NIKO RESOURCES LTD

NIKO REPORTS RESULTS FOR THE QUARTER ENDED SEPTEMBER 30, 2016

Niko Resources Ltd. ("Niko" or the "Company") is pleased to report its operating and financial results for the quarter ended September 30, 2016. The operating results are effective November 9, 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

As previously communicated to shareholders, the Company is in the midst of a strategic plan to enhance the value of our core assets with the objective of ultimately monetizing these assets for the benefit of the Company's stakeholders. In furtherance of this objective, and after consideration of favorable developments with respect to natural gas pricing applicable to the Company's undeveloped deep water fields in India, we have now re-launched the sales process for our interest in the D6 Block. While we believe the D6 Block offers a number of compelling attributes to potential bidders, the sales process will inevitably be complicated by the recent claim made by the Government of India against the contractor group of the D6 production sharing contract in respect of gas said to have migrated from neighboring blocks to the D6 Block. Niko believes the contractor group is not liable for the amount claimed and is working with the contractor group to defend against the claim by invoking the dispute resolution mechanism in the D6 Block production sharing contract.

At the time of my last message to shareholders, the Company faced two near-term challenges in executing its strategic plan - a claim pursued by Diamond Offshore and ongoing disputes with the Government of Bangladesh. In October 2016, we reached an amicable resolution of the claim by Diamond and executed a settlement agreement, but unfortunately, our ongoing disputes with the Government of Bangladesh remain unresolved at this juncture. Non-payments by Petrobangla of amounts due to a subsidiary of the Company for natural gas and condensate delivered from Block 9 in Bangladesh continue to adversely impact our operations in the region and overall liquidity in a material manner. We will continue to actively pursue resolution of these disputes through diplomacy while tenaciously protecting our interests in various legal and arbitration forums. However, no assurance can be made that resolution of these matters can be accomplished on a timely basis or at all.

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

NIKO RESOURCES LTD.
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE THREE AND SIX MONTHS ENDED SEPTEMBER 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 and six months ended September 30, 2016 should be read in conjunction with the condensed interim consolidated financial statements for the three and six months ended September 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 November 9, 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.

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
In July 2016, the Company executed an amendment (the "Fourth Amendment") to the terms of the Facilities Agreement with its Term Loan Lenders and executed a supplemental indenture to the indenture governing its Convertible Notes (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 of the Amendments, the Company is no longer in default of the amended Facilities Agreement or Indenture and is not required to make interest payments (including interest previously owing) under the Facilities Agreement or the Indenture during the term of the Amendments, nor make payments under the deferred obligation, other than in connection with waterfall distributions ("Waterfall Distribution"). The Amendments restrict the Company's ability to utilize potential proceeds from sales of assets and settlements of 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 (the "Noteholders") and the Company pursuant to the Waterfall Distribution. The Waterfall Distribution under the Amendments is as follows (and, in respect of payments to the Company, is subject to the 2016 Settlement Agreement as set out under "Diamond Settlement Agreement" below):

- first tranche of the first $168 million:
  - (i) 100 percent to the Lenders
- capitalized interest on the Term Loan of up to $12 million:
  - (ii) 100 percent to the Lenders
- second tranche of the next US $100 million, on a *pro rata* basis:
  - (i) 62.67 percent to the Lenders,
  - (ii) 29.33 percent to the Noteholders, and
  - (iii) 8.00 percent to be retained by the Company
- third tranche of the next US $120 million, on a *pro rata* basis:
  - (i) 40 percent to the Lenders,
  - (ii) 40 percent to the Noteholders, and
  - (iii) 20 percent to be retained by the Company
- fourth tranche of any proceeds above the Third Tranche, on a *pro rata* basis:
  - (i) 20 percent to the Lenders,
  - (ii) 20 percent to the Noteholders, and
  - (iii) 60 percent to be retained by the Company.

The cumulative proceeds distributed to each of (A) the Lenders shall not exceed the total principal and interest amounts outstanding to the Lenders as at the effective date of the Fourth Amendment plus interest accruing at a rate of 15 percent per annum from such date plus any amounts owing under the deferred obligation plus capitalized interest under the Term Loan and (B) the Noteholders shall not exceed the total principal and interest outstanding to the Noteholders as at the effective date of the Fourth Amendment plus interest accruing at a rate of 7 percent per annum from such date. All funds retained by the Company under the waterfall will be retained free from the security (and claims for payment) held by the Lenders and Noteholders.

Diamond Settlement Agreement

In October 2016, Niko executed an agreement (the "2016 Settlement Agreement") with subsidiaries of Diamond Offshore ("Diamond") relating to the settlement of outstanding claims under drilling contracts and the Diamond Settlement Agreement executed in December 2013 (the "2013 Settlement Agreement") (including related judgements granted by courts in Texas and Alberta), in compliance with the terms of the Fourth Amendment).

Under the 2016 Settlement Agreement, in exchange for full and final mutual releases of outstanding claims under the drilling contracts and the 2013 Settlement Agreement (including related judgements), the Company has:

(i) agreed to make future payments to Diamond equal to 20 percent of amounts to be retained by the Company pursuant to the Waterfall Distribution, subject to a cap;

(ii) paid to Diamond a cash settlement amount; and

(iii) assigned to Diamond a portion of potential contingent payments under the previously announced sale agreement for the Company's interest in five Indonesian production sharing contracts ("PSCs").

As a result of the 2016 Settlement Agreement, liabilities of $32 million that were reflected as current liabilities as at September 30, 2016 will be derecognized and the fair value of the 2016 Settlement Agreement will be recognized as a long-term liability on the Company's statement of financial position for the subsequent quarter.

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

The Company's cash balances as at September 30, 2016 and its projected cash flows from operating activities for fiscal 2017 were 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 complied with the terms of the respective agreements for natural gas, crude oil and condensate sales from these producing fields (see discussion below on Non-payments by Petrobangla of Amounts Due).

Non-payments by Petrobangla of Amounts Due

Since June 2016, Bangladesh Oil, Gas and Mineral Corporation ("Petrobangla") has 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 pursuant to the Block 9 gas and condensate sales agreements, 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"). Niko Block 9 has issued notices of dispute and force majeure under the Block 9 PSC and sales agreements to the Government of Bangladesh and Petrobangla. As the cash flow that was expected to be generated by the Block 9 PSC was targeted to fund the current and 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 has significantly impacted the Company's ability to fund its operating and capital budgets for fiscal 2017. In late September 2016, Niko Block 9 did not pay a cash call that was due and was issued a default notice by the operator of the Block 9 PSC. Under the terms of the joint operating agreement ("JOA") between the participating interest holders in the Block 9 PSC, during the continuance of a default, the defaulting party shall not have a right to its share of gas and condensate sales proceeds, which shall vest in and be the property of the non-defaulting parties who have paid to cover the amount in default in order to recover the amounts owed by the defaulting party. In addition, if the defaulting party does not cure a default within 60 days of the default notice, the non-defaulting parties have the option to require the defaulting party to withdraw from the PSC and JOA. Refer to note 22(a)(ii) of the condensed interim consolidated financial statements for the three and six months ended September 30, 2016 for further details on this matter.

Claim from the Government of India in Alleged Migration of Natural Gas Dispute

In November 2016, the contractor group of the D6 Block in India received a letter from the Government of India ("GOI"), in which the GOI made a claim of approximately $1.55 billion (Niko share $155 million) against the contractor group in respect of gas said to have migrated from neighboring blocks to the D6 Block. Reliance Industries Ltd. ("RIL"), the operator of the D6 Block, has proposed to invoke the dispute resolution mechanism in the PSC and issue a Notice of Arbitration to the GOI. Niko believes the contractor group is not liable for the amount claimed by the GOI and is working with the contractor group to defend against the claim by invoking the dispute resolution mechanism in the PSC. Refer to note 22(b)(ii) of the condensed interim consolidated financial statements for the three and six months ended September 30, 2016 for further details on this dispute.

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 September 30, 2016, with the unfulfilled commitments and PSC obligations in Trinidad backed by parent company guarantees. In August 2016, three 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 60 days, failing which the GORTT would terminate the PSCs and exercise its rights on the parent company guarantees for unfulfilled exploration commitments of $118 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 22 of the condensed interim financial statements for the three and six months ended September 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.

OVERALL PERFORMANCE AND RESULTS OF OPERATIONS BY REPORTABLE SEGMENT

The Company's financial results for the second quarter of fiscal 2017 were impacted by the following significant items:

Execution of the Amendments in July 2016
As a result of the Amendments, the carrying value of the Term Loan, Convertible Notes and deferred obligation and related interest and other payment obligations that had been reflected as current liabilities were derecognized and these obligations were recorded as long-term liabilities at their estimated fair values, resulting in the recognition of a gain on debt modification of $255 million, net of costs The value of these obligations is primarily dependent on the net proceeds that would be distributed in the future under the Waterfall Distribution mechanism to the respective holders of these debt instruments upon the sale of the assets of the Company and other events, and is therefore highly uncertain. The estimated fair value of the Convertible Notes was determined based on the active trading price of Cdn$11.00 per $100 of Convertible Notes on the date of the Indenture Amendment, the estimated fair value of the Term Loan was determined using the estimated fair value of the Convertible Notes and the corresponding net proceeds that would be payable to the Term Loan lenders under the Waterfall Distribution mechanism, and the estimated fair value of the deferred obligation was determined to be zero based on the priority of payments for the deferred obligation being last under the Waterfall Distribution mechanism after all other claims under the Term Loan have been completely satisfied. In addition, subsequent to the Amendment date, the Company has not recognized interest expense on the Term Loan and Convertible Notes.

Non-payments by Petrobangla of Amounts Due
As a result of the non-payments by Petrobangla of amounts due, the Company recognized an impairment of $13 million in the second quarter of fiscal 2017 related to the net revenue receivable from Petrobangla for the months of March to August 2016. In addition, due to Niko Block 9's non-payment of a cash call due in late September and the default mechanism in the Block 9 JOA, the invoices issued by the operator of the Block 9 PSC for gas and condensate sales to Petrobangla for the month of September 2016 reflect the non-defaulting parties' entitlement to the sales proceeds and as such for the month of September 2016, the Company has not recognized $2.4 million of net oil and gas revenue that it otherwise would have been entitled to.

Consolidated

	Three months ended September 30,		Six months ended September 30,	
($ thousands, unless otherwise indicated)	2016	2015	2016	2015
Sales volumes (MMcfe/d)	86	105	89	106
Net oil and natural gas revenue	13,266	24,943	29,621	51,622
EBITDAX[(1)]	7,233	16,907	16,053	35,260
Net income (loss) from continuing operations	241,135	(76,421)	219,485	(106,078)
Net loss from discontinued operations	(72)	(33,631)	(64)	(33,282)
Development capital expenditures	(10,753)	(5,469)	(15,307)	(16,699)
Net cash flow[(2)]	(13,905)	(2,068)	(12,897)	(22,522)

(1) Refer to "Non-IFRS Measures" for details.
(2) Net cash flow is the total change in cash and cash equivalents as stated 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 prices for the D6 Block in India and the non-recognition of net revenue for Block 9 in Bangladesh for September 2016 contributed to lower net oil and gas revenue and lower EBITDAX for the Company for the second quarter of fiscal 2017 compared to the second quarter of fiscal 2016. Net income from continuing operations of $241 million for the second quarter of fiscal 2017 primarily attributed to the gain on debt modification of $255 million and the non-recognition of interest expense on the Term Loan and Convertible Notes as a result of the Amendments, offset by the $13 million impairment of net revenue receivable from Petrobangla and lower EBITDAX. Net loss from continuing operations of $76 million for the second quarter of fiscal 2016 primarily reflected higher interest expense on the Term Loan and Convertible Notes and asset impairment in the D6 Block in India.

Development capital expenditures of $11 million for the second quarter of fiscal 2017 related primarily to development well programs in the D6 Block in India and in Block 9 in Bangladesh.

Net cash flow of ($14) million for the second quarter of fiscal 2017 primarily reflected the impact of EBITDAX of $7 million, non-payment by Petrobangla of amounts due in the quarter of $6 million, development capital expenditures of $5 million, principal repayments of $12 million on the Term Loan, release of $9.7 million from a reserve account required under the terms of the amended Facilities Agreement, consent fee payments of $1.3 million to consenting noteholders, principal and interest payments of $3 million on the finance lease related to the floating, production, storage and offloading vessel ("FPSO") employed in the D6 Block in India and restructuring costs of $3 million. Net cash flow of $(2) million for the second quarter of fiscal 2016 primarily reflected the impact of EBITDAX of $17 million, development capital expenditures of $8 million, exploration capital expenditures of $5 million, restructuring costs of $2 million and principal and interest payments of $3 million on the finance lease related to the FPSO employed in the D6 Block in India and payment of $1 million on the deferred obligation.

India

	Three months ended September 30,		Six months ended September 30,	
($ thousands, unless otherwise indicated)	2016	2015	2016	2015
Sales volumes (MMcfe/d)	29	42	31	43
Net oil and natural gas revenue	8,717	18,570	18,747	38,842
Segment EBITDAX(1)	5,108	13,386	10,323	28,450
Segment income (loss)	2,685	(69,380)	(168)	(69,822)
Development capital expenditures	(7,906)	(4,674)	(11,297)	(14,663)
Segment net cash flow(1)	(3,318)	(1,587)	(3,123)	(2,986)

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

Total sales volumes from the D6 Block for the second quarter of fiscal 2017 of 29 MMcfe/d decreased from 42 MMcfe/d for the second 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 for the second quarter of fiscal 2017 compared to the second quarter of 2016 primarily due to lower natural gas sales volumes and prices. The notified price for natural gas sales from the D6 Block for April 2016 to September 2016 was $3.06 / MMbtu based on the gross calorific value ("GCV") of the sales gas, which was 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. The notified price for gas sales from the D6 Block for October 2016 to March 2017 is $2.50 / mmbtu GCV, a decrease of 18 percent from the notified price for April 2016 to September 2016 and a decrease of approximately 34 percent from the price prior to adoption of the New Domestic Natural Gas Pricing Guidelines, effective November 1, 2014. The decrease in the notified price for gas sales from the D6 Block is projected to have a negative impact on net cash flow of approximately $1.5 million for each of the next two quarters.

Segment EBITDAX of $5 million for the second quarter of fiscal 2017 decreased compared to the second quarter of fiscal 2016 primarily due to lower net oil and natural gas revenues, partially offset by the impact of lower production and operating expenses for the D6 Block.

Segment income of $3 million for the second quarter of fiscal 2017 reflected the impact of lower segment EBITDAX, which was more than offset by lower depletion expense and a deferred income tax recovery of $6 million. Depletion expense decreased for the second quarter of fiscal 2017 compared to the second quarter of fiscal 2016 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, whereby the costs of common facilities are 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. Segment loss for the second quarter of fiscal 2016 also reflected asset impairment expense of $67 million primarily related to the reductions in the carrying value of the Company's assets in the D6 Block in India that were subsequently reversed in the fourth quarter of fiscal 2016.

Development capital expenditures of $8 million for the second 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, production from this well began ramping up at the beginning of October 2016, and drilling of the second well has commenced.

Segment net cash flow for the second quarter of fiscal 2017 primarily reflected the impact of $5 million of segment EBITDAX, partially offset by $6 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

	Three months ended September 30,		Six months ended September 30,	
($ millions, unless otherwise indicated)	2016	2015	2016	2015
Sales volumes (MMcfe/d) [(1)]	57	63	58	64
Net oil and natural gas revenue	4,544	6,368	10,867	12,772
Segment EBITDAX[(2)]	3,014	4,231	7,297	8,330
Segment income (loss)	(11,338)	2,326	(8,544)	4,517
Development capital expenditures	(2,847)	(795)	(4,010)	(2,036)
Segment net cash flow[(2)]	(2,510)	4,287	66	6,519

(1) Includes volumes for September 2016 for which revenue has not be recognized (see below)
(2) Refer to "Non-IFRS Measures" for details.

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

Net oil and natural gas revenues for the second quarter of fiscal 2017 decreased from the second quarter of fiscal 2016 due to lower sales volumes and the non-recognition of $2.4 million of net oil and gas revenues for the month of September 2016 in Block 9 (refer to discussion on *Non-payments by Petrobangla of Amounts Due* in the Liquidity and Capital Resources section).

Segment EBITDAX of $3 million for the second quarter of fiscal 2017 decreased compared to the second quarter of fiscal 2016 primarily as a result of lower net oil and gas revenues, partially offset by lower production and operating expenses.

Segment loss of $11 million for the second quarter of fiscal 2017 decreased compared to segment income of $2 million in the second quarter of fiscal 2016 as a result of decreased segment EBITDAX, the impairment of $13 million of net revenue receivable from Petrobangla 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 $3 million for the second quarter of fiscal 2017 related primarily to 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 commenced in September 2016 and this well is expected to be brought on-stream in the third quarter of fiscal 2017. Drilling of the second well targeted for the fourth quarter of fiscal 2017 is currently under evaluation (see discussion on *Non-payments by Petrobangla of Amounts Due* in the Liquidity and Capital Resources section).

Segment net cash flow of $(3) million for the second quarter of fiscal 2017 primarily reflected payments of $2 million for development capital and operating expenditures in Block 9 (see discussion on *Non-payments by Petrobangla of Amounts Due* in the Liquidity and Capital Resources section).

Other

($ millions, unless otherwise indicated)	Three months ended September 30, 2016	2015	Six months ended September 30, 2016	2015
Segment EBITDAX from continuing operations[1]	(889)	(711)	(1,567)	(1,520)
Segment income (loss) from continuing operations[1]	249,788	(9,367)	228,197	(40,773)
Net loss from discontinued operations	(72)	(33,631)	(64)	(33,282)
Segment net cash flow from continuing operations[1]	(8,033)	(2,903)	(9,763)	(30,607)
Net cash flow from discontinued operations[1]	(44)	(1,865)	(77)	4,552

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

Segment income for the second quarter of fiscal 2017 of $250 million increased from a loss in the second quarter of fiscal 2016 of $9 million, primarily resulting from the recognition of a gain on debt modification of $255 million and the non-recognition of interest expense on the Term Loan and Convertible Notes as a result of the Amendments. Unrealized foreign exchange gain for the second quarter of fiscal 2017 decreased compared to the second quarter of fiscal 2016 primarily due to the impact of the weakening of the Canadian Dollar against the US Dollar on the Canadian Dollar denominated Convertible Notes.

Segment net cash outflows related to continued operations for the second quarter of fiscal 2017 of $8 million increased from $3 million in the second quarter of fiscal 2016 primarily due to payments associated with the Company's July 2016 debt restructuring funded partially from the release of restricted cash accounts, partially offset by lower payments for general and administrative expenses.

Segment net cash outflows from discontinued operations for the second quarter of fiscal 2016 decreased from the second quarter of fiscal 2016 due to significant decrease in activity subsequent to the sale of Indonesia subsidiaries in the prior year.

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 September 30, 2016				Three months ended September 30, 2015			
($ thousands, unless otherwise indicated)	India	Bangladesh	Other	Total	India	Bangladesh	Other	Total
Sales volume								
Natural gas (mcf/d)	27,112	55,994	-	83,106	39,898	62,309	-	102,207
Oil and condensate (bbl/d)	356	163	-	519	347	145	-	492
Natural gas equivalent (mcfe/d)	29,245	56,973	-	86,218	41,982	63,179	-	105,161
Natural gas revenue	8,368	8,213	-	16,581	18,469	13,296	-	31,765
Crude oil and condensate revenue	1,379	416	-	1,795	1,359	601	-	1,960
Royalties	(939)	-	5	(934)	(1,061)	-	5	(1,056)
Profit petroleum	(91)	(4,085)	-	(4,176)	(197)	(7,529)	-	(7,726)
Net oil and natural gas revenue	**8,717**	**4,544**	**5**	**13,266**	**18,570**	**6,368**	**5**	**24,943**
Production and operating expenses	(3,609)	(1,530)	-	(5,139)	(5,184)	(2,137)	(2)	(7,323)
General and administrative expenses	-	-	(1,035)	(1,035)	-	-	(1,755)	(1,755)
Finance and other income	-	-	133	133	-	-	629	629
Bank charges and other finance costs	-	-	(7)	(7)	-	-	(13)	(13)
Realized foreign exchange gain	-	-	15	15	-	-	425	425
EBITDAX from continuing operations(1)	**5,108**	**3,014**	**(889)**	**7,233**	**13,386**	**4,231**	**(711)**	**16,906**
Cash interest expense	(553)	-	(2,785)	(3,338)	(809)	-	(11,239)	(12,048)
Cash restructuring costs	-	-	(2,315)	(2,315)	-	-	(1,698)	(1,698)
Current income tax expense	-	-	-	-	-	-	(1)	(1)
Non-cash production and operating expenses	(2)	-	-	(2)	(16)	(2)	-	(18)
Depletion and depreciation expenses	(6,314)	(1,200)	-	(7,514)	(13,789)	(1,805)	(43)	(15,637)
Exploration and evaluation expenses	(78)	(34)	(75)	(187)	(817)	-	(2,617)	(3,434)
Non-cash restructuring expense	-	-	-	-	-	-	47	47
Asset impairment loss	(636)	(13,010)	71	(13,575)	(66,724)	-	-	(66,724)
Share-based compensation expense	-	-	(6)	(6)	-	-	(50)	(50)
Accretion expense	(678)	(108)	(136)	(922)	(611)	(98)	(867)	(1,576)
Non-cash finance income	227	-	598	825	-	-	27	27
Gain (loss) on derivative	-	-	-	-	-	-	5,989	5,989
Gain on debt modification	-	-	255,221	255,221	-	-	-	-
Interest due upon repayment	-	-	(625)	(625)	-	-	(3,194)	(3,194)
Unrealized foreign exchange gain	-	-	729	729	-	-	4,990	4,990
Deferred income tax expense	5,611	-	-	5,611	-	-	-	-
Net income (loss) from continuing operations(2)	**2,685**	**(11,338)**	**249,788**	**241,135**	**(69,380)**	**2,326**	**(9,367)**	**(76,421)**
Net income from discontinued operations(2)	**-**	**-**	**(72)**	**(72)**	**-**	**-**	**(33,631)**	**(33,631)**
Total net income (loss)	**2,685**	**(11,338)**	**249,716**	**241,063**	**(69,380)**	**2,326**	**(42,998)**	**(110,052)**
Development capital expenditures	**(7,906)**	**(2,847)**	**-**	**(10,753)**	**(4,674)**	**(795)**	**-**	**(5,469)**
Segment net cash flow – continuing operations	**(3,318)**	**(2,510)**	**(8,033)**	**(13,861)**	**(1,587)**	**4,287**	**(2,903)**	**(203)**
Segment net cash flow – discontinued operations	**-**	**-**	**(44)**	**(44)**	**-**	**-**	**(1,865)**	**(1,865)**

($ thousands, unless otherwise indicated)	Six months ended September 30, 2016 India	Bangladesh	Other	Total	Six months ended September 30, 2015 India	Bangladesh	Other	Total
Sales volume								
Natural gas (mcf/d)	28,763	57,225	-	85,988	39,856	62,702	-	102,558
Oil and condensate (bbl/d)	392	171	-	563	479	160	-	639
Natural gas equivalent (mcfe/d)	31,112	58,249	-	89,361	42,732	63,664	-	106,396
Natural gas revenue	17,638	20,532	-	38,170	36,765	26,598	-	63,363
Crude oil and condensate revenue	3,135	1,083	-	4,218	4,614	1,558	-	6,172
Royalties	(1,831)	-	7	(1,824)	(2,135)	-	8	(2,127)
Profit petroleum	(195)	(10,748)	-	(10,943)	(402)	(15,384)	-	(15,786)
Net oil and natural gas revenue	**18,747**	**10,867**	**7**	**29,621**	**38,842**	**12,772**	**8**	**51,622**
Production and operating expenses	(8,424)	(3,570)	-	(11,994)	(10,392)	(4,442)	(4)	(14,838)
General and administrative expenses	-	-	(2,156)	(2,156)	-	-	(3,194)	(3,194)
Finance and other income	-	-	366	366	-	-	1,248	1,248
Bank charges and other finance costs	-	-	(15)	(15)	-	-	(31)	(31)
Realized foreign exchange gain	-	-	231	231	-	-	453	453
EBITDAX from continuing operations[1]	**10,323**	**7,297**	**(1,567)**	**16,053**	**28,450**	**8,330**	**(1,520)**	**35,260**
Cash interest expense	(1,191)	-	(16,584)	(17,775)	(1,670)	-	(24,576)	(26,246)
Cash restructuring costs	-	-	(4,231)	(4,231)	-	-	(4,620)	(4,620)
Current income tax expense	-	-	-	-	-	-	(1)	(1)
Non-cash production and operating expenses	(5)	-	-	(5)	(37)	(3)	-	(40)
Depletion and depreciation expenses	(12,888)	(2,438)	-	(15,326)	(27,704)	(3,614)	(200)	(31,518)
Exploration and evaluation expenses	(124)	(177)	(313)	(614)	(897)	-	(5,592)	(6,489)
Non-cash restructuring expense	-	-	-	-	-	-	355	355
Asset impairment loss	(636)	(13,010)	(493)	(14,139)	(66,724)	-	(136)	(66,860)
Share-based compensation expense	-	-	(16)	(16)	-	-	(53)	(53)
Accretion expense	(1,342)	(216)	(826)	(2,384)	(1,240)	(196)	(8254)	(9,690)
Non-cash finance income	443	-	598	1,041	-	-	27	27
Gain (loss) on derivative	-		(36)	(36)	-	-	6,242	6,242
Gain on debt modification	-	-	255,221	255,221	-	-	-	-
Interest due upon repayment	-	-	(3,785)	(3,785)	-	-	(5,167)	(5,167)
Unrealized foreign exchange gain	-	-	229	229	-	-	2,722	2,722
Deferred income tax expense	5,252	-	-	5,252	-	-	-	-
Net income (loss) from continuing operations[2]	**(168)**	**(8,544)**	**228,197**	**219,485**	**(69,822)**	**4,517**	**(40,773)**	**(106,078)**
Net income from discontinued operations[2]	**-**	**-**	**(64)**	**(64)**	**-**	**-**	**(33,282)**	**(33,282)**
Total net income (loss)	**(168)**	**(8,544)**	**228,133**	**219,421**	**(69,822)**	**4,517**	**(74,055)**	**(139,360)**
Development capital expenditures	**(11,297)**	**(4,010)**	**-**	**(15,307)**	**(14,663)**	**(2,036)**	**-**	**(16,699)**
Segment net cash flow – continuing operations	**(3,123)**	**66**	**(9,763)**	**(12,820)**	**(2,986)**	**6,519**	**(30,607)**	**(27,074)**
Segment net cash flow – discontinued operations	**-**	**-**	**(77)**	**(77)**	**-**	**-**	**4,552**	**4,552**

(1) Refer to "Non-IFRS Measures" for details.
(2) Refer to Note 20 of the condensed interim consolidated financial statements for the three and six months ended September 30, 2016 for detailed segment information.

SUMMARY OF QUARTERLY RESULTS

	Three months ended							
($ thousands)	Sept 30, 2016	Jun 30, 2016	Mar 31, 2016	Dec 31, 2015	Sept 30, 2015	Jun 30, 2015	Mar 31, 2015	Dec 31, 2014
Oil and natural gas revenue[1]	13,266	16,355	20,373	22,175	24,943	26,679	28,447	29,009
Net income (loss)[1]								
Continuing operations	241,135	(21,651)	77,600	(27,213)	(76,426)	(29,655)	(334,448)	(126,469)
Discontinuing operations[2]	(72)	8	(338)	3,512	(33,631)	349	(100,816)	(17,063)
Total	241,063	(21,643)	77,262	(23,701)	(110,057)	(29,306)	(435,264)	(143,532)
Per share - basic and diluted[1]								
Continuing operations	2.56	(0.23)	0.82	(0.29)	(0.81)	(0.31)	(3.56)	(1.35)
Discontinuing operations[2]	0.00	0.00	0.00	0.04	(0.36)	(0.00)	(1.07)	(0.18)
Total	2.56	(0.23)	0.82	(0.25)	(1.17)	(0.31)	(4.63)	(1.53)

(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 GOI pursuant to 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. For the three and six months ended September 30, 2016, the Company recognized a $255 million gain on debt modification as a result of the Amendments executed with the Company's lenders. 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.

CONTRACTUAL OBLIGATIONS

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

(thousands of US Dollars)	Face Value	Carrying Value	< 1 year	1 to 3 years	3 to 5 years	> 5 years
Term loan facilities[1][2]	333,712	200,748	-	-	-	200,748
Convertible notes[1][3]	98,581	9,611	-	-	-	9,611
Finance lease obligations[4]	18,407	18,408	9,087	9,321	-	-
Contract settlement obligation[5]	31,551	31,551	31,551	-	-	-
Deferred obligation[8]	4,000	-	-	-	-	-
Decommissioning obligations[6]	74,685	74,685	6,332	-	-	68,353
Exploration work commitments[7]	270,927	270,927	267,927	3,000	-	-
Total contractual obligations	831,863	605,929	314,897	12,320	-	278,712

(1) The Term Loan and Convertible Notes are subject to the terms of the Amendments, the Company 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 the Waterfall Distribution.

(2) The Term Loan is recorded in the condensed interim consolidated financial statements for the three and six months ended September 30, 2016, as long-term of $201 million as a result of a debt modification. The face value of the term loan is $334 million as at September 30, 2016 (including accrued interest).

(3) The Convertible Notes are recorded in the condensed interim consolidated financial statements for the three and six months ended September 30, 2016 as long-term of $10 million as a result of a debt modification. The face value of the convertible notes is Cdn$129 million (US$98 million converted at the period end exchange rate) as at September 30, 2016 (including accrued interest).

(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) As at September 30, 2016 the outstanding balances of the contract settlement obligation are reflected as current liabilities.

(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 September 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.

(8) The deferred royalty obligation is recorded in the condensed interim consolidated financial statements for the three and six months ended September 30, 2016 as $nil as a result of a debt modification. The face value of the deferred royalty obligation is $23 million as at September 30, 2016.

OUTSTANDING SHARE DATA

As at November 9, 2016, the Company has 94,049,614 common shares, 1 preferred share, and 350,783 stock options outstanding. During the three and six months ended September 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 September 30, 2016.

RELATED PARTY TRANSACTIONS

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

SUBSEQUENT EVENTS

Natural Gas Price Notification in India
In accordance with the New Domestic Natural Gas Pricing Guidelines, 2014, the GOI has issued a notification that the price of domestic natural for sales from fields under production as at December 31, 2015 for October 1, 2016 to March 31, 2016 will be $2.50 / MMbtu based on the GCV of the sales gas, representing a decrease of approximately 18 percent from the price for April 1, 2016 to September 30, 2016.

In accordance with the GOI's decision of March 10, 2016 on marketing, including pricing freedom for gas to be produced from discoveries in deepwater, ultra-deepwater and high pressure-high temperature areas that had not commenced production as of January 1, 2016, the GOI issued a notification that the gas price ceiling for October 1, 2016 to March 31, 2017 would be $5.30 / MMbtu based on the GCV of the sales gas, representing a decrease of approximately 20 percent from the corresponding gas price ceiling applicable for April 1, 2016 to September 30, 2016.

Diamond Settlement Agreement
In October 2016, Niko executed an agreement with subsidiaries of Diamond Offshore relating to the settlement of outstanding claims under drilling contracts and the Diamond Settlement Agreement executed in December 2013. Refer to *Liquidity and Capital Resources* for details.

Claim from the Government of India in Alleged Migration of Natural Gas Dispute
In November 2016, the contractor group of the D6 Block in India received a letter from the GOI, in which the GOI made a claim of approximately $1.55 billion (Niko share US$155 million) against the contractor group in respect of gas said to have migrated from neighboring blocks to the D6 Block. RIL, the operator of the D6 Block, proposes to invoke the dispute resolution mechanism in the PSC and issue a Notice of Arbitration to the GOI. Niko believes the contractor group is not liable for the amount claimed by the GOI and is considering joining RIL in invoking the dispute resolution mechanism in the PSC. Refer to note 22(b)(ii) of the condensed interim consolidated financial statements for the three and six months ended September 30, 2016 for details.

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 14 to the condensed interim consolidated financial statements for the three and six months ended September 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 September 30, 2016. There have been no significant changes in ICFR during the three and six months ended September 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 three and six months ended September 30, 2016 as consistent with the year-ended March 31, 2016:

- Fair value of Financial Instruments
- 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 Company's ability to comply with the terms under the Term Loan and Convertible Notes;
- The impact of the measures taken to address 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 and capital budgets particularly if the Company is unable to lift the Stay Order or otherwise receive amounts due to Niko Block 9 for gas and condensate supplied from the Block 9 PSC;
- 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;
- Credit risk, liquidity risk, foreign currency risk and commodity risk;
- Adverse factors including climate and geographical conditions, weather conditions, environmental and labour disputes;
- Fluctuations in foreign exchange rates that impact the Company's non-US Dollar transactions;
- Changes in taxation policies, taxation laws and interpretations thereof;
- Uncertainties associated with the negotiations with foreign governments and third parties and the possibility of adverse decisions regarding outstanding litigations and arbitration; and
- Environmental regulations and legislations including restriction and prohibitions on the release of emission from oil and gas operations.

The Company's 2016 AIF containing additional information related to the Company and its identified risks is available on SEDAR at www.sedar.com.

A complete description of the potential effects of the Company's contingencies on the Company as at September 30, 2016 are described in Note 21 of the condensed interim consolidated financial statements for the three and six months ended September 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 September 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 "Segment Net Cash Flow". These non-IFRS financial measures, which have been derived from the condensed interim consolidated financial statements for the three and six months ended September 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;
- projected cash flows;
- 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 the resolution achieved 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 GOI and Director General of Hydrocarbons, 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 September 30, 2016	As at March 31, 2016
Assets		
Current assets		
Cash and cash equivalents	24,177	37,074
Restricted cash (Note 5)	11,112	21,059
Accounts receivable (Note 6)	6,773	15,165
Inventories	4,296	4,167
	46,358	77,465
Restricted cash (Note 5)	10,882	9,100
Long-term accounts receivable (Note 7)	6,310	6,571
Exploration and evaluation assets (Note 8)	4,768	4,768
Property, plant and equipment (Note 9)	344,458	346,339
Income tax receivable	31,222	31,083
	443,998	475,326
Liabilities		
Current liabilities		
Accounts payable and accrued liabilities (Note 10)	125,709	174,200
Unfulfilled exploration commitments obligation	267,927	267,927
Current portion of long-term debt (Notes 2 and 11)	9,087	371,017
Current portion of long-term liabilities (Notes 2 and 12)	31,551	33,165
Current portion of decommissioning obligations (Note 13)	-	290
Current tax payable	1,225	1,225
	435,499	847,824
Decommissioning obligations (Note 13)	46,269	44,711
Long-term debt (Notes 2 and 11)	219,680	14,010
Long-term liabilities (Note 12)	-	17,240
Deferred tax liabilities	34,740	39,992
	736,188	963,777
Shareholders' Deficit		
Share capital (Note 15)	1,366,867	1,366,867
Contributed surplus	143,136	143,114
Equity component of convertible notes	-	23,182
Currency translation reserve	2,147	2,147
Deficit	(1,804,340)	(2,023,761)
	(292,190)	(488,451)
	443,998	475,326

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

CONDENSED INTERIM CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (LOSS)

(unaudited)	Three months ended September 30,		Six months ended September 30,	
(thousands of US Dollars)	2016	2015	2016	2015
Oil and natural gas revenue (Note 16)	13,266	24,943	29,621	51,622
Production and operating expenses	(5,141)	(7,341)	(11,999)	(14,878)
General and administrative expenses	(1,035)	(1,755)	(2,156)	(3,194)
Finance and other income	958	656	1,407	1,275
Finance expense (Note 17)	(4,892)	(16,831)	(23,959)	(41,134)
Foreign exchange gain	744	5,415	460	3,175
Depletion and depreciation expenses (Note 9)	(7,514)	(15,637)	(15,326)	(31,518)
Exploration and evaluation expenses	(187)	(3,434)	(614)	(6,489)
Share-based compensation expense (Note 15)	(6)	(50)	(16)	(53)
Restructuring costs	(2,315)	(1,651)	(4,231)	(4,265)
Asset impairment (Notes 6, 7 and 9)	(13,575)	(66,724)	(14,139)	(66,860)
Gain (loss) on derivative	-	5,989	(36)	6,242
Gain on debt modification (Notes 11 and 12)	255,221	-	255,221	-
Income (loss) before income tax from continuing operations	235,524	(76,420)	214,233	(106,077)
Income tax expense	-	(1)	-	(1)
Deferred income tax recovery	5,611	-	5,252	-
Income tax recovery (expense) from continuing operations	5,611	(1)	5,252	(1)
Net income (loss) from continuing operations	241,135	(76,421)	219,485	(106,078)
Net loss from discontinued operations (Note 18)	(72)	(33,631)	(64)	(33,282)
Total net income (loss) and comprehensive income (loss)	241,063	(110,052)	219,421	(139,360)
Earnings (loss) per share (Note 19)				
Basic and diluted – continuing operations	2.56	(0.81)	2.33	(1.13)
Basic and diluted – discontinued operations	(0.00)	(0.36)	(0.00)	(0.35)
Earnings (loss) per share, basic and diluted	2.56	(1.17)	2.33	(1.48)

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	-	-	(339)	-	-	-	(339)
Conversion of convertible notes	30,442	262	50	-	(50)	-	262
Net loss for the period	-	-	-	-	-	(139,360)	(139,360)
Balance, September 30, 2015	94,049,614	1,366,867	143,010	2,147	23,182	(2,077,319)	(542,113)
Share-based compensation expense	-	-	104	-	-	-	104
Net income for the period	-	-	-	-	-	53,558	53,558
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	-	-	22	-	-	-	22
Derecognition on debt modification (Note 11)	-	-	-	-	(23,182)	-	(23,182)
Net income for the period	-	-	-	-	-	219,421	219,421
Balance, September 30, 2016	94,049,614	1,366,867	143,136	2,147	-	(1,804,340)	(292,190)

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 September 30, 2016	 2015	Six months ended September 30, 2016	 2015
Cash flows from operating activities:				
Net income (loss) from continuing operations	241,135	(76,421)	219,485	(106,078)
Adjustments for:				
Depletion and depreciation expenses	7,514	15,638	15,326	31,518
Accretion expense	922	1,576	2,384	9,690
Deferred income tax recovery	(5,611)	-	(5,252)	-
Unrealized foreign exchange loss	(729)	(4,989)	(229)	(2,721)
Asset impairment loss	13,575	66,723	14,139	66,860
Exploration and evaluation	-	16	-	16
Share-based compensation expense	8	(128)	22	(85)
Restructuring costs (recovery)	-	50	-	(255)
Other income/expense	(809)	(27)	(1,025)	(27)
Loss (gain) on derivative	-	(5,989)	36	(6,242)
Gain on debt modification (Notes 11 and 12)	(255,221)	-	(255,221)	-
Release (contributions) of restricted cash	(1,824)	29	(1,824)	(857)
Interest due upon repayment of term loan facilities (Note 11(a))	625	3,194	3,785	5,167
Change in non-cash working capital	(8,949)	14,415	6,317	25,382
Change in long-term accounts receivable	812	(2,846)	844	(4,463)
Cash from (used in) operating activities from continuing operations	(8,552)	11,241	(1,213)	17,905
Cash used in operating activities from discontinued operations (Note 18)	(44)	(633)	(77)	(401)
Net cash from (used in) operating activities	(8,596)	10,608	(1,290)	17,504
Cash flows from investing activities:				
Exploration and evaluation expenditures	-	(4,553)	-	(4,769)
Property, plant and equipment expenditures	(10,748)	(4,911)	(15,302)	(16,141)
Proceeds from asset sales, net of costs	372	121	372	121
Contribution of restricted cash (Note 5)	-	(240)	(1)	(472)
Release of restricted cash (Note 5)	121	-	242	-
Change in non-cash working capital	9,380	930	9,560	(341)
Repayment of contract settlement obligation	-	-	-	(3,767)
Cash used in investing activities from continuing operations	(875)	(8,653)	(5,129)	(25,369)
Cash from (used in) investing activities from discontinued operations (Note 18)	-	(1,231)	-	4,954
Net cash used in investing activities	(875)	(9,884)	(5,129)	(20,415)
Cash flows from financing activities:				
Repayment of long-term debt (Note 11)	(14,134)	(1,903)	(16,178)	(33,722)
Repayment of long-term liability	-	(889)	-	(889)
Release of restricted cash (Notes 5 and 11)	9,700	-	9,700	15,000
Net cash used in financing activities	(4,434)	(2,792)	(6,478)	(19,611)
Change in cash and cash equivalents	(13,905)	(2,068)	(12,897)	(22,522)
Cash and cash equivalents, beginning of period	38,082	39,182	37,074	59,636
Cash and cash equivalents, end of period	24,177	37,114	24,177	37,114

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. ("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, 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

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
In July 2016, the Company executed an amendment (the "Fourth Amendment") to the terms of the Facilities Agreement with its Term Loan Lenders and executed a supplemental indenture to the indenture governing its Convertible Notes (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 of the Amendments, the Company is no longer in default of the amended Facilities Agreement or Indenture and is not required to make interest payments (including interest previously owing) under the Facilities Agreement or the Indenture during the term of the Amendments, nor make payments under the deferred obligation (refer to Note 12(a)), other than in connection with waterfall distributions ("Waterfall Distribution"). The Amendments restrict the Company's ability to utilize potential proceeds from sales of assets and settlements of 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 (the "Noteholders") and the Company pursuant to the Waterfall Distribution. The Waterfall Distribution under the Amendments is as follows (and, in respect of payments to the Company, is subject to the 2016 Settlement Agreement as set out under "Diamond Settlement Agreement" below):

- first tranche of the first $168 million:
  - (iii) 100 percent to the Lenders
- capitalized interest on the Term Loan of up to $12 million:
  - (iv) 100 percent to the Lenders
- second tranche of the next US $100 million, on a *pro rata* basis:
  - (iv) 62.67 percent to the Lenders,
  - (v) 29.33 percent to the Noteholders, and
  - (vi) 8.00 percent to be retained by the Company
- third tranche of the next US $120 million, on a *pro rata* basis:
  - (iv) 40 percent to the Lenders,
  - (v) 40 percent to the Noteholders, and
  - (vi) 20 percent to be retained by the Company
- fourth tranche of any proceeds above the Third Tranche, on a *pro rata* basis:
  - (iv) 20 percent to the Lenders,
  - (v) 20 percent to the Noteholders, and
  - (vi) 60 percent to be retained by the Company.

The cumulative proceeds distributed to each of (A) the Lenders shall not exceed the total principal and interest amounts outstanding to the Lenders as at the effective date of the Fourth Amendment plus interest accruing at a rate of 15 percent per annum from such date plus any amounts owing under the deferred obligation plus capitalized interest under the Term Loan and (B) the Noteholders shall not exceed the total principal and interest outstanding to the Noteholders as at the effective date of the Fourth Amendment plus interest accruing at a rate of 7 percent per annum from such date. All funds retained by the Company under the waterfall will be retained free from the security (and claims for payment) held by the Lenders and Noteholders.

Diamond Settlement Agreement
In October 2016, the Company executed an agreement (the "2016 Settlement Agreement") with subsidiaries of Diamond Offshore ("Diamond") relating to the settlement of outstanding claims under drilling contracts and the Diamond Settlement Agreement executed in December 2013 (the "2013 Settlement Agreement") (including related judgements granted by courts in Texas and Alberta), in compliance with the terms of the Fourth Amendment).

Under the 2016 Settlement Agreement, in exchange for full and final mutual releases of outstanding claims under the drilling contracts and the 2013 Settlement Agreement (including related judgements), the Company has:

(iv) agreed to make future payments to Diamond equal to 20 percent of amounts to be retained by the Company pursuant to the Waterfall Distribution, subject to a cap;
(v) paid to Diamond a cash settlement amount; and
(vi) assigned to Diamond a portion of potential contingent payments under the previously announced sale agreement for the Company's interest in five Indonesian production sharing contracts ("PSCs").

As a result of the 2016 Settlement Agreement, liabilities of $32 million that were reflected as current liabilities as at September 30, 2016 will be derecognized and the fair value of the 2016 Settlement Agreement will be recognized as a long-term liability on the Company's statement of financial position for the subsequent quarter.

Funding of Projected Capital Expenditures for Planned Drilling Programs in the Producing Fields in India and Bangladesh
The Company's cash balances as at September 30, 2016 and its projected cash flows from operating activities for fiscal 2017 were 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 complied with the terms of the respective agreements for natural gas, crude oil and condensate sales from these producing fields (see discussion below on Non-payments by Petrobangla of Amounts Due).

Non-payments by Petrobangla of Amounts Due
Since June 2016, Bangladesh Oil, Gas and Mineral Corporation ("Petrobangla") has 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 pursuant to the Block 9 gas and condensate sales agreements, 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"). Niko Block 9 has issued notices of dispute and force majeure under the Block 9 PSC and sales agreements to the Government of Bangladesh and Petrobangla. As the cash flow that was expected to be generated by the Block 9 PSC was targeted to fund the current and 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 has significantly impacted the Company's ability to fund its operating and capital budgets for fiscal 2017. In late September 2016, Niko Block 9 did not pay a cash call that was due and was issued a default notice by the operator of the Block 9 PSC. Under the terms of the joint operating agreement ("JOA") between the participating interest holders in the Block 9 PSC, during the continuance of a default, the defaulting party shall not have a right to its share of gas and condensate sales proceeds, which shall vest in and be the property of the non-defaulting parties who have paid to cover the amount in default in order to recover the amounts owed by the defaulting party. In addition, if the defaulting party does not cure a default within 60 days of the default notice, the non-defaulting parties have the option to require the defaulting party to withdraw from the PSC and JOA. Refer to note 22(a)(ii) for further details on this matter.

Claim from the Government of India in Alleged Migration of Natural Gas Dispute
In November 2016, the contractor group of the D6 Block in India received a letter from the Government of India ("GOI"), in which the GOI made a claim of approximately $1.55 billion (Niko share $155 million) against the contractor group in respect of gas said to have migrated from neighboring blocks to the D6 Block. Reliance Industries Ltd. ("RIL"), the operator of the D6 Block, has proposed to invoke the dispute resolution mechanism in the PSC and issue a Notice of Arbitration to the GOI. Niko believes the contractor group is not liable for the amount claimed by the GOI and is working with the contractor group to defend against the claim by invoking the dispute resolution mechanism in the PSC. Refer to Note 22(b)(ii) for further details on this dispute.

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 September 30, 2016, with the unfulfilled commitments and PSC obligations in Trinidad backed by parent company guarantees. In August 2016, three 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 60 days, failing which the GORTT would terminate the PSCs and exercise its rights on the parent company guarantees for unfulfilled exploration commitments of $118 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 22, 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 and six months ended September 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 November 9, 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 14.

(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 September 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 September 30, 2016	As at March 31, 2016
Current portion of restricted cash		
Term loan facilities reserve accounts[1]	10,300	20,000
Site restoration[2]	812	1,059
	11,112	21,059
Non-current portion of restricted cash		
Performance security guarantee[3]	630	630
Site restoration[2]	8,428	8,470
Employee escrow account	1,824	-
	10,882	9,100
	21,994	30,159

(1) Under the terms of the Fourth Amendment of the Term Loan executed 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 11(b).

(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 September 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 GOI.

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

6. Accounts Receivable

(thousands of US Dollars)	As at September 30, 2016	As at March 31, 2016
Oil and gas revenues receivable[1]	2,088	12,612
Receivable from joint operators	575	548
Advances to vendors	1,455	672
Prepaid expenses and deposits	2,059	800
VAT receivable	201	231
Other receivables	395	302
	6,773	15,165

(1) Oil and gas revenues receivable from Petrobangla of $13 million were impaired during the second quarter of fiscal 2017 as a result of uncertainty in the collection of amounts withheld by Petrobangla equal to Niko Block 9's share of net natural gas and condensate sales revenue from the Block 9 PSC in Bangladesh for March to August 2016. Refer to Notes 2 and 22(a)(ii).

7. Long-term Receivable

(thousands of US Dollars)	As at September 30, 2016	As at March 31, 2016
Long term receivable	86	790
Gas pool account receivable[1]	6,224	5,781
	6,310	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 dispute described in Note 22(b)(i). In fiscal 2016, the Company impaired the gas pool account receivable due to the uncertainty of timing regarding resolutions of the cost recovery dispute. For the six months ended September 30, 2016, the Company recorded interest income of $0.4 million related to the gas pool account receivable.

8. Exploration and Evaluation Assets

(thousands of US Dollars)	Six months ended September 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)	Six months ended September 30, 2016	Year ended March 31, 2016
Cost		
Opening balance	1,201,207	1,016,047
Additions	14,647	21,635
Transfers from other asset categories		40,124
Reversal of impairment		123,401
Closing balance	1,215,854	1,201,207
Accumulated depletion		
Opening balance	(873,866)	(824,666)
Additions	(14,535)	(49,200)
Closing balance	(888,401)	(873,866)
Net development and producing assets	327,453	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	-	-	2	2	4
Disposals and adjustments	-	-	-	-	-
Balance, September 30, 2016	18,479	2,924	3,579	10,780	35,762
Accumulated depreciation					
Balance, March 31, 2016	(11,353)	(1,913)	(3,538)	(10,013)	(26,817)
Additions	(208)	(209)	(5)	(369)	(791)
Disposals and adjustments	-	-	-	-	-
Balance, September 30, 2016	(11,561)	(2,122)	(3,543)	(10,382)	(27,608)
Net book value, September 30, 2016	6,918	802	36	398	8,154

(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)	Six months ended September 30, 2016	Year ended March 31, 2016
Opening balance	10,057	12,670
Additions	656	-
Disposals	(5)	(673)
Transfers	(1,857)	2,672
Impairment	-	(4,612)
Closing balance	8,851	10,057

10. Accounts Payable and Accrued Liabilities

(thousands of US Dollars)	As at September 30, 2016	As at March 31, 2016
India	33,289	34,161
Bangladesh	3,334	2,577
Indonesia	62,442	62,478
Trinidad	22,666	22,492
Other[1]	3,978	52,492
	125,709	174,200

(1) As a result of the Amendments in July 2016, $70 million of interest and other amounts payable related to the Term Loan, Convertible Notes and deferred obligation were derecognized. Refer to Notes 11(b), 11(c) and 12(a) for further details.

11. Long-term Debt

(a) Finance lease obligation

(thousands of US Dollars)	Six months ended September 30, 2016	Year ended March 31, 2016
Opening balance	22,586	30,223
Repayments	(4,178)	(7,637)
Closing balance	18,408	22,586
Current portion	9,087	8,576
Long-term portion	9,321	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 $18 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.

(b) Term Loan Facilities

(thousands of US Dollars)	Six months ended September 30, 2016	Year ended March 31, 2016
Opening balance	274,079	292,559
Interest transferred from accounts payable and accrued liabilities	56,972	-
Interest due upon repayment	3,785	12,968
Repayment	(12,000)	(31,448)
Gain on debt modification	(122,088)	-
Closing balance	200,748	274,079

In December 2013, the Company entered into a Facilities Agreement with certain institutional investors providing for senior secured Term Loan facilities.

In July 2016, the Company executed the Fourth Amendment that amended the terms of the Facilities Agreement. The key terms of the Fourth Amendment are described in the audited consolidated financial statements for the year-ended March 31, 2016. As a result of the Fourth Amendment, the Company is not required to make interest payments (including interest previously owing) on the Term Loan, other than in connection with the Waterfall Distribution as described in Note 2. 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.

As a result of the Fourth Amendment, the value of Term Loan obligation is now primarily dependent of the net proceeds that would be distributed in the future under the Waterfall Distribution mechanism to the Term Loan lenders upon the sale of the assets of the Company and other events, and is therefore highly uncertain.

On the date of the Fourth Amendment, the future cash flows related to the Term Loan were estimated to be substantially less than the carrying value of the Term Loan and related interest payable of a combined $323 million and therefore the Company derecognized the previous carrying value of the Term loan and related interest payable, net of debt closing costs and recognized the Term Loan obligation at its estimated fair value of $201 million, resulting in a gain on debt modification of $122 million. The

estimated fair value of the Term Loan has been determined using various factors including the estimated fair value of the Convertible Notes (refer to Note 11(c)), estimated discount rates and the corresponding net proceeds that may be payable to the Term Loan lenders under the Waterfall Distribution mechanism.

(c) Convertible Notes

(thousands of US Dollars)	Six months ended September 30, 2016	Year ended March 31, 2016
Opening balance	88,362	90,641
Interest transferred from account payable and accrued liabilities	9,927	-
Conversion of convertible notes	-	(262)
Foreign currency translation	(187)	(2,017)
Gain on debt modification	(88,491)	-
Closing balance	9,611	88,362

In July 2016, the Company executed the Indenture Amendment that amended the terms of the Convertible Notes. The key terms of the Indenture Amendment and Intercreditor Agreement are described in the audited consolidated financial statements for the year-ended March 31, 2016. As a result of the Indenture Amendment, the Company is not required to make interest payments (including interest previously owing) on the Convertible Notes, other than in connection with the Waterfall Distribution as described in Note 2.

As a result of the Indenture Amendment and the Intercreditor Agreement, the value of Convertible Notes obligation is now primarily dependent of the net proceeds that would be distributed in the future under the Waterfall Distribution mechanism to the holders of the Convertible Notes upon the sale of the assets of the Company and other events, and is therefore highly uncertain.

On the date of the Indenture Amendment, the future cash flows related to the Convertible Notes were estimated to be substantially less than the carrying value of the Convertible Notes and related interest payable of a combined $98 million and therefore the Company derecognized the previous carrying value of the Convertible Notes and related interest payable, net of debt closing costs and recognized the Convertible Notes obligation at its estimated fair value of $10 million, resulting in a gain on debt modification of $88 million. The gain on debt modification also included $23 million related to the amount included in equity pertaining to the conversion feature on the debt. The estimated fair value of the conversion feature on modification was nil. The estimated fair value of the Convertible Notes has been determined based on the active trading price of Cdn$11.00 per $100 of Convertible Notes on the date of the Indenture Amendment.

12. Long-term Liabilities

(a) Deferred obligation

(thousands of US Dollars)	Six months ended September 30, 2016	Year ended March 31, 2016
Opening balance	19,423	24,644
Accretion	826	2,873
Payment	-	(889)
Transfer to/from accounts payable and accrued liabilities	2,779	(2,779)
Loss (gain) on valuation of derivative	36	(4,426)
Gain on debt modification	(23,064)	-
Closing balance	-	19,423
Current portion	-	2,183
Long-term portion	-	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 was 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 were reflected on the statement of comprehensive income (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 key terms of the Fourth Amendment and the impact on the deferred obligation are described in the audited consolidated financial statements for the year-ended March 31, 2016. As a result of the Fourth Amendment, the Company is not required to make payments (including amounts previously owing) on the deferred obligation, other than in connection with the

Waterfall Distribution as described in Note 2, with payments on the deferred obligation under the Waterfall Distributions to be last in priority after all other claims under the Term Loan have been completely satisfied. Given this priority in the Waterfall Distribution hierarchy, the future cash flows related to the deferred obligation on the date of the Fourth Amendment were estimated to be zero and therefore the Company derecognized the previous carrying value of the deferred obligation and related accounts payable of a combined $23 million, resulting in a gain on debt modification of $23 million.

(b) Contract Settlement Obligation

(thousands of US Dollars)	Six months ended September 30, 2016	Year ended March 31, 2016
Opening balance	30,982	28,237
Additions	569	-
Accretion	-	6,512
Repayments	-	(3,767)
Closing balance	31,551	30,982
Current portion	31,551	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 was to be paid over subsequent years up to September 30, 2017, subject to early prepayment upon the occurrence of certain events. The amounts due were 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 $30 million as at September 30, 2016. As a result, the Company was in default of the Diamond Settlement Agreement as at September 30, 2016. Refer to Note 2 on the 2016 Settlement Agreement entered into in October 2016.

13. Decommissioning Obligations

(thousands of US Dollars)	Six months ended September 30, 2016	Year ended March 31, 2016
Opening balance	45,001	44,292
Change in estimate	(226)	(647)
Settlements	(64)	(1,095)
Accretion	1,558	2,451
Closing balance	46,269	45,001
Current portion	-	290
Long-term portion	46,269	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 September 30, 2016 based on an undiscounted total future liability of $75 million.

14. 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. 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).

As a result of the Amendments executed in July 2016, the Company determined that the estimated fair value of the Company's Term Loan, Convertible Notes and deferred obligation was substantially less than the carrying value of these obligations at that date and the difference between the fair value and the carrying value of these was recognized on the statement of profit or loss as a gain on debt modification.

The fair value of the Convertible Notes is classified as a Level 1 financial instrument and the estimated fair value of the Convertible Notes on the date of Indenture Amendment was determined based on the quoted trading price.

The Term Loan is classified as a Level 3 financial instrument and the estimated fair value of the Term Loan on the date of the Fourth Amendment was determined using the estimated fair value of the Convertible Notes, estimated discount rates and the corresponding net proceeds that may be payable to the Term Loan lenders under the Waterfall Distribution mechanism.

The deferred obligation is classified as a Level 3 financial instrument and the estimated fair value of the deferred obligation was determined to be zero based on the priority of payments for the deferred obligation being last under Waterfall Distribution mechanism after all other claims under the term loan have been completely satisfied.

The following table compares the face value and fair value of the Company's Term Loan, Convertible Notes and deferred obligation as at September 30, 2016:

(thousands of US Dollars)	Face Value(1)	Fair Value
Term loan (Note 11(b))	333,712	200,748
Convertible notes (Note 11(c))	98,581	9,611
Deferred obligation (Note 12(a))	4,000	-
	436,293	210,359

(1) Includes accrued interest and other amounts owing as at September 30, 2016.

(b) Credit Risk

Credit risk is the risk of financial loss if a partner or counterparty to a product sales contract or financial instrument fails to meet its contractual obligation. The Company is exposed to credit risk with respect to its oil and gas receivables with its joint operating partners and purchasers of the Company's production. The Company manages credit risk by entering into sales contract with established creditworthy counterparties and limiting exposure to any one counterparty. The Company is currently subject to credit risk in Bangladesh due to amounts withheld by Petrobangla equal to the Company's share of gas and condensate supplied from the Block 9 PSC. Refer to Notes 2, 6 and 22(a)(ii)). As at September 30, 2016, the carrying amount of accounts receivable represents the maximum credit exposure.

(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 September 30, 2016 are as follows:

(thousands of US Dollars)	Carrying amount	< 1 year	> 1 year
Accounts payable and accrued liabilities	125,709	125,709	-
Unfulfilled exploration commitments obligation	267,927	267,927	-
Current taxes payable	1,225	1,225	
Finance lease obligations(1)	18,408	9,087	9,321
Term loan facilities(3)	200,748	-	200,748
Convertible notes(3)	9,611	-	9,611
Contract settlement obligation(2)	31,551	31,551	-

(1) The carrying value of the finance lease obligation is the fair value of $18 million. The lease payments are $11 million per year (including principal and interest) until August 2018.

(2) The carrying amount of the contract settlement obligation is the fair value of the contract settlement obligation. (refer to Note 12(b)).

(3) The carrying value of the Company's Term Loan, Convertible Notes and deferred obligation approximately equals the fair value as at September 30, 2016.

(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 September 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 September 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 six month period ended September 30, 2016. In respect of financial instruments existing at September 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 $0.1 million in net loss and comprehensive loss during the six month period ended September 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 six months ended September 30, 2016 by $1 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 six months ended September 30, 2016 by $0.5 million, net of the impact on royalty and profit petroleum as applicable.

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

15. Share Capital

(a) Fully paid ordinary shares

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

In connection with the execution of the Fourth Amendment, 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 Cdn$1.00, and (iv) in the event of the liquidation, dissolution or winding-up of the Company distribution of capital of Cdn$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 six months ended September 30, 2016:

	Six months ended September 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	(3,749)	26.88	(321,452)	29.96
Expired	(844,535)	25.74	(720,912)	15.24
Closing balance	350,783	6.79	1,199,067	20.20
Exercisable	300,783	7.49	1,063,946	21.76

16. Revenue

	Three months ended September 30,		Six months ended September 30,	
(thousands of US Dollars)	2016	2015	2016	2015
Natural gas sales	16,581	31,765	38,170	63,363
Oil and condensate sales	1,795	1,960	4,218	6,172
Gross revenue	18,376	33,725	42,388	69,535
Royalties	(934)	(1,056)	(1,824)	(2,127)
Government's share of profit petroleum	(4,176)	(7,726)	(10,943)	(15,786)
Royalties and profit petroleum	(5,110)	(8,782)	(12,767)	(17,913)
Net oil and natural gas revenue	13,266	24,943	29,621	51,622

In late September 2016, Niko Block 9 did not pay the cash call that was due and was issued a default notice by the operator of the Block 9 PSC. Under the terms of the joint operating agreement ("JOA") between the participating interest holders in the Block 9 PSC, during the continuance of a default, the defaulting party shall not have a right to its share of gas and condensate sales proceeds, which shall vest in and be the property of the non-defaulting parties who have paid to cover the amount in default in order to recover the amounts owed by the defaulting party. As a result, the invoices issued by the operator of the Block 9 PSC for gas and condensate sales to Petrobangla for the month of September 2016 reflect the non-defaulting parties' entitlement to the sales proceeds and as such for the month of September 2016, the Company has not recognized $2.4 million of net oil and gas revenue that it otherwise would have been entitled to. Refer to Notes 2 and 22(a)(ii) for further discussion of non-payments by Petrobangla of amounts due.

Revenues for Niko Block 9's working interest share of gas and condensate deliveries from the Block 9 PSC to Petrobangla in Bangladesh represented 51 percent of the Company's gross revenues for the six months ended September 30, 2016 (September 30, 2015 – 40 percent). For the six months ended September 30, 2015, natural gas sales revenue from Indian Farmers Fertiliser Cooperative Limited represented 11 percent of the Company's gross revenues and Rashtriya Chemicals and Fertilizers Limited of India represented 10 percent.

17. Finance Expense

	Three months ended September 30,		Six months ended September 30,	
(thousands of US Dollars)	2016	2015	2016	2015
Interest expense	3,963	15,242	21,560	31,413
Accretion expense	922	1,576	2,384	9,690
Bank charges and other finance costs	7	13	15	31
Finance expense	4,892	16,831	23,959	41,134

As a result of the Amendments in July 2016, the Company is not required to make interest payments on the Term Loan or the Convertible Notes, other than in connection with Waterfall Distributions. Refer to Notes 11(b) and (c) for further details. As a result, effective July 2016, the Company has not recognized interest expense on the Term Loan and the Convertible Notes.

18. 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 and six months ended September 30, 2016 and 2015 is as follows:

	Three months ended September 30,		Six months ended September 30,	
(thousands of US Dollars)	2016	2015	2016	2015
Other income	-	14	-	597
Expenses				
Foreign exchange loss	(26)	(1)	(27)	(80)
Exploration and evaluation expenses	-	(281)	-	(417)
Restructuring (costs) recovery	(1)	(368)	8	(499)
Asset impairment reversal	-	(5,981)	-	(5,869)
Unfulfilled exploration commitments	-	(27,014)	-	(27,014)
Other expense	(45)	-	(45)	-
Net loss from discontinued operations	(72)	(33,631)	(64)	(33,282)

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

	Three months ended September 30,		Six months ended September 30,	
(thousands of US Dollars)	2016	2015	2016	2015
Cash flow used in operating activities	(44)	(633)	(77)	(401)
Cash flow from (used in) investing activities	-	(1,231)	-	4,954
Cash flow from financing activities	-	-	-	-

19. Per Share Amounts

	Three months ended September 30,		Six months ended September 30,	
	2016	2015	2016	2015
Continuing Operations				
Net income (loss)	241,135	(76,421)	219,485	(106,078)
Weighted average number of common shares	94,049,614	94,049,614	94,049,614	94,026,325
Basic and diluted income (loss) per share	2.56	(0.81)	2.33	(1.13)
Discontinued Operations				
Net loss	(72)	(33,631)	(64)	(33,282)
Weighted average number of common shares	94,049,614	94,049,614	94,049,614	94,026,325
Basic and diluted loss per share	(0.00)	(0.36)	(0.00)	(0.35)

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

20. Segment Information

(a) Revenues from reportable segments

(thousands of US Dollars)	Three months ended September 30, 2016	2015	Six months ended September 30, 2016	2015
Natural gas sales				
India	8,368	18,469	17,638	36,765
Bangladesh	8,213	13,296	20,532	26,598
Oil and condensate sales				
India	1,379	1,359	3,135	4,614
Bangladesh	416	601	1,083	1,558
Total oil and natural gas revenue	18,376	33,725	42,388	69,535

(b) Capital additions from reportable segments

(thousands of US Dollars)	Six months ended September 30, 2016		Year ended March 31, 2016	
Continuing Segments	Exploration and evaluation	Property, plant and equipment	Exploration and evaluation	Property, plant and equipment
India	-	11,297	5,462	16,702
Bangladesh	-	4,010	50	4,896
Total	-	15,307	5,512	21,598

(c) Segment assets from reportable segments

(thousands of US Dollars)	As at September 30, 2016			As at March 31, 2016		
Segment	Exploration and evaluation	Property, plant and equipment	Total Assets	Exploration and evaluation	Property, plant and equipment	Total Assets
India	-	321,796	386,832	-	325,249	400,029
Bangladesh	4,768	22,662	29,788	4,768	21,090	36,968
Other	-	-	26,655	-	-	35,953
	4,768	344,458	443,275	4,768	346,339	472,950
Discontinued segments	-	-	723	-	-	2,376
Total	4,768	344,458	443,998	4,768	346,339	475,326

(d) Segment income (loss) from reportable segments

	Three months ended September 30, 2016				Three months ended September 30, 2015			
($ thousands, unless otherwise indicated)	India	Bangladesh	Other	Total	India	Bangladesh	Other	Total
Natural gas revenue	8,368	8,213	-	16,581	18,469	13,296	-	31,765
Crude oil and condensate revenue	1,379	416	-	1,795	1,359	601	-	1,960
Royalties	(939)	-	5	(934)	(1,061)	-	5	(1,056)
Profit petroleum	(91)	(4,085)	-	(4,176)	(197)	(7,529)	-	(7,726)
Net oil and natural gas revenue	**8,717**	**4,544**	**5**	**13,266**	**18,570**	**6,368**	**5**	**24,943**
Production and operating expenses	(3,611)	(1,530)	-	(5,141)	(5,200)	(2,139)	(2)	(7,341)
General and administrative expenses	-	-	(1,035)	(1,035)	-	-	(1,755)	(1,755)
Finance and other income	227	-	731	958	-	-	656	656
Finance expense	(1,231)	(108)	(3,553)	(4,892)	(1,420)	(98)	(15,313)	(16,831)
Foreign exchange gain	-	-	744	744	-	-	5,415	5,415
Depletion and depreciation expenses	(6,314)	(1,200)	-	(7,514)	(13,789)	(1,805)	(43)	(15,637)
Exploration and evaluation expenses	(78)	(34)	(75)	(187)	(817)	-	(2,617)	(3,434)
Share-based compensation expense	-	-	(6)	(6)	-	-	(50)	(50)
Restructuring costs	-	-	(2,315)	(2,315)	-	-	(1,651)	(1,651)
Asset impairment loss	(636)	(13,010)	71	(13,575)	(66,724)	-	-	(66,724)
Gain (loss) on derivative	-	-	-	-	-	-	5,989	5,989
Gain on debt modification	-	-	255,221	255,221	-	-	-	-
Deferred income tax recovery	5,611	-	-	5,611	-	-	-	-
Current income tax expense	-	-	-	-	-	-	(1)	(1)
Net segment income (loss) from continuing operations	**2,685**	**(11,338)**	**249,788**	**241,135**	**(69,380)**	**2,326**	**(9,367)**	**(76,421)**
Net segment income from discontinued operations	**-**	**-**	**(72)**	**(72)**	**-**	**-**	**(33,631)**	**(33,631)**
Total net income (loss) and comprehensive income (loss)	**2,685**	**(11,338)**	**249,716**	**241,063**	**(69,380)**	**2,326**	**(42,998)**	**(110,052)**

($ thousands, unless otherwise indicated)	Six months ended September 30, 2016 India	Bangladesh	Other	Total	Six months ended September 30, 2015 India	Bangladesh	Other	Total
Natural gas revenue	17,638	20,532	-	38,170	36,765	26,598	-	63,363
Crude oil and condensate revenue	3,135	1,083	-	4,218	4,614	1,558	-	6,172
Royalties	(1,831)	-	7	(1,824)	(2,135)	-	8	(2,127)
Profit petroleum	(195)	(10,748)	-	(10,943)	(402)	(15,384)	-	(15,786)
Net oil and natural gas revenue	**18,747**	**10,867**	**7**	**29,621**	**38,842**	**12,772**	**8**	**51,622**
Production and operating expenses	(8,429)	(3,570)	-	(11,999)	(10,429)	(4,445)	(4)	(14,878)
General and administrative expenses	-	-	(2,156)	(2,156)	-	-	(3,194)	(3,194)
Finance and other income	443	-	964	1,407	-	-	1,275	1,275
Finance expense	(2,533)	(216)	(21,210)	(23,959)	(2,910)	(196)	(38,028)	(41,134)
Foreign exchange gain	-	-	460	460	-	-	3,175	3,175
Depletion and depreciation expenses	(12,888)	(2,438)	-	(15,326)	(27,704)	(3,614)	(200)	(31,518)
Exploration and evaluation expenses	(124)	(177)	(313)	(614)	(897)	-	(5,592)	(6,489)
Share-based compensation expense	-	-	(16)	(16)	-	-	(53)	(53)
Restructuring costs	-	-	(4,231)	(4,231)	-	-	(4,265)	(4,265)
Asset impairment loss	(636)	(13,010)	(493)	(14,139)	(66,724)	-	(136)	(66,860)
Gain (loss) on derivative	-	-	(36)	(36)	-	-	6,242	6,242
Gain on debt modification	-	-	255,221	255,221	-	-	-	-
Deferred income tax recovery	5,252	-	-	5,252	-	-	-	-
Current income tax expense	-	-	-	-	-	-	(1)	(1)
Net segment income (loss) from continuing operations	**(168)**	**(8,544)**	**228,197**	**219,485**	**(69,822)**	**4,517**	**(40,773)**	**(106,078)**
Net segment income from discontinued operations	**-**	**-**	**(64)**	**(64)**	**-**	**-**	**(33,282)**	**(33,282)**
Total net income (loss) and comprehensive income (loss)	**(168)**	**(8,544)**	**228,133**	**219,421**	**(69,822)**	**4,517**	**(74,055)**	**(139,360)**

21. Commitments and Contractual Obligations

(a) Exploration commitments

(thousands of US Dollars)	As at September 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 September 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 11(a).

	As at September 30, 2016
<1 year	10,757
1 - 5 years	9,872
Subtotal	20,629
Imputed interest	(2,221)
Carrying value	18,408

(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 2 and 12(b).

(thousands of US Dollars)	As at September 30, 2016
<1 year	31,551
1 - 5 years	-
Total	31,551
Imputed interest	-
Carrying value	31,551

22. Contingent Liabilities

(a) (i) *ICSID Arbitration Disputes - Bangladesh*

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 $36 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.

(ii) Lawsuits in Local Courts - Bangladesh

NRBL is named as a defendant in three 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 December 2016.

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. The Court subsequently extended the Stay Order until March 2017.

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.

(b) (i) *Cost Recovery Dispute – India*

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. The GOI has 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 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 NCV for gas sales from the Dhirubhai 1 and 3 fields and the difference between the revised price and the $4.20 / MMbtu NCV 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". Deposits to the gas pool account for natural gas sales from the D1-D3 fields from November 2014 to March 2016 totalled $82 million (Niko share $8.2 million), of which $4 million (Niko share $0.4 million) of royalties was paid to the GOI out of the gas pool account. Commencing April 2016 and thereafter to date, the revised gas price under the Guidelines was below the $4.20 / MMbtu NCV and deposits were not required to be made to the gas pool account.

(ii) *Alleged Migration of Natural Gas Dispute – India*

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.

In November 2016, the contractor group of the D6 Block received a letter from the GOI in which the GOI made a claim of $1.55 billion (Niko share $155 million) against the contractor group in respect of gas said to have migrated from neighboring blocks to the D6 Block. This claim reflects the GOI's estimate of the gas migrated from neighboring blocks and produced and sold by the contractor group up to March 31, 2016 multiplied by the prevailing price, a deduction for royalties already paid, the addition of interest, and without deduction for any capital and operating expenditures incurred by the contractor group. In addition, the GOI updated its estimate of the costs that should be disallowed for cost recovery as at March 31, 2016 to $3.02 billion (Niko share $302 million) and its demand for payment for additional profit petroleum to $175 million (Niko share $17.5 million).

RIL, the operator of the D6 Block, has proposed to invoke the dispute resolution mechanism in the PSC and issue a Notice of Arbitration to the GOI. Niko believes the contractor group is not liable for the amount claimed by the GOI and is working with the contractor group to defend against the claim by invoking the dispute resolution mechanism in the PSC.

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) *Minimum Contracted Quantities Dispute - India*

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.

(d) *Tax Holiday Disputes - India*

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.

(e) *Unfulfilled Commitments Disputes – India*

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.

(f) *Land and Building Tax Disputes - Indonesia*

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 fiscal 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.

(g) *Other Lawsuits*

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.