NIKO RESOURCES LTD

Q1 RESULTS FOR THE QUARTER ENDED JUNE 30, 2016

NIKO REPORTS RESULTS FOR THE QUARTER ENDED JUNE 30, 2016

Niko Resources Ltd. ("Niko" or the "Company") is pleased to report its operating and financial results for the quarter ended June 30, 2016. The operating results are effective August 15, 2016. All amounts are in US dollars unless otherwise indicated and all amounts are reported using International Financial Reporting Standards unless otherwise indicated.

CHIEF EXECUTIVE OFFICER'S MESSAGE TO THE SHAREHOLDERS

In my first message to shareholders since my appointment as interim Chief Executive Officer in July, I am pleased to report that the Niko team continues to advance the Company's strategic plan to maintain its core assets for a period of time with the goal of enhancing value and ultimately monetizing these assets for the benefit of the Company's stakeholders.

In order to position the Company to achieve this strategic plan, it was critical that we received concessions from our key stakeholders and following a protracted negotiation, in July, we successfully reached agreement to amend the Company's term loan facilities agreement and note indenture governing the convertible notes. As a result, the Company is no longer in default of the amended facilities agreement or note indenture. In addition, the Company is no longer required to make interest payments (including interest previously owing) under the amended facilities agreement or the note indenture, other than in connection with previously disclosed waterfall distributions.

Having reached agreement on the term loan facilities agreement and note indenture, we are now focused on achieving an amicable resolution with Diamond Offshore related to the Diamond Settlement Agreement. To that end, we remain actively engaged in discussions with Diamond Offshore and believe these discussions have been productive for both parties. While we remain optimistic that a settlement will be reached, we also recognize that the failure to achieve a resolution on these matters may lead the Company to take steps (including pursuing an arrangement or reorganization proceeding) to ensure that it can continue to give effect to its strategic plan. In such circumstances, the interests of the holders of the convertible notes and the lenders under the amended facilities agreement may be prejudiced and the value of the Company's common shares may be significantly impaired or entirely eroded.

Our ongoing dispute with the Government of Bangladesh continues to adversely impact our operations in the region and overall financial condition. Despite these conditions, we remain vigilant in vigorously pursuing our legal rights related to previously disclosed disputes with the Government of Bangladesh and its subsidiary entities, Petrobangla and Bapex, including non-payments by Petrobangla of amounts due to subsidiaries of the Company. No assurance can be made that resolution of these matters can be accomplished at all or on a timely basis

While the Company continues to confront near-term challenges, I am pleased with the progress that has been made to date in positioning the Company to achieve its strategic objectives and look forward to partnering with the Company's management team and Board of Directors to advance these objectives in the months ahead.

Robert S. Ellsworth, Jr. – Interim Chief Executive Officer, Niko Resources Ltd.

NIKO RESOURCES LTD.
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE THREE MONTHS ENDED JUNE 30, 2016

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 three months ended June 30, 2016 should be read in conjunction with the condensed interim consolidated financial statements for the three months ended June 30, 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 August 15, 2016.

This MD&A contains forward-looking information and statements. Refer to the end of this MD&A for the Company's advisory on forward-looking information and statements.

OVERALL PERFORMANCE AND RESULTS OF OPERATIONS BY REPORTABLE SEGMENT

Consolidated

	Three months ended June 30,	
($ thousands, unless otherwise indicated)	2016	2015
Sales volumes (MMcfe/d)	93	108
Net oil and natural gas revenue	16,355	26,679
EBITDAX[1]	8,820	18,358
Net loss – continuing operations	(21,651)	(29,655)
Net income – discontinued operations	8	349
Development capital expenditures	(4,554)	(11,230)
Net cash flow[2]	1,008	(20,454)

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

(2) Net cash flow is the total change in cash and cash equivalents as started in the Company's statement of changes in cash flow. This additional IFRS measure is used to show the total change in cash and cash equivalents from the Company's operating, investing and financing activities.

Natural production declines and lower natural gas and crude oil prices for the D6 Block in India contributed to lower net oil and gas revenue and lower EBITDAX for the Company in the current quarter of fiscal 2017 compared to the first quarter of fiscal 2016. Net loss in the current quarter was also negatively impacted by these factors as well as by increased interest expense, with reductions in depletion rates, accretion expenses, exploration and evaluation expenses, foreign exchange losses and restructuring costs contributing positively to net loss for the current quarter.

Development capital expenditures of $5 million in the current quarter related primarily to development well programs in the D6 Block in India and in Block 9 in Bangladesh. Development capital expenditures of $11 million in the prior year's quarter related primarily to a development well program in the D6 Block in India.

Net cash flow of $1 million in the current quarter primarily reflected the impact of EBITDAX of $9 million, development capital expenditures of $5 million, and $3 million of principal and interest payments on the finance lease related to the floating, production, storage and offloading vessel ("FPSO") employed in the D6 Block in India. Net cash flow of $(20) million in the prior year's quarter primarily reflected the impact of EBITDAX of $18 million, $11 million of development capital expenditures, $3 million of principal and interest payments on the finance lease related to the FPSO employed in the D6 Block in India, $32 million of principal and interest payments on the Company's term loan facilities funded partially with $15 million released from restricted cash accounts under the terms of the term loan facilities agreement, and $4 million of payments under the Company's contract settlement obligation.

India

($ thousands, unless otherwise indicated)	Three months ended June 30, 2016	2015
Sales volumes (MMcfe/d)	33	43
Net oil and natural gas revenue	10,029	20,272
Segment EBITDAX[1]	5,214	15,064
Segment profit (loss)	(2,853)	(441)
Development capital expenditures	(3,389)	(9,989)
Segment net cash flow[1]	195	(1,399)

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

Total sales volumes from the D6 Block in the first quarter of fiscal 2017 of 32 MMcfe/d decreased from 42 MMcfe/d in the first quarter of fiscal 2016 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.

Net oil and natural gas revenues decreased in the first quarter of fiscal 2017 compared to the prior year period due to lower sales volumes and lower prices. The notified price for natural gas sales from the D6 Block in India for April 2016 to September 2016 is $3.06 / MMbtu based on the gross calorific value ("GCV") of the sales gas, which equates to approximately $3.40 / MMbtu based on the net calorific value ("NCV") of the sales gas, which is approximately 35 percent lower than the price for the April 2015 to September 2015 period, and approximately 20 percent lower than the price for the October 2015 to March 2016 period. Using benchmark prices for the period of January 2016 to December 2016, the Company estimates that the price for gas sales from the D6 Block in India for the October 2016 to March 2017 period could decrease a further 20 percent, with a potential negative impact on net cash flow of approximately $1.5 million per quarter during this period. The price for oil and condensate sales for the first quarter of fiscal 2017 decreased by approximately 25 percent compared to the first quarter of fiscal 2016 as a result of the decline in world oil prices.

Segment EBITDAX of $5 million in the first quarter of fiscal 2017 decreased by 65 percent compared to the first quarter of fiscal 2016 primarily due to lower net oil and natural gas revenues, partially offset by the impact of lower corporate costs allocated to production expense and lower insurance expense in the D6 Block.

Segment loss of $3 million in the first quarter of fiscal 2017 reflected the impact of lower segment EBITDAX and lower depletion expense. Depletion expense decreased in the current quarter compared to the prior year's quarter due to lower production volumes and a lower depletion rate resulting from a change in the depletion calculation for the common facilities of the D6 Block effective April 1, 2016. The common facilities are now being depleted using the total proved reserves of the D6 Block instead of being depleted using the total proved reserves of producing fields in prior periods.

Development capital expenditures of $3 million for the first quarter of fiscal 2017 primarily related to the development drilling program in the D6 Block in India. The drilling of the first of two planned sidetrack wells in the MA field commenced in June 2016 and this well is expected to be brought on-stream at the end of the second quarter of fiscal 2017. The second well is expected to commence drilling after completion of the first well.

Segment net cash flow in the first quarter of fiscal 2017 primarily reflected the impact of $5 million of segment EBITDAX partially offset by $2 million of payments for development capital expenditures, and $3 million of principal and interest payments on the finance lease related to the FPSO employed in the D6 Block.

Bangladesh

($ millions, unless otherwise indicated)	Three months ended June 30, 2016	2015
Sales volumes (MMcfe/d)	60	64
Net oil and natural gas revenue	6,322	6,402
Segment EBITDAX[1]	4,282	4,096
Segment profit	2,792	2,189
Development capital expenditures	(1,165)	(1,241)
Segment net cash flow[1]	2,576	2,233

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

Total sales volumes from Block 9 in the first quarter of fiscal 2017 of 60 MMcfe/d decreased from the first quarter of fiscal 2016, primarily reflecting the impact of increased delivery pressure requirements of the sales trunkline.

Net oil and natural gas revenues remained relatively flat compared to the prior year period as the impact of lower sales volumes and lower oil prices was virtually offset by a lower government share of profit petroleum. The price for condensate sales in Block 9 for the first quarter of fiscal 2017 decreased by approximately 30 percent compared to the first quarter of fiscal 2016 as a result of the decline in world oil prices.

Segment EBITDAX of $4 million for the first quarter of fiscal 2017 increased compared to the first quarter of fiscal 2016 primarily as a result of lower production and operating expenses.

Segment profit of $3 million for the first quarter of fiscal 2017 increased compared to the first quarter of fiscal 2016 primarily as a result of increased segment EBITDAX and a lower depletion rate resulting from lower estimated future development costs related to the estimated proved reserves as at March 31, 2016.

Development capital expenditures of $1 million in the first quarter of fiscal 2017 related primarily to preparatory costs for the development drilling program in Block 9 in Bangladesh. The drilling of the first of two planned development wells in the Bangora field is expected to commence in the second quarter of fiscal 2017 and this well is expected to be brought on-stream in the third quarter of fiscal 2017. The second well is targeted to be drilled in the fourth quarter of fiscal 2017.

Segment net cash flow of $3 million in the first quarter of fiscal 2017 primarily reflected $4 million of segment EBITDAX partially offset by $2 million of payments for development capital expenditures.

Other

	Three months ended June 30,	
($ millions, unless otherwise indicated)	2016	2015
Segment EBITDAX[(1)]	(676)	(802)
Segment loss	(21,590)	(31,403)
Net income – discontinued operations	8	349
Segment net cash flow – continuing operations[(1)]	(1,731)	(27,504)
Segment net cash flow – discontinued operations[(1)]	(32)	6,416

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

Segment loss in the first quarter of fiscal 2017 of $22 million decreased from the prior year period of $31 million, primarily resulting from reductions in accretion expenses, exploration and evaluation expenses, foreign exchange losses and restructuring costs, partially offset by increased interest expense. In the first quarter of fiscal 2016, the Company had reclassified the outstanding balance of its contract settlement obligation from long-term to current and recognized accelerated accretion expense. Exploration and evaluation expenses decreased compared to the prior year primarily due to reduced annual financial obligations under the production sharing contracts ("PSCs") in Trinidad. Unrealized foreign exchange loss in the first quarter of fiscal 2017 decreased compared to the first quarter of fiscal 2016 primarily due to 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 the Canadian Dollar denominated Convertible Notes (as defined herein).

Segment net cash outflows related to continued operations in the first quarter of fiscal 2017 of $2 million primarily reflected payments for general and administrative expenses and restructuring costs. Net cash outflows related to continued operations in the first quarter of fiscal 2016 of $28 million primarily reflected $32 million of principal and interest payments on the Company's term loan facilities funded partially with $15 million released from restricted cash accounts under the terms of the term loan facilities agreement, $1 million released from restricted cash under the escrow account, $4 million of payments under the Company's contract settlement obligation and $4 million of payments for general and administrative expenses and restructuring costs.

Segment net cash flow from discontinued operations in the first quarter of fiscal 2016 in the prior year's quarter primarily reflected $6 million of net cash generated from the sale of certain subsidiaries holding interests in four Indonesian PSCs.

RECONCILIATION OF NON-IFRS MEASURES

The following table provides a reconciliation of the Company's gross revenue to EBITDAX to net loss from continuing operations:

	Three months ended June 30, 2016				Three months ended June 30, 2015			
($ thousands, unless otherwise indicated)	India	Bangladesh	Other	Total	India	Bangladesh	Other	Total
Sales volume								
Natural gas (mcf/d)	30,432	58,469	-	88,901	39,813	63,099	-	102,912
Oil and condensate (bbl/d)	428	178	-	606	610	176	-	786
Natural gas equivalent (mcfe/d)	33,000	59,539	-	92,539	43,473	64,155	-	107,628
Natural gas revenue	9,272	12,319	-	21,591	18,296	13,302	-	31,598
Crude oil and condensate revenue	1,754	667	-	2,421	3,255	957	-	4,212
Royalties	(892)	-	4	(888)	(1,075)	-	5	(1,070)
Profit petroleum	(105)	(6,664)	-	(6,769)	(204)	(7,857)	-	(8,061)
Net oil and natural gas revenue	**10,029**	**6,322**	**4**	**16,355**	**20,272**	**6,402**	**5**	**26,679**
Production and operating expenses	(4,815)	(2,040)	-	(6,855)	(5,208)	(2,306)	(2)	(7,516)
General and administrative expenses	-	-	(1,122)	(1,122)	-	-	(1,435)	(1,435)
Finance and other income	-	-	233	233	-	-	619	619
Bank charges and other finance costs	-	-	(8)	(8)	-	-	(17)	(17)
Realized foreign exchange gain	-	-	217	217	-	-	28	28
EBITDAX from continuing operations[1]	**5,214**	**4,282**	**(676)**	**8,820**	**15,064**	**4,096**	**(802)**	**18,358**
Cash interest expense	(637)	-	(13,800)	(14,437)	(860)	-	(13,341)	(14,201)
Cash restructuring costs	-	-	(1,916)	(1,916)	-	-	(2,923)	(2,923)
Non-cash production and operating expenses	(3)	-	-	(3)	(21)	-	-	(21)
Depletion and depreciation expenses	(6,573)	(1,239)	-	(7,812)	(13,915)	(1,809)	(157)	(15,881)
Exploration and evaluation expenses	(46)	(143)	(238)	(427)	(80)	-	(2,975)	(3,055)
Non-cash restructuring expense	-	-	-	-	-	-	309	309
Asset impairment loss	-	-	(564)	(564)	-	-	(137)	(137)
Share-based compensation expense	-	-	(11)	(11)	-	-	(3)	(3)
Accretion expense	(665)	(108)	(689)	(1,462)	(629)	(98)	(7,386)	(8,113)
Non-cash finance income	216	-	-	216	-	-	-	-
Gain (loss) on derivative	-	-	(36)	(36)	-	-	252	252
Interest due upon repayment	-	-	(3,160)	(3,160)	-	-	(1,972)	(1,972)
Unrealized foreign exchange loss	-	-	(500)	(500)	-	-	(2,268)	(2,268)
Deferred income tax expense	(359)	-	-	(359)	-	-	-	-
Net profit (loss) from continuing operations[2]	**(2,853)**	**2,792**	**(21,590)**	**(21,651)**	**(441)**	**2,189**	**(31,403)**	**(29,655)**
Net profit from discontinued operations[2]	**-**	**-**	**8**	**8**	**-**	**-**	**349**	**349**
Development capital expenditures	(3,389)	(1,165)	-	(4,554)	(9,989)	(1,241)	-	(11,230)
Segment net cash flow – continuing operations	195	2,576	(1,731)	1,040	(1,399)	2,233	(27,504)	(26,670)
Segment net cash flow – discontinued operations	-	-	(32)	(32)	-	-	6,416	6,416

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

(2) Refer to Note 19 of the condensed interim consolidated financial statements for the three months ended June 30, 2016 for detailed segment information.

SUMMARY OF QUARTERLY RESULTS

	Three months ended							
($ thousands)	Jun 30, 2016	Mar 31, 2016	Dec 31, 2015	Sept 30, 2015	Jun 30, 2015	Mar 31, 2015	Dec 31, 2014	Sept 30, 2014
Oil and natural gas revenue[1]	16,355	20,373	22,175	24,943	26,679	28,447	29,009	28,471
Net income (loss)[1]								
Continuing operations	(21,651)	77,600	(27,213)	(76,426)	(29,655)	(334,448)	(126,469)	(34,771)
Discontinuing operations[2]	8	(338)	3,512	(33,631)	349	(100,816)	(17,063)	(4,402)
Total	(21,643)	77,262	(23,701)	(110,057)	(29,306)	(435,264)	(143,532)	(39,173)
Per share - basic and diluted[1]								
Continuing operations	(0.23)	0.82	(0.29)	(0.81)	(0.31)	(3.56)	(1.35)	(0.37)
Discontinuing operations[2]	0.00	0.00	0.04	(0.36)	(0.00)	(1.07)	(0.18)	(0.05)
Total	(0.23)	0.82	(0.25)	(1.17)	(0.31)	(4.63)	(1.53)	(0.42)

(1) The results for the eight most recent quarters were prepared in accordance with IFRS and presented in US Dollars.
(2) The Company discontinued operations in Indonesia and Pakistan in the third quarter of Fiscal 2016. Prior quarters have been restated for comparative purposes.

Oil and natural gas revenue fluctuated throughout the last eight quarters based on changes in production and price. Production has naturally declined in India, partially offset by development activities in India. Natural gas prices have fluctuated in India reflecting semi-annual price notifications issued by the Government of India ("GOI") pursuant to the India's Domestic Natural Gas Guidelines (the "Guidelines") issued in October 2014 and effective November 2014, and oil prices in the market have declined since mid-2014. Net income (loss) fluctuated throughout the last eight quarters primarily reflecting 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. Refer to the Company's previously issued annual and interim MD&A's, available on SEDAR at www.sedar.com for further information regarding changes in the prior quarters.

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 June 30, 2016, the Company was in default of its interest payment obligations under the facilities agreement (the "Facilities Agreement") governing its senior term loan (the "Term Loan") and the indenture (the "Indenture") governing its convertible notes (the "Convertible Notes").

In July 2016, the Company executed an amendment (the "Fourth Amendment") that amended the terms of the Facilities Agreement and executed a supplemental note indenture (the "Indenture Amendment") (collectively, the "Amendments"). The key terms of the Amendments are described in the audited consolidated financial statements for the year-ended March 31, 2016. As a result, the Company is no longer in default of the amended Facilities Agreement or Indenture. In addition, Niko is not required to make interest payments (including interest previously owing) under the Facilities Agreement or the Indenture during the term of the Amendments, other than in connection with waterfall distributions ("Waterfall Distribution").

Impact of the Amendments
Under the terms of the Amendments, in July 2016, the Company made a principal repayment of $12 million on the Term Loan, paid consent fees totalling $1.3 million to consenting noteholders, and withdrew $9.7 million from a reserve account required under the terms of the amended Facilities Agreement. As a result of the Amendments, liabilities of $421 million that were reflected as current liabilities as at June 30, 2016 will be reclassified to long-term liabilities on the Company's statement of financial position for the subsequent quarter.

The Amendments 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 will be required to be distributed amongst the lenders under the amended Facilities Agreement, the holders of the Convertible Notes 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 June 30, 2016 and its projected cash flows from operating activities for fiscal 2017 are 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).

Stay Order in Bangladesh
Two writ petitions have been filed before the Supreme Court of Bangladesh, High Court Division (the "Court") by a citizen of Bangladesh against the Government of Bangladesh (the "GOB"), Bangladesh Oil Gas & Mineral Corporation ("Petrobangla"), Bangladesh Petroleum Exploration & Production Company Limited ("Bapex"), the Company and certain subsidiaries of the Company. These writ petitions relates to i) the Feni Gas Purchase and Sales Agreement (the "Feni GPSA") and the Joint Venture Agreement (the "JVA") for the Feni and Chattak fields, and ii) the October 2004 approval by Petrobangla of the acquisition from Chevron Corporation of an entity that owned a 60 percent interest in the Block 9 PSC. Pending resolution of the writ petitions, the Court has ordered a stay (the "Stay Order") on any kind of benefit given by the GOB, Petrobangla or Bapex to Niko or any of its affiliates or subsidiaries, including payments made for gas supplied from the Block 9 PSC. Since June 2016, Petrobangla has paid reduced amounts to the operator of the Block 9 PSC for invoiced amounts due for gas and condensate supplied under the Gas Purchase and Sales Agreement of Block 9 PSC, with the amounts withheld equal to the 60 percent share in the Block 9 PSC held by Niko Exploration (Block 9) Limited ("Niko Block 9"). 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 in fiscal 2017 as well as other cash requirements of the Company, 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. Refer to Note 21(b) of the condensed interim consolidated financial statements for the three months ended June 30, 2016 for a detailed discussion.

Diamond Settlement Agreement
In May 2016, a Texas court issued a summary judgment in the amount of $20 million of unpaid obligations under the terms of the Diamond Settlement Agreement plus interest and legal costs. In July 2016, an Alberta court issued a judgement enforcing the summary judgment of the Texas court. The Company is in discussions with Diamond Offshore ("Diamond") to seek a resolution of this matter. 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 may lead the Company to take steps (including pursuing an arrangement or reorganization proceeding) to ensure that it can continue to give effect to its strategic plan. In such circumstances, the interests of the holders of the Convertible Notes and the lenders under the amended Facilities Agreement may be prejudiced and the value of the Company's common shares may be significantly impaired or entirely eroded.

Exploration Subsidiaries
The Company's exploration subsidiaries that currently own or previously owned interests in PSCs in Trinidad and Indonesia have significant accounts payable and accrued liabilities (including PSC obligations) and unfulfilled exploration work commitments reflected on the Company's balance sheet as at June 30, 2016, with the unfulfilled commitments and PSC obligations in Trinidad backed by parent company guarantees. In August 2016, two of the Company's indirect subsidiaries received written notice from the Government of the Republic of Trinidad and Tobago ("GORTT") requesting that unfulfilled exploration work commitments be performed under each of the subsidiaries' respective PSCs within sixty days, failing which the GORTT would terminate the PSCs and exercise its rights on the parent company guarantees for unfulfilled exploration commitments of $65 million. The Company is considering various options to address this matter.

Contingent Liabilities
The Company and its subsidiaries are subject to various claims from other parties, as described in Note 21 of the condensed interim consolidated financial statements for the three months ended June 30, 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 is material uncertainty that may cast significant doubt about the ability of the Company to continue as a going concern.

CONTRACTUAL OBLIGATIONS

The following table represents the Company's contractual obligations and other commitments as at June 30, 2016:

(thousands of US Dollars)	Total	< 1 year	1 to 3 years	3 to 5 years	> 5 years
Term loan facilities(1)(2)	331,668	331,668	-	-	-
Convertible notes(1)(3)	97,676	97,676	-	-	-
Finance lease obligations(4)	20,542	8,828	11,714	-	-
Other long-term liabilities(5)	65,678	33,195	8,107	24,376	-
Decommissioning obligations(6)	74,685	6,332	-	-	68,353
Exploration work commitments(7)	270,927	267,927	3,000	-	-
Total contractual obligations	861,176	745,626	22,821	24,376	68,353

(1) The Term Loan and Convertible Notes are subject to the terms of the Amendments subsequent to June 30, 2016, as the Company will not be required to make interest payments (including interest previously owing) under the Facilities Agreement or the Indenture during the term of the Amendments, other than in connection with the Waterfall Distribution.

(2) The Term Loan is recorded in the condensed interim consolidated financial statements for the three months ended June 30, 2016 as current liabilities of $332 million, comprised of $250 million of outstanding principal, $27 million of accrued D6 PIK interest, and $55 million of accrued interest and consent fee which will be reclassified to long-term liabilities on the Company's statement of financial position.

(3) The Convertible Notes are recorded in the condensed interim consolidated financial statements for the three months ended June 30, 2016 as current liabilities of $98 million, comprised of Cdn$115 million of outstanding principal converted at the period end exchange rate and $9 million of accrued interest which will be reclassified to long-term liabilities on the Company's statement of financial position.

(4) Finance lease obligations are included in the table based on the remaining payments on the charter lease for the floating, production, storage and offloading vessel used in the MA field of the D6 Block.

(5) Other long-term liabilities are included in the table based on the estimated undiscounted value of the contract settlement obligation and the deferred obligation. Other long-term liabilities are recorded in the condensed interim consolidated financial statements for the three months ended June 30, 2016 at $51 million (including current and long-term portions), reflecting the undiscounted value of the contract settlement obligation and the discounted value of the deferred obligation. As at June 30, the outstanding balances of the contract settlement obligation are reflected as current liabilities. Approximately $6 million of the deferred obligation reflected as current will be reclassified to long-term liabilities on the Company's statement of financial position.

(6) Decommissioning obligations are included in the table based on the estimated undiscounted future liability of the Company. Decommissioning obligations excludes the costs related to wells or facilities that were not completed as at June 30, 2016. Site restoration funds totalling $9 million have been set up for certain of these obligations and are reflected in restricted cash.

(7) Exploration work commitments of $129 million in Trinidad and $3 million in Brazil are backed by parent company guarantees.

OUTSTANDING SHARE DATA

As at August 15, 2016, the Company has 94,049,614 common shares and 451,865 stock options outstanding. During the three months ended June 30, 2016, the Company did not issue any shares or options.

OFF BALANCE SHEET ARRANGEMENTS

The Company had no off balance sheet arrangements in place as at June 30, 2016.

RELATED PARTY TRANSACTIONS

The Company had no transactions with related parties as at June 30, 2016.

SUBSEQUENT EVENTS

In July 2016, the Company executed the Fourth Amendment that amended the terms of the Facilities Agreement and executed Indenture Amendment. As a result, the Company is no longer in default of the amended Facilities Agreement or Indenture and is not 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.

FINANCIAL INSTRUMENTS

The Company is exposed to credit risk, liquidity risk, foreign currency risk and commodity price risk as a part of normal operations. A detailed description of the Company's financial instruments and risk management is included in Note 13 to the condensed interim consolidated financial statements for the three months ended June 30, 2016.

DISCLOSURE CONTROLS AND INTERNAL CONTROLS OVER FINANCIAL REPORTING

The Company's Chief Executive Officer and the Vice President, Finance and Chief Financial Officer has assessed the design and effectiveness of internal controls over financial reporting ("ICFR") and disclosure controls and procedures ("DC&P") as at June 30, 2016. There have been no significant changes in ICFR during the three months ended June 30, 2016 that have materially affected, or are reasonably likely to materially affect, ICFR.

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 condensed interim consolidated financial statements.

CRITICAL ACCOUNTING ESTIMATES

The Company makes assumptions in applying certain critical accounting estimates that are uncertain at the time the accounting estimate is made and may have a significant effect on the condensed interim consolidated financial statements of the Company. The Company used the following critical accounting estimates for the first quarter of fiscal 2017 as consistent with the year-ended March 31, 2016:

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

For a complete discussion of the critical accounting estimates, refer to 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 to 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 Annual Information Form ("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 June 30, 2016 are described in Note 21 of the condensed interim consolidated financial statements for the three months ended June 30, 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 June 30, 2016. All financial information is presented in thousands of US Dollars unless otherwise indicated.

The term "fiscal 2017" is used throughout the MD&A and in all cases refers to the period from April 1, 2016 through March 31, 2017. The term "fiscal 2016" is used throughout the MD&A and in all cases refers to the period from April 1, 2015 through March 31, 2016.

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

NON-IFRS MEASURES

The selected financial information presented throughout this MD&A is prepared in accordance with IFRS, except for "EBITDAX" and "Segmented Net Cash Flow". These non-IFRS financial measures, which have been derived from the condensed interim consolidated financial statements for the three months ended June 30, 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 therefore may not be comparable to similar measures presented by other issuers. The non-IFRS measures are further defined for use throughout this MD&A as follows:

EBITDAX
EBITDAX is defined as net income before interest expense, income taxes, depletion and depreciation expenses, exploration and evaluation expenses, and other non-cash items (gain or loss on asset disposal, gain or loss on derivatives, asset impairment, share-based compensation expense, restructuring costs, accretion expense, unfulfilled exploration commitment expense and unrealized foreign exchange gain or loss). The Company utilizes EBITDAX to assess financial performance and determine its ability to fund future capital investments. EBITDAX provides useful information to investors to evaluate the Company's financial health and determine ability to make debt repayments. The most directly comparable measure under IFRS presented in the condensed interim consolidated financial statements to EBITDAX is net income / loss on the statement of comprehensive loss.

Segment Net Cash Flow
Segment net cash flow is the total change in cash and cash equivalents for each of the Company's reportable segments (India, Bangladesh and Other). This additional measure is used to show the total net change in cash and cash equivalents from the reportable segment's operating, investing and financing activities adjusted for items that are related to Corporate.

FORWARD LOOKING INFORMATION STATEMENTS

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 amended terms of the Facilities Agreement, the Notes and the Indenture Amendment;
- 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;
    - 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;
- the interpretation and quantification of the Guidelines issued in October 2014 and effective November 1, 2014;
- price for sales gas, particularly in the D6 Block;
- 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, including lifting of Stay Order in Bangladesh;
- the impact a resolution or failure to achieve a resolution with Diamond may have on certain stakeholders and the value of the Company's common shares;
- 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, future actions of parties to the Diamond Settlement Agreement, future actions of the People's Republic of Bangladesh, Petrobangla or Bapex, whether courts in the People's Republic of Bangladesh will recognize the exclusive jurisdiction of the international tribunals constituted under the Rules of the International Centre for Settlement of Investment Disputes, Niko being able to terminate or otherwise overcome the Stay Order, 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, and the Amendments, and successfully completing its strategic plan, risks related to the various legal claims against the Company or its subsidiaries (including the Stay Order), risks related to non-payments by Petrobangla of amounts due to subsidiaries of the Company, risks relating to the Company's default under the Diamond Settlement Agreement, 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 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.

CONDENSED INTERIM CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

(unaudited) (thousands of US Dollars)	As at June 30, 2016	As at March 31, 2016
Assets		
Current assets		
Cash and cash equivalents	38,082	37,074
Restricted cash (Note 5)	20,922	21,059
Accounts receivable (Note 6)	14,188	15,165
Inventories (Note 8)	4,697	4,167
	77,889	77,465
Restricted cash (Note 5)	8,976	9,100
Long-term accounts receivable (Note 7)	6,743	6,571
Exploration and evaluation assets (Note 8)	4,768	4,768
Property, plant and equipment (Note 9)	341,246	346,339
Income tax receivable	30,505	31,083
	470,127	475,326
Liabilities		
Current liabilities		
Accounts payable and accrued liabilities	188,065	174,200
Unfulfilled exploration commitments obligation	267,927	267,927
Current portion of long-term debt (Notes 2 and 10)	374,171	371,017
Current portion of long-term liabilities (Note 11)	33,580	33,165
Current portion of decommissioning obligations (Note 12)	290	290
Current tax payable	1,252	1,225
	865,285	847,824
Decommissioning obligations (Note 12)	45,431	44,711
Long-term debt (Notes 2 and 10)	11,714	14,010
Long-term liabilities (Note 11)	17,426	17,240
Deferred tax liabilities	40,351	39,992
	980,207	963,777
Shareholders' Deficit		
Share capital (Note 14)	1,366,867	1,366,867
Contributed surplus	143,128	143,114
Equity component of convertible notes	23,182	23,182
Currency translation reserve	2,147	2,147
Deficit	(2,045,404)	(2,023,761)
	(510,080)	(488,451)
	470,127	475,326

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

CONDENSED INTERIM CONSOLIDATED STATEMENTS OF COMPREHENSIVE LOSS

(unaudited)	Three months ended June 30,	
(thousands of US Dollars)	2016	2015
Oil and natural gas revenue (Note 15)	16,355	26,679
Production and operating expenses	(6,858)	(7,537)
General and administrative expenses	(1,122)	(1,435)
Finance and other income	449	619
Finance expense (Note 16)	(19,067)	(24,303)
Foreign exchange loss	(283)	(2,240)
Depletion and depreciation expenses (Note 9)	(7,812)	(15,881)
Exploration and evaluation expenses	(427)	(3,055)
Share-based compensation expense (Note 14)	(11)	(3)
Restructuring costs	(1,916)	(2,614)
Asset impairment	(564)	(137)
Gain (loss) on derivative	(36)	252
Loss before income tax from continuing operations	(21,292)	(29,655)
Deferred income tax expense	(359)	-
Net loss from continuing operations	(21,651)	(29,655)
Net income from discontinued operations (Note 17)	8	349
Total net loss and comprehensive loss	(21,643)	(29,306)
Loss per share (Note 18)		
Basic and diluted – continuing operations	(0.23)	(0.31)
Basic and diluted – discontinued operations	0.00	0.00
Loss per share, basic and diluted	(0.23)	(0.31)

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

CONDENSED INTERIM CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' DEFICIT

(unaudited) (thousands of US Dollars, except number of common shares)	Common shares (#)	Share capital	Contributed surplus	Currency translation reserve	Equity component of convertible notes	Deficit	Total
Balance, March 31, 2015	94,019,172	1,366,605	143,299	2,147	23,232	(1,937,959)	(402,676)
Share-based compensation expense	-	-	(265)	-	-	-	(265)
Net loss for the period	-	-	-	-	-	(29,306)	(29,306)
Balance, June 30, 2015	94,019,172	1,366,605	143,034	2,147	23,232	(1,967,265)	(432,247)
Share-based compensation expense	-	-	30	-	-	-	30
Conversion of convertible notes	30,442	262	50	-	(50)	-	262
Net loss for the period	-	-	-	-	-	(56,496)	(56,496)
Balance, March 31, 2016	94,049,614	1,366,867	143,114	2,147	23,182	(2,023,761)	(488,451)
Share-based compensation expense	-	-	14	-	-	-	14
Net loss for the period	-	-	-	-	-	(21,643)	(21,643)
Balance, June 30, 2016	94,049,614	1,366,867	143,128	2,147	23,182	(2,045,404)	(510,080)

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

CONDENSED INTERIM CONSOLIDATED STATEMENTS OF CASHFLOWS

(unaudited) (thousands of US Dollars)	Three months ended June 30, 2016	 2015
Cash flows from operating activities:		
Net loss from continuing operations	(21,651)	(29,655)
Adjustments for:		
Depletion and depreciation expenses	7,812	15,881
Accretion expense	1,462	8,113
Deferred income tax expense	359	-
Unrealized foreign exchange loss	500	2,268
Asset impairment	564	137
Exploration and evaluation write-off	-	-
Share-based compensation expense	14	45
Restructuring costs (recovery)	-	(305)
Finance and other income	(216)	-
Loss (gain) on derivative	36	(252)
Release (contributions) of restricted cash	-	(886)
Interest due upon repayment of term loan facilities (Note 10(a))	3,160	1,972
Change in non-cash working capital	15,267	10,965
Change in long-term accounts receivable	32	(1,618)
Cash from operating activities from continuing operations	7,339	6,665
Cash from (used in) operating activities from discontinued operations (Note 17)	(32)	231
Net cash from (used in) operating activities	7,307	6,896
Cash flows from investing activities:		
Exploration and evaluation expenditures	-	(216)
Property, plant and equipment expenditures	(4,554)	(11,230)
Contribution of restricted cash (Note 5)	(1)	(232)
Release of restricted cash (Note 5)	120	-
Change in non-cash working capital	180	(1,271)
Repayment of contract settlement obligation	-	(3,767)
Cash used in investing activities from continuing operations	(4,255)	(16,716)
Cash from (used in) investing activities from discontinued operations (Note 17)	-	6,185
Net cash used in investing activities	(4,255)	(10,531)
Cash flows from financing activities:		
Repayment of long-term debt (Note 10)	(2,044)	(31,819)
Release of restricted cash (Note 5)	-	15,000
Net cash used in financing activities	(2,044)	(16,819)
Change in cash and cash equivalents	1,008	(20,454)
Cash and cash equivalents, beginning of year	37,074	59,636
Cash and cash equivalents, end of year	38,082	39,182

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

NOTES TO THE CONDENSED INTERIM 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 and subsequent events

Term Loan and Convertible Notes
As at June 30, 2016, the Company was in default of its interest payment obligations under the facilities agreement (the "Facilities Agreement") governing its senior term loan (the "Term Loan") and the indenture (the "Indenture") governing its convertible notes (the "Convertible Notes").

In July 2016, the Company executed an amendment (the "Fourth Amendment") that amended the terms of the Facilities Agreement and executed a supplemental note indenture (the "Indenture Amendment") (collectively, the "Amendments"). The key terms of the Amendments are described in the audited consolidated financial statements for the year-ended March 31, 2016. As a result, the Company is no longer in default of the amended Facilities Agreement or Indenture. In addition, Niko is not required to make interest payments (including interest previously owing) under the Facilities Agreement or the Indenture during the term of the Amendments, other than in connection with waterfall distributions ("Waterfall Distribution").

Impact of the Amendments
Under the terms of the Amendments, in July 2016, the Company made a principal repayment of $12 million on the Term Loan, paid consent fees totalling $1.3 million to consenting noteholders, and withdrew $9.7 million from a reserve account required under the terms of the amended Facilities Agreement. As a result of the Amendments, liabilities of $421 million that were reflected as current liabilities as at June 30, 2016 will be reclassified to long-term liabilities on the Company's statement of financial position for the subsequent quarter.

The Amendments 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 will be required to be distributed amongst the lenders under the amended Facilities Agreement, the holders of the Convertible Notes 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 June 30, 2016 and its projected cash flows from operating activities for fiscal 2017 are 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).

Stay Order in Bangladesh
Two writ petitions have been filed before the Supreme Court of Bangladesh, High Court Division (the "Court") by a citizen of Bangladesh against the Government of Bangladesh (the "GOB"), Bangladesh Oil Gas & Mineral Corporation ("Petrobangla"), Bangladesh Petroleum Exploration & Production Company Limited ("Bapex"), the Company and certain subsidiaries of the Company. These writ petitions relates to i) the Feni Gas Purchase and Sales Agreement (the "Feni GPSA") and the Joint Venture Agreement (the "JVA") for the Feni and Chattak fields, and ii) the October 2004 approval by Petrobangla of the acquisition from Chevron Corporation of an entity that owned a 60 percent interest in the Block 9 PSC. Pending resolution of the writ petitions, the Court has ordered a stay (the "Stay Order") on any kind of benefit given by the GOB, Petrobangla or Bapex to Niko or any of its affiliates or subsidiaries, including payments made for gas supplied from the Block 9 PSC. Since June 2016, Petrobangla has paid reduced amounts to the operator of the Block 9 PSC for invoiced amounts due for gas and condensate supplied under the Gas Purchase and Sales Agreement of Block 9 PSC, with the amounts withheld equal to the 60 percent share in the Block 9 PSC held by Niko Exploration (Block 9) Limited ("Niko Block 9"). 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 in fiscal 2017 as well as other cash requirements of the Company, 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. Refer Note to 21(b) for a detailed discussion.

Diamond Settlement Agreement
In May 2016, a Texas court issued a summary judgment in the amount of $20 million of unpaid obligations under the terms of the Diamond Settlement Agreement plus interest and legal costs. In July 2016, an Alberta court issued a judgement enforcing the summary judgment of the Texas court. The Company is in discussions with Diamond to seek a resolution of this matter. 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 may lead the Company to take steps (including pursuing an arrangement or reorganization proceeding) to ensure that it can continue to give effect to its strategic plan. In such circumstances, the interests of the holders of the Convertible Notes and the lenders under the amended Facilities Agreement may be prejudiced and the value of the Company's common shares may be significantly impaired or entirely eroded.

Exploration Subsidiaries
The Company's exploration subsidiaries that currently own or previously owned interests in production sharing contracts ("PSCs") in Trinidad and Indonesia have significant accounts payable and accrued liabilities (including PSC obligations) and unfulfilled exploration work commitments reflected on the Company's balance sheet as at June 30, 2016, with the unfulfilled commitments and PSC obligations in Trinidad backed by parent company guarantees. In August 2016, two of the Company's indirect subsidiaries received written notice from the Government of the Republic of Trinidad and Tobago ("GORTT") requesting that unfulfilled exploration work commitments be performed under each of the subsidiaries' respective PSCs within sixty days, failing which the GORTT would terminate the PSCs and exercise its rights on the parent company guarantees for unfulfilled exploration commitments of $65 million. The Company is considering various options to address this matter.

Contingent Liabilities
The Company and its subsidiaries are subject to various claims from other parties, as described in Note 21, and is actively defending against these claims. An adverse outcome on one or more of these claims could significantly impact the future cash flows of the Company.

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

These condensed interim consolidated financial statements for the three months ended June 30, 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

These condensed interim consolidated financial statements do not include all of the information required for full annual consolidated financial statements and should be read in conjunction with the audited consolidated financial statements and notes for the year ended March 31, 2016. The condensed interim consolidated financial statements have been prepared, for all periods presented, following the same accounting policies and methods as described in Note 4 of the audited consolidated financial statements and notes for the year ended March 31, 2016. Certain prior period amounts have been reclassified to conform to the current presentation.

The condensed interim consolidated financial statements were approved by the Board of Directors and authorized for issue on August 15, 2016.

(b) Basis of measurement

The condensed interim consolidated financial statements have been prepared on a historical cost basis, except for the revaluation of certain financial instruments as described in Note 13.

(c) Functional and presentation currency

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

4. Accounting pronouncements

No new accounting pronouncements were issued but not yet effective as at June 30, 2016. Refer to the audited consolidated financial statements for the year-ended March 31, 2016 for recent accounting pronouncements issued but not yet effective.

5. Restricted cash

(thousands of US Dollars)	As at June 30, 2016	As at March 31, 2016
Current portion of restricted cash		
Term loan facilities reserve accounts[3]	20,000	20,000
Site restoration[2]	922	1,059
	20,922	21,059
Non-current portion of restricted cash		
Performance security guarantee[1]	630	630
Site restoration[2]	8,346	8,470
	8,976	9,100
	29,898	30,159

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

(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 June 30, 2016, current portion of the site restoration funds relate to the Surat PSC in India, with any excess amount of restricted cash subject to release upon approval of the Government of India ("GOI").

(3) The Company executed the Fourth Amendment of the Term Loan subsequent to June 30, 2016. Under the terms of the Fourth Amendment, in July, 2016, the required minimum cash balance of the reserve accounts was reduced to $10.3 million, with further reductions dependent upon the occurrence of specific events. Refer to Note 10(a).

6. Accounts receivable

(thousands of US Dollars)	As at June 30, 2016	As at March 31, 2016
Oil and gas revenues receivable[1]	10,898	12,612
Receivable from joint operators	-	548
Advances to vendors	1,595	672
Prepaid expenses and deposits	1,248	800
VAT receivable	244	231
Other receivables	203	302
	14,188	15,165

(1) In Bangladesh, approximately $8 million of oil and gas revenue receivable related to the Company's 60 percent share in the Block 9 PSC is subject to the Stay Order. Refer to Notes 2 and 21(b).

7. Long-term receivable

(thousands of US Dollars)	As at June 30, 2016	As at March 31, 2016
Long term receivable	745	790
Gas pool account receivable[1]	5,998	5,781
	6,743	6,571

(1) Effective November 2014, the D6 contractor group has been paid the earlier price of $4.20 / MMBtu net calorific value ("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. Refer to the cost recovery arbitration described in Note 21(d). In fiscal 2016, the Company impaired the gas pool account receivable due to the uncertainty of timing regarding resolutions from the cost recovery arbitration. During the three months ended June 30, 2016, the Company recorded interest income of $0.2 million to discount future cash flows on the impaired gas pool account receivable.

8. Exploration and evaluation assets

(thousands of US Dollars)	Three months ended June 30, 2016	Year ended March 31, 2016
Opening balance	4,768	37,321
Additions	-	5,512
Transfers	-	(40,124)
Expensed	-	(150)
Reversal of impairment	-	2,209
Closing balance	4,768	4,768

In fiscal 2016, the Company reclassified $40 million of costs relating to MJ and Other Satellites exploration and evaluation assets to development.

9. Property, plant and equipment

(a) Development and producing assets

(thousands of US Dollars)	Three months ended June 30, 2016	Year ended March 31, 2016
Cost		
Opening balance	1,201,207	1,016,047
Additions	4,150	21,635
Transfers from other asset categories	-	40,124
Reversal of impairment	-	123,401
Closing balance	1,205,357	1,201,207
Accumulated depletion		
Opening balance	(873,866)	(824,666)
Additions	(7,594)	(49,200)
Closing balance	(881,460)	(873,866)
Net development and producing assets	323,897	327,341

Effective April 1, 2016, the Company changed its depletion calculation for the common facilities of the D6 cash generating unit ("CGU"). The cost of these facilities are now depleted over the total proved reserves of the D6 CGU instead of being depleted over the total proved reserves of producing fields in prior periods.

(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, 2016	18,479	2,924	3,577	10,778	35,758
Additions	-	5	-	3	8
Disposals and adjustments	-	(6)	-	-	(6)
Balance, June 30, 2016	18,479	2,923	3,577	10,781	35,760
Accumulated depreciation					
Balance, March 31, 2016	(11,353)	(1,913)	(3,538)	(10,013)	(26,817)
Additions	(105)	(28)	(2)	(83)	(218)
Disposals and adjustments	-	-	-	1	1
Balance, June 30, 2016	(11,458)	(1,941)	(3,540)	(10,095)	(27,034)
Net book value, June 30, 2016	7,021	982	37	686	8,726

(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

(c) Capital work-in-progress

(thousands of US Dollars)	Three months ended June 30, 2016	Year ended March 31, 2016
Opening balance	10,057	12,670
Additions	401	-
Disposals	-	(673)
Transfers	(1,835)	2,672
Impairment	-	(4,612)
Closing balance	8,623	10,057

10. Long-term debt

(a) Term loan facilities

(thousands of US Dollars)	Three months ended June 30, 2016	Year ended March 31, 2016
Opening balance	274,079	292,559
Interest due upon repayment	3,160	12,968
Repayment	-	(31,448)
Closing balance	277,239	274,079

In December 2013, the Company entered into the definitive Facilities Agreement with certain institutional investors providing for senior secured Term Loan. As at June 30, 2016, the outstanding principal on the facilities was $250 million.

In July 2016, the Company executed the Fourth Amendment that amended the terms of the Facilities Agreement. Upon execution of the amendment, the Company made a principal repayment of $12 million on the Term Loan and withdrew $9.7 million from a reserve account required under the terms of the amended Facilities Agreement. Refer to the audited consolidated financial statements as at March 31, 2016 for key terms of the original Facilities Agreement and amended terms of the Fourth Amendment.

(b) Finance lease obligation

(thousands of US Dollars)	Three months ended June 30, 2016	Year ended March 31, 2016
Opening balance	22,586	30,223
Repayments	(2,044)	(7,637)
Closing balance	20,542	22,586
Current portion	8,828	8,576
Long-term portion	11,714	14,010

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 $21 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. 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 prior to or at maturity.

(c) Convertible notes

(thousands of US Dollars)	Three months ended June 30, 2016	Year ended March 31, 2016
Opening balance	88,362	90,641
Conversion of convertible notes	-	(262)
Foreign currency translation	(258)	(2,017)
Closing balance	88,104	88,362

In July 2016, the Company executed the Indenture Amendment that amended the terms of the Convertible Notes. Upon execution of the Indenture Amendment, the Company paid consent fees totalling $1.3 million to consenting noteholders. Effective July 2016, all accrued and unpaid interest shall continue to accrue but shall not be payable until maturity, other than in connection with Waterfall Distribution. Refer to the audited consolidated financial statements as at March 31, 2016 for key terms of the Convertible Notes and Intercreditor Agreement.

11. Long-term liabilities

(a) Contract settlement obligation

(thousands of US Dollars)	Three months ended June 30, 2016	Year ended March 31, 2016
Opening balance	30,982	28,237
Additions	541	-
Accretion	-	6,512
Repayments	-	(3,767)
Closing balance	31,523	30,982

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. The outstanding balance is 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.

Commencing on June 30, 2015, the Company has not made scheduled payments under the terms of the Diamond Settlement Agreement, with unpaid amounts totalling $25 million as at June 30, 2016. As a result, the Company is in default of the Diamond Settlement Agreement as at June 30, 2016. Refer to Note 21(i) for contingent liabilities.

(b) Deferred obligation

(thousands of US Dollars)	Three months ended June 30, 2016	Year ended March 31, 2016
Opening balance	19,423	24,644
Accretion	690	2,873
Payment	-	(889)
Transfer to accounts payable	(666)	(2,779)
Loss (gain) on valuation of derivative	36	(4,426)
Closing balance	19,483	19,423
Current portion	2,057	2,183
Long-term portion	17,426	17,240

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. 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. Changes in the valuation of the deferred

obligation are reflected on the statement of comprehensive loss as gain or loss on derivative.

In July 2016, the Company executed the Fourth Amendment that amended the terms of the Facilities Agreement including terms of the deferred obligation. The cumulative royalty accrued and outstanding up to the date of any sale of the D6 Block would be payable by the Company at the time of the sale. As such, $5 million of cumulative royalty outstanding reflected as current liabilities as at June 30, 2016 will be reclassified to long-term liabilities on the Company's statement of financial position.

Refer to the audited consolidated financial statements as at March 31, 2016 for key terms of the deferred obligations in accordance with the Term Loan Facilities.

12. Decommissioning obligations

(thousands of US Dollars)	Three months ended June 30, 2016	Year ended March 31, 2016
Opening balance	45,001	44,292
Change in estimate	-	(647)
Settlements	(52)	(1,095)
Accretion	772	2,451
Closing balance	45,721	45,001
Current portion	290	290
Long-term portion	45,431	44,711

The Company's decommissioning obligations in specific blocks 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. The estimated net present value of the decommissioning obligations is $46 million as at June 30, 2016 based on an undiscounted total future liability of $75 million.

13. Financial instruments and risk management

(a) Financial Instruments

The Company's financial instruments include cash and cash equivalents, restricted cash, accounts receivable, income tax receivable, accounts payable and accrued liabilities, long-term debt (including the Convertible Notes and deferred obligation). The fair values of cash and cash equivalents, restricted cash, accounts receivable, income tax receivable, accounts payable and accrued liabilities, approximate their carrying value, unless otherwise noted due to the short-term maturity of these instruments.

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 June 30, 2016 has been classified as a Level 3 instrument. The fair value of the deferred obligation is based on estimates of production volumes and prices included in the reserve report for the D6 Block. For the three months ended June 30, 2016, the Company recognized a loss on derivative of $0.036 million in the statement of comprehensive loss (June 30, 2015 – gain on derivative of $0.3 million).

The fair values of all other financial assets and liabilities approximate their carrying values.

(b) Credit Risk

The Company's accounts receivable are primarily with joint operating partners and purchasers of its production. The carrying amount of accounts receivable represents the maximum credit exposure. The Company manages credit risk by transacting with only credit worthy counterparties. The Company is subject to credit risk in Bangladesh due to the Stay Order on payments made for gas supplied from the Block 9 PSC, of which $2 million of oil and gas receivable is past due as at June 30, 2016 (refer to Note 21(b)). As at June 30, 2016, approximately 60 percent of total accounts receivable pertain to Bangladesh oil and gas revenues.

(c) Liquidity Risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they are due. The Company manages and mitigates its exposure to liquidity risk though its management of cash, debt and capital program by the use of cash flow forecasts.

The carrying values of the financial liabilities as at June 30, 2016 are as follows:

(thousands of US Dollars)	Carrying amount	< 1 year	> 1 year
Accounts payable and accrued liabilities(5)	188,065	188,065	-
Unfulfilled exploration commitments obligation	267,927	267,927	-
Current taxes payable	1,252	1,252	-
Term loan facilities(1)(5)	277,239	277,239	-
Finance lease obligations(2)	20,542	8,828	11,714
Convertible notes(3)(5)	88,104	88,104	-
Other long-term liabilities(4)(5)	51,006	33,580	17,426

(1) The carrying amount of the Term Loan is $277 million. The outstanding principal is $250 million.
(2) The carrying value of the finance lease obligation is the fair value of $21 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 is Cdn$115 million.
(4) The carrying amount of the other long-term liabilities is the fair value of $51 million, comprised of the contract settlement obligation of $31 million and the deferred obligation of $20 million as at June 30, 2016. The Company has reflected the outstanding balance of the contract settlement obligation as current as at June 30, 2016 (refer to Note 11(a)).
(5) Accrued interest on the Term Loan and Convertible Notes as at June 30, 2016 are included under accounts payable and accrued liabilities. The amounts included do not reflect the subsequent impact of the execution of amendments to the Term Loan and Convertible Notes as described in Notes 2, 10(a) and 11(c).

(d) Foreign Currency Risk

Foreign currency risk is the risk that future cash flows will fluctuate as a result of changes in foreign exchange rates. The Company holds the majority of its cash balances in US Dollars which is the Company's functional currency. The Company's revenues and majority of capital expenditures are denominated in US Dollars. The Company is exposed to fluctuations between the Indian Rupee against the US Dollar on Indian Rupee denominated financial instruments including cash and cash equivalents, accounts receivable, income tax receivable, accounts payable and deferred tax liability. In addition, the Company is subject to fluctuations in the value of the Euro compared to the US Dollar, as applicable to certain vendor payables for its subsidiary in India. The Company's corporate operations is exposed to fluctuations in the value of the Canadian Dollar against the US Dollar on Canadian denominated financial instrument including cash and cash equivalents, accounts payable and accrued liabilities and Convertible Notes. As at June 30, 2016, the Company does not have forward exchange rate contracts in place to mitigate foreign currency risk.

In respect of financial instruments existing at June 30, 2016, a 1 percent strengthening or weakening of the Indian Rupee against the US Dollar with all other variables assumed constant, would have resulted in a decrease or increase, respectively, of $0.5 million in net loss and comprehensive loss during the three month period ended June 30, 2016. In respect of financial instruments existing at June 30, 2016, a 1 percent strengthening or weakening of the Canadian Dollar against the US Dollar with all other variables assumed constant, would have resulted in a decrease or increase, respectively, of $1 million in net loss and comprehensive loss during the three month period ended June 30, 2016.

(e) 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 oil 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 cash flow for the quarter by $0.4 million, net of the impact on royalty and profit petroleum as applicable.

As per the natural gas pricing formula, the gas price on currently producing fields in the D6 Block are determined on a semi-annual basis. Prices are 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/mcf increase or decrease in natural gas in the D6 Block would respectively increase or decrease net cash flow for the quarter by $0.2 million, net of the impact on royalty and profit petroleum as applicable.

As at June 30, 2016, the Company has not entered into any contracts to hedge against commodity price risk.

(f) 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. As at June 30, 2016, the Company has not entered into any contracts to hedge against interest rate risk.

14. Share capital

(a) Fully paid ordinary shares

The Company has authorized for issue an unlimited number of common shares and an unlimited number of preferred shares. The common shares issued are fully paid and the shares have no par value. No preferred shares have been issued as at June 30, 2016.

In connection with the execution of the Fourth Amendment subsequent to June 30, 2016, the Company issued one preferred share. The preferred share was issued to the Agent, on behalf of the Lenders, and has 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

Under the Company's share option plan, the Company has reserved 9,404,961 common shares for granting stock options to directors, officers, and employees. From the date of grant, the options vest immediately to five years and expire from one to six years. All stock options are settled in equity.

The following table summarizes stock options outstanding and exercisable for the three months ended June 30, 2016:

	Three months ended June 30, 2016		Year ended March 31, 2016	
	Number of options	Weighted average exercise price (Cdn$)	Number of options	Weighted average exercise price (Cdn$)
Opening balance	1,199,067	20.20	2,241,431	20.00
Granted	-	-	-	-
Forfeited	(3,166)	27.26	(321,452)	29.96
Expired	(703,125)	26.80	(720,912)	15.24
Closing balance	492,776	10.73	1,199,067	20.20
Exercisable	419,443	11.59	1,063,946	21.76

The weighted average share price for the three months ended June 30, 2016 was $0.22 (June 30, 2015 - $0.35).

(c) Fair value measure of equity instruments granted

The Company estimates the fair value of options granted on the date of grant using the Black-Scholes option-pricing model. The Company has not granted any stock options since May 2014.

15. Revenue

(thousands of US Dollars)	Three months ended June 30, 2016	Three months ended June 30, 2015
Natural gas sales	21,591	31,598
Oil and condensate sales	2,421	4,212
Less:		
Royalties	(888)	(1,070)
Government's share of profit petroleum	(6,769)	(8,061)
Net oil and natural gas revenue	16,355	26,679

In Bangladesh, revenues from Petrobangla represented 54 percent of gross revenues for the three months ended June 30, 2016 (June 30, 2015 – 40 percent). Refer to Note 21(b) for discussion of the Stay Order. For the three months ended June 30, 2015, natural gas sales revenue from Indian Farmers Fertiliser Cooperative Limited represented 11 percent of gross revenues and Rashtriya

Chemicals and Fertilizers Limited of India represented 10 percent of gross revenues.

16. Finance expense

(thousands of US Dollars)	Three months ended June 30, 2016	Three months ended June 30, 2015
Interest expense	17,597	16,173
Accretion expense	1,462	8,113
Bank charges and other finance costs	8	17
Finance expense	19,067	24,303

17. Discontinued operations

In fiscal 2016, the Company reclassified the Indonesia and Pakistan operating segments as discontinued operations. Net income from discontinued operations for the three months ended June 30, 2016 and 2015 is as follows:

(thousands of US Dollars)	Three months ended June 30, 2016	Three months ended June 30, 2015
Other income	-	583
Expenses		
Foreign exchange loss	-	(78)
Exploration and evaluation expenses	-	(137)
Restructuring (costs) recovery	8	(131)
Asset impairment reversal	-	112
Net income from discontinued operations	8	349

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

(thousands of US Dollars)	Three months ended June 30, 2016	Three months ended June 30, 2015
Cash flow from (used in) operating activities	(32)	231
Cash flow from (used in) investing activities	-	6,185
Cash flow from financing activities	-	-

18. Per share amounts

	Continuing Operations		Discontinued Operations	
	Three months ended June 30, 2016	Three months ended June 30, 2015	Three months ended June 30, 2016	Three months ended June 30, 2015
Net income (loss)	(21,651)	(29,655)	8	349
Weighted average number of common shares	94,049,614	94,019,172	94,049,614	94,019,172
Basic and diluted loss per share	(0.23)	(0.31)	0.00	0.00

For the three months ended June 30 2016 and 2015, stock options were excluded from the calculations of diluted earnings per share as these options were anti-dilutive.

19. Segment information

(a) Revenues from reportable segments

(thousands of US Dollars)	Three months ended June 30, 2016	Three months ended June 30, 2015
Natural gas sales		
India	9,272	18,296
Bangladesh	12,319	13,302
Oil and condensate sales		
India	1,754	3,255
Bangladesh	667	957
Total oil and natural gas revenue	24,012	35,810

(b) Capital additions from reportable segments

(thousands of US Dollars)	Three months ended June 30, 2016		Year ended March 31, 2016	
	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)
India	-	3,389	5,462	16,702
Bangladesh	-	1,165	50	4,896
Total	-	4,554	5,512	21,598

(c) Segment assets from reportable segments

(thousands of US Dollars)	As at June 30, 2016			As at March 31, 2016		
Segment	Total E&E	Total PP&E	Total Assets	Total E&E	Total PP&E	Total Assets
India	-	320,229	395,653	-	325,249	400,029
Bangladesh	4,768	21,017	36,723	4,768	21,090	36,968
Other	-	-	35,379	-	-	35,953
	4,768	341,246	467,755	4,768	346,339	472,950
Discontinued segments	-	-	2,372	-	-	2,376
Total	4,768	341,246	470,127	4,768	346,339	475,326

(d) Segment profit (loss) from reportable segments

	Three months ended June 30, 2016				Three months ended June 30, 2015			
($ thousands, unless otherwise indicated)	India	Bangladesh	Other	Total	India	Bangladesh	Other	Total
Natural gas revenue	9,272	12,319	-	21,591	18,296	13,302	-	31,598
Crude oil and condensate revenue	1,754	667	-	2,421	3,255	957	-	4,212
Royalties	(892)	-	4	(888)	(1,075)	-	5	(1,070)
Profit petroleum	(105)	(6,664)	-	(6,769)	(204)	(7,857)	-	(8,061)
Net oil and natural gas revenue	**10,029**	**6,322**	**4**	**16,355**	**20,272**	**6,402**	**5**	**26,679**
Production and operating expenses	(4,818)	(2,040)	-	(6,858)	(5,229)	(2,306)	(2)	(7,537)
General and administrative expenses	-	-	(1,122)	(1,122)	-	-	(1,435)	(1,435)
Finance and other income	216	-	233	449	-	-	619	619
Finance expense	(1,302)	(108)	(17,657)	(19,067)	(1,489)	(98)	(22,716)	(24,303)
Foreign exchange loss	-	-	(283)	(283)	-	-	(2,240)	(2,240)
Depletion and depreciation expenses	(6,573)	(1,239)	-	(7,812)	(13,915)	(1,809)	(157)	(15,881)
Exploration and evaluation expenses	(46)	(143)	(238)	(427)	(80)	-	(2,975)	(3,055)
Share-based compensation expense	-	-	(11)	(11)	-	-	(3)	(3)
Restructuring costs	-	-	(1,916)	(1,916)	-	-	(2,614)	(2,614)
Asset impairment loss	-	-	(564)	(564)	-	-	(137)	(137)
Gain (loss) on derivative	-	-	(36)	(36)	-	-	252	252
Deferred income tax expense	(359)	-	-	(359)	-	-	-	-
Net segment profit (loss) from continuing operations	**(2,853)**	**2,792**	**(21,590)**	**(21,651)**	**(441)**	**2,189**	**(31,403)**	**(29,655)**
Net segment profit from discontinued operations	**-**	**-**	**8**	**8**	**-**	**-**	**349**	**349**
Total net loss and comprehensive loss	**(2,853)**	**2,792**	**(21,582)**	**(21,643)**	**(441)**	**2,189**	**(31,054)**	**(29,306)**

20. Commitments and contractual obligations

(a) Exploration commitments

(thousands of US Dollars)	As at June 30, 2016
Indonesia[1]	139,107
Trinidad[1][2]	128,820
Brazil[2]	3,000
	270,927

(1) Amounts have been recognized as unfulfilled exploration commitments as at June 30, 2016.

(2) Work commitments in Trinidad and Brazil are backed by parent company guarantees.

(b) Finance lease obligation

The table below summarizes the future minimum lease payments of the Company's FPSO finance lease in the D6 Block in India. Refer to Note 10(b).

	As at June 30, 2016
<1 year	10,757
1 - 5 years	12,584
Subtotal	23,341
Imputed interest	(2,799)
Carrying value	20,542

(c) Contract settlement obligation

The table below summarizes the future minimum payments related to the contract settlement agreement related to drilling rig contracts in Indonesia and Trinidad. Refer to Notes 11(a) and 21(i).

(thousands of US Dollars)	As at June 30, 2016
<1 year	31,523
1 - 5 years	-
Total	31,523
Imputed interest	-
Carrying value	31,523

(d) Deferred obligation

The table below summarizes the estimated future minimum payments of the deferred obligation in connection with the Term Loan Facilities Agreement. Refer to Note 11(b).

(thousands of US Dollars)	As at June 30, 2016
< 1	2,212
1 - 5 year	19,428
5 years ending March 2022	13,055
Subtotal	34,695
Imputed interest	(14,546)
Transfer to accounts payable	(666)
Carrying value	19,483

21. Contingent liabilities

(a) ***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, i) in September 2014, the Tribunals decided that Petrobangla owed NRBL for the gas delivered and accrued interest, ii) in September 2015, the Tribunals decided that Petrobangla shall pay the amounts owed into escrow accounts, and iii) 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 condensed interim consolidated financial statements.

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.

(b) ***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. Since 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, with

approximately $6 million to date 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.

In June 2016, another writ petition has been filed before the Supreme Court of Bangladesh, High Court Division (the "Court") in Dhaka by a citizen of Bangladesh against (i) the Government of Bangladesh (ii) Petrobangla, (iii) Bapex, (iv) Niko Exploration (Block 9) Ltd. ("Niko Block 9"), an indirect subsidiary of the Company, (iv) Niko Resources (Cayman) Ltd. ("Niko Cayman"), a direct subsidiary of the Company and (v) the Company. The writ petition relates to the October 2004 approval by Petrobangla of the acquisition by Niko Cayman of Niko Block 9 (previously Chevron International Bangladesh Limited) from Chevron Corporation. Niko Block 9 owns a 60 percent interest in the Block 9 production sharing contract ("Block 9 PSC"). Pending resolution of the writ petition, the Court has issued a stay order until September 2016 against all direct and indirect payments to Niko Block 9, Niko Cayman or Niko under the Block 9 PSC or the Block 9 joint operating agreement including payments made for gas supplied from the Block 9 PSC. This decision of the Court was granted without any notice to Niko Block 9, Niko Cayman or Niko.

The Company believes that ICSID have exclusive jurisdiction to decide all disputes relating to Feni GPSA and the JVA and the Block 9 PSC provides for ICSID arbitration as the default dispute resolution mechanism to decide disputes relating to the Block 9 PSC. 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.

(c) (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 are 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. In June 2016, the customer agreed to withdraw the arbitration claim and the Company agreed to withdraw a related indemnification claim against the Company's joint operating partner (the parent company of the customer). The arbitration claim was withdrawn in July 2016.

(d) 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 an 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.

(e) 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.

(f) 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 the Supreme Court of India to challenge the favorable tax judgment issued by the 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.

(g) 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.

(h) 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.

In June and August 2016, the tax courts in Indonesia issued their decisions on certain appeals deciding that no amounts are owing for surface assessments for three of the five affected subsidiaries of the Company. The amounts due on the sub-surface assessments of approximately $1 million have been recorded as accrued liabilities of the affected subsidiaries.

(i) Commencing on June 30, 2015, the Company has not made scheduled payments under the terms of the Diamond Settlement Agreement, with unpaid amounts totalling $25 million as at June 30, 2016. In May 2016, a Texas court issued a summary judgment in the amount of $20 million of unpaid obligations under the terms of the Diamond Settlement Agreement plus interest and legal costs. In July 2016, an Alberta court issued a judgement enforcing the summary judgment of the Texas court. The Company is in discussions with Diamond to seek a resolution of this matter. No assurance can be made that any resolution can be accomplished at all or on a timely basis. 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.

(j) 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.