.54)

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

CONDENSED INTERIM CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY (DEFICIT)

(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, 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
Share-based compensation expense	-	-	366	-	-	-	366
Net loss for the period	-	-	-	-	-	(435,264)	(435,264)
Balance, March 31, 2015	94,019,172	1,366,605	143,299	2,147	23,232	(1,937,959)	(402,676)
Share-based compensation expense	-	-	(268)	-	-	-	(268)
Conversion of convertible notes	30,442	262	50	-	(50)	-	262
Net loss for the period	-	-	-	-	-	(163,062)	(163,062)
Balance, December 31, 2015	94,049,614	1,366,867	143,081	2,147	23,182	(2,101,021)	(565,744)

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

CONDENSED INTERIM CONSOLIDATED STATEMENTS OF CASHFLOWS

(unaudited)	Three months ended December 31,		Nine months ended December 31,	
(thousands of US Dollars)	2015	2014	2015	2014
Cash flows from operating activities:				
Net loss from continuing operations	(27,213)	(126,469)	(133,292)	(210,693)
Adjustments for:				
Depletion and depreciation expenses	11,115	22,558	42,631	70,239
Accretion expense	1,386	91,138	11,076	120,256
Deferred income tax expense	-	3,469	-	3,559
Unrealized foreign exchange gain	(2,384)	(1,663)	(5,105)	(1,678)
Asset impairment	11,980	54,125	78,839	54,754
Exploration and evaluation write-off (note 10)	2	42	18	7,077
Share-based compensation expense (recovery)	69	252	87	(676)
Restructuring costs (recovery) (note 23)	2	-	(354)	355
Loss (gain) loss from asset disposal	-	1,567	(27)	904
Gain on derivative (note 15(b))	(4,217)	(48,302)	(10,458)	(48,302)
Release of restricted cash	857	-	-	8,701
Interest due upon repayment of term loan facilities (note 14(a))	3,194	3,833	8,361	7,844
Change in non-cash working capital	12,607	618	38,068	(4,201)
Change in long-term accounts receivable	1,001	(1,779)	(3,462)	(1,798)
Cash from (used in) operating activities from continuing operations	8,399	(611)	26,382	6,341
Cash from (used in) operating activities from discontinued operations	172	(4,304)	(306)	(11,722)
Net cash from (used in) operating activities	8,571	(4,915)	26,076	(5,381)
Cash flows from investing activities:				
Exploration and evaluation expenditures	(397)	(7,480)	(5,166)	(15,256)
Property, plant and equipment expenditures	(2,192)	(3,488)	(18,333)	(27,454)
Proceeds from asset sales, net of costs	272	1,775	393	63,364
Contribution of restricted cash (note 5)	(173)	(112)	(644)	(112)
Change in non-cash working capital	(5,634)	(9,988)	(5,976)	(9,533)
Repayment of contract settlement obligation (note 15(a))	-	(5,525)	(3,767)	(20,250)
Cash used in investing activities from continuing operations	(8,124)	(24,818)	(33,493)	(9,241)
Cash from (used in) investing activities from discontinued operations	1,472	2,237	6,426	(1,326)
Net cash used in from investing activities	(6,652)	(22,581)	(27,067)	(10,567)
Cash flows from financing activities:				
Proceeds from advances on long term debt, net of issuance costs (note 14)	-	(963)	-	(1,155)
Repayment of long-term debt (note 14)	(1,958)	(1,747)	(35,681)	(25,063)
Repayment of long-term liability (note 15(b))	-	-	(889)	-
Contribution of restricted cash (note 5)	-	(27,875)	-	(27,875)
Release of restricted cash (note 5)	-	11,744	15,000	61,629
Net cash from (used in) financing activities	(1,958)	(18,841)	(21,570)	7,536
Change in cash and cash equivalents	(39)	(46,337)	(22,561)	(8,412)
Cash and cash equivalents, beginning of period	37,114	120,404	59,636	82,479
Cash and cash equivalents, end of period	37,075	74,067	37,075	74,067

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

NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

(unaudited)

1. Nature of Business

Niko Resources Ltd. (the "Company") is a company incorporated in Alberta, Canada. The address of its registered office and principal place of business is Suite 510, 800 - 6 Avenue SW, Calgary, Alberta, T2P 3G3. The Company is engaged in the exploration, development and production of oil and natural gas primarily in India and Bangladesh. The Company's common shares are traded on the Toronto Stock Exchange under the symbol "NKO".

2. Going concern

The Company continues to pursue a strategic plan to maintain the Company's core assets until the value of such assets can be enhanced for the benefit of the Company's stakeholders. While the Company has a significant working capital deficit, the Company believes it has sufficient liquidity to fund the cash requirements of its operating subsidiaries in India and Bangladesh and its corporate general and administrative expenses for the foreseeable future, provided that it receives concessions from its key stakeholders to significantly reduce the cash outflows to these stakeholders until the value of the Company's core assets can be enhanced. These concessions are a key aspect of the strategic plan which the Company is currently negotiating with its senior lenders, representatives of the holders of the convertible notes (the "Notes") and the parties to the Diamond Settlement Agreement (as defined herein).

In the third quarter of fiscal 2016, the Company reached an agreement with the institutional lenders of its US$340 million senior term loan facilities on a standstill period to provide the Company with additional time to pursue its strategic plan. Subject to certain conditions, the lenders agreed not to act until after January 15, 2016 on any rights or remedies arising from any default on the term loan, provided that the lenders could terminate the standstill period with 10 days notice if they became of the opinion that there was no reasonable prospect of agreeing to a commercially acceptable strategic plan. The standstill agreement expired on January 15, 2016. Negotiations are ongoing with the Company's key stakeholders regarding its proposed strategic plan and the Company has been advised that the lenders will not seek to enforce any of their rights or remedies arising from any default on the term loan without prior notice.

In complying with the terms of amendments to the facilities agreement with its senior lenders, the Company was restricted from making any interest or other payments under the indenture governing the Notes, and under the terms of the Diamond Settlement Agreement until November 30, 2015 and, as such, continues to be in default of interest payment obligations under the indenture governing the Notes and certain obligations under the Diamond Settlement Agreement. Accordingly, the noteholders have the option to accelerate repayment of the Notes. A group of noteholders have formed an ad hoc committee to evaluate proposals and next steps. Based on discussions with the ad hoc committee and the trustee under the Note indenture, the Company does not expect that any steps will be taken in the near term to enforce any rights under the indenture. There can be no assurance that steps will not be taken, particularly if no arrangements are reached with the lenders under the facilities agreement on a timely basis. On June 30, 2015, the Company did not make a scheduled payment of $5 million under the terms of the Diamond Settlement Agreement. Diamond has filed a lawsuit in a court in Texas seeking to enforce the payment and other obligations. The Company is currently considering the merits of the lawsuit and available defences. Also, on September 30, 2015 and December 31, 2015, the Company did not make scheduled payments totaling $10 million. Under the terms of Diamond Settlement Agreement, Diamond has the option to terminate the agreement and revert to the original drilling contracts that include termination provisions. To date, Diamond has not taken any steps to terminate the Diamond Settlement Agreement. The Company has estimated the maximum potential unsecured termination claim under the original drilling contracts could range from $100 to $220 million.

The discussions with the key stakeholder are now focused on the strategic plan of the Company to enhance value over a longer period of time. This strategic plan will likely be subject to certain approvals by certain stakeholders and could have a significant negative impact on securityholders and other stakeholders and the value of their interests in the Company. No assurance can be made that any strategic plan can be accomplished at all or on a timely basis. The failure to effect a transaction pursuant to a strategic plan on a timely basis could prove to be unsatisfactory for stakeholders, which would likely have a material adverse impact on the value of their interest in the Company.

Sources of Funding - Operating Subsidiaries in India and Bangladesh and Corporate
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, 2015 of $37 million;
- Restricted cash as at December 31, 2015 of $22 million (subject to terms of the facilities agreement, as amended);

- 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.

As per India's Domestic Natural Gas Guidelines, 2014 ("the Guidelines"), in late September 2015, the Government of India ("GOI") announced a price of $3.82 / MMbtu gross calorific value ("GCV") (equates to approximately $4.24 / MMbtu net calorific value ("NCV")) for the October 2015 to March 2016 period, which represents a reduction of approximately 18 percent from the price for natural gas sales for the April 2015 to September 2015 period. For the Dhirubhai 1 and 3 fields ("D1 D3") in the D6 Block where a dispute between the contractor group and the GOI on the cost recovery of certain costs is under arbitration (refer to note 28(c)), the Guidelines indicate that the contractor group would be paid the earlier price of $4.20 / MMbtu NCV and the difference between the revised price and $4.20 / MMbtu NCV would 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".

Under the Guidelines, gas prices are to be determined on a semi-annual basis and 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, and deductions for transportation and treatment charges. Using benchmark prices for the period of January 1, 2015 to December 31, 2015, the Company estimates that the price for gas sales from the D6 Block in India for the April 2016 to September 2016 period could decrease to approximately $3.15 / MMbtu GCV (approximately $3.50 / MMbtu NCV), with a potential negative impact on net cash flow of approximately $2 million per quarter during this period. Development of numerous existing discoveries in the D6 Block is dependent on the future economic viability of the required investments and the Company believes higher prices will be required before the contractor group of the D6 Block will make final investment decisions on these potential developments.

Exploration Subsidiaries in Trinidad
In the third quarter of fiscal 2016, the Company recognized the sales of its entire interests in the Guayaguayare Shallow and Deep production sharing contracts ("PSCs") in Trinidad to subsidiaries of Range Resources Ltd. in exchange for the assumption of existing liabilities and commitments under the PSCs and for potential future payments that are contingent on certain future events in the PSCs.

As at December 31, 2015, the Company's exploration subsidiaries in Trinidad had $21 million of accounts payable and accrued liabilities (including PSC obligations), $75 million of recorded liabilities for unfulfilled exploration work commitments, and $54 million of unrecorded future exploration commitments due by April 2016, with the unfulfilled and future exploration commitments and PSC obligations backed by parent company guarantees.

Exploration Subsidiaries in Indonesia
In the third quarter of fiscal 2016, the Company closed on the sale of its subsidiary holding an interest in the North Ganal PSC for net cash consideration of $1.5 million after working capital adjustments. The transaction for the proposed sale of the Company's interest in one additional Indonesian PSC (North Makassar Strait) will not proceed under mutual agreement of the parties.

In the second quarter of fiscal 2016, the Company closed its Indonesian office and discontinued operating activities related to its remaining Indonesia PSCs.

As at December 31, 2015, the Company's exploration subsidiaries that previously held interests in Indonesian PSCs had $62 million of accounts payable and accrued liabilities and $139 million of recorded liabilities for unfulfilled exploration work commitments.

Ability of the Company's Exploration Subsidiaries to Meet Obligations and Continue Activities in the Future
There is significant uncertainty regarding whether certain of the Company's exploration subsidiaries will be able to meet existing and future obligations and continue activities in the future.

Contingent Liabilities
The Company and its subsidiaries are subject to various claims from other parties, as described in note 28, and is actively defending against these claims. An adverse outcome on one or more of these claims could significantly impact the future cash flows of the Company.

Ability of the Company to Continue as a Going Concern
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.

These financial statements do not reflect the adjustments or reclassification of assets and liabilities which would be necessary if the Company were unable to continue as a going concern and therefore be required to realize its assets and liabilities in other than the normal course of business and potentially at amounts significantly different from those recorded in these financial statements.

3. Basis of Presentation

(a) Statement of compliance

The condensed interim consolidated financial statements have been prepared in accordance with International Accounting Standard 34 – Interim Financial Reporting and do not include all of the information required for full annual financial statements.

The financial statements were approved by the Board of Directors and authorized for issue on February 10, 2016.

(b) Accounting policies, judgements, estimates and disclosures

In preparing these condensed interim consolidated financial statements, the accounting policies, methods of computation and significant judgments made by management in applying the Company's accounting policies and key sources of estimation and uncertainty, were the same as those that applied to the audited consolidated financial statements as at and for the year ended March 31, 2015.

(c) Basis of measurement

The consolidated financial statements have been prepared on the historical cost basis, except for the revaluation of certain financial instruments as described in note 17.

(d) Functional and presentation currency

The consolidated financial statements are presented in US Dollars and all values are rounded to the nearest thousand dollars ($000), except where otherwise indicated.

4. Accounting pronouncements

Accounting pronouncements issued but not yet effective include:

IFRS 9 – Financial Instruments
IFRS 9 includes revised requirements for the classification and measurement of financial liabilities and carrying over the existing derecognition requirements from IAS 39. New requirements apply where an entity chooses to measure a liability at fair value through profit or loss – in these cases, the portion of the change in fair value related to changes in the entity's own credit risk is presented in other comprehensive income rather than within profit or loss. In December 2011, amendments indicated instead of requiring restatement of comparative financial statements, entities are either permitted or required to provide modified disclosures on transition from IAS 39 to IFRS 9 on the basis of the entity's date of adoption and if the entity chooses to restate prior periods. In November 2013, amendments to IFRS 9 incorporated its new general hedge accounting model. The standard is effective for annual periods beginning on or after January 1, 2018, with early application permitted. The Company is currently assessing the impact of adopting this new standard on its consolidated financial statements.

IFRS 15 – Revenue from Contracts with Customers
In May, IASB issued IFRS 15 which replaces IAS 11 "Construction Contracts", IAS 18 "Revenue", IFRIC 13 "Customer Loyalty Programmes", IFRIC 15 "Agreements for the Construction of Real Estate", IFRIC 18 "Transfer of Assets from Customers" and SIC 31 "Revenue – Barter Transactions Involving Advertising Services". IFRS 15 establishes revenue recognition principles for reporting the nature, amount, timing, and uncertainty of revenue and cash flows arising from an entity's contract with customers. This standard is currently proposed to be effective for annual periods beginning on or after January 1, 2018, and permits early adoption. The Company is currently assessing the impact of adopting this new standard on its consolidated financial statements.

5. Restricted cash

(thousands of US Dollars)	As at December 31, 2015	As at March 31, 2015
Current portion of restricted cash		
Performance security guarantee(1)	-	900
Site restoration(2)	1,565	1,659
Term loan facilities reserve account(3)	20,000	35,000
	21,565	37,559
Non-current portion of restricted cash		
Performance security guarantee(1)	630	630
Site restoration(2)	7,996	7,713
	8,626	8,343
	30,191	45,902

(1) 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. The subsidiary that provided the performance guarantee under the Aru PSC was sold to Ophir in April 2015 (refer to note 9).

(2) In accordance with the provisions of certain of the Company's PSCs, funds are required to be deposited 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, 2015, $2 million of site restoration funds related to the abandonment program of the Surat block in India have been reflected as current.

(3) Under the original terms of the term loan facilities agreement, the Company was required to maintain balances in reserve accounts for funding of payments of interest on the term loan facilities, repayments of contract settlement obligations, and payments for expenditures in the D6 Block. In February 2015, the Company and lenders of the term loan facility amended existing terms of the agreement which included terms to allow release of amounts restricted for funding of payments of interest and repayments of contract settlement obligations. In June 2015, the Company agreed with its lenders to further amend the terms of the agreement, including a reduction in the required minimum balance of the reserve account for payments for expenditures in the D6 Block from $30 million to $20 million, and released $5 million from the reserve account for repayments of contract settlement obligations. Refer to note 14(a) for amended terms to the term loan facilities agreement.

6. Accounts receivable

(thousands of US Dollars)	As at December 31, 2015	As at March 31, 2015
Oil and gas revenues receivable	10,356	13,317
Receivable from joint operators(1)	463	8,518
Advances to vendors	883	2,947
Prepaid expenses and deposits	990	824
VAT receivable	1,862	2,224
Other receivables	761	2,041
	15,315	29,871

(1) In fiscal 2016, the Company recognized an impairment of $6 million related to its joint venture receivables in Indonesia as a result of discontinued operations.

7. Long-term receivable

(thousands of US Dollars)	As at December 31, 2015	As at March 31, 2015
Long term receivable	822	967
Gas pool account receivable(1)	7,704	4,144
	8,526	5,111

(1) Effective November 1, 2014, customers of the D6 Block in India paid for natural gas at the new gas price of $5.05 / MMBtu GCV ($5.61 / MMBtu NCV) for the period of November 1, 2014 to March 31, 2015; $4.66 / MMBtu GCV ($5.18 / MMBtu NCV) for the period of April 1, 2015 to September 30, 2015; and $3.82 / MMbtu GCV ($4.24 / MMbtu NCV) for the period of October 1, 2015 to March 31, 2016. The contractor group is paid the earlier price of $4.20 / MMBtu NCV for the production in the D1 D3 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 28(c).

8. Inventories

(thousands of US Dollars)	As at December 31, 2015	As at March 31, 2015
Stock, spares and consumables	4,624	7,492
Oil and condensate inventories	648	400
	5,272	7,892

9. Exploration assets held for sale

(thousands of US Dollars)	As at December 31, 2015	As at March 31, 2015
Opening balance	22,936	-
Reversal of impairment	112	22,936
Disposal of assets previously held for sale	(23,048)	-
Closing balance	-	22,936

In October 2014, the Company entered into a definitive agreement with a subsidiary of Ophir for the sale of subsidiaries holding interests in seven PSCs in Indonesia. Ophir decided not to proceed with the acquisition of the Company's interest in the Obi PSC, reducing PSCs held for sale to six. As a result, the Company classified the exploration assets for the six PSCs in the process of being sold as assets held for sale in the fourth quarter of fiscal 2015 and recognized a reversal of impairment of $23 million as the Company had fully impaired its exploration and evaluation assets in Indonesia to carrying value of nil in the prior years.

In April 2015, the Company closed on the sale of its subsidiaries holding interests in four Indonesian PSCs (West Papua IV, Kofiau, Halmahera-Kofiau, and Aru) as the first phase of the sales transaction with Ophir. Cash consideration of $16 million was received, reflecting $9 million of combined net working capital obligations of the subsidiaries acquired by Ophir. Approximately $4 million of the cash consideration was used to reduce the amount outstanding under the Diamond Settlement Agreement and $9 million was used to pay outstanding tax liabilities in Indonesia and costs associated with the transactions. Further payments under these transactions are contingent on future exploration success.

In November 2015, the Company closed on the sale of its subsidiary holding an interest in the North Ganal PSC, for net cash consideration of $1.5 million after working capital adjustments. The transaction for the proposed sale of the Company's interest in one additional Indonesian PSC (North Makassar Strait) will not proceed under mutual agreement of the parties.

10. Exploration and evaluation assets

(thousands of US Dollars)	Nine months ended December 31, 2015	Year ended March 31, 2015
Opening balance	37,321	167,665
Additions	5,166	17,026
Disposals and other arrangements	-	(8,007)
Transfers	-	(3,904)
Expensed	(18)	(64,729)
Impairment	(4,682)	(70,730)
Closing balance	37,787	37,321

In fiscal 2015, the formula adopted in the Guidelines, effective November 2014, resulted in lower than anticipated natural gas prices for the period from November 1, 2014 to March 31, 2015. In addition, forecasts for future world natural gas and crude oil prices have declined during fiscal 2015. The lower natural gas and oil price environment and uncertainty of future natural gas prices in India was considered in management's evaluations of the exploration and evaluation asset values related to undeveloped discoveries in the D6 and NEC-25 cash generating units ("CGUs") in India. As a result, the Company recognized total impairment to exploration and evaluation assets of $22 million for the D6 and NEC-25 blocks in the prior year. In addition, $62 million of exploration and evaluation assets were written off for D6 and NEC-25 blocks relating to the discoveries which were either relinquished or for which there are no future development plans.

In fiscal 2016, exploration and evaluation capital of $5 million related primarily to the cost of the drill stem tests ("DST") programs on two discoveries in the D6 Block. These costs have been expensed as asset impairments in fiscal 2016 as the costs of the discoveries that the DST were performed on had been previously been impaired.

11. Property, plant and equipment

(a) Development assets

(thousands of US Dollars)	Nine months ended December 31, 2015	Year ended March 31, 2015
Opening balance	4,696	137,211
Additions	18,494	31,269
Disposals	-	(52,936)
Transfers to other asset categories	(15,656)	(44,888)
Asset impairment	-	(65,960)
Closing balance	7,534	4,696

(b) Producing assets

(thousands of US Dollars)	Nine months ended December 31, 2015	Year ended March 31, 2015
Cost		
Opening balance	1,011,351	1,070,231
Additions	2	-
Transfers from other asset categories	15,656	59,921
Disposals	-	-
Asset impairment	(77,725)	(118,801)
Closing balance	949,284	1,011,351
Accumulated depletion		
Opening balance	(824,666)	(734,528)
Additions	(41,490)	(90,138)
Closing balance	(866,156)	(824,666)
Net producing assets	83,128	186,685

In fiscal 2015, the formula adopted in the Guidelines, effective November 2014, resulted in lower than anticipated natural gas prices for the periods from November 1, 2014 to March 31, 2015 and April 1, 2015 to September 30, 2015. In addition, forecasts for future world natural gas and crude oil prices used by the independent reserve engineers to evaluate the Company's reserves declined in fiscal 2015. The Company used discount rates ranging from 12 percent to 15 percent in the determination of the value in use for the producing and development assets in the D6 CGU and development assets in the NEC-25 CGU. As a result, the Company recognized $185 million of total impairment to development and producing assets in the D6 and NEC-25 blocks in fiscal 2015.

In the third quarter of fiscal 2016, the Company recognized $15 million of total impairment to development and producing assets in the D6 Block primarily resulting from decreases in forecasted future crude oil and natural gas prices. In the second quarter of fiscal 2016, the Company recognized $63 million of total impairment as a result of decreases in forecasted future crude oil and natural gas prices and revised timing of forecasted future production. The Company used a discount rate of 12 percent to determine the value in use.

The following commodity price estimates were used in the calculation of net present value of the cash flows of the impairment test:

Year ending March 31,	India Natural Gas ($/MMbtu)(NCV)	Brent ($/bbl)	MA Blended Liquids ($/bbl)
2016 (remainder)	4.24	44.00	40.67
2017	3.26	45.63	42.30
2018	3.01	52.70	49.37
2019	3.37	61.59	58.26
2020	3.61	70.83	67.50

Estimates of future world natural gas and crude oil prices are used in the preparation of reserves estimates and asset impairment evaluations and are subject to measurement uncertainty. Variations between actual natural gas and oil prices and the forecasted prices used in the impairment evaluations and/or changes in the Company's plans could result in positive or negative changes in the carrying value of the assets 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, 2015	18,423	3,072	9,114	10,782	41,391
Additions	-	-	1	7	8
Balance, December 31, 2015	18,423	3,072	9,115	10,789	41,399
Accumulated depreciation					
Balance, March 31, 2015	(10,908)	(1,932)	(8,611)	(9,529)	(30,980)
Additions	(288)	(93)	(399)	(361)	(1,141)
Balance, December 31, 2015	(11,196)	(2,025)	(9,010)	(9,890)	(32,121)
Net book value, December 31, 2015	7,227	1,047	105	899	9,278

(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	447	726	166	35	1,374
Disposals	(258)	-	(297)	-	(555)
Balance, March 31, 2015	18,423	3,072	9,114	10,782	41,391
Accumulated depreciation and impairment					
Balance, March 31, 2014	(8,093)	(1,791)	(6,579)	(8,270)	(24,733)
Additions	(2,986)	(141)	(2,070)	(1,259)	(6,456)
Disposals	174	-	225	-	399
Asset impairment	(3)	-	(187)	-	(190)
Balance, March 31, 2015	(10,908)	(1,932)	(8,611)	(9,529)	(30,980)
Net book value, March 31, 2015	7,515	1,140	503	1,253	10,411

(d) Capital work-in-progress

(thousands of US Dollars)	Nine months ended December 31, 2015	Year ended March 31, 2015
Opening balance	12,670	43,973
Additions	-	(1,740)
Disposals	(870)	(3,550)
Transfers	2,876	(1,990)
Impairment	(137)	(24,023)
Closing balance	14,539	12,670

12. Accounts payable and accrued liabilities

(thousands of US Dollars)	As at December 31, 2015	As at March 31, 2015
India	34,703	43,013
Bangladesh	3,592	1,271
Indonesia	62,191	82,382
Trinidad	21,648	20,029
Other(1)	38,770	7,273
	160,904	153,968

(1) Other includes $31 million of interest payable related to the term loan facilities (see note 14(a)) and $6 million related to the convertible notes (see note 14(b)).

13. Unfulfilled exploration commitments obligation

(thousands of US Dollars)	As at December 31, 2015	As at March 31, 2015
Indonesia (note 27)	139,107	116,896
Trinidad (note 27)	74,640	74,640
	213,747	191,536

14. Long-term debt

(a) Term loan Facilities

(thousands of US Dollars)	Nine months ended December 31, 2015	Year ended March 31, 2015
Opening balance	292,559	249,014
Advances, net of issuance costs	-	(895)
Accretion	-	72,162
Interest due upon repayment	9,808	13,490
Repayment	(31,448)	(41,212)
Closing balance	270,919	292,559
Current portion	270,919	292,559
Long-term portion	-	-

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. At December 31, 2015, the outstanding principal on the facilities was $250 million, reflecting the Company's decision to forego its option to drawdown on the $20 million amount of Facility D, repayment of $20 million drawn on Facility E, and prepayments of $50 million on Facility A. In fiscal 2015, 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 under the original agreement; a breach of this covenant would have resulted in the right for the lenders to accelerate payment of the outstanding principal. As a result the Company has reflected the outstanding balances of the term loan facilities as current as at December 31, 2015.

The key terms related to the original 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 ("D6 PIK interest") if first ranking security is not provided over the Company's participating interest in the D6 Block. The GOI has not yet approved the grant of security to the lenders. If security is provided prior to March 31, 2016, the D6 PIK interest to be paid will be reduced by 50 percent and if the security is provided thereafter, the D6 PIK interest will be reduced by 25 percent.

In the first quarter of fiscal 2016, the Company and its lenders agreed to defer the interest payments due on June 23, 2015 to September 23, 2015. This interest payment and interest payments due on September 23, 2015 and December 23, 2015 have not been made, and as such, the Company is in default of the facilities agreement. Default interest of 25 percent is applicable effective September 23, 2015 on the outstanding cash interest payments overdue.

In the third quarter of fiscal 2016, the Company reached an agreement with the institutional lenders on a standstill period to provide the Company with additional time to pursue its strategic plan. Subject to certain conditions, the lenders agreed not to act until after January 15, 2016 on any rights or remedies arising from any default on the term loan, provided that the lenders could terminate the standstill period with 10 days notice if they became of the opinion that there was no reasonable prospect of agreeing to a commercially acceptable strategic plan. The standstill agreement expired on January 15, 2016. Negotiations are ongoing with the

Company's key stakeholders regarding its proposed strategic plan and the Company has been advised that the lenders will not seek to enforce any of their rights or remedies arising from any default on the term loan without prior notice.

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

Financial Covenants
In the original facilities agreement, the Company was subject to the following financial covenants:

- 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 ending June 30, 2014.
- Minimum ratio of (a) proved plus probable reserves for the D6 Block to (b) senior debt, commencing with the period ending March 31, 2014.

The Company executed a number of amendments and other agreements during 2015 that waived or amended various covenants of the original facilities agreements. The previous waiver expired on November 15, 2015. The Company has been advised that the lenders will not seek to enforce any of their rights or remedies arising from any default on the term loan without prior notice subsequent to the expiry of the standstill agreement on January 15, 2016.

General covenants
In the original facilities agreement, the Company agreed to several other undertakings and covenants, including:

- Maintenance of certain reserve accounts, including:
    - A reserve account for anticipated expenditures in the D6 Block, with a minimum balance that increased over time to the greater of $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 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.

Per the amendments to the facilities agreement, the Company agreed to additional undertakings including:

- Requirement to maintain specified minimum cash balances.
- Restrictions on cash expenditures for non-core assets and general and administrative expenditures.
- Restrictions from making any interest or other payments under the convertible notes, or under the terms of the Diamond Settlement Agreement.

In addition, per the amendments to the facilities agreement, the following provisions of the facilities agreement were amended:

- Requirement to maintain minimum balance for the reserve account for anticipated expenditures in the D6 Block was reduced to $20 million;
- Requirement to maintain minimum balance for the reserve accounts for settlement payments and debt service was reduced to zero; and
- Requirement to raise minimum amounts from asset sales, farm-outs and equity issuances was waived until the end of the amendment period.

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 6 percent of the Company's share of the gross revenues received from the D6 Block in India, commencing April 1, 2015 for a period of seven years. Refer to note 15(b).

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 Bangladesh Oil, Gas and Mineral Corporation ("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. Authorization has been received from the Reserve Bank of India and authorization from the GOI has been sought, but not yet granted.

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. The farm-in rights agreement is no longer exercisable as the Company discontinued operations in Indonesia in fiscal 2016.

(b) Finance lease obligation

(thousands of US Dollars)	Nine months ended December 31, 2015	Year ended March 31, 2015
Opening balance	30,223	37,024
Repayments	(5,682)	(6,801)
Closing balance	24,541	30,223
Current portion	8,330	7,637
Long-term portion	16,211	22,586

The Company recognized a finance lease for the floating, production, storage and offloading vessel ("FPSO") used in the D6 Block in India. The fair value of $37 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 $25 million.

(c) Convertible notes

(thousands of US Dollars)	Nine months ended December 31, 2015	Year ended March 31, 2015
Opening balance	90,641	78,030
Accretion	-	24,948
Conversion of convertible notes	(262)	-
Foreign currency translation	(7,564)	(12,337)
Closing balance	82,815	90,641
Current portion	82,815	90,641
Long-term portion	-	-

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 the 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.

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 reflected the outstanding balances of the convertible notes as current liabilities in the third quarter of fiscal 2015.

In fiscal 2016, the Company initiated discussions and negotiations with holders of the Notes and their representatives to seek concessions from its key stakeholders to significantly reduce the cash outflows to these stakeholders until the value of the Company's core assets can be enhanced. The interest payment due on June 30, 2015 was not made and as a result, an event of default occurred on July 30, 2015. The scheduled interest payment due on December 31, 2015 was also not made. A group of convertible noteholders have formed an ad hoc committee to evaluate proposals and next steps. Based on discussions with the ad hoc committee and the trustee under the Note indenture, the Company does not expect that any steps will be taken in the near term to enforce any rights under the indenture.

15. Long-term liabilities

(a) Contract settlement obligation

(thousands of US Dollars)	Nine months ended December 31, 2015	Year ended March 31, 2015
Opening balance	28,237	34,686
Additions	-	-
Accretion	6,512	13,801
Repayments	(3,767)	(20,250)
Closing balance	30,982	28,237
Current portion	30,982	17,623
Long-term portion	-	10,614

In December 2013, the Company entered into an agreement with Diamond Offshore ("Diamond Settlement Agreement") relating to the settlement of payment obligations and other commitments under the Ocean Monarch and Ocean Lexington drilling contracts. The Diamond 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 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. The amounts due are non-interest bearing. In fiscal 2014 and 2015, the Company made prepayments of $15 million from proceeds of asset sales and a scheduled payment of $5 million. In the first quarter of fiscal 2016, $4 million was prepaid from proceeds of asset sales, reducing the amount outstanding to $31 million.

In fiscal 2016, the Company initiated discussions with the parties to the Diamond Settlement Agreement to seek concessions from its key stakeholders to significantly reduce the cash outflows to these stakeholders until the value of the Company's core assets can be enhanced.

The scheduled payment of $5 million and the deposit into a reserve account of $5 million due on June 30, 2015 were not made and an event of default occurred under the Diamond Settlement Agreement. During the second quarter of fiscal 2016, Diamond filed a lawsuit in a court in Texas seeking to enforce the payment other obligations. The Company is currently considering the merits of the lawsuit and available defences. Also, on September 30, 2015 and December 31, 2015, the Company did not make scheduled payments totaling $10 million. Under the terms of the Diamond Settlement Agreement, Diamond has the option to terminate the agreement and revert to the original drilling contracts that include termination provisions. To date, Diamond has not taken any steps to terminate the Diamond Settlement Agreement. The Company has estimated the maximum potential unsecured termination claim under the original drilling contracts could range from $100 to $220 million (refer to note 28(h)).

(b) Deferred obligation

(thousands of US Dollars)	Nine months ended December 31, 2015	Year ended March 31, 2015
Opening balance	24,644	78,669
Accretion	2,390	10,799
Payment	(889)	-
Transfer to accounts payable	(1,953)	-
Gain on valuation of derivative (note 17)	(10,458)	(64,824)
Closing balance	13,734	24,644
Current portion	2,436	4,915
Long-term portion	11,298	19,729

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 (refer to note 17).

16. Decommissioning obligations

(thousands of US Dollars)	Nine months ended December 31, 2015	Year ended March 31, 2015
Opening balance	44,292	44,574
Provisions made during the period	-	200
Change in estimate during the period	(775)	(1,328)
Settlement during the period	(606)	-
Accretion	2,173	846
Closing balance	45,084	44,292
Current portion	1,179	1,785
Long-term portion	43,905	42,507

The Company's decommissioning obligations are expected to be settled over a period of approximately one to fifteen years and discounted using a weighted average discount rate of 6 or 10 percent, depending on the block. The Company has estimated the net present value of the decommissioning obligations to be $45 million as at December 31, 2015 based on an undiscounted total future liability of $77 million. In accordance with provisions of its PSCs, funds are required to be deposited in separate accounts for funding of future decommissioning obligations of Hazira, Surat and Block 9. These amounts have been reflected as restricted cash (refer to note 5). As at December 31, 2015, $1 million of decommissioning obligations related to the abandonment program of the Surat block in India have been reflected as current.

17. Financial instruments

(a) Capital risk management

The Company's objective is to maintain a strong capital base and related capital structure and as disclosed in note 2, the Company is undertaking steps to manage capital structuring. The objectives include the following:

- 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;
- To maintain resources required to withstand financial difficulties due to exogenous influences such as financial, political, economic, social or market uncertainties and events; and
- 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, 2015	As at March 31, 2015
Term loan facilities	270,919	292,559
Convertible notes	82,815	90,641
Shareholders' deficit	565,744	402,676

(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 deferred obligation as at December 31, 2015 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 and crude oil prices included in the reserve report for the D6 Block as at December 31, 2015. For the three and nine months ended December 31, 2015, $4 million and $10 million gain on derivative respectively resulted from the change in estimated future production and prices as at December 31, 2015. For the three and nine months ended December 31, 2014, 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 24, 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 as at December 31, 2015 was:

(thousands of US Dollars)	As at December 31, 2015
0—30 days(1)(2)	11,573
30—60 days(1)	-
60—365 days(1)(2)	8
	11,581

(1) Excludes loans and advances, prepaid expenses, and VAT receivables which are not past due.
(2) Accounts receivables past due have been evaluated for impairment as at December 31, 2015.

(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, 2015:

(thousands of US Dollars)	Carrying amount	< 1 year	> 1 year
Accounts payable and accrued liabilities	160,904	160,904	-
Unfulfilled exploration commitments obligation	213,747	213,747	-
Current taxes payable	1,252	1,252	-
Term loan facilities(1)(5)	270,919	270,919	-
Finance lease obligations(2)(5)	24,541	8,330	16,211
Convertible notes(3)(5)	82,815	82,815	
Other long-term liabilities(4)(5)	44,716	33,418	11,298

(1) The carrying amount of the term loan facilities is the fair value of $271 million. The outstanding principal is $250 million. As at December 31, 2015 the Company has reflected the outstanding balances of the term loan facilities as current (refer to note 14(a)).
(2) The carrying value of the finance lease obligation is the fair value of $25 million. The lease payments are $11 million per year (including principal and interest) until August 2018.
(3) The carrying amount of the convertible notes is $83 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, 2015 the Company has reflected the outstanding balances of the convertible notes as current (refer to note 14(c)).
(4) The carrying amount of the other long-term liabilities is the fair value of $45 million. The amount that will be required to be repaid for the contract settlement obligation is $35 million. The amount that will be paid on the deferred obligation is estimated to be $26 million over seven years, commencing in April 2015. As at December 31, 2015 the Company has reflected the outstanding balance of the contract settlement obligation of $31 million as current (refer to note 15(a)).
(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 Company does not have any foreign exchange contracts in place to mitigate currency risk as at December 31, 2015.

Assuming that all other variables remained constant, a 4 percent strengthening or weakening of the Indian Rupee against the US Dollar at December 31, 2015, based on historical movements in the foreign exchange rates, would respectively decrease or increase net loss for the year by approximately $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 4 percent strengthening or weakening of the Canadian Dollar against the US Dollar at December 31, 2015, which is based on historical movement in foreign exchange rates, would have respectively increased or decreased net loss for the year by $3 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 net income or loss for the year 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 net income or loss for the year by $3 million.

This analysis assumes that all other variables remained constant.

(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, 2015.

18. 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.

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

The Company has reserved for issue 9,404,961 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. No options have been granted since May 2014.

Stock option transactions for the respective periods were as follows:

	Nine months ended December 31, 2015		Year ended March 31, 2015	
	Number of options	Weighted average exercise price (Cdn$)	Number of options	Weighted average exercise price (Cdn$)
Opening balance	2,241,431	20.00	3,128,188	27.04
Granted	-	-	579,071	2.22
Forfeited	(314,368)	30.08	(813,772)	34.63
Expired	(713,329)	14,37	(652,056)	19.73
Closing balance	1,213,734	20.70	2,241,431	20.00
Exercisable	929,200	24.82	1,496,742	20.41

The following table summarizes stock options outstanding and exercisable under the plan at December 31, 2015:

	Outstanding Options			Exercisable Options	
Exercise Price (Cdn$)	Options	Remaining life (years)	Weighted average exercise price (Cdn$)	Options	Weighted average exercise price (Cdn$)
2.00 – 3.00	401,157	0.95	2.45	169,331	2.54
3.00 – 10.00	489,827	0.26	8.58	485,494	8.58
10.00 – 112.64	322,750	0.43	61.77	274,375	67.30
	1,213,734	0.54	20.70	929,200	24.82

The weighted average share price during the nine months ended December 31, 2015 was $0.17 (nine months ended December 31, 2014 - $1.02).

(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, 2015	Three months ended December 31, 2014	Nine months ended December 31, 2015	Nine months ended December 31, 2014
Grant-date fair value	-	-	-	Cdn$0.47
Market price per share	-	-	-	Cdn$2.22
Exercise price per option	-	-	-	Cdn$2.22
Expected volatility	-	-	-	68%
Expected life (years)	-	-	-	0.7
Expected dividend rate	-	-	-	0%
Risk-free interest rate	-	-	-	1.1%
Expected forfeiture rate	-	-	-	13%

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. Refer to 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 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 loss.

	Three months ended	December 31,	Nine months ended	December 31,
(thousands of US Dollars)	2015	2014	2015	2014
Share-based compensation expense included in:				
Exploration and evaluation assets	-	-	-	5
Production and operating expenses	24	148	65	504
Exploration and evaluation expenses	4	122	25	427
Share-based compensation expense (recovery)	41	(56)	93	(783)
Restructuring costs (recovery) (note 23)	2	-	(354)	355
Share-based compensation expense (recovery)	71	214	(171)	508

19. Revenue

	Three months ended	December 31,	Nine months ended	December 31,
(thousands of US Dollars)	2015	2014	2015	2014
Natural gas sales	27,036	32,737	90,399	94,888
Oil and condensate sales	2,792	4,287	8,964	22,775
Less:				
Royalties	(777)	(1,048)	(2,903)	(3,385)
Government's share of profit petroleum	(6,876)	(6,967)	(22,664)	(21,637)
Oil and natural gas revenue	22,175	29,009	73,796	92,641

Revenues from Petrobangla represented 42 percent of gross revenues for the nine months ended December 31, 2015 (nine months ended December 31, 2014 – 38 percent).

In India, revenues from natural gas sales to Indian Farmers Fertiliser Cooperative Limited represents 11 percent of gross revenues for the nine months ended December 31, 2015 (nine months ended December 31, 2014 – 8 percent). In the prior year, revenues from crude oil sales to Reliance Jamnagar represented 12 percent of gross revenues for the nine months ended December 31, 2014.

20. Exploration and evaluation expenses

(a) Exploration and evaluation expenses incurred

(thousands of US Dollars)	Three months ended 2015	December 31, 2014	Nine months ended 2015	December 31, 2014
Geological and geophysical	322	222	110	770
Exploration and evaluation (note 20(b))	719	223	1,528	7,078
General and administrative	(210)	1,023	1,228	3,323
Production sharing contract obligation costs	471	706	4,904	4,991
Share-based compensation	4	122	25	427
Exploration and evaluation	1,306	2,296	7,795	16,589

(b) Exploration and evaluation expenses by nature

(thousands of US Dollars)	Three months ended 2015	December 31, 2014	Nine months ended 2015	December 31, 2014
Dry hole costs	2	100	18	7063
Other drilling costs	753	123	753	15
Write off expense	(36)	-	757	-
Exploration and evaluation	719	223	1,528	7,078

21. Finance and other income

(thousands of US Dollars)	Three months ended 2015	December 31, 2014	Nine months ended 2015	December 31, 2014
Finance income	172	219	509	870
Other income	71	1,191	700	5,257
Finance and other income	243	1,410	1,209	6,127

22. Finance expense

(thousands of US Dollars)	Three months ended 2015	December 31, 2014	Nine months ended 2015	December 31, 2014
Interest expense(1)	16,379	18,060	47,793	51,945
Accretion expense	1,386	91,137	11,076	120,256
Bank charges and other finance costs	13	166	43	240
Finance expense	17,778	109,363	58,912	172,441

(1) Interest expense included $3 and $8 million of D6 PIK interest accrued under the term loan facilities for the three and nine months ended December 31, 2015 respectively. Refer to note 14(a) for details of the D6 PIK interest. Interest expense for the three and nine months ended December 31, 2014 was $4 million and $8 million respectively.

23. Restructuring costs

(thousands of US Dollars)	Three months ended 2015	December 31, 2014	Nine months ended 2015	December 31, 2014
Severance	85	3	977	1,068
Advisory costs	2,083	1,986	5,811	3,616
Share-based compensation expense (recovery)	2	-	(354)	355
Other	250	-	251	-
Restructuring costs	2,420	1,989	6,685	5,039

24. Discontinued operations

In the second quarter of fiscal 2016, the Company closed its Indonesian office, discontinued operating activities related to its remaining Indonesia PSCs and reclassified the Indonesia operating segment as discontinued operations. The operating segment includes the results of all of the Company's subsidiaries that own or have owned interests in Indonesian PSCs. As at December 31, 2015 the Company relinquished all PSCs holding interest in Indonesia.

In the third quarter of fiscal 2016, the Company reclassified the Pakistan operating segment as discontinued operations. Year to date expenditures in Pakistan primarily related to consulting activities in which the Company has discontinued in the third quarter of fiscal 2016.

Net loss from discontinued operations for the three and nine months ended December 31, 2015 and 2014 is as follows:

	Three months ended December 31,		Nine months ended December 31,	
(thousands of US Dollars)	2015	2014	2015	2014
Other income	139	3	736	3
Expenses				
Foreign exchange gain / (loss)	(2)	50	(82)	250
Depletion and depreciation expenses	-	(40)	-	(117)
Exploration and evaluation (expenses) recovery	194	(3,881)	(223)	(13,325)
Restructuring costs	(103)	(484)	(602)	(516)
Asset impairment	(1,516)	(12,711)	(7,385)	(13,252)
Unfulfilled exploration commitments recovery (expense)[1]	4,800	-	(22,214)	-
Net income (loss) from discontinued operations	3,512	(17,063)	(29,770)	(26,957)

(1) The Company previously 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, 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. 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. As at December 31, 2015, operations in Indonesia were discontinued and the exploration option agreement expired with consent from option holders. The Company reversed a provision of $5 million previously recorded as unfulfilled exploration commitments.

Discontinued operations reported in the condensed interim consolidated statements of cash flows are as follows:

	Three months ended December 31,		Nine months ended December 31,	
(thousands of US Dollars)	2015	2014	2015	2014
Cash flow (used) from in operating activities	172	(4,304)	(306)	(11,722)
Cash flow (used) from in investing activities	1,472	2,237	6,426	(1,326)
Cash flow (used) from in financing activities	-	-	-	-

25. Per share amounts

a) Basic and diluted loss per share from continuing operations:

	Three months ended December 31,		Nine months ended December 31,	
(thousands of US Dollars)	2015	2014	2015	2014
Net loss from continuing operations	(27,213)	(126,469)	(133,292)	(210,693)
Weighted average number of common – basic and diluted	94,049,614	94,010,947	94,034,116	93,251,860
Basic and diluted loss per share from continuing operations	(0.29)	(1.35)	(1.41)	(2.25)

b) Basic and diluted loss per share from discontinued operations:

(thousands of US Dollars)	Three months ended 2015	December 31, 2014	Nine months ended 2015	December 31, 2014
Net income (loss) from discontinued operations	3,512	(17,064)	(29,770)	(26,957)
Weighted average number of common – basic and diluted	94,049,614	94,010,947	94,034,116	93,251,860
Basic and diluted income (loss) per share from discontinued operations	0.04	(0.18)	(0.32)	(0.29)

As a result of the net loss for the three months ended December 31, 2015 and 2014, the outstanding stock options and shares issuable upon conversion of the outstanding notes as at December 31, 2015 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. Refer to note 14(c) for details of the conversion of the convertible notes

26. Segmented information

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

(thousands of US Dollars)	Three months ended 2015	December 31, 2014	Nine months ended 2015	December 31, 2014
Natural gas sales				
India	14,144	19,528	50,908	54,435
Bangladesh	12,892	13,210	39,491	40,453
Oil and condensate sales				
India	2,104	3,098	6,718	18,059
Bangladesh	688	1,188	2,246	4,716
Total oil and natural gas revenue	29,828	37,024	99,363	117,663

(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.

(thousands of US Dollars)	Nine months ended December 31, 2015		Year ended March 31, 2015	
	Additions to:			
Continuing Segments	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	18	3,261	108	2,764
India	5,148	15,025	15,115	32,594
Trinidad	-	-	88	(246)
Other	-	-	-	145
	5,166	18,286	15,311	32,257
Discontinued Segments(1)				
Indonesia	-	-	1,716	(5,520)
Pakistan	-	-	-	-
	-	-	1,716	(5,520)
Total	5,166	18,286	17,027	29,737

(1) The Indonesia and Pakistan segments are disclosed as discontinued operations as at December 31, 2015.

(c) Segmented assets

(thousands of US Dollars)	As at December 31, 2015			As at March 31, 2015		
Segment	Total E&E	Total PP&E	Total Assets	Total E&E	Total PP&E	Total Assets
Bangladesh	4,755	20,644	34,617	4,737	22,755	41,045
India	33,032	93,429	204,848	32,584	190,679	315,260
Trinidad	-	352	1,340	-	694	3,700
Other	-	54	35,046	-	334	57,731
	37,787	114,479	275,851	37,321	214,462	417,736
Discontinued Segments(1)						
Indonesia	-	-	2,377	22,936	-	36,895
Pakistan	-	-	6	-	-	23
	-	-	2,383	22,936	-	36,918
Total	37,787	114,479	278,234	60,257	214,462	454,654

(1) The Indonesia and Pakistan segments are disclosed as discontinued operations as at December 31, 2015.

(d) Segmented profit / loss

(thousands of US Dollars)

Segment	Natural gas, condensate and oil sales	Government share of profit petroleum	Royalty (expense) / income	Production and operating expenses	Depletion and depreciation expenses	Exploration and evaluation expenses	Gain on derivatives	Share-based compensation	Asset reversal / (impairment)	General and administrative expenses	Restructuring costs	Finance and other income, gain / (loss) from asset disposal	Finance expense and foreign exchange (loss) / gain	Unfulfilled exploration commitments expense	Income tax recovery / (expense)	Segment profit (loss)
	Three months ended December 31, 2015															
Bangladesh	13,580	(6,724)	-	(3,012)	(1,760)	-	-	-	-	-	-	-	-	-	-	2,084
India	16,248	(152)	(781)	(5,260)	(9,165)	8	-	-	(14,907)	-	-	-	-	-	-	(14,009)
Trinidad	-	-	-	-	-	(1,053)	-	-	2,927	-	-	-	-	-	-	1,874
All other	-	-	4	(4)	(190)	(261)	4,217	(41)	-	(3,641)	(2,420)	243	(15,069)	-	-	(17,162)
Continuing operations	29,828	(6,876)	(777)	(8,276)	(11,115)	(1,306)	4,217	(41)	(11,980)	(3,641)	(2,420)	243	(15,069)	-	-	(27,213)
Discontinued Operations	-	-	-	-	-	194	-	-	(1,516)	-	(103)	139	(2)	4,800	-	3,512
Total	29,828	(6,876)	(777)	(8,276)	(11,115)	(1,112)	4,217	(41)	(13,496)	(3,641)	(2,523)	382	(15,071)	4,800	-	(23,701)

(thousands of US Dollars)

Segment	Natural gas, condensate and oil sales	Government share of profit petroleum	Royalty (expense) / income	Production and operating expenses	Depletion and depreciation expenses	Exploration and evaluation expenses	Gain / (loss) on derivatives	Share-based compensation	Asset reversal / (impairment)	General and administrative expenses	Restructuring costs	Finance and other income, gain / (loss) from asset disposal	Finance expense and foreign exchange (loss) / gain	Unfulfilled exploration commitments expense	Income tax recovery / (expense)	Segment profit (loss)
	Three months ended December 31, 2014															
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)
Trinidad	-	-	-	-	(23)	(1,373)	-	-	(54,125)	-	-	(1,519)	-	-	-	(57,040)
All other	-	-	11	-	(104)	(642)	48,302	56	-	(2,689)	(1,989)	1,362	(107,732)	-	-	(63,425)
Continuing operations	37,024	(6,967)	(1,048)	(8,820)	(22,558)	(2,296)	48,302	56	(54,125)	(2,689)	(1,989)	(157)	(107,732)	-	(3,470)	(126,469)
Discontinued Operations	-	-	-	-	(40)	(3,881)	-	-	(12,711)	-	(484)	3	50	-	-	(17,063)
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)	-	(3,410)	(143,532)

(thousands of US Dollars)

Segment	Natural gas, condensate and oil sales	Government share of profit petroleum	Royalty (expense) / income	Production and operating expenses	Depletion and depreciation expenses	Exploration and evaluation expenses	Gain on derivatives	Share-based compensation	Asset reversal / (impairment)	General and administrative expenses	Restructuring costs	Finance and other income, gain / (loss) from asset disposal	Finance expense and foreign exchange (loss) / gain	Unfulfilled exploration commitments expense	Income tax recovery / (expense)	Segment profit (loss)
	Nine months ended December 31, 2015															
Bangladesh	41,737	(22,108)	-	(7,456)	(5,373)	-	-	-	-	-	-	-	-	-	-	6,800
India	57,626	(555)	(2,916)	(15,407)	(36,869)	(890)	-	-	(81,631)	-	-	-	-	-	-	(80,642)
Trinidad	-	-	-	-	(111)	(6,385)	-	-	2,792	-	-	-	-	-	-	(3,704)
All other	-	-	12	(9)	(278)	(520)	10,458	(93)	-	(6,838)	(6,685)	1,236	(53,028)	-	(1)	(55,746)
Continuing operations	99,363	(22,663)	(2,904)	(22,872)	(42,631)	(7,795)	10,458	(93)	(78,839)	(6,838)	(6,685)	1,236	(53,028)	-	(1)	(133,292)
Discontinued Operations	-	-	-	-	-	(223)	-	-	(7,385)	-	(602)	736	(82)	(22,214)	-	(29,770)
Total	99,363	(22,663)	(2,904)	(22,872)	(42,632)	(8,018)	10,458	(93)	(86,224)	(6,838)	(7,287)	1,972	(53,110)	(22,214)	(1)	(163,062)

(thousands of US Dollars)

Segment	Natural gas, condensate and oil sales	Government share of profit petroleum	Royalty (expense) / income	Production and operating expenses	Depletion and depreciation expenses	Exploration and evaluation expenses	Gain / (loss) on derivatives	Share-based compensation	Asset reversal / (impairment)	General and administrative expenses	Restructuring costs	Finance and other income, gain / (loss) from asset disposal	Finance expense and foreign exchange (loss) / gain	Unfulfilled exploration commitments expense	Income tax recovery / (expense)	Segment profit (loss)
	Nine months ended December 31, 2014															
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)
Trinidad	-	-	-	-	(70)	(7,057)	-	-	(54,185)	-	(20)	(1,519)	-	-	-	(62,851)
All other	-	-	43	-	(364)	(2,104)	48,302	783	(560)	(8115)	(5,019)	6,078	(170,995)	-	-	(131,951)
Total	117,663	(21,637)	(3,385)	(28,328)	(70,239)	(16,589)	48,302	783	(54,754)	(8115)	(5,039)	5,223	(170,995)	-	(3.,583)	(210,693)
Discontinued Operations	-	-	-	-	(117)	(13,325)	-	-	(13,252)	-	(516)	3	250	-	-	(26,957)
Total	117,663	(21,637)	(3,385)	(28,328)	(70,356)	(29,914)	48,302	783	(68,006)	(8115)	(5,555)	5,226	(170,745)	-	(3,583)	(237,650)

27. Commitments and contractual obligations

Summary of exploration commitments

(thousands of US Dollars)	As at December 31, 2015
Past due	213,747
Due before September 2018	57,180
	270,927

(a) Exploration commitments

The Company has minimum work commitments as specified in the PSCs for its exploration properties. The work commitments relate to PSCs where the Company is working on asset sales or farm-outs to joint operators in exchange for a re-imbursement of 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 may apply for extensions to commitment deadlines if it is unable to fulfill the commitment by the deadlines or may relinquish the property. A delay or rejection of the requested extensions may result in additional funding required to fulfill the commitments or payment of original commitment amounts.

Indonesia

(thousands of US Dollars)	As at December 31, 2015
Past due(1)(2)	139,107

(1) The unfulfilled exploration commitments have been recognized as a liability (refer to note 13).
(2) Includes unfulfilled exploration commitments for all relinquished PSCs.

In fiscal 2015, the initial exploration period of six years expired in seven PSCs. For six of the seven expired PSCs, requests for amendment to the PSCs to extend the initial exploration period to ten years were submitted to the Government of Indonesia for approval. As a result of the pending approval, the Company recognized a provision of $117 million for the unfulfilled exploration commitments in fiscal 2015.

Trinidad

(thousands of US Dollars)	As at December 31, 2015
Past due(1)	74,640
Due before April 2016	54,180
	128,820

(1) The unfulfilled exploration commitments have been recognized as a liability (refer to note 13).

Work commitments in Trinidad are backed by parent company guarantees. Approximately $75 million of work commitments are past due. The Company's request for an extension until December 2015 is pending approval from the Government of Trinidad and Tobago. As a result, the Company recognized a provision of $75 million for the unfulfilled exploration commitments in fiscal 2015.

Brazil

(thousands of US Dollars)	As at December 31, 2015
Due September 2018	3,000

Work commitments in Brazil are backed by parent company guarantees.

(b) Finance lease obligation

The Company recognized a finance lease for the FPSO used in the D6 Block in India. The fair value of $31 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 $25 million. The future minimum lease payments as at December 31, 2015 and their net present values are:

	Lease payments
<1 year	10,757
1 - 5 years	17,918
Subtotal	28,675
Imputed interest	(4,134)
Carrying value	24,541

The lease has an initial charter period of 3,650 days maturing in August 2018, which is cancellable by paying exit costs. The contractor group 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 (refer to note 15(a)). The future minimum payments relating to this agreement are as follows:

(thousands of US Dollars)	Payments
<1 year	30,982
1 - 5 years	-
Total	30,982
Imputed interest	-
Carrying value	30,982

(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 (refer to note 14(a) and 15(b)). The estimated future minimum payments related to this agreement are as follows:

(thousands of US Dollars)	Payments
< 1	2,614
1 - 5 year	11,396
5 years and ending March 2022	9,285
Subtotal	23,295
Imputed interest	(7,608)
Transfer to accounts payable	(1,953)
Carrying value	13,734

28. 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 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 days after the delivery date of each invoice until 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.

In September 2015, the Tribunal issued a favourable decision on the implementation of its decision of September 11, 2014 on the payment claim. The Tribunal decided that Petrobangla shall pay into escrow accounts:

i. approximately US$25 million plus approximately 140 million BDT as per invoices for gas delivered from November 2004 to April 2010; plus
ii. interest to September 11, 2014 of approximately US$6 million and approximately 50 million BDT; plus
iii. interest from September 12, 2014, at the six-month London Interbank Offered Rate + 2 percent for USD amounts and 5 percent for BDT amounts, compounded annually.

Based on a USD to BDT exchange rate of 1 USD = 76.7 BDT, the claim amount due to NRBL to date totals approximately $34.9 million (approximately $27.1 million for invoiced amounts, approximately $6.6 million for accrued interest to September 11, 2014 and approximately $1.2 million for interest from September 12, 2014 to date).

The funds to be deposited are held in escrow pending the decision of the Tribunal in the Compensation Declaration case. As such, no amounts have been recorded in these consolidated financial statements.

A hearing on the Compensation Declaration occurred in November 2015. Further hearings are scheduled for the fourth quarter of fiscal 2016 and the second quarter of fiscal 2017.

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 cons and June 2005. In June 2008, NRBL was named as a defendant in a lawsuit (the "Money Suit") that was filed in Bangladesh by the Government of Bangladesh ("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 for 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) (i) 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 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.

Simultaneously, the Company's partner has also filed an alternate claim under arbitration for the above shortfall volumes should their original claim be rejected by the arbitration panel. Under the alternate claim, the joint operating partner is claiming compensation for the actual gas procured at market prices to meet the shortfall of gas supplied to the customers under the gas sales contract.

The arbitration for both claims is in process and the matter is sub judice. The Company believes that the outcome is not determinable.

(ii) The Company may not be able to supply gas to a customer in Hazira whose contract runs until April 2016. 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's joint venture partner (the parent company of the customer) has indemnified the Company from any and all liabilities arising out of the gas sales contract due to lower supply of gas after the first ten years commencing from the February 2000 signing date of the contract. The customer's claim for damages under the contract relates to the lower supply of gas since February 2010 and therefore, it is the Company's view that it has been fully indemnified for any losses that may arise from the arbitration.

(c) 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 operation has no basis in the terms of the PSC and that there are strong grounds to challenge the action of the GOI. The contractor group has commenced arbitration proceedings against the GOI challenging the allegations and the disallowance of cost recovery. In a July 2014 letter, the GOI updated their preliminary estimate of disallowed costs as at March 31, 2014 to $2.4 billion. To the extent that any amount of joint venture costs are disallowed, such amount would be removed from 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 $2.4 billion ($238 million Niko share) of costs were disallowed, Niko's share of the potential impact would be a total of $24 million, of which $12 million would relate to periods up to December 31, 2015 and $12 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 Guidelines, 2014 (refer to 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".

(d) In the third quarter of fiscal 2016, an international reservoir engineering firm (commissioned by Reliance, the operator of the D6 Block, and the operator of two adjoining blocks, and under the supervision of the Director General of Hydrocarbons of the Government of India) issued a third party report stating that their analysis indicated connectivity and continuity of the reservoirs across the D6 Block and the adjoining blocks and that, in their opinion, a portion of the natural gas produced from the D1 D3 facilities in the D6 Block had likely migrated from the adjoining blocks. In the Company's opinion, Reliance has acted in accordance with the provisions of the D6 PSC, with all wells drilled within the block boundaries as per the development plan approved by the relevant authorities under the PSC. The Government of India has appointed a committee to consider the information in the third party report and recommend the action to be taken by the government, considering legal, financial and contract provisions, including those in the Indian oil and gas regulations and the concerned PSCs. The Company believes that the outcome and impact, if any, on the Company are not determinable at this time.

(e) The Company is claiming tax holiday under the India Income Tax Act ('Act') that provide for a tax holiday deduction for eligible undertakings related to the Hazira and Surat fields. However the tax department contends 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. With respect to undertakings eligible for the tax holiday deduction, the Act was retrospectively 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.

In March 2015, the High Court of Gujarat in India issued a favorable judgment on the retrospective application of the definition of undertakings and whether or not mineral oil includes natural gas for the purposes of the income tax holiday claims for the Company's fields in India. The judgment states that the GOI's retrospective application of the definition of undertakings as "all blocks licensed under a single contract shall be treated as a single undertaking" is clearly unconstitutional and has been struck down. As such, the Company's position that an undertaking can be defined as a well or cluster of wells has been upheld for the purposes of the tax holiday provisions in the Act. The judgement also states that the term "mineral oil" for the purposes of the tax holiday provisions in the Act takes within its purview both petroleum products and natural gas.

Based on the ruling of the High Court, the accounting treatment of considering the advance tax payment of $18 million made by the Company related to tax holiday as income tax receivables is appropriate.

In October 2015, the GOI filed a petition in Supreme Court of India to challenge the favorable tax judgment issued by High Court of Gujarat. Should the Supreme Court admit the petition and overturn the ruling of the High Court, the Company would have to change its tax position and record a tax expense of approximately $50 million (comprised of additional taxes of $32 million and write off approximately $18 million of income tax receivable). In addition, the Company could be obligated to pay interest on taxes for the past periods.

The Company is facing a similar unfavorable tax assessment for the taxation year 2012 relating to tax holiday claimed by the Company's subsidiary that owns its interest in the D6 Block. Since the subsidiary was in a tax loss position for the taxation year 2012, there is no contingent obligation. The Company has filed the appeal against this tax assessment. The outcome of the appeal is not determinable.

(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 $7 million.

(g) The Tax Directorate General of Indonesia had assessed several oil and gas companies operating in Indonesia for Land and Building Tax 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 in Indonesian Rupiah raising demands for a total of the equivalent of $28 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 objecting to the decision of the tax department. Appeal hearings have been conducted and decisions are awaited from the tax court. 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 $4 million net and filed objection letters and appeals regarding these assessments. 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 could be liable for a penalty of up to 100 percent of the LBT tax owing in addition to the amount of assessed tax, for a potential liability of $61 million. As at December 31, 2015 all tax court hearings have been completed, and a decision from the tax court is pending.

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 a change in the law by the Finance Ministry.

In April 2015, the Company closed on transactions for the sale of certain of its subsidiaries holding interests in four Indonesian PSCs (West Papua IV, Kofiau, Halmahera-Kofiau, and Aru) as the first phase of transactions under a definitive agreement executed with a subsidiary of Ophir. In November 2015, the Company closed on transactions for the sale of its subsidiary holding its interest in the North Ganal PSC. The Company has indemnified Ophir for any potential LBT obligations related to the subsidiaries that own interests in the Aru and North Ganal PSCs.

(h) The scheduled payment of $5 million and the deposit into a reserve account of $5 million due on June 30, 2015 were not made and an event of default occurred under the Diamond Settlement Agreement. Diamond has filed a lawsuit in a court in Texas seeking to enforce the payment and and other obligations. The Company is currently considering the merits of the lawsuit and available defenses. Also, on September 30, 2015 and December 31, 2015, the Company did not make the scheduled payments totalling $10 million. Under the terms of the Diamond Settlement Agreement, Diamond has the option to terminate the agreement and revert to the original drilling contracts that include termination provisions. To date, Diamond has not taken any steps to terminate the Diamond Settlement Agreement. The Company has estimated the maximum potential unsecured termination claim under the original drilling contracts could range from $100 to $220 million.

The Company believes that the outcome is not determinable at this time.

(i) 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.