



**QUARTERLY REPORT
FOR THE QUARTER ENDED JUNE 30, 2021**

August 30, 2021

MANAGEMENT'S DISCUSSION AND ANALYSIS

Niko Resources Ltd. ("Niko" or the "Company") is a company incorporated in Alberta, Canada. The address of its registered office and principal place of business is Suite 1500, 205 – 5th Avenue SW, Calgary, Alberta, T2P 2V7. The Company was engaged in the exploration for and development and production of oil and natural gas, primarily in India and Bangladesh. Effective March 13, 2019, the Company's common shares and convertible notes were delisted from the Toronto Stock Exchange ("TSX").

The following Management's Discussion and Analysis ("MD&A") of the financial condition, financial performance and cash flows of the Company for the three months ended June 30, 2021 should be read in conjunction with the condensed interim consolidated financial statements for the three months ended June 30, 2021. Additional information relating to the Company, is available on SEDAR at www.sedar.com and on the Company's website at www.nikoresources.com. This MD&A is dated August 30, 2021.

The 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

Commencing June 2016, the Company ceased receiving revenue related to the 60 percent interest of its indirect subsidiary, Niko Exploration (Block 9) Ltd. ("Niko Block 9"), in the Block 9 production sharing contract ("PSC") in Bangladesh, due to legal cases related to this and other ownership interests in Bangladesh (see Note 21(a) to the audited consolidated financial statements for the year ended March 31, 2021 for further details on these matters). In addition, since fiscal 2019, the Company has been in default of its Facilities Agreement (see Note 10 to the audited consolidated financial statements for the year ended March 31, 2021) with its senior lenders (the "Lenders") and has not recognized or received any oil and gas revenue. At June 30, 2021, the Company has significant existing liabilities, obligations and contingent liabilities (see Note 21 to the audited consolidated financial statements for the year ended March 31, 2021). An adverse outcome on one or more of the claims impacting the Company and its subsidiaries could significantly and negatively impact the future cash flows of the Company and further deteriorate its overall liquidity. Currently, the Company's primary focus is on attempting to realize value related to amounts for which the Company believes are owed to its subsidiaries that hold interests in Bangladesh and attempting to collect income and other tax refunds in India, with any realized value likely to be for the ultimate benefit of its Lenders. There is no guarantee that the Company will be successful in realizing any value in these endeavors.

As a result of the foregoing matters (including the obligations, defaults and contingent liabilities of the Company and its subsidiaries), there are material uncertainties that cast significant doubt about the ability of the Company to continue as a going concern.

These condensed interim consolidated financial statements for the three months ended June 30, 2021 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.

India

In May 2021, Niko (NECO) Ltd., an indirect subsidiary of the Company, received a refund of \$5.3 million for GST previously paid with respect to the D6 settlement transaction of January 2020 (see Note 2 to the audited consolidated financial statements for the year ended March 31, 2021) after receiving a ruling from the GST department of India that GST was not applicable to the transaction. The GST refund was reflected in discontinued operations in the first quarter of fiscal 2022 as other income.

In order to fund the Company's cash requirements over the short term, the Company requires certain consents from the Lenders under its amended and restated facilities agreement to distribute \$3.0 million to the Lenders and retain \$2.3 million. The withholding of such consents by the Lenders during this period will have a material adverse impact on the Company's ability to fund its operations and is therefore likely to have a material adverse impact on all stakeholders.

Bangladesh

In fiscal 2011, an indirect subsidiary, Niko Resources (Bangladesh) Ltd., filed two arbitration cases under the rules of International Centre for Settlement of Investment Disputes regarding i) a dispute over payment for gas delivered from the Feni field from November 2004 to April 2010 under the Feni Gas Purchase Sales Agreement with Petrobangla and ii) a dispute over compensation claims arising from the uncontrolled flow problems that occurred in Chattak field in January and June 2005. In fiscal 2020, Niko Block 9 filed an arbitration case against Petrobangla and the Government of Bangladesh under the rules of ICSID regarding a

dispute over non-payment of amounts due from Petrobangla under the Block 9 gas and condensate purchase and sales agreements and effective expropriation of Niko Block 9's 60 percent interest in the Block 9 PSC.

Contingent Liabilities

The Company and its subsidiaries are subject to various claims from other parties, as described in Note 21 to the audited consolidated financial statements for the year ended March 31, 2021, and are actively defending against these claims.

OVERALL PERFORMANCE AND RESULTS OF OPERATIONS

The Company's results for the first quarter ended June 30, 2021 are as follows:

(thousands of US Dollars)	Three months ended June 30,	
	2021	2020
Net loss from continuing operations	(361)	(857)
Net income from discontinued operations	4,893	(450)
Total net income	4,532	(1,307)

Net loss from continuing operations in the first quarter of fiscal 2022 primarily reflected general and administrative expenses, which decreased from the first quarter of fiscal 2021 primarily due to lower legal expenses.

Net loss from discontinued operations in the first quarter of fiscal 2022 reflected other income of \$5.3 million as a result of a GST refund received in India, partially offset by commercial claim expense that was virtually unchanged from the first quarter of fiscal 2020.

SUMMARY OF QUARTERLY RESULTS

(thousands of US Dollars)	Jun 30, 2021	Mar 31, 2021	Dec 31, 2020	Sep 30, 2020	Jun 30, 2020	Mar 31, 2020	Dec 31, 2019	Sep 30, 2019
Net income (loss) from continuing operations⁽¹⁾	(361)	(783)	(526)	(948)	(857)	(25,324)	(918)	(560)
Net income (loss) from discontinued operations⁽¹⁾⁽²⁾	4,893	(157)	(447)	(450)	(450)	24,144	(449)	(448)
Total net income (loss)	4,532	(940)	(973)	(1,398)	(1,307)	(1,180)	(1,367)	(1,008)
Earnings (loss) per share – Basic and diluted⁽¹⁾								
Continuing operations	(0.00)	(0.01)	(0.01)	(0.01)	(0.01)	(0.27)	(0.01)	(0.01)
Discontinued operations	0.05	(0.00)	(0.00)	(0.00)	(0.00)	0.26	(0.00)	(0.00)
Total	0.05	(0.01)						

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

(2) The Company has discontinued operations in India, Indonesia, Pakistan and Trinidad. Prior quarters have been restated for comparative purposes.

The Company's net loss from continuing operations for the quarter ended June 30, 2021 primarily reflected general and administrative expenses. Net income from discontinued operations for the quarter ended June 30, 2021 resulted from other income of \$5.3 million as a result of a GST refund received in India, partially offset by commercial claim expense.

Net loss from continuing operations for the quarter ended June 30, 2020 primarily reflected general and administrative expenses. Net loss from discontinuing operations for the quarter ended June 30, 2020 primarily reflected commercial claim expense.

Net loss for the quarter ended March 31, 2021 included a provision of legal claim of the Company of \$2.2 million, partially offset by a refund of \$1.8 million for income taxes previously withheld from interest earned on previous tax refunds received by the subsidiary in India. Net loss for the quarter ended March 31, 2020 included a reversal of impairment of \$28 million which was offset by a loss on revaluation of long-term debt of \$26 million and current tax expenses of \$2 million. 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.

GENERAL AND ADMINISTRATIVE EXPENSES

(thousands of US Dollars)	Three months ended June 30,	
	2021	2020
Legal fees	94	589
Salaries	66	58
Management fees	39	40
Insurance	18	34
Audit fees	6	16
Rent	6	6
Consultants	3	5
Office costs	2	1
Other	125	110
	359	859

CONTRACTUAL OBLIGATIONS

The following table represents the Company's contractual obligations and other commitments as at June 30, 2021:

(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⁾	544,535	-	-	-	-	-
Convertible notes ⁽¹⁾⁽³⁾	138,533	-	-	-	-	-
Contract settlement obligation ⁽⁴⁾	26,057	-	-	-	-	-
Deferred obligation ⁽⁵⁾	6,925	-	-	-	-	-
Exploration work commitments	270,667	270,667	270,667	-	-	-
Total contractual obligations	986,717	270,667	270,667	-	-	-

- (1) The Company is not required to make interest payments (including interest previously owing) under the term loan facilities agreement or the note indenture governing the convertible notes, other than in connection with a waterfall distribution.
- (2) The term loan facilities are recorded in the financial statements at fair value of nil.
- (3) The convertible notes are recorded in the financial statements at fair value of nil. The face value of the convertible notes as at June 30, 2021 is Cdn\$172 million (including accrued interest).
- (4) The contract settlement obligation is recorded in the financial statements at fair value of nil.
- (5) The deferred obligation is recorded in the financial statements at fair value of nil.

OUTSTANDING SHARE DATA

The Company did not issue any common shares or securities convertible or exchangeable into common shares in fiscal 2022. As at August 30, 2021, the Company has 94,049,967 common shares, 1 preferred share, and no stock options outstanding.

OFF BALANCE SHEET ARRANGEMENTS

The Company had no off balance sheet arrangements in place as at June 30, 2021.

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 11 to the audited consolidated financial statements for the year ended March 31, 2021.

DISCLOSURE CONTROLS AND INTERNAL CONTROLS OVER FINANCIAL REPORTING

The Company's Chief Executive Officer and the Vice President, Finance and Chief Financial Officer have assessed the design and effectiveness of internal controls over financial reporting ("ICFR") and disclosure controls and procedures ("DC&P") as at June 30, 2021. There have been no significant changes in ICFR during the three ended June 30, 2021 that have materially affected, or are reasonably likely to materially affect, ICFR.

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. 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, 2021.

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 of the Company to maintain its cash resources;
- The ability of the Company to meet all of its obligations, including those under the facility agreement;
- The risks related to the various legal claims against the Company or its subsidiaries;
- Changing governmental policies, social instability and other political, economic or diplomatic developments in the countries in which the Company operates;
- Changes in taxation policies, taxation laws and interpretations thereof;
- Commodity price and foreign exchange rate risk; and
- Changes in environmental regulations and legislations.

Additional information related to the Company and its identified risks is included in the Company's Annual Information Form for the year ended March 31, 2018 available on SEDAR at www.sedar.com.

For a complete description of the potential effects of the Company's contingencies on the Company, refer to Note 21 of the consolidated financial statements for the year ended March 31, 2021.

BASIS OF PRESENTATION

The financial data included in this MD&A is in accordance with the International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") and interpretations of the International Financial Reporting Interpretations Committee ("IFRIC") that are effective as at June 30, 2021. All financial information is presented in thousands of US Dollars unless otherwise indicated.

The term "fiscal 2022" is used throughout the MD&A and in all cases refers to the period from April 1, 2021 through March 31, 2022. The term "fiscal 2021" is used throughout the MD&A and in all cases refers to the period from April 1, 2020 through March 31, 2021.

FORWARD LOOKING INFORMATION STATEMENTS

Certain statements in this MD&A constitute forward-looking information, including forward-looking information relating to the Company defending certain claims. 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. 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 also based on certain key expectations and assumptions, many of which are not within the control of the Company. There can be no assurances that the Company will be able to meet the goals and purposes of its business plan (including resolving various disputes in its favour) or fund its cash requirements. In addition, the Company is in default under the Facilities Agreement and the Lenders have not agreed to waive the default. Further, the Company's ability to defend claims may be restricted or limited for various reasons. Absolutely no assurance can be made that the Company will be able to meet its funding requirements or its other obligations, and nothing herein should be read as stating or inferring otherwise. The reader is cautioned that the assumptions used in the preparation of forward-looking 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 those set out above as well as: risks related to the ability of the Company to continue as a going concern, risks related to the Company not being able to maintain its cash resources, risks associated with the Company meeting its obligations under the facilities agreement, risks related to the various legal claims against the Company or its subsidiaries, risks associated with meeting all of the Company's obligations, risks discussed under "Risk Factors" in the Company's Annual Information Form for the year ended March 31, 2018, 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 forecasts. The forward-looking information included in this MD&A is expressly qualified in its entirety by this cautionary statement. The forward-looking information included herein is made as of the date of this MD&A and Niko assumes no obligation to update or revise any forward-looking information to reflect new events or circumstances, except as required by law.

CONDENSED INTERIM CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

	As at June 30, 2021	As at March 31, 2021
(thousands of US Dollars)		
Assets		
Current assets		
Cash and cash equivalents	7,206	2,273
Accounts receivable	100	38
	7,306	2,311
Liabilities		
Current liabilities		
Trade payables	342	320
Other payables	408,888	408,447
	409,230	408,767
Shareholders' Deficit		
Share capital	1,366,867	1,366,867
Contributed surplus	143,142	143,142
Currency translation reserve	2,147	2,147
Deficit	(1,914,080)	(1,918,612)
	(401,924)	(406,456)
	7,306	2,311

Going Concern (Note 2)

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

CONDENSED INTERIM CONSOLIDATED STATEMENTS OF COMPREHENSIVE LOSS

	Three months ended June 30,	
(thousands of US Dollars)	2021	2020
General and administrative expenses	(359)	(859)
Net finance income (expense)	(2)	2
Net loss before and after income tax from continuing operations	(361)	(857)
Net income (loss) before and after income tax from discontinued operations (Note 2 and 4)	4,893	(450)
Total net income (loss) and comprehensive income (loss)	4,532	(1,307)
Net income (loss) per share		
Basic and diluted – continuing operations	(0.00)	(0.01)
Basic and diluted – discontinued operations	0.05	(0.00)

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

CONDENSED INTERIM CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' DEFICIT

(thousands of US Dollars, except number of common shares)	Number of Common shares	Share capital	Contributed surplus	Currency translation reserve	Deficit	Total
Balance, March 31, 2020	94,049,967	1,366,867	143,142	2,147	(1,913,994)	(401,838)
Net loss for the period	-	-	-	-	(1,307)	(1,307)
Balance, June 30, 2020	94,049,967	1,366,867	143,142	2,147	(1,915,301)	(403,145)
Net loss for the period	-	-	-	-	(3,311)	(3,311)
Balance, March 31, 2021	94,049,967	1,366,867	143,142	2,147	(1,918,612)	(406,456)
Net income for the period	-	-	-	-	4,532	4,532
Balance, June 30, 2021	94,049,967	1,366,867	143,142	2,147	(1,914,080)	(401,924)

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

CONDENSED INTERIM CONSOLIDATED STATEMENTS OF CASH FLOWS

	Three months ended June 30,	
(thousands of US Dollars)	2021	2020
Cash flows from operating activities:		
Net loss from continuing operations	(361)	(857)
Change in non-cash working capital	(43)	99
Net cash used in operating activities of continuing operations	(404)	(758)
Cash flows from investing activities:		
Net cash from investing activities of discontinued operations (Notes 2 and 4)	5,337	-
Change in cash and cash equivalents	4,933	(758)
Cash and cash equivalents, beginning of period	2,273	3,246
Cash and cash equivalents, end of period	7,206	2,488

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

NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

1. Nature of Business

Niko Resources Ltd. (the "Company") is a company incorporated in Alberta, Canada. The address of its registered office and principal place of business is Suite 1500, 205 – 5th Avenue SW, Calgary, Alberta, T2P 2V7. The Company was engaged in the exploration, development and production of oil and natural gas primarily in India and Bangladesh. Effective March 13, 2019, the Company's common shares and convertible notes were delisted from the Toronto Stock Exchange.

2. Going Concern

Commencing June 2016, the Company ceased receiving revenue related to the 60 percent interest of its indirect subsidiary, Niko Exploration (Block 9) Ltd. ("Niko Block 9"), in the Block 9 production sharing contract ("PSC") in Bangladesh, due to legal cases related to this and other ownership interests in Bangladesh (see Note 21(a) to the audited consolidated financial statements for the year ended March 31, 2021 for further details on these matters). In addition, since fiscal 2019, the Company has been in default of its Facilities Agreement (see Note 10 to the audited consolidated financial statements for the year ended March 31, 2021) with its senior lenders (the "Lenders") and has not recognized or received any oil and gas revenue. At June 30, 2021, the Company has significant existing liabilities, obligations and contingent liabilities (see Note 21 to the audited consolidated financial statements for the year ended March 31, 2021). An adverse outcome on one or more of the claims impacting the Company and its subsidiaries could significantly and negatively impact the future cash flows of the Company and further deteriorate its overall liquidity. Currently, the Company's primary focus is on attempting to realize value related to amounts for which the Company believes are owed to its subsidiaries that hold interests in Bangladesh and attempting to collect income and other tax refunds in India, with any realized value likely to be for the ultimate benefit of its Lenders. There is no guarantee that the Company will be successful in realizing any value in these endeavors.

As a result of the foregoing matters (including the obligations, defaults and contingent liabilities of the Company and its subsidiaries), there are material uncertainties that cast significant doubt about the ability of the Company to continue as a going concern.

These condensed interim consolidated financial statements for the three months ended June 30, 2021 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.

India

In May 2021, Niko (NECO) Ltd., an indirect subsidiary of the Company, received a refund of \$5.3 million for GST previously paid with respect to the D6 settlement transaction of January 2020 (see Note 2 to the audited consolidated financial statements for the year ended March 31, 2021) after receiving a ruling from the GST department of India that GST was not applicable to the transaction. The GST refund was reflected in discontinued operations in the first quarter of fiscal 2022 as other income.

In order to fund the Company's cash requirements over the short term, the Company requires certain consents from the Lenders under its amended and restated facilities agreement to distribute \$3.0 million to the Lenders and retain \$2.3 million. The withholding of such consents by the Lenders during this period will have a material adverse impact on the Company's ability to fund its operations and is therefore likely to have a material adverse impact on all stakeholders.

Bangladesh

In fiscal 2011, an indirect subsidiary, Niko Resources (Bangladesh) Ltd., filed two arbitration cases under the rules of International Centre for Settlement of Investment Disputes regarding i) a dispute over payment for gas delivered from the Feni field from November 2004 to April 2010 under the Feni Gas Purchase Sales Agreement with Petrobangla and ii) a dispute over compensation claims arising from the uncontrolled flow problems that occurred in Chattak field in January and June 2005. In fiscal 2020, Niko Block 9 filed an arbitration case against Petrobangla and the Government of Bangladesh under the rules of ICSID regarding a dispute over non-payment of amounts due from Petrobangla under the Block 9 gas and condensate purchase and sales agreements and effective expropriation of Niko Block 9's 60 percent interest in the Block 9 PSC.

Contingent Liabilities

The Company and its subsidiaries are subject to various claims from other parties, as described in Note 21 to the audited consolidated financial statements for the year ended March 31, 2021, and are actively defending against these claims.

3. Basis of Presentation

(a) Statement of compliance

The condensed interim consolidated financial statements have been prepared in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board. 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, 2021. 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 for the year ended March 31, 2021. Certain prior period amounts have been reclassified to conform to the current presentation. These condensed interim consolidated financial statements have not been reviewed by the Company's independent external auditors.

The condensed interim consolidated financial statements were approved by the Board of Directors and authorized for issue on August 30, 2021.

4. General and Administrative Expenses

(thousands of US Dollars)	Three months ended June 30,	
	2021	2020
Legal fees	94	589
Salaries	66	58
Management fees	39	40
Insurance	18	34
Audit fees	6	16
Rent	6	6
Consultants	3	5
Office costs	2	1
Other	125	110
	359	859

5. Discontinued Operations

Net loss from discontinued operations for the three months-ended June 30, 2021 and 2020 was as follows:

(thousands of US Dollars)	Three months ended June 30,	
	2021	2020
Other income	5,337	-
Commercial claim expense	(444)	(450)
Net income (loss) from discontinued operations	4,893	(450)

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

(thousands of US Dollars)	Year ended March 31,	
	2021	2020
Cash flow from operating activities	5,337	-

6. Per Share Amounts

(thousands of US Dollars, except number of common shares)	Three months ended June 30, 2021	2020
Continuing Operations		
Basic and diluted		
Net loss	(361)	(857)
Weighted average number of common shares	94,049,967	94,049,967
Net loss per share	(0.00)	(0.01)
Discontinued Operations		
Basic and diluted		
Net income (loss)	4,893	(450)
Weighted average number of common shares	94,049,967	94,049,967
Net income (loss) per share	0.05	(0.00)

(1) For the periods ended June 30, 2021 and 2020, the outstanding convertible notes were excluded from the diluted earnings per share calculation as they were anti-dilutive.