NIKO RESOURCES LTD

NIKO REPORTS RESULTS FOR THE YEAR ENDED MARCH 31, 2016

Niko Resources Ltd. ("Niko" or the "Company") is pleased to report its operating and financial results for the quarter and year ended March 31, 2016. The operating results are effective June 28, 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

The Company continues to pursue a strategic plan to maintain its core assets for a period of time with the goal of enhancing the value of such assets for the benefit of the Company's stakeholders.

To pursue this strategic plan, the Company requires concessions from its key stakeholders to significantly reduce the cash outflows to these stakeholders. The key terms of proposed amendments to the agreements governing the Company's term loan facilities and convertible notes have been negotiated with the relevant parties and the Company has executed agreements with 100% of its senior lenders in support of the proposed amendments to these agreements. The Company has also solicited and received consents from the requisite amount of noteholders to proceed with the proposed amendments to the indenture governing the convertible notes. As soon as practicable, the Company expects to enter into an amendment to the term loan facilities agreement, formally amend the indenture governing the convertible notes, and take such other steps as are necessary to give effect to the strategic plan. The implementation of the strategic plan remains subject to certain approvals, including the final approval of the Company's board of directors and the Toronto Stock Exchange. If the amendments become effective, the Company would not be required to make interest payments (including interest then owing) under the facilities agreement or the indenture during the term of the amendments, other than in connection with waterfall distributions (as defined in the proposed amendments), and would no longer be in default of the amended facilities agreement or indenture.

The Company continues to be in default of certain obligations under the terms of the settlement agreement entered into with Diamond Offshore. The Company is in discussions with Diamond to seek a resolution to allow the Company to pursue its strategic plan.

No assurance can be made that the strategic plan can be accomplished at all or on a timely basis. The failure to complete a definitive agreement to give effect to the proposed amendment to the term loan facilities or to achieve a resolution with Diamond on a timely basis could have a material adverse impact on the Company and its strategic plan.

In March 2016, the Government of India approved a proposal to grant marketing freedom to producers including pricing freedom for the gas to be produced from discoveries in high pressure-high temperature, deepwater and ultra-deepwater areas in India. The new natural gas pricing guidelines apply to future discoveries as well as existing discoveries which had yet to commence commercial production as of January 1, 2016 (such as existing undeveloped discoveries in the D6 Block in India). The contractor group of the D6 Block is taking the necessary steps towards development of the R-Cluster, Satellites and MJ discoveries in the D6 Block and the Company's oil and gas reserves as at March 31, 2016, as evaluated by an independent reserves evaluator, reflect significant undeveloped proved and probable reserves for these fields. Realizing value for these reserves could benefit the Company's stakeholders at some point in the future and the Company is evaluating its next steps towards realizing this value.

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

ESTIMATED RESERVES and ESTIMATED AFTER-TAX NET PRESENT VALUE OF FUTURE NET REVENUE

Estimated Reserves

	As at March 31, 2016	2015
Gross[1] (Bcfe)		
Proved	390	218
Proved plus Probable	548	546

(1) 'Gross' reserves are defined as those accruing to the Company's working interest share before deduction of royalties and government share of profit petroleum, and are reflected on a gas equivalent basis.

Deloitte LLP ("Deloitte"), an independent petroleum engineering firm, has prepared its reserves evaluations for the Company's interests in the D6 Block in India and Block 9 in Bangladesh. These evaluations have been prepared in accordance with National Instrument 51-101 - *Standards of Disclosure for Oil and Gas Activities* and the Canadian Oil and Gas Evaluation Handbook, with an effective date of March 31, 2016.

Deloitte has evaluated the reserves for the Company's assets in India using its forecast of commodity price inputs into the Indian natural gas pricing formulas under the Guidelines for producing fields and under the New Guidelines for undeveloped discoveries.

India

Proved reserves and proved plus probable reserves of 265 Bcfe and 406 Bcfe, respectively, for the D6 Block in India as at March 31, 2016 reflect the reclassification of reserves for the R-Cluster and Satellites undeveloped discoveries from probable reserves to proved reserves and the addition of reserves for the MJ and Other Satellites undeveloped discoveries due to the economic viability of the development of these discoveries at the prices assumed in the reserve evaluations of these fields.

Bangladesh

Proved reserves for Block 9 in Bangladesh decreased to 125 Bcfe, as at March 31, 2016, primarily reflecting production of 23 Bcfe. Proved plus probable reserves for Block 9 decreased to 142 Bcfe.

Estimated After-tax Net Present Value of Future Net Revenue (discounted at 10%)

	As at March 31, 2016	2015
(millions of U.S. dollars)		
Proved	274	128
Proved plus Probable	547	235

Complete details of the Company's reserves and future net revenues attributable thereto are contained in its Annual Information Form for the year ended March 31, 2016, which will be available on the Company's SEDAR profile at www.sedar.com.

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, financial performance and cash flows of the Company for the year ended March 31, 2016 should be read in conjunction with the audited consolidated financial statements for the year ended March 31, 2016. Additional information relating to the Company, including the Company's Annual Information Form ("AIF"), is available on SEDAR at www.sedar.com and on the Company's website at www.nikoresources.com. This MD&A is dated June 28, 2016.

Basis of Presentation
The financial data included in this MD&A is in accordance with the International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") and interpretations of the International Financial Reporting Interpretations Committee ("IFRIC") that are effective as at March 31, 2016. All financial information is presented in thousands of US Dollars unless otherwise indicated.

The term "the current quarter" or "fourth quarter" is used throughout the MD&A and in all cases refers to the period from January 1, 2016 through March 31, 2016. The term "prior year quarter" is used throughout the MD&A for comparative purposes and refers to the period from January 1, 2015 through March 31, 2015. The term "current year" or "fiscal 2016" is used throughout the MD&A and in all cases refers to the period from April 1, 2015 through March 31, 2016. The term "prior year" or "fiscal 2015" is used throughout the MD&A and in all cases refers to the period from April 1, 2014 through March 1, 2015. 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.

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.

Forward-Looking Information and Material Assumptions
Certain information 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 "may", "will", "plans", "expects", "projects", "intends", "believes", "targets", "anticipates", "estimates" "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. Refer to "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 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, the unsecured Convertible Notes and settlement agreement with Diamond Offshore ("Diamond");
    - deferred obligations under the D6 Royalty Agreements;

- the satisfaction of all covenants and conditions under the Company’s debt agreements; and
    - the cash requirements of the Company’s operating subsidiaries in India and Bangladesh;
- receipt of resolutions from key stakeholders to significantly reduce cash outflows to such stakeholders until the value of the Company’s core assets can be enhanced;
- the interpretation and quantification of India’s Domestic Natural Gas Guidelines (“the Guidelines”) issued in October 2014 and effective November 1, 2014;
- the interpretation and quantification of India’s new Domestic Natural Gas Guidelines (“the New Guidelines”) issued in March 2016 applicable to existing and future discoveries which are yet to commence commercial production as on January 1, 2016.;
- the enforcement of rights under note indentures, the Facilities Agreement and the Diamond Settlement Agreement;
- the Company's future development and exploration activities and the timing of these activities;
- receipt of government approvals;
- 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 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;
- the development of discoveries;
- 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 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 (as defined herein), 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, Convertible Notes, the Indenture Amendments, the Intercreditor Agreement and successfully completing its strategic 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 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, 2016 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 forecasted.

The reserves estimates presented herein are derived from the report of Deloitte LLP, an independent qualified reserves evaluator. Information relating to "reserves" are deemed to be forward-looking information, as they involve the implied assessment, based on certain estimates and assumptions, that the reserves described exist in the quantities predicted or estimated, and can be profitably produced in the future to achieve the future net revenue calculated in accordance with certain assumptions. The assumptions relating to the reserves reported herein are contained in the reports of Deloitte LLP dated June 20, 2016 and effective March 31, 2016 and are summarized in the Company's AIF. Future net revenues associated with reserves do not necessarily represent fair market value.

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 "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 IFRS, except for "EBITDAX" and "Segment Profit / Loss". These non-IFRS financial measures, which have been derived from the audited consolidated financial statements for the year ended March 31, 2016 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 audited consolidated 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 provide useful information to the Company and investors to evaluate financial performance by each segment. The most directly comparable measure under IFRS presented in the audited consolidated 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 30 of the audited consolidated financial statements for the year ended March 31, 2016.

LIQUIDITY AND CAPITAL RESOURCES

The Company continues to pursue a strategic plan to maintain its core assets for a period of time with the goal of enhancing the value of such assets for the benefit of the Company's stakeholders.

Term Loan and Convertible Notes

As at March 31, 2016, the Company was in default of its interest payment obligations under its senior term loan facilities agreement (the "Facilities Agreement") and the indenture (the "Indenture") governing its 7 percent senior unsecured convertible notes due December 31, 2017 (the "Convertible Notes").

In March 2016, the Company executed a support agreement with institutional lenders (the "Lenders") holding more than 85 percent of its term loan facilities ("Term Loan") and support agreements with noteholders (the "Noteholders") holding more than 60 percent of the Convertible Notes. The support agreements included a term sheet reflecting the key terms of the new interim agreement (the "Fourth Amendment") that would amend the terms of the Facilities Agreement and outlined the amendments that are required to be made to the Indenture (the "Indenture Amendments") (collectively, the "Amendments"). The key terms of the Amendments are described below. Subsequent to March 31, 2016, the Company announced that it had received executed support agreements from 100 percent of its Lenders.

In June 2016, the Company commenced a solicitation of consents from Noteholders to amend the Indenture and subsequently received consents from holders of the requisite amount of Notes. As soon as practicable, the Company expects to enter into the Fourth Amendment, formally amend the Indenture, and take such other steps as are necessary to give effect to the strategic plan. The implementation of the strategic plan remains subject to certain approvals, including the final approval of the Company's board of directors and the Toronto Stock Exchange. On the date (the "Implementation Date") that the Amendments become effective, the Company would not be required to make interest payments (including interest then owing) under the Facilities Agreement or the Indenture during the term of the Amendments (the "Hold Period"), other than in connection with waterfall distributions as set out below ("Waterfall Distribution"), and would no longer be in default of the amended Facilities Agreement or Indenture. No assurance can be made that the strategic plan can be accomplished at all or on a timely basis. The failure to complete a definitive agreement to give effect to the proposed amendment to the Term Loan could have a material adverse impact on the Company and its strategic plan.

Impact of the Amendments

Under the terms of the Amendments, on or prior to the Implementation Date, the Company would make a principal repayment of $12 million on the Term Loan, pay $1.5 million into escrow for payment of a consent fee to the Noteholders in July 2016, and withdraw $9.7 million from a reserve account required under the terms of the amended Facilities Agreement. As a result of the Amendments, liabilities of $402 million that were reflected as current liabilities as at March 31, 2016 would be reclassified to long-term liabilities on the Company's statement of financial position and $4 million of accrued default interest on the Term Loan and Convertible Notes as at March 31, 2016 will be recognized as a gain on the Company's statement of comprehensive income.

The Amendments would restrict the Company's ability to utilize potential proceeds from sales of assets, and settlement of insurance, arbitration and/or tax claims, as any proceeds from these types of transactions would be required to be distributed amongst the Lenders, the Noteholders and the Company pursuant to the Waterfall Distribution.

Funding of Projected Capital Expenditures for Planned Drilling Programs in the Producing Fields in India and Bangladesh

After giving effect to the transactions in the Amendments, the Company's cash balances as at March 31, 2016 and its projected cash flows from operating activities for fiscal 2017 would be expected to be sufficient to fund the projected capital expenditures related to planned drilling programs in the producing fields in India and Bangladesh in fiscal 2017, assuming its customers fully comply with the terms of the respective agreements for natural gas, crude oil and condensate sales from these producing fields (see discussion below on the Stay Order in Bangladesh) and assuming that the natural gas benchmark prices that are used in the pricing formula used to determine prices for natural gas sales from the producing fields in the D6 Block do not decline significantly from current levels.

Stay Order in Bangladesh

In May 2016, a writ petition was filed before the Supreme Court of Bangladesh, High Court Division (the "Court") by a citizen of Bangladesh against (i) the Government of Bangladesh (the "GOB"), (ii) Bangladesh Oil, Gas and Mineral Corporation ("Petrobangla"), (iii) Bangladesh Petroleum Exploration & Production Company Limited ("Bapex"), (iv) Niko Resources (Bangladesh) Ltd. ("NRBL") and (v) the Company. The writ petition relates to the Feni Gas Purchase and Sales Agreement (the "Feni GPSA") between Petrobangla and

NRBL for the Feni gas field and the Joint Venture Agreement (the "JVA") between Bapex and NRBL for the Feni and Chattak fields in Bangladesh, which agreements are, as disclosed in note 33(a) of the audited consolidated financial statements for the year ended March 31, 2016, currently the subject of arbitration disputes to be decided upon by tribunal panels (the "Tribunals') constituted under the rules of the International Centre for Settlement of Investment Disputes ("ICSID"). Pending resolution of the writ petition, the Court ordered a stay (the "Stay Order") for a period of one month on any kind of benefit given by the GOB, Petrobangla or Bapex to NRBL or Niko or any of its affiliates or subsidiaries, including payments made for gas supplied from the Block 9 PSC. The Court subsequently extended the Stay Order until September 2016. In June 2016, Petrobangla paid reduced amounts to the operator of the Block 9 PSC for invoiced amounts due for gas and condensate supplied from the Block 9 PSC in March 2006, with the approximately $2 million withheld by Petrobangla equivalent to the 60 percent share in the Block 9 PSC held by Niko Exploration (Block 9) Limited ("Niko Block 9"), a separate indirect subsidiary of the Company. As the cash flow generated by the Block 9 PSC is targeted to fund the projected capital expenditures related to the drilling program in Block 9 PSC in fiscal 2017 as well as other cash requirements of the Company, further withholdings by Petrobangla of amounts due to Niko Block 9 for gas and condensate supplied from the Block 9 PSC could significantly impact the Company's ability to fund its operating and capital budgets for fiscal 2017.

Funding of Projected Capital Expenditures for Future Development of Undeveloped Discoveries in the D6 Block in India

In March 2016, the Government of India (the "GOI") approved a proposal (the "New Guidelines") to grant marketing freedom to producers including pricing freedom for the gas to be produced from discoveries in high pressure-high temperature, deepwater and ultra-deepwater areas in India. The New Guidelines apply to future discoveries as well as existing discoveries which had yet to commence commercial production as of January 1, 2016 (such as existing undeveloped discoveries in the D6 Block in India). The contractor group of the D6 Block ("D6 contractor group") is taking the necessary steps towards development of the R-Cluster, Satellites and MJ discoveries in the D6 Block and the Company's oil and gas reserves as at March 31, 2016, as evaluated by an independent reserves evaluator, reflect significant undeveloped proved and probable reserves for these fields. The projected capital expenditures for the future development of these discoveries will likely require additional sources of funding, such as future equity or debt issuances. In addition, a decision prior to the second anniversary of the Implementation Date by the D6 contractor group to commit to the development of one or more of these projects would trigger the option of the Lenders to require the Company to commence a marketing and sale process for the Company's interest in the D6 PSC. There is uncertainty whether the Company will be able to fund the development of undeveloped discoveries in the D6 Block.

Diamond Settlement Agreement

In complying with a previous amendment to the Facilities Agreement, the Company was restricted from making any payments under the terms of the Diamond Settlement Agreement and, as such, continues to be in default of certain obligations under the Diamond Settlement Agreement.

Commencing on June 30, 2015, the Company has not made scheduled payments under the terms of the Diamond Settlement Agreement, with unpaid amounts totalling $20 million as at March 31, 2016. In July 2015, Diamond filed a lawsuit in a court in Texas seeking to enforce certain obligations. In May 2016, the Texas court issued a summary judgment in the amount of $20 million plus interest and legal costs, and, in June 2016, Diamond filed a lawsuit in a court in Alberta seeking to enforce the summary judgment of the Texas court. Under the terms of the Diamond Settlement Agreement, Diamond may still have 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. In the event that Diamond was able to successfully terminate the agreement and revert to the original drilling contracts, the Company has estimated the maximum potential unsecured termination claim could range from $100 million to $220 million.

The Company is in discussions with Diamond to seek a resolution to allow the Company to pursue its strategic plan. This resolution will likely be subject to the approval of the Lenders and could have a negative impact on shareholders. No assurance can be made that any resolution can be accomplished at all or on a timely basis. The failure to achieve a resolution with Diamond on a timely basis could prove to be unsatisfactory for stakeholders, and this is likely to have a material adverse impact on the value of stakeholders' interests in the Company.

Exploration Subsidiaries

As at March 31 2016, the Company's exploration subsidiaries in Trinidad had $22 million of accounts payable and accrued liabilities (including PSC obligations), and $129 million of recorded liabilities for unfulfilled exploration work commitments with the unfulfilled commitments and PSC obligations backed by parent company guarantees.

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 March 31, 2016, 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.

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 notes 33 and 34 of the audited consolidated financial statements for the year ended March 31, 2016 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 are material uncertainties 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 the definitive Facilities Agreement with certain institutional investors providing for senior secured Term Loan. 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 as current as at March 31, 2015 and March 31, 2016. At March 31, 2016, the outstanding principal on the facilities was $250 million, reflecting repayments of $40 million in fiscal 2015 and $30 million in fiscal 2016.

The key terms related to the outstanding facilities under the original Facilities Agreement and related documentation are as follows:

Specific terms

- 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, and after contract settlement payments
- Repayment: On September 30, 2017
- Interest: Quarterly cash interest payments at 15 percent per annum; commencing June 2014, additional interest payable upon repayment ("D6 PIK Interest") of 5 per cent per annum. Approval from the GOI of the grant of first ranking security over the Company's participating interest in the D6 Block has not been received. If security is provided, the D6 PIK Interest would be reduced by 25 percent.

In fiscal 2016, the Company did not make its scheduled cash interest payments and as such, as at March 31, 2016, the Company is in default of the Facilities Agreement. Effective September 2015, the Company began recording a current provision for default interest of 25 percent on the outstanding cash interest payments.

Uncommitted D6 facility

The original 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. The uncommitted facility will be subject to the amended terms under the Fourth Amendment.

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.

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.

Change in Control
Under the original Facilities Agreement, 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 1 percent prepayment fee) and accrued and unpaid interest (including cash interest and D6 PIK interest) within ten days of the change of control. The change in control will be subject to the amended terms under the Fourth Amendment.

Deferred Obligation
As a condition of the original 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. The terms of the deferred obligation will be subject to the amended terms under the Fourth Amendment.

Security
The obligations under the original Facilities Agreement and the deferred obligation are initially secured by:

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

The Company has entered into security deeds to grant first ranking security with respect to Block 9 in Bangladesh which will become effective upon consent by Petrobangla and the Bangladesh government, and has agreed to use best endeavours to obtain all necessary India governmental authorizations to provide first ranking security over the Company's participating interest in the D6 PSC in India. Authorization has been received from the Reserve Bank of India and authorization from the GOI has been sought, but not yet granted.

During fiscal 2016, the Company and its Lenders entered into various amendments to waive certain covenants and restrictions.

In March 2016, the Company executed a support agreement with the Lenders holding more than 85 percent of its senior Term Loan. Subsequent to March 31, 2016, the Company announced that it had received executed support agreements from 100 percent of its Lenders. As soon as practicable, the Company expects to enter into the Fourth Amendment, formally amend the Indenture, and take such other steps as are necessary to give effect to its strategic plan. The implementation of the strategic plan remains subject to certain approvals, including the final approval of the Company's board of directors and the Toronto Stock Exchange.

Subject to certain conditions, the key terms of the proposed Fourth Amendment are as follows:

- the Lenders may elect, at any time on or after the second anniversary of the Implementation Date and with 90 days prior written notice, to require the Company to commence a marketing and sale process (a "Sales Process") for its interest in the D6 PSC. Upon the failure of the Company to maintain a minimum cash balance of $5 million, the decision of the D6 contractor group to commit to capitalizing new development projects, or the occurrence of an event of default under the Fourth Amendment (each a "Trigger Event"), the Lenders may require the commencement of the Sales Process prior to the second anniversary of the Implementation Date. At any time, the Company shall have the right to commence a Sales Process in respect of the D6 PSC, Block 9 or any of its other assets;
- extension of the waiver of certain financial covenants and undertakings under the Term Loan;
- waiver of certain covenants of the Company under the Facilities Agreement, including limitations in respect of the conduct of the Company's business as it relates to capital expenditures and other matters;
- limiting the events of default to certain matters, including a default under the Facilities Agreement and a breach of the payment obligations to Noteholders as set out immediately below;
- accrual of cash interest under both the Term Loan and the Convertible Notes at the previously defined non-default rates of interest (15 percent for the Term Loan and 7 percent for the Convertible Notes);

- elimination of the requirements to pay cash interest on the Term Loan or the Convertible Notes during the Hold Period;
- entitlement of the Lenders to additional capitalized interest ("PIK Interest") on the Term Loan calculated on a notional principal amount of $168 million (less any proceeds distributed to the Lenders) at a simple rate of 6 percent per annum;
- a principal repayment of $12 million on the Term Loan on the Implementation Date;
- a reduction in the required minimum cash balance of a reserve account specified in the Facilities Agreement from $20 million to $10.3 million. The funds in this reserve account would be restricted to either (i) payment for specified potential expenditures by specified dates, subject to the approval of the majority of the Lenders, or (ii) future distributions in accordance with the waterfall distribution noted below;
- a requirement to distribute any net proceeds ("Waterfall Proceeds") of transactions (sales of assets, settlements of insurance, arbitration and/or tax claims, excess operating cash above an agreed cash flow forecast, etc.) to the Lenders, Noteholders and the Company on the following basis (the "Waterfall Distribution"):
    1. first tranche of the first $168 million:
        (i) 100 percent to the Lenders
    2. PIK Interest of up to $12 million:
        (i) 100 percent to the Lenders
    3. second tranche of the next US $100 million, on a *pro rata* basis:
        (i) 62.67 percent to the Lenders,
        (ii) 29.33 percent to the Noteholders, and
        (iii) 8.00 percent to be retained by the Company
    4. third tranche of the next US $120 million, on a *pro rata* basis:
        (i) 40 percent to the Lenders,
        (ii) 40 percent to the Noteholders, and
        (iii) 20 percent to be retained by the Company
    5. fourth tranche of any proceeds above the Third Tranche, on a *pro rata* basis:
        (i) 20 percent to the Lenders,
        (ii) 20 percent to the Noteholders, and
        (iii) 60 percent to be retained by the Company.

  The cumulative proceeds distributed to each of (a) the Lenders shall not exceed the total principal and interest amounts outstanding to the Lenders as at the Implementation Date plus interest accruing at a rate of 15 percent per annum from the Implementation Date plus any amounts owing under the D6 Royalty Agreement plus any PIK Interest, and (b) the Noteholders shall not exceed the total principal and interest outstanding to the Noteholders as at the Implementation Date plus interest accruing at a rate of 7 percent per annum from the Implementation Date. All Waterfall Proceeds retained by the Company will be retained free from the security (and claims for payment) held by the Lenders and Noteholders under the Fourth Amendment and the Indenture (as amended), respectively;
- issuance of a preferred share to the Agent on behalf of the Lenders (refer to note 20(a) of the audited consolidated financial statements for the year ended March 31, 2016); and
- extension of the maturity date of the Term Loan to December 31, 2025.

Convertible Notes

Under the original Indenture agreement, 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. During fiscal 2016, a portion of the Convertible Notes was converted into 30,442 common shares.

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 Convertible 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.

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 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 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 Facilities Agreement would have resulted in the right of the lenders of the Term Loan to accelerate payment of the outstanding principal amount of the Term Loan. 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 fiscal 2015. In complying with the terms of the Facilities Agreement, as amended, the Company was restricted from and did not make any interest payments under the Indenture during fiscal 2016, and as such, as at March 31, 2016, was in default of the Indenture.

In March 2016, the Company executed a support agreement with Noteholders holding more than 60 percent of the Convertible Notes. In June 2016, the Company commenced a solicitation of consents from Noteholders to amend the Indenture and subsequently received consents from holders of the requisite amount of Notes. As soon as practicable, the Company expects to formally amend the Indenture, and take such other steps as are necessary to give effect to its strategic plan. The implementation of the strategic plan remains subject to certain approvals, including the final approval of the Company's board of directors and the Toronto Stock Exchange.

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

- the effective date of the supplemental indenture that would give effect to the amendments to the indenture will be the Implementation Date;
- elimination of the requirements to pay cash interest under the Indenture (as amended) during the Hold Period, including any cash interest that would otherwise be payable on conversion and accrued and unpaid interest as of the Implementation Date, except pursuant to the distribution of Waterfall Proceeds;
- replacement of the events of default under the existing Indenture with events of default limited to certain matters, including a breach of the payment obligations to Noteholders as set out immediately below, the commencement of enforcement actions by the Lenders in respect of the indebtedness under the Term Loan, and if the security securing the Convertible Notes cease to be effective as a result of the deliberate action of Niko and is not rectified within 30 business days;
- accrual of cash interest under the Convertible Notes at the previously defined non-default rate of interest (7 percent);
- to provide for the distribution of Waterfall Proceeds to the Noteholders pursuant to the Waterfall Distribution;
- the maturity date of the Convertible Notes will be extended to December 31, 2025;
- the Convertible Notes will be secured by certain assets of the Company, including a share pledge of certain key subsidiaries and security over certain bank accounts, but such security will be subordinated to the Term Loan such that the Noteholders will have limited rights of enforcement and recourse to such security, which will be subject to the Intercreditor Agreement (as described below);
- elimination of the Company's ability to pay principal or interest in common shares;
- the redemption of the Convertible Notes will require the Agent's consent;
- the Note Trustee will be authorized and directed to execute and deliver the Intercreditor Agreement and the documents that will evidence and give effect to the security under the Indenture (the "Security Documents"); and
- removal of the covenant of the Company under the Indenture requiring the Company to maintain a listing of the Convertible Notes on the Toronto Stock Exchange.

Upon the Indenture Amendments becoming effective on the Implementation Date, all accrued and unpaid interest shall continue to accrue but shall not be payable.

The key terms of the proposed Intercreditor Agreement are as follows:

- the Noteholders agree to postpone and fully subordinate payment of the obligations under the Convertible Notes and the security granted to them pursuant to the Indenture Amendments in favour of the Lenders' security and to prior repayment of the Company's obligations to the Lenders, save and except for payments permitted under the Waterfall Distribution;
- the Company, the Noteholders and the Lenders agree that the Company may make, and the Noteholders and the Lenders may accept, payments made in compliance with the Waterfall Distribution;
- the Noteholders agree that until the Lenders have been repaid in full, they will not be entitled to take additional security, demand payment of the obligations under the Convertible Notes, appoint a receiver or initiate insolvency proceedings or take any enforcement action against the assets of the Company;
- to the extent the Noteholders or the Lenders receive any distributions or proceeds from the Company contrary to the provisions of the Fourth Amendment or the Indenture (as amended), such proceeds shall be held in trust and immediately turned over to the party entitled to receive such proceeds under the Waterfall Distribution;
- the Company shall release the Agent under the Facilities Agreement, the Lenders, the Trustee under the Indenture, and the Noteholders (and each of their respective current and former officers, directors, shareholders, unitholders, employees, members, partners, advisors and agents) from liability relating to the actions or omissions of such parties occurring prior to the Implementation Date;
- the Agent and the Lenders shall release the Company, the Guarantors, the Trustee, and the Noteholders (and each of their respective current and former officers, directors, shareholders, unitholders, employees, members, partners, advisors and agents) from liability relating to the actions or omissions of such parties occurring prior to the Implementation Date; and
- the Trustee, on behalf of itself and each of the Noteholders, shall release the Company, the Guarantors, the Agent, and the Lenders (and each of their respective current and former officers, directors, shareholders, unitholders, employees, members, partners, advisors and agents) from liability relating to the actions or omissions of such parties occurring prior to the Implementation Date.

Contract Settlement Obligation

In December 2013, the Company entered into an agreement with Diamond Offshore (the "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, 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 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.

Commencing on June 30, 2015, the Company has not made scheduled payments under the terms of the Diamond Settlement Agreement, with unpaid amounts totalling $20 million as at March 31, 2016. As a result, the Company is in default of the Diamond Settlement Agreement as at March 31, 2016. Refer to "Liquidity and Capital Resources".

Contractual Obligations

The Company has various contractual obligations, as follows:

As at March 31, 2016		Obligations by Period			
(thousands of US Dollars)	Total	< 1 year	1 to 3 years	3 to 5 years	> 5 years
Term loan facilities(1)	316,365	316,365	-	-	-
Finance lease obligations(2)	26,023	10,757	15,266	-	-
Convertible notes(3)	96,314	96,314	-	-	-
Other long-term liabilities(4)	66,307	33,332	6,271	26,704	-
Decommissioning obligations(5)	75,137	6,784	-	-	68,353
Exploration work commitments(6)(7)(8)(9)	270,927	267,927	-	3,000	-
Total contractual obligations	851,073	731,479	21,537	29,704	68,353

(1) As at March 31, 2016, the Term Loan are recorded in the audited consolidated financial statements for the year ended March 31, 2016 as current liabilities of $274 million, comprised of $250 million of outstanding principal, $62 million of accrued cash interest and D6 PIK interest, $4 million of default interest of 25 percent on overdue unpaid quarterly interest payments, and $1.5 million accrued consent fee. The accrued default interest of $4 million would be derecognized upon execution of the Fourth Amendment. Refer to note 16(a) of the audited consolidated financial statements for the year ended March 31, 2016.

(2) The finance lease obligation relating to the charter of the floating, production, storage and offloading vessel used in the MA field in the D6 Block is recorded in the audited consolidated financial statements for the year ended March 31, 2016 at $23 million (including current and long-term portions).

(3) As at March 31, 2016, the Convertible Notes are recorded in the audited consolidated financial statements for the year ended March 31, 2016 as current liabilities of $88 million, comprising of Cdn$115 million of outstanding principal, $8 million of accrued cash interest from July 1, 2015 to March 31, 2016, converted at the period end exchange rate, and $0.2 million of default interest of 7 percent on overdue unpaid interest payments. The accrued default interest of $0.2 million would be derecognized upon execution of the Indenture Amendments. Refer to note 16(c) of the audited consolidated financial statements for the year ended March 31, 2016.

(4) Other long-term liabilities are recorded in the audited consolidated financial statements for the year ended March 31, 2016 at $50 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 March 31, 2016 the Company has reflected the outstanding balances of the contract settlement obligation as current liabilities. The terms of the deferred obligation will be subject to the revised terms under the Fourth Amendment. Refer to note 16(a) of the audited consolidated financial statements for the year ended March 31, 2016.

(5) Decommissioning obligations are based on the undiscounted estimated future liability of the Company as disclosed in the notes of the audited consolidated financial statements for the year ended March 31, 2016. They do not include costs related to wells or facilities that were not completed as at March 31, 2016. 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 of $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 15 and 32 in the audited consolidated financial statements for the year ended March 31, 2016 for discussion on unfulfilled exploration commitments recognized as liabilities as at March 31, 2016.

BUSINESS HIGHLIGHTS

The significant business highlights of the year ended March 31, 2016 are as follows:

Sales Volumes

(mmcfe/d)	Three months ended March 31, 2016	2015	Twelve months ended March 31, 2016	2015
D6 Block, India	37	43	41	47
Block 9, Bangladesh	61	66	62	65
Hazira, India	1	2	1	2
Total	99	111	104	114

India

- Total sales volumes from the D6 Block in fiscal 2016 of 41 mmcfe/d decreased from 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.
- The notified price for natural gas sales from the D6 Block in India was $4.66 / MMbtu GCV ($5.18 / MMbtu NCV) for April 1, 2015 to September 30, 2015 and $3.82 / MMbtu GCV ($4.24 / MMbtu NCV) for October 1, 2015 to March 31, 2016. For the 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 notified price for natural gas sales from the D6 Block in India for April 1, 2016 to September 30, 2016 is $3.06 / MMbtu GCV ($3.40 / MMbtu NCV), approximately 20 percent lower than the earlier price before adoption of the New Domestic Natural Gas Guidelines, effective November 1, 2014.
- The average price for oil and condensate sales from the D6 Block for fiscal 2016 decreased by approximately 45 percent compared to fiscal 2015 as a result of the decline in world oil prices.
- In March 2016, the GOI approved a proposal to grant marketing freedom to producers including pricing freedom for the gas to be produced from discoveries in high pressure-high temperature, deepwater and ultra-deepwater areas. The new guidelines apply to future discoveries as well as existing discoveries which had yet to commence commercial production as of January 1, 2016 (such as existing undeveloped discoveries in the D6 Block in India). The marketing freedom so granted would be capped by a ceiling price arrived at on the basis of landed price of alternative fuels. The landed price-based ceiling will be calculated every six months and applied prospectively for the next six months. The price data used for the calculation of the ceiling price shall be the trailing four quarters data with one quarter lag. The notified ceiling price for the period of April 1, 2016 to September 30, 2016 for gas produced from discoveries in high temperature-high pressure, deepwater, and ultra-deepwater areas that had not commenced production as of January 1, 2016 is $6.61 / MMbtu GCV.
- The operating committee of the D6 Block approved the submissions of declaration of commerciality reports for each of the MJ and Other Satellites discoveries for the review of the management committee of the D6 Block.
- In September 2015, the Company relinquished its interest in the NEC-25 block to the remaining interest holders.
- As at March 31, 2016, the site restoration program for the Surat block in India has been substantially completed.

Bangladesh

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

CAPITAL AND EXPLORATION EXPENDITURES

For the year ended March 31, 2016:

(thousands of US Dollars)	Property, plant and equipment[1]	Capital inventory	Exploration and evaluation assets[1][2]	Directly expensed exploration and evaluation costs[1][2]	Total
India and Bangladesh	22,896	-	5,512	452	28,860
Other	-	-	-	6,840	6,840
Total	22,896	-	5,512	7,292	35,700

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

India and Bangladesh

Capital and exploration expenditures in India and Bangladesh totaled $29 million for the year ended March 31, 2016. Development capital of $23 million related primarily to the completion and sidetrack of development wells in the D6 Block in India along with preparatory costs for the fiscal 2017 drilling programs in the D6 Block and in Block 9 in Bangladesh. Exploration and evaluation capital of $6 million related primarily to the cost of the DST programs on two discoveries in the D6 Block.

Other Exploration Areas

Capital and exploration expenditures outside of India and Bangladesh totaled $7 million for the year ended March 31, 2016 primarily related to fees due under the PSCs in Trinidad.

FINANCIAL HIGHLIGHTS

EBITDAX / Net Loss

The following table provides a reconciliation of EBITDAX from continuing operations to net loss from continuing operations.

	Three months ended March 31,		Year ended March 31,	
(thousands of US Dollars)	2016	2015	2016	2015
Oil and natural gas revenue	20,374	28,447	94,170	121,088
Production and operating expenses	(8,233)	(9,382)	(31,040)	(37,206)
General and administrative expenses	(1,565)	(1,760)	(8,403)	(9,875)
Finance and other income	946	511	2,155	6,638
Bank charges and other finance costs	(12)	(19)	(55)	(259)
Realized foreign exchange gain (loss)	(487)	563	292	331
EBITDAX from continuing operations(1)	**11,023**	**18,360**	**57,119**	**80,717**
Cash interest expense	(13,804)	(14,238)	(53,236)	(58,339)
Cash restructuring costs	(1,217)	(1,664)	(8,256)	(6,348)
Current income tax expense	-	-	(1)	(24)
Non-cash production and operating expenses	(17)	(91)	(82)	(595)
Depletion and depreciation expenses	(8,204)	(24,994)	(50,835)	(95,233)
Exploration and evaluation expenses	(524)	(56,643)	(8,320)	(73,232)
Non-cash restructuring (expense) recovery	194	-	548	(355)
Reversal of asset impairment (loss)	199,346	(215,435)	120,507	(270,189)
Share-based compensation recovery (expense)	(14)	(191)	(107)	592
Accretion expense	(761)	(2,301)	(11,836)	(122,556)
Non-cash other income	463	2,163	490	1,259
Gain (loss) on derivative	(6,032)	16,522	4,426	64,824
Interest due upon repayment	(3,160)	(4,434)	(11,521)	(12,278)
Unfulfilled exploration commitments expense	(54,180)	(74,640)	(54,180)	(74,640)
Unrealized foreign exchange gain (loss)	(5,523)	9,123	(418)	10,801
Deferred income tax recovery (expense)	(39,992)	14,015	(39,992)	10,456
Net profit (loss) from continuing operations	**77,598**	**(334,448)**	**(55,694)**	**(545,140)**

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

ANNUAL AND FOURTH QUARTER RESULTS OF CONTINUING OPERATIONS

Highlights for the fourth quarter and year ended March 31, 2016 in comparison to the fourth quarter and year ended March 31, 2015 are as follows:

Oil and natural gas revenue

Oil and natural gas revenue in the current quarter and year were lower than the same periods in the prior year primarily due to lower sales volumes and lower oil and natural gas prices. The natural gas price notified for the D6 Block in India was $4.66 / MMBtu GCV ($5.18 / MMBtu NCV) for April 1, 2015 to September 30, 2015 and $3.82 / MMBtu GCV ($4.24 / MMBtu NCV) for October 1, 2015 to March 31, 2016, compared to $5.05/ MMBtu GCV ($4.24 / MMBtu NCV) for November 1, 2014 to March 31, 2015 and $4.20 / MMBtu NCV prior to November 1, 2014.

Effective November 1, 2014, the D6 contractor group has been 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 higher of the revised price and the $4.20 / MMBtu NCV has been deposited to a gas pool account. Effective April 1, 2016, there will be no amounts deposited to the gas pool account since the price for the period of April 1, 2016 to September 30, 2016 of $3.06 / MMBtu GCV ($3.40 MMBtu / NCV) is lower than the earlier price of $4.20 / MMBtu NCV.

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 and lower insurance expenses in India.

General and administrative expenses

General and administrative expenses in the current quarter and year decreased compared to the same periods in 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 year decreased from the same periods in the prior year, primarily due to a lower outstanding principal on the Term Loan as $50 million of principal was repaid since the prior year, partially offset by default interest of 25 percent, effective September 2015, on outstanding cash interest payments. Interest due upon repayment relates to an additional D6 PIK interest of 5 percent accrued on the Term Loan effective June 2014. Refer to "Liquidity and Capital Resources" for additional details.

Restructuring costs

Cash restructuring costs in the current year increased compared to the prior year primarily due to increased advisory costs. A non-cash restructuring recovery in the current year resulted from the forfeiture of stock options pertaining to terminated 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 fees specified in PSCs in Trinidad. Exploration and evaluation expenses in the prior quarter and year were higher as expenses were primarily due to a $55 million write-off of costs related to certain undeveloped discoveries in the D6 and NEC-25 Blocks in India, in addition to higher obligations specified in PSCs in Trinidad.

Reversal of impairment (impairment expense)

In the current quarter, the Company recognized net reversal of impairment of $199 million compared to impairment losses totaling $215 million in the prior year quarter. The current quarter included a reversal of impairment in development and producing assets in the D6 cash generating unit ("CGU") totaling $201 million based on the Company's impairment test using estimated total proved plus probable reserves as at March 31, 2016. In addition, the Company reversed impairments totaling $7 million for exploration and evaluation costs on two discoveries in the D6 Block that transferred from exploration assets to development assets in the fourth quarter. Previously $5 million of these costs pertaining to drill stem tests ("DSTs") conducted on the two discoveries were impaired in the second quarter of fiscal 2016. The reversal impact was partially offset by impairments of inventory and receivables in India and Trinidad of $8 million and $1 million, respectively.

For the current year, net reversal of impairments of $121 million included the reversal of impairments of development and producing assets in the D6 CGU of $123 million, the reversal of exploration and evaluation impairments of $2 million related to two discoveries in the D6 Block, $3 million reversal related to the sale of its entire interests in the Guayaguayare Shallow and Deep PSCs in Trinidad, partially offset by $8 million of impairment loss recognized on inventory and receivables in India and Trinidad. Asset impairments of $270 million in the prior year included $207 million of reductions in the carrying values of the Company's exploration and evaluation and development and producing assets in India to the Company's estimate of value in use for these assets, arising from a lower natural gas and oil price environment and uncertainty of future natural gas prices in India. The Company also recognized impairment losses of $48 million related to exploration and evaluation assets in Trinidad, $10 million related to inventory in Trinidad, and $4 million related to receivables in India.

Unfulfilled exploration commitments

In the current quarter, the Company recognized a liability of $54 million for unfulfilled exploration commitments due in April 2016 for a PSC in Trinidad. In the prior year quarter, the Company recorded liabilities of $75 million for unfulfilled exploration commitments for PSCs in Trinidad.

Accretion expense

Accretion expense in the current quarter and year were lower 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, higher accretion expense primarily resulted from the Company's reclassification of the outstanding balances of its Term Loan and Convertible Notes from long-term to current liabilities and from repayment of $15 million on its contract settlement obligation.

Gain (loss) on derivative

In the current quarter, the Company recognized a loss of $6 million on revaluation of the Company's deferred obligation primarily due to the increase in proved and proved plus probable reserves. Year to date, the Company recognized a net $4 million gain on revaluation of the Company's deferred obligation primarily as a result of declines in forecasted natural gas prices.

Unrealized foreign exchange gain (loss)

Unrealized foreign exchange loss in the current quarter reflected the impact of the strengthening of the Canadian Dollar against the

US Dollar on Canadian Dollar denominated Convertible Notes along with impact of the weakening of the Indian Rupee against the US Dollar on Indian Rupee denominated restricted site restoration funds and income tax receivables. Unrealized foreign exchange gain in the prior year quarter and year reflected the impact of the weakening of the Canadian Dollar against the US Dollar on Canadian Dollar denominated Convertible Notes, partially offset by the impact of the weakening of the Indian Rupee against the US Dollar on Indian Rupee denominated restricted site restoration funds and income tax receivables.

Deferred income tax recovery (expense)

Deferred income tax expense in the current year resulted from the increase in the book value of assets of the D6 Block compared to the tax value of these assets. In the prior year, deferred income tax recovery related primarily to the reductions in the carrying value of the Company's assets in India.

SEGMENT PROFIT OF CONTINUING OPERATIONS

Segment highlights for the year ended March 31, 2016 in comparison to year ended March 31, 2015 are as follows:

India

	Year ended March 31,	
(thousands of US Dollars)	2016	2015
Natural gas revenue	63,555	74,292
Oil and condensate revenue	8,583	21,225
Royalties	(3,631)	(4,653)
Government share of profit petroleum	(687)	(1,431)
Production and operating expense	(22,070)	(27,724)
Depletion and depreciation expense	(43,831)	(88,995)
Reversal of asset impairment (loss)	118,761	(211,538)
Exploration and evaluation expense	(1,254)	(62,713)
Gain from asset disposal	-	626
Current tax expense	-	(24)
Deferred income tax (expense) recovery	(39,992)	10,456
Segment profit (loss)(1)	79,434	(290,479)
Daily natural gas sales (Mcf/d)	37,598	43,606
Daily oil and condensate sales (bbls/d)	513	714
Operating costs ($/Mcfe)	1.48	1.56
Depletion rate ($/Mcfe)	2.77	4.76

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

Natural gas revenue in the current year decreased compared to the prior year primarily as a result of lower sales volumes and lower natural gas prices for the D6 Block. The natural gas price notified for the D6 Block was $4.66 / MMBtu GCV for April 1, 2015 to September 30, 2015, and $3.82 / MMBtu GCV for October 1, 2015 to March 31, 2016 compared to $5.05/ MMBtu GCV for the period of November 1, 2014 to March 31, 2015 and $4.20 / MMBtu NCV prior to November 1, 2014.

Oil and condensate revenue in the current year decreased compared to 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 in the current year decreased compared to the prior year due to the impact of lower revenues.

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

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

During fiscal 2016, exploration and evaluation costs of $5 million related to the DST programs on two discoveries (the "Other Satellites") in the D6 Block were initially impaired. As at March 31, 2016, significant proved and proved plus probable reserves related to MJ and Other Satellite discoveries were assigned to the D6 Block by the Company's independent reserve evaluator. As such, the Company recognized a reversal of the impairment totalling $7 million related to the costs of the initial drilling of the Other Satellites and the DSTs, and reclassified $42 million of costs relating to MJ and Other Satellites exploration and evaluation assets to development. For the evaluation of development and producing assets of the D6 Block, the Company determined the value in use based on the net present value of the cash flows from each CGU using estimates of total proved plus probable reserves evaluated by independent reserve evaluators along with the associated year end commodity price forecast and estimated market pre-tax discount rates between 12 and 15 percent to consider risks specific to the assets. Asset impairment reversal of $119 million in the current year was contributed by a reversal of impairment in developing and producing assets in the D6 CGU of $123 million resulting from significant undeveloped proved and probable reserves for the MJ field and Satellites, as evaluated by the independent reserves evaluator along with the increases in the forecasted future natural gas prices for gas produced from discoveries in high pressure-high temperature, deepwater and ultra-deepwater areas in accordance with the GOI's New Guidelines issued in March 2016, partially offset by lower forecasted future natural gas prices for the producing D1 D3 and MA fields. In the current year, the Company also recognized impairment losses on inventory and receivables in the D6 Block of $7 million.

Deferred income tax expense in the current year resulted from the increase in the book value of assets of the D6 Block compared to the tax value of these assets.

Bangladesh

	Year ended March 31,	
(thousands of US Dollars)	2016	2015
Natural gas revenue	52,095	54,005
Condensate revenue	2,712	5,646
Government share of profit petroleum	(28,474)	(28,044)
Production and operating expense	(9,039)	(10,075)
Depletion and depreciation expense	(6,561)	(5,669)
Exploration and evaluation expense	(18)	(234)
Segment profit(1)	10,715	15,629
Daily natural gas sales (Mcf/d)	61,430	63,831
Daily condensate sales (bbls/d)	167	188
Operating costs ($/Mcfe)	0.36	0.41
Depletion rate ($/Mcfe)	0.28	0.24

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

Natural gas revenue for the current year decreased compared to the prior year due to lower sales volumes. Condensate revenue for the current year decreased compared to the prior year due to lower condensate volumes and lower prices. As a result of a stay order (until September 2016) issued by the Supreme Court of Bangladesh, High Court Division on any kind of benefit given by the GOB, Petrobangla or Bapex to NRBL or Niko or any of its affiliates or subsidiaries, including payments made for gas supplied from the Block 9 PSC, approximately $2 million of revenue for natural gas and condensate supplied from the Block 9 PSC in March 2016 was withheld by Petrobangla, with the amount withheld equivalent to the 60 percent share in the Block 9 PSC held by Niko Block 9, a separate indirect subsidiary of the Company. Refer to notes 33(a) and 34 of the audited consolidated financial statements for the year ended March 31, 2016.

The government share of profit petroleum for the current year increased slightly from the prior year as past unrecovered allowable costs were fully recovered in 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 sales revenues.

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

Other Exploration Areas

	Year ended March 31,	
(thousands of US Dollars)	2016	2015
Finance and other income	-	4,183
Exploration and evaluation expenses	(7,048)	(10,285)
Production and operating expense	(13)	(2)
Depreciation expense	(111)	(130)
Asset impairment reversal (expense)	1,746	(58,651)
Restructuring cost	-	(20)
Unfulfilled exploration commitment expense	(54,180)	(74,640)
Segment loss(1)	(59,606)	(139,545)

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

Exploration and evaluation expenses in the current year are primarily related to fees specified in various PSCs in Trinidad. Exploration and evaluation expenses were lower compared to the prior year primarily due to a significant reduction in exploration activities in Trinidad and Brazil as the Company continues to focus on development and producing assets in India and Bangladesh.

In the current year, 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. The reversal was partially offset by an impairment loss on receivables of $1 million.

In the current quarter, the Company recognized a liability of $54 million for unfulfilled exploration commitments due in April 2016 for a PSC in Trinidad. In the prior year quarter, the Company recorded liabilities of $75 million for unfulfilled exploration commitments for PSCs in Trinidad.

Corporate

	Year ended March 31,	
(thousands of US Dollars)	2016	2015
Finance and other income	2,645	3,088
General and administrative expenses	(8,403)	(9,875)
Share-based compensation recovery / (expense)	(107)	592
Restructuring cost	(7,708)	(6,683)
Finance expense	(76,648)	(193,432)
Gain on derivative	4,426	64,824
Foreign exchange (loss) gain	(126)	11,132
Other operating expense	(315)	(391)
Income tax expense	(1)	-
Segment loss(1)	(86,237)	(130,745)

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

General and administrative expenses

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 year increased compared to the prior year primarily due to increased advisory costs.

Finance expense

	Year ended March 31,	
(thousands of US Dollars)	2016	2015
Interest expense	64,757	70,617
Accretion expense	11,836	122,556
Bank charges and other finance costs	55	259
Finance expense	76,648	193,432

Interest expense for the current year decreased compared to the prior year primarily due to principal repayments of $50 million made on the Term Loan since the prior year, partially offset by default interest of 25 percent, effective September 2015, on outstanding cash interest payments. Interest expense includes accrued D6 PIK interest of 5 percent due upon maturity of the Term Loan, of which a payment of $1 million was made in the first quarter of fiscal 2016 in connection with a principal repayment. Refer to "Liquidity and Capital Resources" for details.

Accretion expense in the current year is related to decommissioning liabilities and deferred royalty obligation. Accretion expense in the current year significantly decreased compared to the prior year as 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, higher accretion expense resulted from the accelerated impact of the Company's reclassification of the outstanding balances of its Term Loan and Convertible Notes from long-term to current liabilities and from repayment of $15 million on the contract settlement obligation.

Gain (loss) on derivative

In the fourth quarter, the Company recognized a loss of $6 million on revaluation of the Company's deferred obligation primarily due to the increases in the proved plus probable reserves and forecasted natural gas prices for undeveloped discoveries in the D6 Block. Year to date, the Company recognized a net $4 million gain on revaluation of the Company's deferred obligation primarily as a result of declines in the forecasted future natural gas prices for the producing D1 D3 and MA fields in the D6 Block, partially offset by the increases in the proved plus probable reserves and forecasted natural gas prices for undeveloped discoveries in the D6 Block.

Foreign Exchange

(thousands of US Dollars)	Year ended March 31, 2016	2015
Realized foreign exchange gain	(292)	(331)
Unrealized foreign exchange loss / (gain)	418	(10,801)
Total foreign exchange loss / (gain)	126	(11,132)

Unrealized foreign exchange loss in the current year reflected an unrealized loss from 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, partially offset by an unrealized gain from the impact of the weakening of the Canadian Dollar against the US Dollar on Canadian Dollar denominated Convertible Notes.

ANNUAL AND FOURTH QUARTER RESULTS OF DISCONTINUED OPERATIONS

In fiscal 2016, the Company reclassified the Indonesia and Pakistan operating segments as discontinued operations. The discontinued segment includes the results of all of the Company's subsidiaries that previously owned interests in PSCs in Indonesia and Pakistan.

Net loss from the discontinued operations for the year ended March 31, 2016 and 2015 is as follows:

	Three months ended March 31,		Year ended March 31,	
(thousands of US Dollars)	2016	2015	2016	2015
Other income	-	355	736	358
Expenses				
Foreign exchange gain / (loss)	-	198	(82)	448
Depletion and depreciation expenses	-	(1,243)	-	(1,361)
Exploration and evaluation expenses	-	899	(223)	(12,426)
Restructuring costs	(131)	(120)	(733)	(635)
Asset impairment reversal (expense)	(207)	15,990	(7,592)	2,738
Unfulfilled exploration commitments expense	-	(116,896)	(22,214)	(116,896)
Net loss from discontinued operations	(338)	(100,817)	(30,108)	(127,774)

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

Asset impairment in the current year is primarily related to the impairment of joint operating receivables. Net asset impairment reversal in the prior year reflected a $23 million reversal related to the realizable value of the four PSCs sold early in fiscal 2016, partially offset by $13 million impairment loss related to capital inventory and $7 million of impairment loss relating to joint operating receivables.

Unfulfilled exploration commitments expense in the current year included $22 million of unexpired commitments that was recognized upon classification of discontinued operations and upon relinquishment of all PSCs in Indonesia. In the prior year, $117 million of unfulfilled exploration commitment expense was recognized for six PSCs in Indonesia that had expired commitments and were not granted extensions.

SELECTED ANNUAL INFORMATION

The selected annual information provides comparatives for the three most recently completed financial years, including the variations resulting from discontinued operations in Indonesia and Pakistan.

			Year ended March 31,
(thousands of US Dollars)	2016	2015	2014
Net Loss[1]			
Continuing Operations	55,694	545,140	162,184
Discontinued Operations	30,108	127,774	494,822
Weighted average number of shares[1]			
Basic and Diluted	94,049,614	93,634,465	90,712,938
Loss per share[1]			
Basic and diluted – continuing operations	$ 0.59	$ 5.83	$ 2.14
Basic and diluted – discontinued operations	$ 0.32	$ 1.36	$ 6.53
Basic and diluted – total	$ 0.91	$ 7.19	$ 8.67
Total assets[1]	475,326	454,654	984,591
Total current liabilities[1]	847,824	761,894	209,829
Total long-term liabilities[1]	115,953	95,436	510,512

(1) The results for the three most recently completed financial years were prepared in accordance with IFRS and presented in US Dollars.

Net loss from continuing operations over the last three years reflect the recognition of asset impairments in fiscal 2014 and fiscal 2015, recognition of liabilities for unfulfilled exploration commitments in fiscal 2015 and fiscal 2016, partially offset by net reversals of impairment in fiscal 2016.

The declining trend of net loss from discontinued operations is primarily related to the reduction of exploration activities in Indonesia over the past three years. In fiscal 2014, the Company recognized $478 million of asset impairment on exploration and evaluation assets and capital inventory and in fiscal 2015, the Company recognized liabilities of $117 million for unfulfilled exploration commitments in Indonesia.

Total assets over the last three years reflect the recognition of asset impairments in fiscal 2014 and fiscal 2015, partially offset by net reversals of impairment in fiscal 2016. Current liabilities in fiscal 2015 and fiscal 2016 reflect the recognition of unfulfilled exploration commitments in Indonesia and Trinidad in these years. Current and long-term liabilities over the past three years also reflect the reclassification from long-term to current of the Term Loan and Convertible Notes in fiscal 2015 and contract settlement obligation in fiscal 2016 as a result of defaults under the terms of the agreements underlying these liabilities. The liabilities under the Term Loan and Convertible Notes that are presently disclosed as current will be reclassified back to long-term upon execution of the Amendments as described under "Liquidity and Capital Resources".

SUMMARY OF QUARTERLY RESULTS

	Three months ended							
(thousands of US Dollars)	Mar 31, 2016	Dec 31, 2015	Sept 30, 2015	Jun 30, 2015	Mar 31, 2015	Dec 31, 2014	Sept 30, 2014	Jun 30, 2014
Oil and natural gas revenue[1]	20,373	22,175	24,943	26,679	28,447	29,009	28,471	35,161
Net income (loss)[1]								
Continuing operations	77,600	(27,213)	(76,426)	(29,655)	(334,448)	(126,469)	(34,771)	(49,453)
Discontinuing operations	(338)	3,512	(33,631)	349	(100,816)	(17,063)	(4,402)	(5,490)
Total	77,262	(23,701)	(110,057)	(29,306)	(435,264)	(143,532)	(39,173)	(54,943)
Per share - basic and diluted[1]								
Continuing operations	0.82	(0.29)	(0.81)	(0.31)	(3.56)	(1.35)	(0.37)	(0.53)
Discontinuing operations	0.00	0.04	(0.36)	(0.00)	(1.07)	(0.18)	(0.05)	(0.06)
Total	0.82	(0.25)	(1.17)	(0.31)	(4.63)	(1.53)	(0.42)	(0.59)

(1) The results for the eight most recent quarters were prepared in accordance with IFRS and presented in US Dollars.

Fourth Quarter Analysis
In the quarter ended March 31, 2016, net loss from continuing operations resulted primarily from the continuing impact of lower oil and natural gas revenues. The Company also recognized a net asset impairment reversal of $199 million primarily related to the D6 Block in India, offset by $54 million of unfulfilled exploration commitments in Trinidad, $40 million deferred income tax expense related to India and $6 million loss on derivative based on revaluation of the Company's deferred obligation in the D6 Block as at March 31, 2016. An unrealized foreign exchange loss of $6 million was experienced in the fourth quarter due to the impact of the strengthening of the Canadian Dollar against the US Dollar on Canadian Dollar denominated Convertible Notes.

Quarterly Analysis
Oil and natural gas revenue fluctuated throughout the last eight quarters based on a number of underlying factors. Production has naturally declined in India, partially offset by development activities in India. 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, oil prices in the market have been declining 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, asset impairments or reversals based on management's estimate of recoverability on the Company's assets, and recognition of liabilities for unfulfilled exploration commitments. Key highlights include:

- In the quarter ended March 31, 2016, net loss from continuing operations resulted from the continuing impact of lower oil and natural gas revenues and recognition of $54 million of liabilities for unfulfilled exploration commitments in Trinidad, offset by an asset impairment reversal of $201 million in the D6 Block in India. The Company also recognized loss on derivative of $6 million in the fourth quarter based on evaluation of its reserves in the D6 Block as at March 31, 2016. Unrealized foreign exchange loss of $6 million was experienced due the strengthening of the Canadian Dollar against the US Dollar on Canadian Dollar denominated Convertible Notes in the quarter.
- 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 the termination of an 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 operating 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 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 in 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 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.

OUTSTANDING SHARE DATA

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

	March 31, 2016		June 28, 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	1,199,067	-	492,776	-

(1) Equals the amount received in Canadian Dollars for common shares issued. The US Dollar equivalent at March 31, 2016 and at June 28, 2016 is $1,366,868,061.

OFF BALANCE SHEET ARRANGEMENTS

The Company has no off balance sheet arrangements as at March 31, 2016.

RELATED PARTIES

Key management of the Company includes its directors and executive officers (Chief Executive Officer, Chief Financial Officer and Chief Operating Officer). Non-management directors receive an annual fee and participate in the Company's stock option program. The Chief Executive Officer receives a salary, and is eligible for a discretionary bonus under the terms of the employment agreement. The Chief Financial Officer and Chief Operating Officer receive a salary, are eligible for an annual bonus and participate in the Company's stock option program. The Company does not have other short-term benefits, defined contribution plans or defined benefit plans and does not provide post-employment benefits.

Key management compensation includes the following:

(thousands of US Dollars)	Year ended March 31, 2016	Year ended March 31, 2015
Annual fee for non-management directors(1)	270	398
Executive officers – salaries, bonuses and other benefits(1)	2,384	2,557
Share-based payments	-	139
	2,654	3,094

(1) Amounts are based on cash payments made during the year ended March 31, 2016 and March 31, 2015 respectively.

SUBSEQUENT EVENTS

ICSID Payment Claim

In May 2016, the Tribunals issued its Third Decision on the Payment Claim filed by NRBL against Petrobangla and decided that Petrobangla shall pay approximately $35 million for gas delivered between November 2004 and April 2010 and accrued interest to NRBL forthwith and free of any restrictions. There is no assurance that Petrobangla will comply with the decision of the Tribunals. Refer to Note 33(a) of the Company's audited consolidated financial statements for the year ended March 31, 2016.

Bangladesh Lawsuits

In May 2016, a writ petition was filed before the Supreme Court of Bangladesh, High Court Division relating to the Feni GPSA and the JVA for the Feni and Chattak fields in Bangladesh. Pending resolution of the writ petition, the Court issued a Stay Order for a period of one month on any kind of benefit given by the GOB, Petrobangla or Bapex to NRBL or Niko or any of its affiliates or subsidiaries, including payments made for gas supplied from the Block 9 PSC. The Court subsequently extended the Stay Order until September 2016. In June 2016, Petrobangla paid reduced amounts to the operator of the Block 9 PSC for invoiced amounts due for gas and condensate supplied from the Block 9 PSC in March 2016, with the approximately $2 million withheld by Petrobangla equivalent to the 60 percent share in the Block 9 PSC held by Niko Block 9, a separate indirect subsidiary of the Company. The Company continues to vigorously pursue its rights in these matters. Refer to Note 33(a) of the Company's audited consolidated financial statements for the year ended March 31, 2016.

FINANCIAL INSTRUMENTS

The Company has the following financial assets and financial liabilities: cash and cash equivalents, trade and other receivables, long-term receivables, accounts payable and accrued liabilities, long-term liabilities, Term Loan and Convertible Notes.

The Company's deferred obligation as at March 31, 2016 has been assessed on the fair value hierarchy and has been classified as a Level 3 instrument. The fair value of the deferred obligation was based on estimates of production volumes and prices included in the reserve report for the D6 Block. For the year ended March 31, 2016, a gain on derivative of $4 million (March 31, 2015 – $65 million) resulted from the changes in estimated future production and prices.

The debt component of the Convertible Notes has been recorded net of the fair value of the conversion feature. The fair value of the conversion feature of the notes is included in shareholders' equity at the date of issue. The fair value of the conversion feature of the notes was determined based on the discounted future payments using a discount rate of a similar financial instrument without a conversion feature compared to the fixed rate of interest on the notes.

The Company is subject to the exposure of credit, liquidity and market risk. A detailed description of the Company's financial instruments is included in note 19 to the audited consolidated financial statements for the year ended March 31, 2016.

DISCLOSURE CONTROLS AND INTERNAL CONTROLS OVER FINANCIAL REPORTING

The Company's Chief Executive Officer and the Vice President, Finance 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 and 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 the Vice President, Finance and Chief Financial Officer have designed, or caused to be designed under their supervision, DC&P to provide reasonable assurance that the information required to be disclosed by the Company in its annual filings, interim filings or other reports filed or submitted by it under securities legislation is recorded, processed, summarized and reported within the time periods specified in the securities legislation and include controls and procedures designed to ensure that information required to be disclosed by an issuer in its annual filings, interim filings or other reports filed or submitted under securities legislation is accumulated and communicated to the Company's management, including its Chief Executive Officer and Vice President, Finance and Chief Financial Officer, as appropriate to allow timely decisions regarding required disclosure. The Chief Executive Officer and the Vice President, Finance and Chief Financial Officer applied the COSO 2013 Framework set forth by the Committee of Sponsoring Organizations ("COSO"). As at March 31, 2016, the Chief Executive Officer and the Vice President, Finance and Chief Financial Officer evaluated Company's DC&P and ICFR, and concluded that the Company's DC&P and ICFR was effective as at March 31, 2016.

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 application of 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 2014, 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.

IFRS 16 – Leases

In January 2016, IASB issued IFRS 16 – Leases. IFRS 16 provides a single lessee accounting model, requiring lessees to recognise assets and liabilities for all leases unless the lease term is twelve months or less or the underlying asset has a low value. The new standard is effective for periods beginning on or after January 1, 2019. The Company is currently assessing the impact of adopting this new standard on its audited 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 audited consolidated financial statements of the Company. In the past two financial years, changes to the Indian natural gas pricing formula have materially impacted accounting estimates used in pricing forecasts of oil and natural gas reserves in the D6 Block and asset impairment calculations for the D6 CGU. In fiscal 2016, a reversal of impairment of $123 million recognized on developing and producing assets in the D6 CGU reflected increases in the forecasted future natural gas prices on gas produced from discoveries in high pressure-high temperature, deepwater and ultra-deepwater areas in accordance with the GOI's New Guidelines in March 2016 and significant additions of the estimated undeveloped proved and probable reserves for the MJ and Other Satellite discoveries, as evaluated by the independent reserves evaluator in March 2016. In contrast, the Company recorded $207 million of asset impairment on developing and producing assets in the D6 CGU in fiscal 2016 as a result of the declining forecasted natural gas prices in India.

Significant estimates and judgements made by management are described below.

Pricing Forecasts
The Company uses forecasted commodity prices for the assumptions in evaluating oil and gas reserves, asset impairment, and derivatives on deferred obligations. Forecasted commodity prices are based on estimates from reserve evaluators in addition to current applicable gas prices. The gas prices for currently producing fields in the D6 Block in India are to be determined on a semi-annual basis and 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.

In March 2016, the GOI approved a proposal to grant marketing freedom to producers including pricing freedom for the gas to be produced from discoveries in high pressure-high temperature, deepwater and ultra-deepwater areas. The New Guidelines apply to future discoveries as well as existing discoveries which had yet to commence commercial production as of January 1, 2016 (such as existing undeveloped discoveries in the D6 Block in India). The marketing freedom so granted would be capped by a ceiling price arrived at on the basis of landed price of alternative fuels. The landed price-based ceiling will be calculated every six months and applied prospectively for the next six months. The price data used for the calculation of the ceiling price shall be the trailing four quarters data with one quarter lag. The notified ceiling price for the period of April 1, 2016 to September 30, 2016 for gas produced from discoveries in high temperature-high pressure, deepwater, and ultra-deepwater areas that had not commenced production as of January 1, 2016 is $6.61 / MMbtu GCV.

The following commodity price estimates were used for the Company's oil and gas reserves:

Year ending March 31,	**India natural gas – producing fields ($/MMbtu)**	**India natural gas – undeveloped discoveries ($/MMbtu)**	**Bangladesh natural gas ($/Mcf)**	**Brent crude ($/bbl)[(1)]**
2017	2.82	6.12	2.32	47.50
2018	2.22	5.73	2.32	53.83
2019	2.72	6.72	2.32	61.59
2020	2.99	7.68	2.32	70.83
2021	3.26	8.84	2.32	79.71
Average thereafter	5%	3%	0%	2%

(1) Crude oil and condensate prices used for Bangladesh and India evaluations are benchmarked to the world Brent crude prices.

Oil and Natural Gas Reserves
Reserve estimates can have a significant effect on net earnings as a result of their impact on the depletion rate, provisions for decommissioning obligations and asset impairments. An independent qualified reserves evaluator estimates the quantity of oil and natural gas reserves on an annual basis. The estimation of reserves is an inherently complex process requiring significant judgments. Estimates of economically recoverable oil and gas reserves and future cash flows from those reserves are based on a number of variables and assumptions such as geological interpretation, commodity prices, operation and capital costs and production forecasts, all of which may vary considerably from actual results. These estimates are expected to be revised upward or downward over time, as additional information such as reservoir performance becomes available, or as economic conditions change.

Depletion, Depreciation and Amortization
The net carrying value of producing assets are depleted using the unit-of-production method by reference to the ratio of production in the year to the related total proved reserves of oil and natural gas reserves. Revisions to reserve estimates and the associated future cash flows could significantly increase or decrease depletion expense charged to net income/loss. Accordingly the impact to the audited consolidated financial statements in future periods could be material. The Company's property, plant and equipment is depreciated based upon estimates of useful lives and salvage values.

Asset Impairment
At the end of each reporting period, the Company assesses whether there is any indication that an asset may be impaired or require a reversal of previously recorded impairments. If any such indication exists, the Company estimates the recoverable amount of the asset. Events and circumstances may change resulting in indicators of impairment in future periods that could result in a material impairment. Exploration and evaluation assets are tested for impairment when facts and circumstances suggest that the carrying amount of exploration and evaluation assets may exceed their recoverable amount, by comparing the relevant costs to the fair value or value in use.

The recoverability of development and producing asset carrying values is assessed at the CGU level. Determination of what constitutes a CGU is subject to management judgements and the circumstances. The Company allocates costs to a CGU based on geographic location, shared infrastructure, and common geological and geophysical characteristics. In general, the Company has determined that each PSC constitutes a CGU. In assessing the recoverability of these assets, each CGU's carrying value is compared to its recoverable amount, defined as the greater of its fair value less cost to sell and value-in-use. The determination of the value-in-use of CGUs requires the use of assumptions and estimates including future commodity prices, quantity of reserves and expected production volumes, asset retirement obligations, future development and production costs, and discount rates. Changes in the assumptions used in determining the recoverable amount could affect the carrying value of the related assets and CGU.

Exploration and evaluation assets
Reclassification and transfer of assets from exploration and evaluation to development and producing assets is based on management's judgement and assessment of technical feasibility and commercial viability. The technical feasibility and commercial viability of extracting a resource is considered to be determinable based on several factors including the assignment of proven and probable reserves, completion of drilling, testing and resource assessments by third party reservoir engineers.

Decommissioning Obligations
In accounting for the decommissioning obligation, the Company makes assumptions regarding the timing and the amount of reclamation and abandonment expenditures, inflation and discount rates. The estimates are reviewed at the end of each reporting period.

Share-Based Compensation
The fair value of share-based compensation is calculated using the Black-Scholes option pricing model which is based on significant assumptions such as share price volatility, expected life, dividends yields, risk-free interest rates and expected forfeiture rates.

Income Taxes
The Company estimates current and deferred income taxes based on interpretation and judgement in applying tax laws in the various jurisdictions in which it operates and pays income taxes. Tax interpretations, regulations and legislation in the various jurisdictions in which the Company operates are subject to change. Determination of income taxes is subject to measurement uncertainty. Management makes certain judgements in estimating the timing of temporary difference reversals and the realization of deferred tax assets. Deferred income tax assets are assessed by management at the end of the reporting period to determine the likelihood that they will be realized from future taxable earnings.

Contingencies
Contingencies are subject to measurement uncertainty as the related financial impact will only be confirmed by the outcome of a future event. The assessment of contingencies requires the application of judgements and estimates including the determination of whether a present obligation exists and the reliable estimation of the timing and amount of cash flows required to settle the contingency.

For a complete discussion of the critical accounting estimates, refer to note 5 of the audited consolidated financial statements for the year-ended March 31, 2016, available on SEDAR at www.sedar.com.

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;
- The ability for the strategic plan to be accomplished at all or on a timely basis;
- The ability seek a resolution with the Diamond parties under the Diamond Settlement Agreement;
- The Company's ability to comply with the terms under the Term Loan and Convertible Notes;
- The outcome of the Company's defaults under the Convertible Notes, the Facilities Agreement, and Diamond Settlement Agreement;
- No assurance that debt or equity financing or cash generated by operations will be sufficient or available to meet obligations for exploration, development, and production 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);
- The Company's ability to fund its operating capital budgets if the Company were to lose key customers;
- The Company's ability to obtain appropriate and timely approvals from government authorities for exploration and development activities;
- Changes in capital markets and uncertainties 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;
- Future oil and natural gas prices are subject to fluctuations in the market including the future long-term natural gas price outlook in India which could result in deferral of development plans, relinquishment of interests and material adverse

effect on the Company's operations and financial condition;

- Adverse operating risks associated with the oil and natural gas operations including hazards and injury;
- Adverse factors including climate and geographical conditions, weather conditions, environmental and labour disputes;
- Fluctuations in foreign exchange rates that impact the Company's non-US Dollar transactions;
- Changes in taxation policies, taxation laws and interpretations thereof;
- 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 2016 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 March 31, 2016 are described in note 33 of the audited consolidated financial statements for the year ended March 31, 2016.

INDEPENDENT AUDITORS' REPORT

To the Shareholders of Niko Resources Ltd.

We have audited the accompanying consolidated financial statements of Niko Resources Ltd., which comprise the consolidated statements of financial position as at March 31, 2016 and March 31, 2015, the consolidated statements of comprehensive loss, changes in shareholders' deficit and cash flows for the years then ended, and notes, comprising a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements
Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility
Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained in our audits is sufficient and appropriate to provide a basis for our audit opinion.

Opinion
In our opinion, the consolidated financial statements present fairly, in all material respects, the consolidated financial position of Niko Resources Ltd. as at March 31, 2016 and March 31, 2015, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with International Financial Reporting Standards.

Emphasis of Matter
Without modifying our opinion, we draw attention to Note 2 in the consolidated financial statements which describes matters and conditions that indicate the existence of material uncertainties that may cast significant doubt about Niko Resources Ltd.'s ability to continue as a going concern.

(Signed) "KPMG LLP"
Chartered Professional Accountants
Calgary, Canada
June 28, 2016

AUDITED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

(thousands of US Dollars)	As at March 31, 2016	As at March 31, 2015
Assets		
Current assets		
Cash and cash equivalents	37,074	59,636
Restricted cash (note 7)	21,059	37,559
Accounts receivable (note 8)	15,165	29,871
Inventories (note 10)	4,167	7,892
Exploration assets held for sale (note 11)	-	22,936
	77,465	157,894
Restricted cash (note 7)	9,100	8,343
Long-term accounts receivable (note 9)	6,571	5,111
Exploration and evaluation assets (note 12)	4,768	37,321
Property, plant and equipment (note 13)	346,339	214,462
Income tax receivable (note 27)	31,083	31,523
	475,326	454,654
Liabilities		
Current liabilities		
Accounts payable and accrued liabilities (note 14)	174,200	153,968
Unfulfilled exploration commitments obligation (note 15)	267,927	191,536
Current portion of long-term debt (notes 2 and 16)	371,017	390,837
Current portion of long-term liabilities (note 17)	33,165	22,538
Current portion of decommissioning obligations (note 18)	290	1,785
Current tax payable	1,225	1,230
	847,824	761,894
Decommissioning obligations (note 18)	44,711	42,507
Long-term debt (notes 2 and 16)	14,010	22,586
Long-term liabilities (note 17)	17,240	30,343
Deferred tax liabilities (note 27)	39,992	-
	963,777	857,330
Shareholders' Deficit		
Share capital (note 20)	1,366,867	1,366,605
Contributed surplus	143,114	143,299
Equity component of convertible notes (note 16(c))	23,182	23,232
Currency translation reserve	2,147	2,147
Deficit	(2,023,761)	(1,937,959)
	(488,451)	(402,676)
	475,326	454,654

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

Approved on behalf of the Board,

(Signed) "Kevin J. Clarke"
Kevin J. Clarke
Chairman of the Board, Interim Chief Executive Officer

(Signed) "E. Alan Knowles"
E. Alan Knowles
Chairman of the Audit Committee, Director

AUDITED CONSOLIDATED STATEMENTS OF COMPREHENSIVE LOSS

	Year ended March 31,	
(thousands of US Dollars)	2016	2015
Oil and natural gas revenue (note 21)	94,170	121,088
Production and operating expenses	(31,122)	(37,801)
General and administrative expenses	(8,403)	(9,875)
Finance and other income (note 23)	2,645	7,897
Finance expense (note 24)	(76,648)	(193,432)
Foreign exchange gain (loss)	(126)	11,132
Depletion and depreciation expenses (note 13)	(50,835)	(95,233)
Exploration and evaluation expenses (note 22)	(8,320)	(73,232)
Share-based compensation recovery (expense) (note 20)	(107)	592
Restructuring costs (note 25)	(7,708)	(6,703)
Reversal of asset impairment (loss) (note 26)	120,507	(270,189)
Unfulfilled exploration commitments expense (notes 15 and 32)	(54,180)	(74,640)
Gain on derivative (note 17(b))	4,426	64,824
Loss before income tax from continuing operations	(15,701)	(555,572)
Income tax expense (note 27)	(1)	(24)
Deferred income tax recovery (expense) (note 27)	(39,992)	10,456
Income tax recovery (expense) from continuing operations	(39,993)	10,432
Net loss from continuing operations	(55,694)	(545,140)
Net loss from discontinued operations (note 28)	(30,108)	(127,774)
Total net loss and comprehensive loss	(85,802)	(672,914)
Loss per share (note 29)		
Basic and diluted – continuing operations	(0.59)	(5.83)
Basic and diluted – discontinued operations	(0.32)	(1.36)
Loss per share, basic and diluted	(0.91)	(7.19)

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

AUDITED CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' DEFICIT

(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	-	-	51	-	-	-	51
Conversion of unsecured notes	3,306,234	5,937	-	-	-	-	5,937
Net loss for the year	-	-	-	-	-	(672,914)	(672,914)
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	-	-	(235)	-	-	-	(235)
Conversion of convertible notes	30,442	262	50	-	(50)	-	262
Net loss for the year	-	-	-	-	-	(85,802)	(85,802)
Balance, March 31, 2016	94,049,614	1,366,867	143,114	2,147	23,182	(2,023,761)	(488,451)

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

AUDITED CONSOLIDATED STATEMENTS OF CASHFLOWS

(thousands of US Dollars)	Year ended March 31, 2016	2015
Cash flows from operating activities:		
Net loss from continuing operations	(55,694)	(545,140)
Adjustments for:		
Depletion and depreciation expenses	50,835	95,233
Accretion expense	11,836	122,556
Deferred income tax (recovery) expense	39,992	(10,456)
Unrealized foreign exchange (gain) loss	418	(10,801)
Asset impairment (reversal) (note 26)	(120,507)	270,189
Exploration and evaluation write-off (note 12)	150	63,303
Share-based compensation expense (recovery)	118	(311)
Restructuring costs (recovery) (note 25)	(548)	355
Other income	(490)	(1,259)
Gain on derivative and investment (note 17(b))	(4,426)	(64,824)
Release of restricted cash	-	8,701
Interest due upon repayment of term loan facilities (note 16(a))	11,521	12,278
Unfulfilled exploration commitments expense (notes 15 and 32)	54,180	74,640
Change in non-cash working capital	48,695	3,784
Change in long-term accounts receivable	(1,508)	(5,053)
Cash from operating activities from continuing operations	34,572	13,195
Cash used in operating activities from discontinued operations	(437)	(17,702)
Net cash from (used in) operating activities	34,135	(4,507)
Cash flows from investing activities:		
Exploration and evaluation expenditures	(5,512)	(15,307)
Property, plant and equipment expenditures	(22,113)	(35,279)
Proceeds from asset sales, net of costs	393	63,523
Contribution of restricted cash (note 7)	(1,225)	(2,638)
Release of restricted cash (note 7)	609	2,130
Change in non-cash working capital	(8,067)	(21,318)
Repayment of contract settlement obligation (note 17(a))	(3,767)	(20,250)
Cash used in investing activities from continuing operations	(39,682)	(29,139)
Cash from investing activities from discontinued operations	6,511	1,870
Net cash used in investing activities	(33,171)	(27,269)
Cash flows from financing activities:		
Proceeds from advances on long term debt, net of issuance costs (note 16)	-	(895)
Repayment of long-term debt (note 16)	(37,637)	(46,801)
Repayment of deferred obligation (note 17(b))	(889)	-
Contribution of restricted cash (note 7)	-	(27,875)
Release of restricted cash (note 7)	15,000	84,504
Net cash from (used in) financing activities	(23,526)	8,933
Change in cash and cash equivalents	(22,562)	(22,843)
Cash and cash equivalents, beginning of year	59,636	82,479
Cash and cash equivalents, end of year	37,074	59,636

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

NOTES TO THE AUDITED CONSOLIDATED FINANCIAL STATEMENTS

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 its core assets for a period of time with the goal of enhancing the value of such assets for the benefit of the Company's stakeholders.

Term Loan and Convertible Notes

As at March 31, 2016, the Company was in default of its interest payment obligations under its senior term loan facilities agreement (the "Facilities Agreement") and the indenture (the "Indenture") governing its 7 percent senior unsecured convertible notes due December 31, 2017 (the "Convertible Notes").

In March 2016, the Company executed a support agreement with institutional lenders (the "Lenders") holding more than 85 percent of its term loan facilities ("Term Loan") and support agreements with noteholders (the "Noteholders") holding more than 60 percent of the Convertible Notes. The support agreements included a term sheet reflecting the key terms of the new interim agreement (the "Fourth Amendment") that would amend the terms of the Facilities Agreement and outlined the amendments that are required to be made to the Indenture (the "Indenture Amendments") (collectively, the "Amendments"). The key terms of the Amendments are described in notes 16(a), 16 (c), 17(b), and 20(a). Subsequent to March 31, 2016, the Company announced that it had received executed support agreements from 100 percent of its Lenders.

In June 2016, the Company commenced a solicitation of consents from Noteholders to amend the Indenture and subsequently received consents from holders of the requisite amount of Notes. As soon as practicable, the Company expects to enter into the Fourth Amendment, formally amend the Indenture, and take such other steps as are necessary to give effect to the strategic plan. The implementation of the strategic plan remains subject to certain approvals, including the final approval of the Company's board of directors and the Toronto Stock Exchange. On the date (the "Implementation Date") that the Amendments become effective, the Company would not be required to make interest payments (including interest then owing) under the Facilities Agreement or the Indenture during the term of the Amendments (the "Hold Period"), other than in connection with waterfall distributions as set out in note 16(a) ("Waterfall Distribution"), and would no longer be in default of the amended Facilities Agreement or Indenture. No assurance can be made that the strategic plan can be accomplished at all or on a timely basis. The failure to complete a definitive agreement to give effect to the proposed amendment to the Term Loan could have a material adverse impact on the Company and its strategic plan.

Impact of the Amendments

Under the terms of the Amendments, on or prior to the Implementation Date, the Company would make a principal repayment of $12 million on the Term Loan, pay $1.5 million into escrow for payment of a consent fee to the Noteholders in July 2016, and withdraw $9.7 million from a reserve account required under the terms of the amended Facilities Agreement. As a result of the Amendments, liabilities of $402 million that were reflected as current liabilities as at March 31, 2016 would be reclassified to long-term liabilities on the Company's statement of financial position and $4 million of accrued default interest on the Term Loan and Convertible Notes as at March 31, 2016 will be recognized as a gain on the Company's statement of comprehensive income.

The Amendments would restrict the Company's ability to utilize potential proceeds from sales of assets, and settlement of insurance, arbitration and/or tax claims, as any proceeds from these types of transactions would be required to be distributed amongst the Lenders, the Noteholders and the Company pursuant to the Waterfall Distribution.

Funding of Projected Capital Expenditures for Planned Drilling Programs in the Producing Fields in India and Bangladesh

After giving effect to the transactions in the Amendments, the Company's cash balances as at March 31, 2016 and its projected cash flows from operating activities for fiscal 2017 would be expected to be sufficient to fund the projected capital expenditures related to planned drilling programs in the producing fields in India and Bangladesh in fiscal 2017, assuming its customers fully comply with the terms of the respective agreements for natural gas, crude oil and condensate sales from these producing fields (see discussion below on the Stay Order in Bangladesh) and assuming that the natural gas benchmark prices that are used in the pricing formula used to determine prices for natural gas sales from the producing fields in the D6 Block do not decline significantly from current levels.

Stay Order in Bangladesh

In May 2016, a writ petition was filed before the Supreme Court of Bangladesh, High Court Division (the "Court") by a citizen of Bangladesh against (i) the Government of Bangladesh (the "GOB"), (ii) Bangladesh Oil, Gas and Mineral Corporation ("Petrobangla"), (iii) Bangladesh Petroleum Exploration & Production Company Limited ("Bapex"), (iv) Niko Resources (Bangladesh) Ltd. ("NRBL") and (v) the Company. The writ petition relates to the Feni Gas Purchase and Sales Agreement (the "Feni GPSA") between Petrobangla and NRBL for the Feni gas field and the Joint Venture Agreement (the "JVA") between Bapex and NRBL for the Feni and Chattak fields in Bangladesh, which agreements are, as disclosed in note 33(a), currently the subject of arbitration disputes to be decided upon by tribunal panels (the "Tribunals') constituted under the rules of the International Centre for Settlement of Investment Disputes ("ICSID"). Pending resolution of the writ petition, the Court ordered a stay (the "Stay Order") for a period of one month on any kind of benefit given by the GOB, Petrobangla or Bapex to NRBL or Niko or any of its affiliates or subsidiaries, including payments made for gas supplied from the Block 9 PSC. The Court subsequently extended the Stay Order until September 2016. In June 2016, Petrobangla paid reduced amounts to the operator of the Block 9 PSC for invoiced amounts due for gas and condensate supplied from the Block 9 PSC in March 2006, with the approximately $2 million withheld by Petrobangla equivalent to the 60 percent share in the Block 9 PSC held by Niko Exploration (Block 9) Limited ("Niko Block 9"), a separate indirect subsidiary of the Company. As the cash flow generated by the Block 9 PSC is targeted to fund the projected capital expenditures related to the drilling program in Block 9 PSC in fiscal 2017 as well as other cash requirements of the Company, further withholdings by Petrobangla of amounts due to Niko Block 9 for gas and condensate supplied from the Block 9 PSC could significantly impact the Company's ability to fund its operating and capital budgets for fiscal 2017.

Funding of Projected Capital Expenditures for Future Development of Undeveloped Discoveries in the D6 Block in India

In March 2016, the Government of India (the "GOI") approved a proposal (the "New Guidelines") to grant marketing freedom to producers including pricing freedom for the gas to be produced from discoveries in high pressure-high temperature, deepwater and ultra-deepwater areas in India. The New Guidelines apply to future discoveries as well as existing discoveries which had yet to commence commercial production as of January 1, 2016 (such as existing undeveloped discoveries in the D6 Block in India). The contractor group of the D6 Block ("D6 contractor group") is taking the necessary steps towards development of the R-Cluster, Satellites and MJ discoveries in the D6 Block and the Company's oil and gas reserves as at March 31, 2016, as evaluated by an independent reserves evaluator, reflect significant undeveloped proved and probable reserves for these fields. The projected capital expenditures for the future development of these discoveries will likely require additional sources of funding, such as future equity or debt issuances. In addition, a decision prior to the second anniversary of the Implementation Date by the D6 contractor group to commit to the development of one or more of these projects would trigger the option of the Lenders to require the Company to commence a marketing and sale process for the Company's interest in the D6 PSC (see note 16(a)). There is uncertainty whether the Company will be able to fund the development of undeveloped discoveries in the D6 Block.

Diamond Settlement Agreement

In complying with a previous amendment to the Facilities Agreement, the Company was restricted from making any payments under the terms of the Diamond Settlement Agreement and, as such, continues to be in default of certain obligations under the Diamond Settlement Agreement.

Commencing on June 30, 2015, the Company has not made scheduled payments under the terms of the Diamond Settlement Agreement, with unpaid amounts totalling $20 million as at March 31, 2016. In July 2015, Diamond filed a lawsuit in a court in Texas seeking to enforce certain obligations. In May 2016, the Texas court issued a summary judgment in the amount of $20 million plus interest and legal costs, and in June 2016, Diamond filed a lawsuit in a court in Alberta seeking to enforce the summary judgment of the Texas court. Under the terms of the Diamond Settlement Agreement, Diamond may still have 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. In the event that Diamond was able to successfully terminate the agreement and revert to the original drilling contracts, the Company has estimated the maximum potential unsecured termination claim could range from $100 million to $220 million.

The Company is in discussions with Diamond to seek a resolution to allow the Company to pursue its strategic plan. This resolution will likely be subject to the approval of the Lenders and could have a negative impact on shareholders. No assurance can be made that any resolution can be accomplished at all or on a timely basis. The failure to achieve a resolution with Diamond on a timely basis could prove to be unsatisfactory for stakeholders, and this is likely to have a material adverse impact on the value of stakeholders' interests in the Company.

Exploration Subsidiaries

As at March 31 2016, the Company's exploration subsidiaries in Trinidad had $22 million of accounts payable and accrued liabilities (including PSC obligations) and $129 million of recorded liabilities for unfulfilled exploration work commitments with the unfulfilled commitments and PSC obligations backed by parent company guarantees.

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 March 31, 2016, 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.

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 notes 33 and 34 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 are material uncertainties that may cast significant doubt about the ability of the Company to continue as a going concern.

These audited consolidated financial statements for the year ended March 31, 2016 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 on 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 audited consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB").

The audited consolidated financial statements were approved by the Board of Directors and authorized for issue on June 28, 2016.

(b) Basis of measurement

The audited consolidated financial statements have been prepared on a historical cost basis, except for the revaluation of certain financial instruments as described in sections notes 4(d) and (l).

(c) Functional and presentation currency

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

4. Significant accounting policies

(a) Basis of consolidation

Subsidiaries are entities controlled by the Company. Control exists when an entity is exposed to, or has rights to variable returns from its involvement with the entity and has the ability to affect these returns through its power over the entity. The financial statements of subsidiaries are included in the audited consolidated financial statements from the date that control commences until the date that control ceases. Intercompany balances and transactions, and any unrealized income and expenses arising from intercompany transactions, are eliminated in preparing the audited consolidated financial statements.

(b) Cash and cash equivalents

Cash and cash equivalents include cash on hand, amounts on deposit with banks and term deposits.

(c) Joint arrangements

The majority of the Company's activities are conducted jointly with others through unincorporated jointly controlled operations. The Company has assessed the nature of its joint arrangements and determined them to be joint operations. The Company accounts for its joint operations in the audited consolidated financial statements by including the proportionate share on a line-by-line basis of its interest in assets, liabilities, revenue and expenses from the date that joint control commences. Those parties who participate in joint operations are referred as joint operating parties in the Company's audited consolidated financial statements.

The following table sets out information of the Company's interests in joint operations as at March 31, 2016:

Block[(1)]	**Country**	**Working Interest %**
Block 9	Bangladesh	60
D6	India	10
Hazira	India	33
Block 4b	Trinidad	100
NCMA2	Trinidad	70
NCMA3	Trinidad	100
PEPB-M-729	Brazil	30
PEPB-M-621	Brazil	30

(1) Inactive and / or relinquished blocks that are subject to government approval are excluded from the table above.

(d) Financial assets

Financial assets are initially measured at fair value, plus transaction costs, except for those financial assets classified as fair value through profit or loss, which are initially measured at fair value. All recognized financial assets are subsequently measured in their entirety at either amortized cost or fair value depending on their classification. The Company classifies financial assets into the following categories: (i) financial assets at fair value through profit or loss; (ii) loans and receivables and held-to-maturity investments and (iii) available-for-sale financial assets.

(i) Financial assets at fair value through profit or loss are measured at fair value with the corresponding gains or losses recognized in profit or loss. The Company classifies cash, cash equivalents and restricted cash as held-for-trading financial assets.

(ii) Loans and receivables and held-to-maturity investments are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Such assets are measured at amortized cost using the effective interest method. Gains and losses are recognized in profit or loss when the loans and receivables are derecognized or impaired. The Company's loan and receivables includes trade and other current and long-term receivables. The Company does not have any financial instruments classified as held-to-maturity.

(iii) Available-for-sale and held-for-sale financial assets are non-derivative financial assets that are initially recognized at fair value plus transaction costs. Any subsequent gains and losses, except for impairment losses and foreign exchange gains and losses, are recognized in other comprehensive income (loss) and transferred to profit or loss when the asset is derecognized or impaired. The Company does not have any financial assets classified as held-for-sale.

The Company assesses whether there is any objective evidence that a financial asset or group of financial assets is impaired at the end of each reporting period. Any loss determined is recognized through profit or loss.

(e) Inventories

Inventories of stock, spares and consumables are purchased for use in oil and gas operations and are valued at the lesser of cost and net realizable value. The costs of purchase of inventories comprise the purchase price, import duties and other taxes, and transport, handling and other costs directly attributable to the acquisition of finished goods, materials and services.

Inventory of oil and condensate is valued at the lower of cost and net realizable value. Cost is comprised of operating expenses that have been incurred in bringing inventories to their present location and condition and the portion of depletion expense associated with the oil and condensate production. Net realizable value is the estimated selling price in the ordinary course of business less the estimated costs necessary to make the sale.

(f) Oil and natural gas exploration, development and producing expenditure

Oil and natural gas exploration and development expenditures are accounted for using the method described below:

(i) Pre-license costs: Pre-licence costs are expensed in the period in which they are incurred.

(ii) Licence and property acquisition costs: Licence and property acquisition costs are capitalized as exploration and evaluation assets.

(iii) Geological and geophysical costs: Geological and geophysical costs are expensed in the period in which they are incurred.

(iv) Exploration and evaluation costs: All costs incurred directly attributable to an exploration well (drilling, testing and evaluating for technical feasibility and commercial viability of extraction) including appraisal and any directly attributable general and administration costs and share-based payments are initially capitalized as exploration and evaluation assets. If hydrocarbons are not found, the accumulated exploration costs are written off as a dry hole. If hydrocarbons that may be capable of commercial development are found, subject to further appraisal activity that may include the drilling of further wells, the costs shall continue to be carried as exploration and evaluation assets. All such carried costs are subject to regular technical, commercial and management review to confirm the continued intent to develop or otherwise extract value from the discovery. When this is no longer the case, the costs are written off or impaired. If technical feasibility is demonstrated and commercial reserves are discovered, then the carrying value of the relevant exploration and evaluation asset will be reclassified as a development asset into the cash generating unit to which it relates, but only after the carrying value of the relevant exploration and evaluation asset has been assessed for impairment and, where appropriate, its carrying value adjusted. If technical feasibility and commercial viability have not been achieved in relation to the exploration and evaluation assets appraised, all other associated costs are written down to the recoverable amount in profit or loss.

(v) Development and production assets: Expenditures for development and producing assets including the costs of drilling development wells and the construction of production facilities are capitalized under development assets after technical feasibility and commercial viability of producing hydrocarbons has been demonstrated. Development assets are transferred to producing assets when they are put in use. After recognition as an asset, development and producing assets are carried at cost less any accumulated depletion and impairment losses.

(vi) Farm-outs: The Company may enter into agreements to transfer a portion of its interests in oil and gas properties to third parties. Proceeds from these arrangements are first deducted from any exploration and evaluation, development and producing assets recorded for the assets and any excess is recognized as other income.

(g) Other property, plant and equipment

Other property, plant and equipment include buildings, office equipment, furniture and fixtures, and vehicles. These costs are initially recorded at historical cost less accumulated depreciation and impairment losses. Initial costs include expenditures that are directly attributable to the acquisition of the asset. The costs of the day-to-day servicing of the equipment are recognized in profit or loss as incurred.

(h) Depletion and depreciation

Exploration and evaluation assets are not amortized prior to the conclusion of appraisal activities.

Development and producing assets are not depleted until production commences. The net carrying value of producing assets is depleted using the unit-of-production method by reference to the ratio of production in the year to the related total proved reserves of oil and natural gas. The depletion calculation takes into account the estimated future development costs required to develop the proved reserves.

Proved and probable reserves are estimated using independent reservoir engineering reports and techniques and represent the estimated quantities of crude oil, natural gas and natural gas liquids which geological, geophysical and engineering data demonstrate with a specified degree of certainty to be recoverable in future years from known reservoirs and which are considered commercially producible.

Depreciation for finance lease assets is charged based on the unit-of-production method over the life of the total proved reserves.

Depreciation for other property, plant and equipment is recognized in profit or loss on a declining balance method or straight-line method depending on the nature of the asset over the estimated useful lives of each group of property, plant and equipment. Land is not depreciated.

The estimated useful lives of other property, plant and equipment are:	
Buildings	30 years
Roads	10 years
Plant and machinery	10 - 15 years
Office equipment, furniture and fittings	5 - 10 years
Computers	1 - 3 years
Vehicles and aircrafts	8 - 20 years
Pipelines	30 years

(i) Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalization. All other borrowing costs are recognized in profit or loss in the period in which they are incurred.

(j) Impairment

The carrying amounts of the Company's exploration and evaluation assets, property, and plant and equipment are tested for impairment at each reporting period when indicators of impairment exist. Indicators are events, changes or circumstances that indicate the carrying value may not be recoverable.

At the end of each reporting period, impairment is assessed at the cash generating unit ("CGU") level. The Company's property, plant and equipment are grouped into CGUs based on separately identifiable and largely independent cash inflows considering geological characteristics, shared infrastructure and exposure to market risks. If indicators of impairment exist, the recoverable amount of the CGU is estimated. The recoverable amount is the greater of the asset's fair value less cost to sell and the value-in-use. Fair value, less costs to sell or dispose, is assessed by utilizing market valuation based on an arm's length transaction between active participants. In the absence of such information, fair value less costs to dispose is derived by estimating the discounted future net cash flows. Value-in-use is assessed using the expected future cash flows discounted at a pre-tax rate.

Impairments are only reversed when there is significant evidence that the impairment no longer exists based on changes in event and circumstances. A reversal in impairment is limited to the extent of what the carrying amount would have been had no impairment been recognized.

(k) Financial liabilities and equity instruments

Financial liabilities at fair value through profit or loss are measured at fair value with the corresponding gains or losses recognized in profit or loss. Financial liabilities such as the deferred obligation are measured at fair value. All other financial liabilities are measured at amortized cost using the effective interest method, less any impairment losses. The Company classifies accounts payable, accrued liabilities, unfulfilled exploration commitments obligation, finance lease obligation, contract settlement obligation, tax payable and Term Loan as other financial liabilities.

The Convertible Notes are considered a compound instrument as they can be converted to a fixed number of common shares at the option of the holder. The liability component of a compound instrument is recognized initially at the fair value of a similar liability that does not have an equity conversion option. The equity component is recognized initially at the difference between the fair value of the compound financial instrument as a whole and the fair value of the liability component. Any directly attributable transaction costs are allocated to the liability and equity components in proportion to their initial carrying amounts. Subsequent to initial recognition, the liability component of a compound financial instrument is measured at amortized cost using the effective interest method.

Equity instruments are classified as equity. Incremental costs directly attributable to the issue of common shares and share options are recognized as a deduction from equity, net of any tax effects, if any.

(l) Derivative financial instruments

Derivative financial instruments are initially recognized at fair value through profit or loss and re-measured at their fair value at each subsequent reporting date based on changes in fair value. The Company's deferred obligation is a derivative financial instrument. The fair value of the deferred obligation is based on estimates of production volumes and natural gas prices in the reserve report for the D6 Block as at March 31, 2016. Any gains and losses on the deferred obligation are presented as gain or loss on derivative.

(m) Leases

A lease is classified as a finance lease whenever the terms of the lease transfer substantially all the risks and rewards incidental to ownership to the lessee. At the commencement of the lease term, the Company recognizes the finance lease as assets and liabilities in the statements of financial position at the lesser of the fair value of the leased property and the present value of the minimum lease payments. Any initial direct costs of the lessee are added to the amount recognised as an asset.

Subsequent to initial recognition, the asset is accounted for in accordance with the accounting policy applicable to that asset.

Minimum lease payments are apportioned between the finance charge and the reduction of the outstanding liability. The finance charge is allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability. Finance charges are charged directly against income, unless they are directly attributable to qualifying assets, in which case they are capitalized in accordance with the Company's policy on borrowing costs. Contingent rents are charged as expenses in the periods in which they are incurred.

An operating lease is a lease other than a finance lease. Lease payments under an operating lease are generally recognised as an expense on a straight-line basis over the lease term.

(n) Decommissioning obligations

The production sharing contracts ("PSCs") that the Company has entered into include an obligation for abandonment of wells and facilities including removal of all equipment and installations and site restoration, collectively termed decommissioning obligations. Provision is made for the estimated cost of decommissioning obligations for wells drilled, and for equipment or installations upon completion. The provision is capitalized in the relevant asset category.

The provision is estimated using the present value of the estimated future cash outflows required to reclaim, settle and abandon wells and facilities in the future, discounted using the relevant risk free rate. Subsequent to the initial measurement, the obligation is accreted over time to reflect the passage of time and changes in the estimated future cash flows. Accretion expense is included in finance costs recognized in profit or loss. Actual costs incurred upon settlement of the decommissioning obligations are charged against the provision to the extent the provision was established.

(o) Revenue recognition

Revenues from the sale of crude oil, condensate and natural gas from properties in which the Company has interests in joint operations are recognized on the basis of the Company's working interest.

Revenues from the sale of crude oil, condensate and natural gas are recorded when the significant risks and rewards of ownership have transferred to the buyer, which is at the delivery point as defined in the various sales contracts. Revenue is measured at the fair value of the consideration received or receivable. Revenue recorded is net of value added tax ("VAT"), other sales-related taxes, royalties and the government share of the profit oil and gas as determined under the Company's PSCs.

(p) Finance income and finance expense

Finance income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable.

Finance expense comprises (i) interest expense on debt obligations; (ii) accretion on decommissioning obligations, debt obligations and other long-term liabilities; and (iii) bank charges and other finance costs.

(q) Foreign currency translation

(i) Foreign operations

The financial statements of each group entity are presented in the currency of the primary economic environment in which the entity operates (its functional currency), which is US Dollars for all entities. For the purpose of the audited consolidated financial statements, the results and financial position of each group entity are expressed in US Dollars, which is the presentation currency for the audited consolidated financial statements.

(ii) Foreign transactions

Transactions in currencies other than the entity's functional currency (foreign currencies) are recognized at the rates of exchange prevailing at the date of the transactions. At the end of each reporting period, monetary items denominated in foreign currencies are re-translated at the rates prevailing at that date. Non-monetary items carried at fair value that are denominated in foreign currencies are re-translated at the rates prevailing at the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not re-translated. Exchange differences are recognized in the statement of comprehensive income (loss) in the period in which they arise.

(r) Share-based payments

The Company uses the fair value method for recognition of all share-based compensation arrangements. Share-based compensation for options granted to employees and directors, is based on the estimated fair value at the time of the grant. For stock options, the fair value is estimated using the Black-Scholes option-pricing model. Compensation costs are recognized over the vesting period of the stock options. A forfeiture rate is estimated on the grant date and is adjusted to reflect the actual number of options that vest.

(s) Taxation

Income tax expense comprises of current tax, minimum alternate tax and deferred tax.

Current tax is the amount of income taxes payable in respect of the taxable profit for the period. Taxable profit differs from profit as reported in the audited consolidated statement of comprehensive income (loss) because of items of income or expense that are taxable or deductible in other years and items that are never taxable or deductible. The Company's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

Minimum alternate tax is the amount of tax payable in respect of accounting profits. The Company pays the greater of minimum alternate tax and current tax for blocks in India.

Deferred tax is recognized on temporary differences between the carrying amounts of assets and liabilities in the audited consolidated financial statements and the corresponding tax bases used in the calculation of taxable profit. Deferred tax liabilities are the amounts of income taxes payable in future periods in respect of taxable temporary differences. Deferred tax assets are the amounts of income taxes recoverable in future periods in respect of deductible temporary differences and the carry-forward of unused tax losses and unused tax credits.

Deferred tax liabilities are recognized for taxable temporary differences associated with investments in subsidiaries and associates, and interests in joint operations, except where the Company is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognized to the extent that it is probable there will be sufficient taxable profits against which to utilize the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset realized, based on tax rates and tax laws that have been enacted or substantively enacted by the end of the reporting period. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Company expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Company intends to settle its current tax assets and liabilities on a net basis.

Current and deferred tax are recognized as an expense or income in net income, except when they relate to items that are recognized outside profit or loss (whether in other comprehensive income or directly in equity), in which case the tax is also recognized outside profit or loss, or where they arise from the initial accounting for a business combination. In the case of a business combination, the tax effect is included in the accounting for the business combination.

(t) Per share amounts

Basic per share information is computed by dividing the net income or loss for the period attributable to equity owners of the Company by the weighted average number of common shares outstanding during the period. Diluted per share information is computed by adjusting the income attributable to common shareholders and the weighted average number of common shares outstanding, for the effects of all dilutive potential common shares, which comprise Convertible Notes and share options granted to employees.

(u) Segment reporting

A segment is a distinguishable component of the Company that is engaged either in providing related products or services (business segment), or in providing products or services within a particular economic environment (geographical segment), which is subject to risks and returns that are different from those of other segments. The Company has reportable segments comprised of oil and gas exploration, development and/or production activities within India, Bangladesh, other exploration areas and Corporate.

(v) Assets held for sale

Non-current assets, or disposal groups consisting of assets and liabilities, are classified as held for sale if their carrying amounts will be recovered through a sale transaction rather than through continuing use. This condition is met when the sale is highly probable and the asset is available for immediate sale in its present condition. Non-current assets classified as held for sale are measured at the lower of the carrying amount and fair value less costs to sell, with impairments recognized in net earnings in the period measured. Non-current assets and disposal groups held for sale are presented in current assets and liabilities of the audited consolidated balance sheet.

(w) Discontinued Operations

A discontinued operation is a component of an entity that either has been disposed of or is classified as held for sale, and represents either a separate major line of business or a geographical area of operations and is part of a single co-ordinated plan to dispose of a separate major line of business or geographical area of operations, or that is a subsidiary acquired exclusively with a view to resale and the disposal involves loss of control. Discontinued operations are presented separately in the audited consolidated statements of comprehensive profit or loss, statements of cash flows and respective financial statement notes.

5. Critical accounting estimates and judgements

The preparation of the audited consolidated financial statements in conformity with IFRS requires management to make estimates, judgements and assumptions regarding the application of accounting policies that affect the reported amounts of assets, liabilities, revenues and expenses and unsettled transactions and events as of the date of the audited consolidated financial statements. By their nature, these estimates are subject to measurement uncertainty and actual results may differ from those estimated. Estimates and their underlying assumptions are reviewed on an ongoing basis and revisions to these estimates are made in the year which the estimates are revised and any future years that are impacted. Significant estimates and judgement made by management in the preparation of these audited consolidated financial statements include the following:

Pricing Forecasts

The Company uses forecasted commodity prices for the assumptions in evaluating oil and gas reserves, asset impairment, and derivatives on deferred obligations. Forecasted commodity prices are based on estimates from reserve evaluators in addition to current applicable gas prices. The gas prices for currently producing fields in the D6 Block in India are to be determined on a semi-annual basis and 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.

In March 2016, the GOI approved a proposal to grant marketing freedom to producers including pricing freedom for the gas to be produced from discoveries in high pressure-high temperature, deepwater and ultra-deepwater areas. The new guidelines apply to future discoveries as well as existing discoveries which had yet to commence commercial production as of January 1, 2016 (such as existing undeveloped discoveries in the D6 Block in India). The marketing freedom so granted would be capped by a ceiling price arrived at on the basis of landed price of alternative fuels. The landed price-based ceiling will be calculated every six months and applied prospectively for the next six months. The price data used for the calculation of the ceiling price shall be the trailing four quarters data with one quarter lag. The notified ceiling price for the period of April 1, 2016 to September 30, 2016 for gas produced from discoveries in high temperature-high pressure, deepwater, and ultra-deepwater areas that had not commenced production as of January 1, 2016 is $6.61 / MMbtu GCV.

The following commodity price estimates were used for the Company's oil and gas reserves:

Year ending March 31,	**India natural gas – producing fields ($/MMbtu)**	**India natural gas – undeveloped discoveries ($/MMbtu)**	**Bangladesh natural gas ($/Mcf)**	**Brent crude ($/bbl)(1)**
2017	2.82	6.12	2.32	47.50
2018	2.22	5.73	2.32	53.83
2019	2.72	6.72	2.32	61.59
2020	2.99	7.68	2.32	70.83
2021	3.26	8.84	2.32	79.71
Average thereafter	5%	3%	0%	2%

(2) Crude oil and condensate prices used for Bangladesh and India evaluations are benchmarked to the world Brent crude prices.

Oil and Natural Gas Reserves

Reserve estimates can have a significant effect on net earnings as a result of their impact on the depletion rate, provisions for decommissioning obligations and asset impairments. An independent qualified reserves evaluator estimates the quantity of oil and natural gas reserves on an annual basis. The estimation of reserves is an inherently complex process requiring significant judgments. Estimates of economically recoverable oil and gas reserves and future cash flows from those reserves are based on a number of variables and assumptions such as geological interpretation, commodity prices, operation and capital costs and production forecasts, all of which may vary considerably from actual results. These estimates are expected to be revised upward or downward over time, as additional information such as reservoir performance becomes available, or as economic conditions change.

Depletion, Depreciation and Amortization

The net carrying value of producing assets are depleted using the unit-of-production method by reference to the ratio of production in the year to the related total proved reserves of oil and natural gas reserves. Revisions to reserve estimates and the associated future cash flows could significantly increase or decrease depletion expense charged to net income/loss. Accordingly the impact to the audited consolidated financial statements in future periods could be material. The Company's property, plant and equipment is depreciated based upon estimates of useful lives and salvage values.

Asset Impairment

At the end of each reporting period, the Company assesses whether there is any indication that an asset may be impaired or require a reversal of previously recorded impairments. If any such indication exists, the Company estimates the recoverable amount of the asset. Events and circumstances may change resulting in indicators of impairment in future periods that could result in a material impairment. Exploration and evaluation assets are tested for impairment when facts and circumstances suggest that the carrying amount of exploration and evaluation assets may exceed their recoverable amount, by comparing the relevant costs to the fair value or value in use.

The recoverability of development and producing asset carrying values is assessed at the CGU level. Determination of what constitutes a CGU is subject to management judgements and the circumstances. The Company allocates costs to a CGU based on geographic location, shared infrastructure, and common geological and geophysical characteristics. In general, the Company has determined that each PSC constitutes a CGU. In assessing the recoverability of these assets, each CGU's carrying value is compared to its recoverable amount, defined as the greater of its fair value less cost to sell and value in use. The determination of the value-in-use of CGUs requires the use of assumptions and estimates including future commodity prices, quantity of reserves and expected production volumes, asset retirement obligations, future development and production costs, and discount rates. Changes in the assumptions used in determining the recoverable amount could affect the carrying value of the related assets and CGU.

Exploration and evaluation assets

Reclassification and transfer of assets from exploration and evaluation to development and producing assets is based on management's judgement and assessment of technical feasibility and commercial viability. The technical feasibility and commercial viability of extracting a resource is considered to be determinable based on several factors including the assignment of proven and probable reserves, completion of drilling, testing and resource assessments by third party reservoir engineers.

Decommissioning Obligations
In accounting for the decommissioning obligation, the Company makes assumptions regarding the timing and the amount of reclamation and abandonment expenditures, inflation and discount rates. The estimates are reviewed at the end of each reporting period.

Share-Based Compensation
The fair value of share-based compensation is calculated using the Black-Scholes option pricing model which is based on significant assumptions such as share price volatility, expected life, dividends yields, risk-free interest rates and expected forfeiture rates.

Income Taxes
The Company estimates current and deferred income taxes based on interpretation and judgement in applying tax laws in the various jurisdictions in which it operates and pays income taxes. Tax interpretations, regulations and legislation in the various jurisdictions in which the Company operates are subject to change. Determination of income taxes is subject to measurement uncertainty. Management makes certain judgements in estimating the timing of temporary difference reversals and the realization of deferred tax assets. Deferred income tax assets are assessed by management at the end of the reporting period to determine the likelihood that they will be realized from future taxable earnings.

Contingencies
Contingencies are subject to measurement uncertainty as the related financial impact will only be confirmed by the outcome of a future event. The assessment of contingencies requires the application of judgements and estimates including the determination of whether a present obligation exists and the reliable estimation of the timing and amount of cash flows required to settle the contingency.

6. 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 application of 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 audited consolidated financial statements.

IFRS 15 – Revenue from Contracts with Customers
In May 2014, 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 audited consolidated financial statements.

IFRS 16 – Leases
In January 2016, IASB issued IFRS 16 – Leases. IFRS 16 provides a single lessee accounting model, requiring lessees to recognise assets and liabilities for all leases unless the lease term is twelve months or less or the underlying asset has a low value. The new standard is effective for periods beginning on or after January 1, 2019. The Company is currently assessing the impact of adopting this new standard on its audited consolidated financial statements.

7. Restricted cash

(thousands of US Dollars)	As at March 31, 2016	As at March 31, 2015
Current portion of restricted cash		
Performance security guarantee(1)	-	900
Site restoration(2)	1,059	1,659
Term loan facilities reserve accounts(3)	20,000	35,000
	21,059	37,559
Non-current portion of restricted cash		
Performance security guarantee(1)	630	630
Site restoration(2)	8,470	7,713
	9,100	8,343
	30,159	45,902

(1) The Company is required to provide funds to support performance security guarantees related to the work commitments for certain exploration blocks in Indonesia. The subsidiary that provided the performance guarantee under the Aru PSC was sold to Ophir in April 2015 (refer to note 11).

(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 March 31, 2016, current site restoration funds reflect the abandonment program of the Surat block in India which was substantially completed in the fourth quarter of fiscal 2016. The remaining excess amount of restricted cash is subject to release upon approval of the GOI.

(3) During fiscal 2016, the Company and lenders of the Term Loan agreed to 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 $5 million was released from the reserve account for repayments of contract settlement obligations. In March 2016, the Company and the Lenders executed support agreements to amend the terms of the Term Loan. Upon implementation of the Fourth Amendment, the required minimum cash balance of the reserve accounts will be reduced to $10.3 million, with further reductions dependent upon the occurrence of specific events. Refer to note 16(a) for details of the Fourth Amendment.

8. Accounts receivable

(thousands of US Dollars)	As at March 31, 2016	As at March 31, 2015
Oil and gas revenues receivable(2)	12,612	13,317
Receivable from joint operators(1)	548	8,518
Advances to vendors	672	2,947
Prepaid expenses and deposits	800	824
VAT receivable	231	2,224
Other receivables	302	2,041
	15,165	29,871

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

(2) In Bangladesh, approximately $2 million of oil and gas revenue receivable related to the Company's 60 percent share in the Block 9 PSC is subject to a Stay Order. Refer to note 33(a).

9. Long-term receivable

(thousands of US Dollars)	As at March 31, 2016	As at March 31, 2015
Long term receivable	790	967
Gas pool account receivable(1)	5,781	4,144
	6,571	5,111

(1) Since November 2014, the D6 contractor group has been 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 higher of the revised price and the $4.20 / MMBtu NCV has been deposited into a gas pool account. In fiscal 2016, the Company recognized an impairment of $2 million on the gas pool account receivable due to the uncertainty of timing regarding resolutions from the cost recovery arbitration described in note 33(c).

10. Inventories

(thousands of US Dollars)	As at March 31, 2016	As at March 31, 2015
Stock, spares and consumables	3,775	7,492
Oil and condensate inventories	392	400
	4,167	7,892

11. Exploration assets held for sale

(thousands of US Dollars)	As at March 31, 2016	As at March 31, 2015
Opening balance	22,936	-
Reversal of asset impairment	112	22,936
Disposal of assets previously held for sale	(23,048)	-
Closing balance	-	22,936

During fiscal 2016, the Company closed on the sales of subsidiaries holding interests in five Indonesian PSCs. Further payments under these transactions are contingent on future exploration success.

12. Exploration and evaluation assets

(thousands of US Dollars)	Year ended March 31, 2016	Year ended March 31, 2015
Opening balance	37,321	167,665
Additions	5,512	17,026
Disposals and other arrangements	-	(8,007)
Transfers	(40,124)	(3,904)
Expensed	(150)	(64,729)
Reversal of impairment (impairment)	2,209	(70,730)
Closing balance	4,768	37,321

In fiscal 2015, the natural gas pricing formula, 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 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 Trinidad, the Company recognized asset impairment of $48 million relating to its exploration and evaluation assets for the year ended March 31, 2015.

In September 2015, the Company relinquished its interest in the NEC-25 block to the remaining interest holders.

In fiscal 2016, exploration and evaluation costs of $5 million were incurred related to drill stem tests ("DSTs") programs on two discoveries (the "Other Satellites") in the D6 Block. The Company's oil and gas reserves as at March 31, 2016, as evaluated by an independent reserves evaluator, reflect significant undeveloped proved and probable reserves for MJ and Other Satellite discoveries. As a result, the Company recognized a reversal of the impairment of $2 million related to the costs of the initial drilling of the Other Satellites, and reclassified $40 million of costs relating to MJ and Other Satellites exploration and evaluation assets to development. Upon transfer to development assets, the Company completed an impairment test on the D6 CGU as per note 13(a).

13. Property, plant and equipment

(a) Development and producing assets

(thousands of US Dollars)	Year ended March 31, 2016	Year ended March 31, 2015
Cost		
Opening balance	1,016,047	1,207,442
Additions	21,635	31,269
Transfers from other asset categories	40,124	15,033
Disposals	-	(52,936)
Reversal of impairment (impairment)	123,401	(184,761)
Closing balance	1,201,207	1,016,047
Accumulated depletion		
Opening balance	(824,666)	(734,528)
Additions	(49,200)	(90,138)
Closing balance	(873,866)	(824,666)
Net development and producing assets	327,341	191,381

For the evaluation of development and producing assets of the D6 CGU, the Company determines the value in use based on the net present value of the cash flows from each CGU using estimates of total proved plus probable reserves evaluated by independent reserve evaluators along with the associated year end commodity price forecast and estimated market pre-tax discount rates between 12 and 15 percent to consider risks specific to the assets. Refer to the pricing forecast estimates used for impairment in note 5.

In fiscal 2015, the Company recognized $185 million of total impairment to development and producing assets in the D6 and NEC-25 CGUs. The natural gas pricing formula that came into effect in 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.

In September 2015, the Company relinquished its interest in the NEC-25 block to the remaining interest holders.

In fiscal 2016, the Company recognized a net reversal of impairment of $123 million to development and producing assets in the D6 CGU. An impairment of $78 million was recorded in the second and third quarters of fiscal 2016 and a reversal of $201 million was recorded in the fourth quarter of fiscal 2016. The reversal primarily resulted from increases in the forecasted future natural gas prices for future natural gas production from existing undeveloped discoveries in the D6 Block in accordance with the New Guidelines issued in March 2016, and due to increases in estimated reserves assigned to the D6 Block by the Company's independent reserve evaluator.

(b) 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	156	-	12	3	171
Disposals and adjustments	(100)	(148)	(5,549)	(7)	(5,804)
Balance, March 31, 2016	18,479	2,924	3,577	10,778	35,758
Accumulated depreciation					
Balance, March 31, 2015	(10,908)	(1,932)	(8,611)	(9,529)	(30,980)
Additions	(545)	(123)	(476)	(491)	(1,635)
Disposals and adjustments	100	142	5,549	7	5,798
Balance, March 31, 2016	(11,353)	(1,913)	(3,538)	(10,013)	(26,817)
Net book value, March 31, 2016	7,126	1,011	39	765	8,941

(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

(c) Capital work-in-progress

(thousands of US Dollars)	Year ended March 31, 2016	Year ended March 31, 2015
Opening balance	12,670	43,973
Additions	-	(1,740)
Disposals	(673)	(3,550)
Transfers	2,672	(1,990)
Impairment	(4,612)	(24,023)
Closing balance	10,057	12,670

14. Accounts payable and accrued liabilities

(thousands of US Dollars)	As at March 31, 2016	As at March 31, 2015
India	34,161	43,013
Bangladesh	2,577	1,271
Indonesia	62,478	82,382
Trinidad	22,492	20,029
Other(1)	52,492	7,273
	174,200	153,968

(1) Other payables at March 31, 2016 included interest payable related to the Term Loan and the Convertible Notes totalling $51 million (refer to notes 16(a) and 16(c)). Upon implementation of the proposed Amendments (refer to note 2), $47 million of cash interest payable on the Term Loan and Convertible Notes as at March 31, 2016 would be reclassified to long term debt and $4 million of default interest payable on the Term Loan and Convertible Notes as at March 31, 2016 would be recognized as a gain.

15. Unfulfilled exploration commitments obligation

(thousands of US Dollars)	As at March 31, 2016	As at March 31, 2015
Indonesia (note 32)	139,107	116,896
Trinidad (note 32)	128,820	74,640
	267,927	191,536

16. Long-term debt

(a) Term loan Facilities

(thousands of US Dollars)	Year ended March 31, 2016	Year ended March 31, 2015
Opening balance	292,559	249,014
Advances, net of issuance costs	-	(895)
Accretion	-	72,162
Interest due upon repayment	12,968	13,490
Repayment	(31,448)	(41,212)
Closing balance	274,079	292,559
Current portion	274,079	292,559
Long-term portion	-	-

In December 2013, the Company entered into the definitive Facilities Agreement with certain institutional investors providing for senior secured Term Loan. 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 as current as at March 31, 2015 and March 31, 2016. At March 31, 2016, the outstanding principal on the facilities was $250 million, reflecting repayments of $40 million in fiscal 2015 and $30 million in fiscal 2016.

The key terms related to the outstanding facilities under the original Facilities Agreement and related documentation are as follows:

Specific terms

- 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, and after contract settlement payments
- Repayment: On September 30, 2017
- Interest: Quarterly cash interest payments at 15 percent per annum; commencing June 2014, additional interest payable upon repayment ("D6 PIK Interest") of 5 per cent per annum. Approval from the GOI of the grant of first ranking security over the Company's participating interest in the D6 Block has not been received. If security is provided, the D6 PIK Interest would be reduced by 25 percent.

In fiscal 2016, the Company did not make its scheduled cash interest payments and as such, as at March 31, 2016, the Company is in default of the Facilities Agreement. Effective September 2015, the Company began recording a current provision for default interest of 25 percent on the outstanding cash interest payments.

Uncommitted D6 facility

The original 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. The uncommitted facility will be subject to the amended terms under the Fourth Amendment.

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.

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.

Change in Control
Under the original Facilities Agreement, 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 1 percent prepayment fee) and accrued and unpaid interest (including cash interest and D6 PIK interest) within ten days of the change of control. The change in control will be subject to the amended terms under the Fourth Amendment.

Deferred Obligation
As a condition of the original 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. The terms of the deferred obligation will be subject to the amended terms under the Fourth Amendment. Refer to note 17(b).

Security
The obligations under the original Facilities Agreement and the deferred obligation are initially secured by:

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

The Company has entered into security deeds to grant first ranking security with respect to Block 9 in Bangladesh which will become effective upon consent by Petrobangla and the Bangladesh government, and has agreed to use best endeavours to obtain all necessary India governmental authorizations to provide first ranking security over the Company's participating interest in the D6 PSC in India. Authorization has been received from the Reserve Bank of India and authorization from the GOI has been sought, but not yet granted.

During fiscal 2016, the Company and its Lenders entered into various amendments to waive certain covenants and restrictions.

In March 2016, the Company executed a support agreement with the Lenders holding more than 85 percent of its senior Term Loan. Subsequent to March 31, 2016, the Company announced that it had received executed support agreements from 100 percent of its Lenders. As soon as practicable, the Company expects to enter into the Fourth Amendment, formally amend the Indenture, and take such other steps as are necessary to give effect to its strategic plan. The implementation of the strategic plan remains subject to certain approvals, including the final approval of the Company's board of directors and the Toronto Stock Exchange.

Subject to certain conditions, the key terms of the proposed Fourth Amendment are as follows:

- the Lenders may elect, at any time on or after the second anniversary of the Implementation Date and with 90 days prior written notice, to require the Company to commence a marketing and sale process (a "Sales Process") for its interest in the D6 PSC. Upon the failure of the Company to maintain a minimum cash balance of $5 million, the decision of the D6 contractor group to commit to capitalizing new development projects, or the occurrence of an event of default under the Fourth Amendment (each a "Trigger Event"), the Lenders may require the commencement of the Sales Process prior to the second anniversary of the Implementation Date. At any time, the Company shall have the right to commence a Sales Process in respect of the D6 PSC, Block 9 or any of its other assets;
- extension of the waiver of certain financial covenants and undertakings under the Term Loan;
- waiver of certain covenants of the Company under the Facilities Agreement, including limitations in respect of the conduct of the Company's business as it relates to capital expenditures and other matters;
- limiting the events of default to certain matters, including a default under the Facilities Agreement and a breach of the payment obligations to Noteholders as set out immediately below;
- accrual of cash interest under both the Term Loan and the Convertible Notes at the previously defined non-default rates of interest (15 percent for the Term Loan and 7 percent for the Convertible Notes);
- elimination of the requirements to pay cash interest on the Term Loan or the Convertible Notes during the Hold Period;

- entitlement of the Lenders to additional capitalized interest ("PIK Interest") on the Term Loan calculated on a notional principal amount of $168 million (less any proceeds distributed to the Lenders) at a simple rate of 6 percent per annum;
- a principal repayment of $12 million on the Term Loan on the Implementation Date;
- a reduction in the required minimum cash balance of a reserve account specified in the Facilities Agreement from $20 million to $10.3 million. The funds in this reserve account would be restricted to either (i) payment for specified potential expenditures by specified dates, subject to the approval of the majority of the Lenders, or (ii) future distributions in accordance with the waterfall distribution noted below;
- a requirement to distribute any net proceeds ("Waterfall Proceeds") of transactions (sales of assets, settlements of insurance, arbitration and/or tax claims, excess operating cash above an agreed cash flow forecast, etc.) to the Lenders, Noteholders and the Company on the following basis (the "Waterfall Distribution"):
  6. first tranche of the first $168 million:
     (ii) 100 percent to the Lenders
  7. PIK Interest of up to $12 million:
     (iv) 100 percent to the Lenders
  8. second tranche of the next US $100 million, on a *pro rata* basis:
     (ii) 62.67 percent to the Lenders,
     (v) 29.33 percent to the Noteholders, and
     (vi) 8.00 percent to be retained by the Company
  9. third tranche of the next US $120 million, on a *pro rata* basis:
     (iv) 40 percent to the Lenders,
     (v) 40 percent to the Noteholders, and
     (vi) 20 percent to be retained by the Company
  10. fourth tranche of any proceeds above the Third Tranche, on a *pro rata* basis:
     (iv) 20 percent to the Lenders,
     (v) 20 percent to the Noteholders, and
     (vi) 60 percent to be retained by the Company.

  The cumulative proceeds distributed to each of (a) the Lenders shall not exceed the total principal and interest amounts outstanding to the Lenders as at the Implementation Date plus interest accruing at a rate of 15 percent per annum from the Implementation Date plus any amounts owing under the D6 Royalty Agreement plus any PIK Interest, and (b) the Noteholders shall not exceed the total principal and interest outstanding to the Noteholders as at the Implementation Date plus interest accruing at a rate of 7 percent per annum from the Implementation Date. All Waterfall Proceeds retained by the Company will be retained free from the security (and claims for payment) held by the Lenders and Noteholders under the Fourth Amendment and the Indenture (as amended), respectively;
- issuance of a preferred share to the Agent on behalf of the Lenders (refer to note 20(a)); and
- extension of the maturity date of the Term Loan to December 31, 2025.

(b) Finance lease obligation

(thousands of US Dollars)	Year ended March 31, 2016	Year ended March 31, 2015
Opening balance	30,223	37,024
Repayments	(7,637)	(6,801)
Closing balance	22,586	30,223
Current portion	8,576	7,637
Long-term portion	14,010	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 $26 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 $23 million. The lease has an initial charter period of 3,650 days maturing in August 2018, which is cancellable by paying exit costs. The lease has an option to purchase the leased asset.

(c) Convertible notes

(thousands of US Dollars)	Year ended March 31, 2016	Year ended March 31, 2015
Opening balance	90,641	78,030
Accretion	-	24,948
Conversion of convertible notes	(262)	-
Foreign currency translation	(2,017)	(12,337)
Closing balance	88,362	90,641
Current portion	88,362	90,641
Long-term portion	-	-

Under the original Indenture agreement, 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. During fiscal 2016, a portion of the Convertible Notes was converted into 30,442 common shares.

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 Convertible 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.

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 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 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 Facilities Agreement would have resulted in the right of the lenders of the Term Loan to accelerate payment of the outstanding principal amount of the Term Loan. 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 fiscal 2015. In complying with the terms of the Facilities Agreement, as amended, the Company was restricted from and did not make any interest payments under the Indenture during fiscal 2016, and as such, as at March 31, 2016, was in default of the Indenture.

In March 2016, the Company executed a support agreement with Noteholders holding more than 60 percent of the Convertible Notes. In June 2016, the Company commenced a solicitation of consents from Noteholders to amend the Indenture and subsequently received consents from holders of the requisite amount of Notes. As soon as practicable, the Company expects to formally amend the Indenture, and take such other steps as are necessary to give effect to its strategic plan. The implementation of the strategic plan remains subject to certain approvals, including the final approval of the Company's board of directors and the Toronto Stock Exchange.

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

- the effective date of the supplemental indenture that would give effect to the amendments to the indenture will be the Implementation Date;
- elimination of the requirements to pay cash interest under the Indenture (as amended) during the Hold Period, including any cash interest that would otherwise be payable on conversion and accrued and unpaid interest as of the Implementation Date, except pursuant to the distribution of Waterfall Proceeds;
- replacement of the events of default under the existing Indenture with events of default limited to certain matters, including a breach of the payment obligations to Noteholders as set out immediately below, the commencement of enforcement actions by the Lenders in respect of the indebtedness under the Term Loan, and if the security securing the Convertible Notes cease to be effective as a result of the deliberate action of Niko and is not rectified within 30 business days;
- accrual of cash interest under the Convertible Notes at the previously defined non-default rate of interest (7 percent);
- to provide for the distribution of Waterfall Proceeds to the Noteholders pursuant to the Waterfall Distribution;
- the maturity date of the Convertible Notes will be extended to December 31, 2025;
- the Convertible Notes will be secured by certain assets of the Company, including a share pledge of certain key subsidiaries and security over certain bank accounts, but such security will be subordinated to the Term Loan such that the Noteholders will have limited rights of enforcement and recourse to such security, which will be subject to the Intercreditor Agreement (as described below);
- elimination of the Company's ability to pay principal or interest in common shares;
- the redemption of the Convertible Notes will require the Agent's consent;
- the Note Trustee will be authorized and directed to execute and deliver the Intercreditor Agreement and the documents that will evidence and give effect to the security under the Indenture (the "Security Documents"); and
- removal of the covenant of the Company under the Indenture requiring the Company to maintain a listing of the Convertible Notes on the Toronto Stock Exchange.

Upon the Indenture Amendments becoming effective on the Implementation Date, all accrued and unpaid interest shall continue to accrue but shall not be payable.

The key terms of the proposed Intercreditor Agreement are as follows:

- the Noteholders agree to postpone and fully subordinate payment of the obligations under the Convertible Notes and the security granted to them pursuant to the Indenture Amendments in favour of the Lenders' security and to prior repayment of the Company's obligations to the Lenders, save and except for payments permitted under the Waterfall Distribution;
- the Company, the Noteholders and the Lenders agree that the Company may make, and the Noteholders and the Lenders may accept, payments made in compliance with the Waterfall Distribution;
- the Noteholders agree that until the Lenders have been repaid in full, they will not be entitled to take additional security, demand payment of the obligations under the Convertible Notes, appoint a receiver or initiate insolvency proceedings or take any enforcement action against the assets of the Company;
- to the extent the Noteholders or the Lenders receive any distributions or proceeds from the Company contrary to the provisions of the Fourth Amendment or the Indenture (as amended), such proceeds shall be held in trust and immediately turned over to the party entitled to receive such proceeds under the Waterfall Distribution;
- the Company shall release the Agent under the Facilities Agreement, the Lenders, the Trustee under the Indenture, and the Noteholders (and each of their respective current and former officers, directors, shareholders, unitholders, employees, members, partners, advisors and agents) from liability relating to the actions or omissions of such parties occurring prior to the Implementation Date;
- the Agent and the Lenders shall release the Company, the Guarantors, the Trustee, and the Noteholders (and each of their respective current and former officers, directors, shareholders, unitholders, employees, members, partners, advisors and agents) from liability relating to the actions or omissions of such parties occurring prior to the Implementation Date; and
- the Trustee, on behalf of itself and each of the Noteholders, shall release the Company, the Guarantors, the Agent, and the Lenders (and each of their respective current and former officers, directors, shareholders, unitholders, employees, members, partners, advisors and agents) from liability relating to the actions or omissions of such parties occurring prior to the Implementation Date.

17. Long-term liabilities

(a) Contract settlement obligation

(thousands of US Dollars)	Year ended March 31, 2016	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, 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 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.

Commencing on June 30, 2015, the Company has not made scheduled payments under the terms of the Diamond Settlement Agreement, with unpaid amounts totalling $20 million as at March 31, 2016. As a result, the Company is in default of the Diamond Settlement Agreement as at March 31, 2016. Refer to note 33(h) for contingent liabilities discussion.

(b) Deferred obligation

(thousands of US Dollars)	Year ended March 31, 2016	Year ended March 31, 2015
Opening balance	24,644	78,669
Accretion	2,873	10,799
Payment	(889)	-
Transfer to accounts payable	(2,779)	-
Gain on valuation of derivative (note 19)	(4,426)	(64,824)
Closing balance	19,423	24,644
Current portion	2,183	4,915
Long-term portion	17,240	19,729

In December 2013, 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 from the D6 Block in India, commencing April 1, 2015 for a period of seven years. If the Company sold or disposed of all or any portion of its participating interest in the D6 PSC prior to the end of the term of this agreement, it was obligated to pay an amount equal to the pro-rata share of the net present value of the remaining payments under the agreement. The Company could 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 Facilities Agreement remain outstanding, the security for the Term Loan also secures this obligation.

The deferred obligation has been reflected at the net present value of the estimated payments, with the imputed interest of 16.30 percent to be recorded as accretion expense over the term of the payments. The initial valuation of the deferred obligation was recognized as additional debt issuance cost of the Term Loan. Subsequent changes in the valuation of the deferred obligation have been reflected on the statement of comprehensive loss as gain or loss on derivatives (refer to note 19).

During fiscal 2016, the Company paid $1 million of deferred royalties related to gross cash revenues for the period of April to June 2015. Outstanding royalties on gross cash revenues of $3 million from July 2015 to March 2016 have been accrued and reclassified as current payables.

The terms of the deferred obligation would be amended under the Fourth Amendment, as the cumulative royalty amounts outstanding and accrued up to the sale of the D6 Block are payable by the Company. Upon execution of the Fourth Amendment, total liabilities of $5 million that were reflected as current liabilities as at March 31, 2016 would be reclassified to long-term liabilities on the Company's statement of financial position.

18. Decommissioning obligations

(thousands of US Dollars)	Year ended March 31, 2016	Year ended March 31, 2015
Opening balance	44,292	44,574
Provisions made during the year	-	200
Change in estimate during the year	(647)	(1,328)
Settlement during the year	(1,095)	-
Accretion	2,451	846
Closing balance	45,001	44,292
Current portion	290	1,785
Long-term portion	44,711	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 March 31, 2016 (March 31, 2015 - $44 million) based on an undiscounted total future liability of $76 million (March 31, 2015 - $86 million). The abandonment program of the Surat block in India has been substantially completed as at March 31, 2016.

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.

19. Financial instruments

(a) Capital risk management

As disclosed in note 2, the Company's objective is to maintain its core assets for a period of time with the goal of enhancing the value of such assets for the benefit of the Company's stakeholders.

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

(thousands of US Dollars)	As at March 31, 2016	As at March 31, 2015
Term loan facilities	274,079	292,559
Convertible notes	88,362	90,641
Shareholders' deficit	(488,451)	(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 March 31, 2016 has been assessed on the fair value hierarchy and has been classified as a Level 3 instrument. The fair value of the deferred obligation was based on estimates of production volumes and prices included in the reserve report for the D6 Block. For the year ended March 31, 2016, a gain on derivative of $4 million (March 31, 2015 – $65 million) resulted from the changes in estimated future production and prices.

The debt component of the Convertible Notes has been recorded net of the fair value of the conversion feature. The fair value of the conversion feature of the notes is included in shareholders' equity at the date of issue. The fair value of the conversion feature of the notes was determined based on the discounted future payments using a discount rate of a similar financial instrument without a conversion feature compared to the fixed rate of interest on the notes.

(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. Subsequent to March 31, 2016, the Company is subject to credit risk in Bangladesh due to a Stay Order on payments made for gas supplied from the Block 9 PSC. Refer to contingent liabilities discussion in note 33(a).

The Company has evaluated accounts receivables for impairment and determined that no accounts receivables were outstanding and past due as at March 31, 2016.

(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 March 31, 2016:

(thousands of US Dollars)	Carrying amount	< 1 year	> 1 year
Accounts payable and accrued liabilities[6]	174,200	174,200	-
Unfulfilled exploration commitments obligation	267,927	267,927	-
Current taxes payable	1,225	1,225	-
Term loan facilities[1][5][6]	274,079	274,079	-
Finance lease obligations[2][5]	22,586	8,576	14,010
Convertible notes[3][5][6]	88,362	88,362	-
Other long-term liabilities[4][5][6]	50,405	33,165	17,240

(1) The carrying amount of the Term Loan is the fair value of $274 million. The outstanding principal is $250 million. As at March 31, 2016 the Company has reflected the outstanding balances of the Term Loan as current (refer to note 16(a)).

(2) The carrying value of the finance lease obligation is the fair value of $23 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 $88 million. The amount that will be required to be repaid assuming that the Convertible Notes are not converted or repaid in common shares is Cdn$115 million. As at March 31, 2016 the Company has reflected the outstanding balances of the Convertible Notes as current (refer to note 16(c)).

(4) The carrying amount of the other long-term liabilities is the fair value of $50 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 $20 million. As at March 31, 2016 the Company has reflected the outstanding balance of the contract settlement obligation of $31 million as current (refer to note 17(a)).

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

(6) The amounts included do not reflect the subsequent impact of the amendments to the Term Loan and Convertible Notes as described in notes 2, 16(a) and 16(c).

(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 March 31, 2016.

Assuming that all other variables remained constant, a 4 percent strengthening or weakening of the Indian Rupee against the US Dollar at March 31, 2016, 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 March 31, 2016, which is based on historical movement in foreign exchange rates, would have respectively increased or decreased net loss for the year by $5 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 natural gas pricing formula, the gas price on currently producing fields in the D6 Block 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 $1 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 and Convertible Notes have a fixed interest rate. The Company has not entered into any contracts to hedge against interest rate risk as at March 31, 2016.

20. 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 as at March 31, 2016.

In connection with the proposed Fourth Amendment, the Company would issue one preferred share. The preferred share will be issued to the Agent, on behalf of the Lenders, on the Implementation Date, which would have the following terms: (i) one vote, (ii) the right to nominate for election up to two persons to the Board, (iii) an annual preferential cumulative dividend, if declared by the Board, at the rate of 0.00001% per annum on the redemption price of $1.00, and (iv) in the event of the liquidation, dissolution or winding-up of the Company distribution of capital of $1.00, in priority to the holders of the common shares of the Company.

(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:

	Year ended March 31, 2016		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	(321,452)	29.96	(813,772)	34.63
Expired	(720,912)	15.24	(652,056)	19.73
Closing balance	1,199,067	20.20	2,241,431	20.00
Exercisable	1,063,946	21.76	1,496,742	20.41

The following table summarizes stock options outstanding and exercisable under the plan at March 31, 2016:

	Outstanding Options			Exercisable Options	
Exercise Price (Cdn$)	Options	Average remaining life (years)	Weighted average exercise price (Cdn$)	Options	Weighted average exercise price (Cdn$)
2.00 – 3.00	399,157	0.74	2.45	301,994	2.50
3.01 – 10.00	488,160	0.10	8.58	483,827	8.58
10.01 – 102.72	311,750	0.25	61.12	278,125	65.60
	1,199,067	0.35	20.20	1,063,946	21.76

The weighted average share price during the year ended March 31, 2016 was $0.21 (March 31, 2015 - $0.86).

(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)	Year ended March 31, 2016	Year ended March 31, 2015
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.

(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.

(thousands of US Dollars)	Year ended March 31, 2016	Year ended March 31, 2015
Share-based compensation expense included in:		
Exploration and evaluation assets	-	4
Production and operating expenses	82	595
Exploration and evaluation expenses	27	500
Share-based compensation expense (recovery)	107	(592)
Restructuring costs (recovery) (note 25)	(353)	355
Share-based compensation expense (recovery)	(137)	862

21. Revenue

(thousands of US Dollars)	Year ended March 31, 2016	Year ended March 31, 2015
Natural gas sales	115,650	128,298
Oil and condensate sales	11,295	26,870
Less:		
Royalties	(3,614)	(4,605)
Government's share of profit petroleum	(29,161)	(29,475)
Net oil and natural gas revenue	94,170	121,088

In Bangladesh, revenues from Petrobangla represented 43 percent of gross revenues for the year ended March 31, 2016 (March 31, 2015 – 38 percent). Refer to note 33(a) for discussion of the Stay Order. In India, natural gas sales revenue from Indian Farmers Fertiliser Cooperative Limited represented 10 percent of gross revenues for the year ended March 31, 2016 which was consistent with the prior year.

22. Exploration and evaluation expenses

(a) Exploration and evaluation expenses incurred

(thousands of US Dollars)	Year ended March 31, 2016	Year ended March 31, 2015
Geological and geophysical	419	650
Exploration and evaluation (note 22(b))	1,135	62,507
General and administrative	1,446	4,434
Annual financial obligations	5,293	5,141
Share-based compensation	27	500
Exploration and evaluation	8,320	73,232

(b) Exploration and evaluation expenses by nature

(thousands of US Dollars)	Year ended March 31, 2016	Year ended March 31, 2015
Dry hole costs	-	7,056
Other drilling costs	346	114
Well write off expense	789	55,337
Exploration and evaluation	1,135	62,507

23. Finance and other income

(thousands of US Dollars)	Year ended March 31, 2016	Year ended March 31, 2015
Finance income	724	1,162
Other income	1,921	6,735
Finance and other income	2,645	7,897

24. Finance expense

(thousands of US Dollars)	Year ended March 31, 2016	Year ended March 31, 2015
Interest expense(1)	64,757	70,617
Accretion expense	11,836	122,556
Bank charges and other finance costs	55	259
Finance expense	76,648	193,432

(1) Interest expense D6 PIK interests accrued under the Term Loan for the year ended March 31, 2016 of $12 million and $13 million for the year ended March 31, 2015. Refer to note 16(a) for details of the D6 PIK interest. In addition, the Company has recorded a $4 million provision related to default interest on the Term Loan and Convertible Notes as at March 31, 2016. The provision would be derecognized upon execution of the Amendments (refer to note 16(a) and 16(c)).

25. Restructuring costs

(thousands of US Dollars)	Year ended March 31, 2016	Year ended March 31, 2015
Severance	1,170	1,266
Advisory costs	6,640	5,082
Share-based compensation expense (recovery)	(353)	355
Other	251	-
Restructuring costs	7,708	6,703

26. Asset impairment (reversal)

(thousands of US Dollars)	Year ended March 31, 2016	Year ended March 31, 2015
Exploration and evaluation	(2,209)	70,442
Development and producing assets	(123,401)	184,761
Other plant, property and equipment	-	4
Capital inventory	4,612	10,995
Operating inventory	993	-
Other receivables	(502)	3,987
Net asset impairment (reversal)	(120,507)	270,189

27. Taxes

(a) Income tax expense

The Company is subject to tax on income earned in India. India's federal tax law contains a tax holiday deduction for seven years for profits from the commercial production of mineral oil. The Company is subject to current tax of the greater of 43.26 percent of taxable income in India after a deduction for the tax holiday or a minimum alternate tax of 20 percent of Indian income. Indian income is calculated in accordance with Indian Generally Accepted Accounting Principles. Refer to the application of the tax holiday provisions in contingency note 33(e).

The Company is not subject to tax on income earned in Bangladesh as it is indicated in the terms of the PSC that the Government of Bangladesh shall pay income taxes on behalf of the contractor.

The Company is subject to tax on income earned in the other jurisdictions in which it operates, however, the Company does not have oil and gas revenues in these jurisdictions. Income items taxed include interest income and capital gains. Income tax on these items was not significant during the period.

(thousands of US Dollars)	Year ended March 31, 2016	Year ended March 31, 2015
Current tax expense	1	24
Origination and reversal of temporary differences	39,992	(10,456)
Deferred income tax expense (recovery)	39,992	(10,456)
Total	39,993	(10,432)

(b) Reconciliation of effective tax rate

(thousands of US Dollars)	Year ended March 31, 2016	Year ended March 31, 2015
Loss for the year	(85,802)	(672,914)
Total tax (expense) recovery	(39,993)	10,432
Loss excluding tax	(45,809)	(683,346)
Tax using the Company's domestic tax rate (26 percent)	(11,396)	(170,836)
Share-based compensation expensed	(27)	(148)
Income subject to tax holiday	4,909	20,955
Income exempt from tax	(1,759)	(2,457)
Adjustment to foreign statutory tax rates	(9,811)	(106,542)
Foreign tax credits	(1,247)	(1,581)
Other non-deductible expenses	568	1,558
Unrecognized deferred tax asset	40,298	253,604
Prior year adjustments	10,726	(10,674)
Other	7,732	5,689
Total	39,993	(10,432)

(c) Unrecognized deferred tax assets

Deferred tax assets have not been recognized in respect of the following temporary differences:

(thousands of US Dollars)	As at March 31, 2016	As at March 31, 2015
Deductible temporary differences	222,749	371,193
Minimum alternate tax credit	-	5,115
Capital tax losses	31,663	30,296
Non-capital tax losses	365,185	630,349
	619,597	1,036,953

The deductible temporary differences do not expire. Deferred tax assets have not been recognized in respect of these items because it is not probable that future taxable profit will be available against which the Company can utilize the benefits therefrom. The Canadian capital tax losses do not expire. The Canadian non-capital tax losses of $305 million will expire between fiscal 2027 and fiscal 2036. The remaining non-capital tax losses are in foreign countries and do not expire.

The Company has temporary differences associated with its investments in its foreign subsidiaries, branches and interests in joint operations. At March 31, 2016, the Company has no deferred tax liabilities in respect of these temporary differences.

(d) Recognized deferred tax assets and liabilities

Deferred tax assets and liabilities are attributable to the following:

	Assets		Liabilities		Net	
(thousands of US Dollars)	2016	2015	2016	2015	2016	2015
Exploration and evaluation assets	-	-	-	-	-	-
Property, plant and equipment	-	-	(79,305)	(24,103)	(79,305)	(24,103)
Decommissioning obligations	14,397	13,302	-	-	14,397	13,302
Capital lease obligation	9,770	10,801	-	-	9,770	10,801
Convertible debentures	-	-	(2,069)	(1,448)	(2,069)	(1,448)
Unused losses	17,215	1,448	-	-	17,215	1,448
Unrecognized tax assets	-	-	-	-	-	-
Tax assets / (liabilities)	41,382	25,551	(81,374)	(25,551)	(39,992)	-

Movements in deferred tax balances during the year are as follows:

(thousands of US Dollars)	As at March 31, 2015	Recognized in profit or loss	As at March 31, 2016
Property, plant and equipment	(24,103)	(55,202)	(79,305)
Decommissioning obligations	13,302	1,095	14,397
Capital lease obligation	10,801	(1,031)	9,770
Convertible debentures	(1,448)	(621)	(2,069)
Unused losses	1,448	15,767	17,215
Unrecognized tax assets	-	-	-
Tax liabilities	-	(39,992)	(39,992)

28. Discontinued operations

In fiscal 2016, the Company reclassified the Indonesia and Pakistan operating segments as discontinued operations. As at March 31, 2016 discontinued operations includes the results of all of the Company's subsidiaries that previously owned interests in PSCs in Indonesia and Pakistan.

Net loss from discontinued operations for the years ended March 31, 2016 and 2015 is as follows:

(thousands of US Dollars)	Year ended March 31, 2016	Year ended March 31, 2015
Other income	736	358
Expenses		
Foreign exchange gain (loss)	(82)	448
Depletion and depreciation expenses	-	(1,361)
Exploration and evaluation expenses	(223)	(12,426)
Restructuring costs	(733)	(635)
Asset impairment reversal (impairment)	(7,592)	2,738
Unfulfilled exploration commitments expense	(22,214)	(116,896)
Net loss from discontinued operations	(30,108)	(127,774)

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

(thousands of US Dollars)	Year ended March 31, 2016	Year ended March 31, 2015
Cash flow used in operating activities	(437)	(17,702)
Cash flow from investing activities	6,511	1,870
Cash flow from financing activities	-	-

29. Per share amounts

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

(thousands of US Dollars)	Year ended March 31, 2016	Year ended March 31, 2015
Net loss from continuing operations	55,694	545,140
Weighted average number of common – basic and diluted	94,049,614	93,634,465
Basic and diluted loss per share from continuing operations	0.59	5.83

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

(thousands of US Dollars)	Year ended March 31, 2016	Year ended March 31, 2015
Net loss from discontinued operations	30,108	127,774
Weighted average number of common – basic and diluted	94,049,614	93,634,465
Basic and diluted loss per share from discontinued operations	0.32	1.36

As a result of the net loss for the year ended March 31, 2016, the outstanding stock options and shares issuable upon conversion of the outstanding notes as at March 31, 2016 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.

30. Segmented information

(a) Revenues from reportable segments

(thousands of US Dollars)	Year ended March 31, 2016	Year ended March 31, 2015
Natural gas sales		
India	63,555	74,292
Bangladesh	52,095	54,005
Oil and condensate sales		
India	8,583	21,225
Bangladesh	2,712	5,646
Total oil and natural gas revenue	126,945	155,168

(b) Capital additions from reportable segments

(thousands of US Dollars)	Year ended March 31, 2016		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	50	4,896	108	2,764
India	5,462	16,702	15,115	32,594
Other	-	-	88	(101)
Corporate	-	-	-	-
	5,512	21,598	15,311	32,257
Discontinued Segments(1)	-	-	1,716	(5,520)
Total	5,512	21,598	17,027	26,737

(1) The Indonesia and Pakistan segments are disclosed as discontinued operations as at March 31, 2016.

(c) Segmented assets

(thousands of US Dollars)	As at March 31, 2016			As at March 31, 2015		
Segment	Total E&E	Total PP&E	Total Assets	Total E&E	Total PP&E	Total Assets
Bangladesh	4,768	21,090	36,968	4,737	22,755	41,045
India	-	325,249	400,029	32,584	190,679	315,260
Other	-	-	939	-	696	3,880
Corporate	-	-	35,014	-	332	57,551
	4,768	346,339	472,950	37,321	214,462	417,736
Discontinued Segments(1)	-	-	2,376	22,936	-	36,918
Total	4,768	346,339	475,326	60,257	214,462	454,654

(1) The Indonesia and Pakistan segments are disclosed as discontinued operations as at March 31, 2016.

(d) Segmented profit / loss

(thousands of US Dollars)

Year ended March 31, 2016

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 (impairment) reversal	General and administrative expenses	Restructuring costs	Finance and other income, gain from asset disposal	Finance expense and foreign exchange (loss) / gain	Unfulfilled exploration commitments expense	Income tax recovery / (expense)	Segment profit (loss)
Bangladesh	54,807	(28,474)	-	(9,039)	(6,561)	(18)	-	-	-	-	-	-	-	-	-	10,715
India	72,138	(687)	(3,631)	(22,070)	(43,831)	(1,254)	-	-	118,761	-	-	-	-	-	(39,992)	79,434
Other	-	-	-	(13)	(111)	(7,048)	-	-	1,746	-	-	-	-	(54,180)	-	(59,606)
Corporate	-	-	17	-	(332)	-	4,426	(107)	-	(8,403)	(7,708)	2,645	(76,774)	-	(1)	(86,237)
Continuing operations	126,945	(29,161)	(3,614)	(31,122)	(50,835)	(8,320)	4,426	(107)	120,507	(8,403)	(7,708)	2,645	(76,774)	(54,180)	(39,993)	(55,694)
Discontinued Operations	-	-	-	-	-	(303)	-	-	(7,592)	-	(653)	736	(82)	(22,214)	-	(30,108)
Total	126,945	(29,161)	(3,614)	(31,122)	(50,835)	(8,623)	4,426	(107)	112,915	(8,403)	(8,361)	3,381	(76,856)	(76,394)	(39,993)	(85,802)

(thousands of US Dollars)

Year ended March 31, 2015

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 (impairment) reversal	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)
Bangladesh	59,651	(28,044)	-	(10,075)	(5,669)	(234)	-	-	-	-	-	-	-	-	-	15,629
India	95,517	(1,431)	(4,653)	(27,724)	(88,995)	(62,713)	-	-	(211,538)	-	-	626	-	-	10,432	(290,479)
Other	-	-	-	(2)	(130)	(10,285)	-	-	(58,651)	-	(20)	4,183	-	(74,640)	-	(139,545)
Corporate	-	-	48	-	(439)	-	64,824	592	-	(9,875)	(6,683)	3,088	(182,300)	-	-	(130,745)
Total	155,168	(29,475)	(4,605)	(37,801)	(95,233)	(73,232)	64,824	592	(270,189)	(9,875)	(6,703)	7,897	(182,300)	(74,640)	10,432	(545,140)
Discontinued Operations	-	-	-	-	(1,361)	(12,426)	-	-	2,738	-	(635)	358	448	(116,896)	-	(127,774)
Total	155,168	(29,475)	(4,605)	(37,801)	(96,594)	(85,658)	64,824	592	(267,451)	(9,875)	(7,338)	8,255	(181,852)	(191,536)	10,432	(672,914)

31. Related party transactions

Key management of the Company includes its directors and executive officers (Chief Executive Officer, Chief Financial Officer and Chief Operating Officer). Non-management directors receive an annual fee and participate in the Company's stock option program. The Chief Executive Officer receives a salary, and is eligible for a discretionary bonus under the terms of the employment agreement. The Chief Financial Officer and Chief Operating Officer receive a salary, and are eligible for an annual bonus and participate in the Company's stock option program. The Company does not have other short-term benefits, defined contribution plans or defined benefit plans and does not provide post-employment benefits.

Key management compensation includes the following:

(thousands of US Dollars)	Year ended March 31, 2016	Year ended March 31, 2015
Annual fee for non-management directors[1]	270	398
Executive officers – salaries and bonuses[1]	2,384	2,557
Share-based payments[2]	-	139
	2,654	3,094

(2) Amounts are based on cash payments made during the year ended March 31, 2016 and March 31, 2015 respectively.

(3) The value of share-based compensation related to stock options granted is estimated using the Black-Scholes option-pricing model (refer to note 20).

32. Commitments and contractual obligations

(a) Exploration commitments

Indonesia

(thousands of US Dollars)	As at March 31, 2016
Unfulfilled exploration commitments	139,107

In fiscal 2015, the Company recognized a provision of $117 million for the unfulfilled exploration commitments related to seven PSCs that had expired exploration periods. In fiscal 2016, the Company recognized a provision of $22 million for the remaining PSCs as a result of relinquishment.

The Company was party to 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 was made with the first exploration well drilled in an applicable block. Pursuant to the exploration option agreement, if a well was not spud in an applicable block in Indonesia prior to July 2016, the Company was obligated to pay approximately $5 million to the option holder after repayment of the Term Loan (refer to note 16(a)). During the year ended March 31, 2016, the exploration option agreement was terminated by the option holder.

Trinidad

(thousands of US Dollars)	As at March 31, 2016
Unfulfilled exploration commitments	128,820

In fiscal 2015, the Company recognized a provision of $75 million for the unfulfilled exploration commitments related to PSCs that had expired exploration periods. In fiscal 2016, the Company recognized a liability of $54 million for unfulfilled exploration commitments due in April 2016 for a PSC in Trinidad. Work commitments in Trinidad are backed by parent company guarantees.

Brazil

(thousands of US Dollars)	As at March 31, 2016
Due September 2018	3,000

Work commitments in Brazil are backed by parent company guarantees.

(b) *Finance lease obligation*

The future minimum lease payments of the Company's FPSO finance lease used in the D6 Block in India are as follows. Refer to note 16(b) for details.

	As at March 31, 2016
<1 year	10,757
1 - 5 years	15,266
Subtotal	26,023
Imputed interest	(3,437)
Carrying value	22,586

(c) *Contract settlement obligation*

The future minimum payments relating to the contract settlement agreement related to drilling rig contracts in Indonesia and Trinidad are as follows. Refer to notes 17(a) and 33(d).

(thousands of US Dollars)	As at March 31, 2016
<1 year	30,982
1 - 5 years	-
Total	30,982
Imputed interest	-
Carrying value	30,982

(d) *Deferred obligation*

The estimated future minimum payments of the deferred obligation in connection with the Facilities Agreement are as follows. Refer to notes 16(a) and 17(b)).

(thousands of US Dollars)	As at March 31, 2016
< 1	2,349
1 - 5 year	15,663
5 years and ending March 2022	17,312
Subtotal	35,324
Imputed interest	(13,122)
Transfer to accounts payable	(2,779)
Carrying value	19,423

33. Contingent liabilities

(a) The Company's indirect subsidiary, NRBL, is a party to disputes related to the Feni GPSA with Petrobangla and to the JVA with Bapex for the Feni and Chattak fields in Bangladesh.

ICSID Arbitration

NRBL is a party to two arbitration disputes to be decided upon by Tribunals constituted under the rules of ICSID.

1. "Payment Claim": Dispute over payment for gas delivered from the Feni field from November 2004 to April 2010 under the Feni GPSA with Petrobangla.
2. "Compensation Claim": Dispute over compensation claims arising from the uncontrolled flow problems that occurred in Chattak field in January and June 2005.

For the Payment Claim, in September 2014, the Tribunals decided that Petrobangla owed NRBL for the gas delivered and accrued interest, and in September 2015, the Tribunals decided that Petrobangla shall pay the amounts owed into escrow accounts.

For the Compensation Claim, the Company's position is that it is not liable for any compensation claims. In March 2016, Bapex filed a memorial with the Tribunals that included a request that the Tribunals declare the JVA null and void based on the premise that the JVA was procured through corruption and dismiss all claims of NRBL in arbitration. In addition, Bapex requested compensation of $118 million for Bapex's losses and approximately $905 million for the GOB's losses and other expenses.

In connection with the Payment Claim, in May 2016, the Tribunals decided that Petrobangla shall pay the amounts owed to NRBL forthwith and free of any restrictions. The amounts owed to date total approximately $35 million. There is no assurance that Petrobangla will comply with the decision of the Tribunals. As such, no amounts have been recorded in these audited consolidated financial statements.

Bangladesh Lawsuits
NRBL is named as a defendant in two lawsuits filed in local courts in Bangladesh. The first lawsuit (the "Money Suit") was filed during fiscal 2006 by the GOB and Petrobangla, claiming approximately $105 million in damages related to the same issues under dispute in the Compensation Claim described above.

In May 2016, a writ petition was filed before the Supreme Court of Bangladesh, High Court Division by a citizen of Bangladesh against (i) the GOB, (ii) Petrobangla, (iii) Bapex, (iv) NRBL and (v) the Company. The writ petition relates to the Feni GPSA and the JVA for the Feni and Chattak fields in Bangladesh. Pending resolution of the writ petition, the Court issued a Stay Order for a period of one month on any kind of benefit given by the GOB, Petrobangla or Bapex to NRBL or Niko or any of its affiliates or subsidiaries, including payments made for gas supplied from the Block 9 PSC. The Court subsequently extended the Stay Order until September 2016. In June 2016, Petrobangla paid reduced amounts to the operator of the Block 9 PSC for invoiced amounts due for gas and condensate supplied from the Block 9 PSC in March 2006, with the approximately $2 million withheld by Petrobangla equivalent to the 60 percent share in the Block 9 PSC held by Niko Block 9, a separate indirect subsidiary of the Company.

The Company believes that ICSID have exclusive jurisdiction to decide all disputes relating to Feni GPSA and the JVA. In addition, the Company believes that Petrobangla's withholding of funds related to invoiced amounts due for gas and condensate supplied from the Block 9 PSC constitutes breaches of the purchase and sales agreements governing gas and condensate supplied from the Block 9 PSC as well as a breach of the Block 9 PSC. The Company continues to vigorously pursue its rights in these matters. In the Company's opinion, it is more likely than not that the above noted disputes will not result in an outflow of resources embodying economic benefits from the Company.

(b) (i) In accordance with previous contracts for natural gas sales from the Hazira field in India, the Company had committed to deliver certain minimum quantities. For a period ended December 31, 2007, the Company was unable to deliver the minimum quantities to certain customers and the Company's joint operating partner in the Hazira field delivered the shortfall volumes from other gas sources. The Company's joint operating partner has filed claims for losses incurred as a result of the delivery of these shortfall volumes. The arbitrations for these claims is in process. In the Company's opinion, it is more likely than not that the above noted disputes will not result in an outflow of resources embodying economic benefits from the Company.

(ii) In accordance with a contract for natural gas sales from the Hazira field in India that expired in April 2016, the Company had committed to deliver certain minimum quantities and the Company was unable to deliver the minimum quantities. The Company notified the customer that the minimum quantities were not delivered due to underperformance of the reservoir and that the underperformance of the reservoir is a force majeure event under the contract. The customer disagreed and filed an arbitration claim for losses related to the undersupply of gas since February 2010.

The Company's joint operating partner (the parent company of the customer) indemnified the Company from any and all liabilities due to undersupply of gas after February 2010. It is the Company's view that it will be fully indemnified for any losses that may arise from the arbitration claim of the customer.

In June 2016, the customer agreed to withdraw the arbitration claim and the Company agreed to withdraw the indemnification claim. Withdrawal of the respective claims is currently in process.

(c) The contractor group of the D6 PSC in India is party to an arbitration dispute with the GOI relating to the calculation of cost recovery and profit petroleum for the D6 PSC. In November 2011, after unsuccessful attempts to resolve the dispute, the operator of the D6 Block, on behalf of the contractor group, commenced arbitration proceeding against the GOI. It is the GOI's position that the contractor group is in breach of the PSC for the D6 Block due to the failure to drill all of the wells and attain production levels contemplated in the Addendum to the Initial Development Plan ("AIDP") for the Dhirubhai 1 and 3 fields and therefore, the GOI asserts that certain costs should be 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 positions of the GOI.

Since May 2012, the GOI has issued various letters disallowing the recovery of certain costs and demanding payment for its share of profit petroleum based on the GOI's calculation of the costs that should be disallowed for cost recovery and other 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. Since November 2014 the D6 contractor group has been 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 has been deposited 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".

In May 2016, the GOI updated its estimate of the costs that should be disallowed for cost recovery as at March 31, 2015 to $2.8 billion (Niko share $276 million) and its demand for payment to $248 million (Niko share $25 million). The GOI also requested compensation to be assessed at a later date for its share of profit petroleum and royalties on the difference in the value of the gas quantities contemplated in the AIDP and the gas quantities actually produced.

In the Company's opinion, it is more likely than not that the above noted disputes will not result in an outflow of resources embodying economic benefits from the Company.

(d) In the third quarter of fiscal 2016, an international reservoir engineering firm (commissioned by 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 GOI) 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, the operator of the D6 Block 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 GOI 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. In the Company's opinion, it is more likely than not that the resolution of the above will not result in an outflow of resources embodying economic benefits from the Company.

(e) The Company is claiming tax holiday deductions under the India Income Tax Act ('Act') for eligible undertakings related to the Hazira and Surat fields. The tax department has contended 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 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 has received similar unfavorable tax assessments for the taxation years 2012 and 2013 relating to the tax holiday deduction claimed by the Company's subsidiary that owns its interest in the D6 Block, for which there is a contingent obligation of $26 million. The Company has filed the appeal against these tax assessments.

In the Company's opinion, it is more likely than not that the above noted disputes will not result in an outflow of resources embodying economic benefits from the Company.

(f) The Cauvery and D4 blocks in India are under relinquishment. The Company believes it has fulfilled all commitments for the Cauvery and D4 blocks while the GOI contends that the Company has unfulfilled commitments of $7 million. In the

Company's opinion, it is more likely than not that the above noted disputes will not result in an outflow of resources embodying economic benefits from the Company.

(g) For the assessment years 2012 to 2014, the tax department of Indonesia assessed several oil and gas companies operating in Indonesia for Land and Building Tax ("LBT") using a new framework which applied to PSCs signed subsequent to the implementation of a government regulation effective December 20, 2010. The surface and sub-surface assessments of LBT applied to offshore PSCs and have been challenged by the impacted oil and gas companies and industry associations. For assessment year 2014, the Tax Directorate General amended its framework, which will result in nil surface assessments 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.

Certain of the Company's indirect subsidiaries that held interests in three offshore PSCs operated by these subsidiaries received assessment notices raising demands for a total of the equivalent of $28 million net, of which majority of the assessed tax relates to surface assessments. Each subsidiary filed objection letters with the tax department, which were subsequently rejected by the tax authorities. Each of the subsidiaries filed appeals in the tax court objecting to the decision of the tax department. The operators of two of partner-operated offshore PSCs that the certain of the Company's indirect subsidiaries held interests in also received assessments totaling $4 million net and filed objection letters and appeals regarding these assessments. In the event that the appeals were not successful, certain subsidiaries of the Company could be liable for the assessed tax and a penalty of up to 100 percent of the assessed tax for a total potential liability of $69 million.

In fiscal 2016, the Company closed on transactions for the sale of certain of its subsidiaries holding interests in five PSCs in Indonesia. The Company indemnified the purchaser for any potential LBT obligations related to the subsidiaries that own interests in two of these PSCs.

As at March 31, 2016, all tax court appeal hearings were completed. It is the Company's understanding that the tax court has issued decisions on certain appeals involving other impacted oil and gas companies and that these decisions included a ruling that no amounts are owing for Surface assessments while amounts are owing for Sub-Surface assessments. The Company's subsidiaries have not received decisions related to its appeals. In the Company's opinion, it is more likely than not that the above noted disputes will not result in an outflow of resources embodying economic benefits from the Company.

(h) Commencing on June 30, 2015, the Company has not made scheduled payments under the terms of the Diamond Settlement Agreement, with unpaid amounts totaling $20 million as at March 31, 2016. In July 2015, Diamond filed a lawsuit in a court in Texas seeking to enforce certain obligations. In May 2016, the Texas court issued a summary judgment in the amount of $20 million plus interest and legal costs, and in June 2016, Diamond filed a lawsuit in a court in Alberta seeking to enforce the summary judgment of the Texas court. Under the terms of the Diamond Settlement Agreement, Diamond may still have 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. In the event that Diamond was able to successfully terminate the agreement and revert to the original drilling contracts, the Company has estimated the maximum potential unsecured termination claim could range from $100 million to $220 million.

(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 more likely than not to prevail or win or not be 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.

34. Subsequent Events

Subsequent to March 31, 2016, the Tribunal issued the Third Decision on the Payment Claim, in addition, a writ petition was filed in Bangladesh resulting in a Stay Order. Refer to note 33(a) for detailed discussion.