NIKO RESOURCES LTD

Q1

RESULTS FOR THE
QUARTER ENDED
JUNE 30, 2015

NIKO REPORTS RESULTS FOR THE QUARTER ENDED JUNE 30, 2015

Niko Resources Ltd. ("Niko" or the "Company") is pleased to report its operating and financial results for the quarter ended June 30, 2015. The operating results are effective August 13, 2015. All amounts are in US dollars unless otherwise indicated and all amounts are reported using International Financial Reporting Standards unless otherwise indicated.

CHAIRMAN'S MESSAGE TO THE SHAREHOLDERS

The Company is pursuing a strategic plan to maintain the Company's core assets until the value of such assets can be enhanced for the benefit of the Company's stakeholders. The Company believes it has sufficient liquidity to fund the cash requirements of its operating subsidiaries in India and Bangladesh and its corporate general and administrative expenses for the foreseeable future, provided that it receives concessions from its key stakeholders to significantly reduce the cash outflows to these stakeholders until the value of the Company's core assets can be enhanced. In the first quarter of fiscal 2016, the Company negotiated, among other things, a deferral from June to September of the interest payment due on its senior secured term loan facilities and agreed to not make the interest payment on its unsecured 7% convertible notes or the scheduled payment on the unsecured obligation pursuant to the Diamond Settlement Agreement, each due on June 30, 2015. The Company continues to negotiate the terms and basis for a strategic plan with its key stakeholders, and is evaluating all options for the preservation and enhancement of value.

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

MANAGEMENT'S DISCUSSION AND ANALYSIS

Niko Resources Ltd. ("Niko" or the "Company") is a company incorporated in Alberta, Canada. The address of its registered office and principal place of business is Suite 4600 Devon Tower, 400 – 3 Avenue SW, Calgary, Alberta, Canada, T2P 4H2. The Company is engaged in the exploration for and development and production of oil and natural gas, primarily in India, Bangladesh, Indonesia, Brazil and Trinidad. The Company's common shares are traded on the Toronto Stock Exchange under the symbol "NKO".

The following Management's Discussion and Analysis ("MD&A") of the financial condition, results of operations and cash flows of the Company for the three months ended June 30, 2015 should be read in conjunction with the condensed interim consolidated financial statements for the three months ended June 30, 2015. This MD&A is dated August 13, 2015. Additional information relating to the Company, including the Company's Annual Information Form ("AIF"), is available on SEDAR at www.sedar.com. All financial information is presented in thousands of US Dollars unless otherwise indicated.

The term "the current quarter" is used throughout the MD&A and in all cases refers to the period from April 1, 2015 through June 30, 2015. The term "prior year quarter" is used throughout the MD&A for comparative purposes and refers to the period from April 1, 2014 through June 30, 2014. The term "current year" is used throughout the MD&A and in all cases refers to the period from April 1, 2015 through June 30, 2015. The term "prior year" is used throughout the MD&A and in all cases refers to the period from April 1, 2014 through June 30, 2014. The term "fiscal 2014" is used throughout the MD&A and in all cases refers to the period from April 1, 2013 through March 31, 2014. The term "fiscal 2015" is used throughout the MD&A and in all cases refers to the period from April 1, 2014 through March 31, 2015. The term "fiscal 2016" is used throughout the MD&A and in all cases refers to the period from April 1, 2015 through March 31, 2016.

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

Cautionary Statement Regarding Forward-Looking Information and Material Assumptions

Certain statements in this MD&A are "forward-looking statements" or "forward-looking information" within the meaning of applicable securities laws, herein referred to as "forward-looking statements" or "forward-looking information". Forward-looking information is frequently characterized by words such as "plan," "expect," "project," "intend," "believe," "anticipate," "estimate," "scheduled," "potential" or other similar words, or statements that certain events or conditions "may," "should" or "could" occur. Forward-looking information is based on the Company's expectations regarding its future growth, results of operations, production, future capital and other expenditures (including the amount, nature and sources of funding thereof), competitive advantages, plans for and results of drilling activity, environmental matters, business prospects and opportunities. Such forward-looking information reflects the Company's current beliefs and assumptions and is based on information currently available to it. Forward-looking information involves significant known and unknown risks and uncertainties. A number of factors could cause actual results to differ materially from the results discussed in the forward-looking information including risks discussed below. Although the forward-looking information contained in this report is based upon assumptions which the Company believes to be reasonable, it cannot assure investors that actual results will be consistent with such forward-looking information. Because of the risks, uncertainties and assumptions inherent in forward-looking information, readers should not place undue reliance on this forward-looking information. See also "Risk Factors."

Specific forward-looking information contained in this MD&A may include, among others, statements regarding:

- the Company's ability to achieve certain milestones in the amended terms of the facilities agreement related to the Company's strategic alternatives plan in respect of the potential sale of the Company's interest in the D6 Block in India;
- the Company's ability to comply with the terms of the term loan facilities agreement;
- whether the Company's restructuring efforts will be sufficient to allow certain of the Company's exploration subsidiaries to meet existing and future obligations and create necessary financial strength and flexibility needed to fully realize the inherent value of the Company's assets;
- debt and liquidity levels, and particularly in respect of:
  - the term loan facilities and settlement agreement with Diamond Offshore ("Diamond");
  - the proposed sale of non-core assets and farm-out transactions involving exploratory production sharing contracts ("PSC"), rescheduling of exploration commitments and settlement of vendor liabilities;
  - deferred obligations under the D6 Royalty Agreements; and
  - the satisfaction of all covenants and conditions under the amended term loan facilities;
- the ability to effect a transaction pursuant to a strategic plan;
- the assessments of land and building tax related to certain Indonesian PSCs;

- a shift in strategic focus of the Company, specifically, the planned limitation of exploration outside of India and Bangladesh, and the planned decrease in commitments and capital obligations with respect to exploration and evaluation assets;
- the interpretation and quantification of India's new Domestic Natural Gas Guidelines ("the Guidelines") issued in October 2014, including the quantum and applicability of gas price premium on the Company's existing gas fields in D6 and NEC-25 blocks;
- the Company's future development and exploration activities and the timing of these activities, including drilling and workover activities in the D6 Block in India and the corresponding increases in sales volumes from these activities;
- the success in securing farm-outs, swaps, or asset sales in Indonesia, Trinidad and Brazil and the rescheduling of certain of the Company's work commitments;
- the ability to seek joint operating partners;
- sources of funding for the Company's planned operating, investing, and financing cash outflows;
- the performance characteristics of the Company's oil, natural gas liquids ("NGL") and natural gas properties;
- natural gas, crude oil, and condensate production levels, sales volumes and revenue;
- the volume and value of the Company's oil, NGL and natural gas reserves;
- projections of market prices and costs;
- the Company's ability to raise capital and to continually add to reserves through development;
- future funds from operations;
- future royalty rates;
- treatment under governmental regulatory regimes and tax laws;
- work commitments and capital expenditure programs;
- the Company's future ability to satisfy certain contractual obligations;
- future economic conditions, including future interest rates;
- the impact of governmental controls, regulations and applicable royalty rates on the Company's operations;
- the Company's expectations regarding the development and production potential of its properties;
- the Company's expectations regarding the costs for development activities;
- the resolution of various legal claims raised against the Company;
- the potential for asset impairment and recoverable amounts of such assets; and
- changes to accounting estimates and accounting policies.

Certain statements in this MD&A constitute forward-looking information. Specifically, this MD&A contains forward-looking information relating to the ability of the Company to successfully complete its strategic alternatives plan on a timely basis (including meeting and satisfying certain milestones), the Company complying with the terms of the facilities agreement, as amended by the amendments, 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 alternatives plan on a timely basis, or that the Company will be able to comply with the terms of the facilities agreement, as amended by the amendment, or that the Company will be able to meet the goals and purposes of its business plan or meet and satisfy the milestones agreed to in the amendment. The failure to meet or satisfy any of the foregoing is likely to have a material adverse impact on 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 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, prevailing commodity prices and exchange rates, applicable royalty rates and tax laws, future well production rates, the performance of existing wells, the success of drilling new wells, the availability of capital to undertake planned activities, the availability and cost of labour and services and general market conditions. The reader is cautioned that the assumptions used in the preparation of such information, although considered reasonable at the time of preparation, may prove to be incorrect. Actual results may vary from the information provided herein as a result of numerous known and unknown risks and uncertainties and other factors and such variations may be material. Such risk factors include, but are not limited to: risks related to the ability of the Company to continue as a going concern, the risks associated with the Company meeting its obligations under the amended facilities agreement and successfully completing its strategic alternatives plan, risks related to the various legal claims against the Company, risks related to obtaining consents, risks relating to the Company's default under the indenture governing the Notes and the Company's default under the Diamond Settlement Agreement (as defined herein), as well as the risks associated with the oil and natural gas industry in general, such as operational risks in development, exploration and production, delays or changes in plans with respect to exploration or development projects or capital expenditures, the uncertainty of estimates and projections relating to production rates, costs and expenses, commodity price and exchange rate fluctuations, government regulation, marketing and transportation risks, environmental risks, competition, the ability to access sufficient capital from internal and external sources, changes in tax, royalty and environmental legislation, the impact of general economic conditions, imprecision of reserve estimates, the lack of availability of qualified personnel or management, stock market volatility, risks associated with meeting all of the Company's financing obligations and contractual commitments (including work commitments), the risks discussed under "Risk Factors" in the Company's AIF for the year-ended March 31, 2015 and in the Company's public disclosure documents, and other factors, many of which are beyond the Company's control. Information relating to "reserves" are deemed to be forward-looking information, as they involve the implied assessment, based on certain estimates and assumptions, that the reserves described exist in the quantities predicted or estimated, and can be profitably produced in the future to achieve the future net revenue calculated in accordance with certain assumptions. The assumptions related to the reserves are contained in the reports of Deloitte LLP dated June 10, 2015 and effective March 31, 2015 and are summarized in the Company's March 31, 2015 AIF. Future net revenues associated with reserves do not necessarily represent fair market value. Additionally, test results from exploration discoveries may not be reflective of long-term performance or stabilized production levels of such wells or ultimate recovery.

The Company prepares production forecasts taking into account historical and current production, and actual and planned events that are expected to increase or decrease production and production levels indicated in its reserve reports.

The Company prepares capital spending forecasts based on internal budgets for operated properties, budgets prepared by the Company's joint operating partners, when available, for non-operated properties, field development plans and actual and planned events that are expected to affect the timing or amount of capital spending.

The Company prepares operating expense forecasts based on historical and current levels of expenses and actual and planned events that are expected to increase or decrease production and/or the associated expenses. The Company makes no representation that the actual results achieved during the forecasted period will be the same in whole or in part as those forecasts.

The Company updates forward-looking information related to operations, production and capital spending on a quarterly basis when the change is material and updates reserve estimates on an annual basis. See "Risk Factors" for discussion of uncertainties and risks that may cause actual events to differ from forward-looking information provided in this report. The information contained in this report, including the information provided under the heading "Risk Factors," identifies additional factors that could affect the Company's operating results and performance. The Company urges readers to carefully consider those factors and the other information contained in this report.

The forward-looking statements contained in this report are made as of the date of this MD&A. The Company undertakes no obligation to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise, unless so required by applicable law. The forward-looking statements and the forward-looking information contained in this report are expressly qualified by this cautionary statement.

Non-IFRS Measures

The selected financial information presented throughout this MD&A is prepared in accordance with International Financial Reporting Standards ("IFRS"), except for "EBITDAX", and "segment profit". These non-IFRS financial measures, which have been derived from the condensed interim consolidated financial statements and applied on a consistent basis, are used by management as measures of performance of the Company. These non-IFRS measures should not be viewed as substitutes for measures of financial performance presented in accordance with IFRS or as a measure of a company's profitability or liquidity. These non-IFRS measures do not have any standardized meaning prescribed by IFRS and are therefore unlikely to be comparable to similar measures presented by other companies. 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 expenses, accretion expense, unfulfilled exploration commitment expense and unrealized foreign exchange gain or loss). The Company utilizes EBITDAX to assess performance and to help determine its ability to fund future capital investments and to repay debt.

Segment Profit

Segment profit is defined as oil and natural gas revenues less royalties, government share of profit petroleum, production and operating expenses, depletion expense, exploration and evaluation expense, asset impairment and current and deferred income taxes related to each business segment. The Company utilizes segment profit to evaluate performance by segment and overall.

BUSINESS HIGHLIGHTS
The significant business highlights of the first quarter in fiscal 2016 are as follows:

Sales Volumes

(mmcfe/d)	Three months ended June 30, 2015	Three months ended March 31, 2015	Three months ended June 30, 2014
D6 Block, India	42	43	50
Block 9, Bangladesh	64	66	66
Hazira, India	1	2	2
Total(1)	108	111	118

(1) Figures may not add up due to rounding.

D6 Block, India

- Per India's new Domestic Natural Gas Guidelines, effective November 1, 2014 (the "Guidelines"), the price for natural gas sales from the D6 Block in India for April 2015 to September 2015 is $4.66 / MMbtu based on the gross calorific value ("GCV") of the sales gas, which equates to approximately $5.18 / MMbtu based on the net calorific value ("NCV") of the sales gas and represents an increase of 23 percent from the $4.20 / MMbtu NCV that natural gas sales had been priced at prior to the adoption of the Guidelines, and a decrease of approximately 8 percent from the price for the November 2014 to March 2015 period. For the Dhirubhai 1 and 3 fields ("D1 D3") in the D6 Block where a dispute between the contractor group and the GOI on the cost recovery of certain costs is under arbitration, the Guidelines indicate that the contractor group would be paid the earlier price of $4.20 / MMbtu and the difference between the revised price and $4.20 / MMbtu would be credited to a gas pool account and "whether the amount so collected is payable or not to the contractors of this block would be dependent on the outcome of the award of the pending arbitration and any attendant legal proceedings".
- The price for oil and condensate sales for the first quarter of fiscal 2016 decreased by approximately 45 percent compared to the first quarter of fiscal 2015 as a result of the decline in world oil prices.
- Total sales volumes from the D6 Block in the first quarter of fiscal 2016 of 42 mmcfe/d decreased from the first quarter of fiscal 2015 primarily due to the impact of natural production declines in the fields in the block, partially offset by incremental production from the re-activation of the previously shut-in B6 well in D1 D3 in May 2015 and the MA-5H sidetrack well brought on-stream in March 2015. During the first quarter of fiscal 2016, the MA-5H sidetrack well was shut-in due to sand production from the well and further sidetrack options for the MA field are being evaluated.
- The B1 substitute well in D1 D3 was successfully completed during the first quarter of fiscal 2016 and was brought on-stream in July 2015. The A1 sidetrack well in D1 D3 commenced drilling in the first quarter of fiscal 2016 and was brought on-stream in late July 2015.
- The Contractor group for the D6 Block elected to conduct drill stem tests ("DSTs") for two discoveries in the block and relinquish a third discovery, as a first step towards designing an integrated development scheme for the retained discoveries with the Satellites discoveries. The DST program for the first discovery is currently underway.

NEC-25 Block, India

- The Contractor group for the NEC-25 Block elected to conduct a DST for one discovery in the block and relinquish a second discovery. The DST program is expected to occur after the two DSTs in the D6 Block.

Block 9, Bangladesh

- Total sales volumes from Block 9 in the first quarter of fiscal 2016 of 64 mmcfe/d decreased from the first quarter of fiscal 2015, reflecting decreased market demand and plant performance.

CAPITAL AND EXPLORATION EXPENDITURES

For the three months ended June 30, 2015:

(thousands of US Dollars)	Additions to property, plant and equipment(1)	Additions to capital inventory	Additions to exploration and evaluation assets(1)(2)	Directly expensed exploration and evaluation costs(1)(2)	Total
India and Bangladesh	11,230	-	216	44	11,490
Other	-	-	-	3,289	3,289
Total	11,230	-	216	3,333	14,779

(1) Share-based compensation and other non-cash items are excluded.
(2) Includes additions that were subsequently written off.

India and Bangladesh

Capital and exploration expenditures in India and Bangladesh totaled $11 million for the first quarter of fiscal 2016, primarily related to the completion and sidetrack of development wells in the D6 Block in India.

Other Countries

Capital and exploration expenditures outside of India and Bangladesh totaled $3 million for the first quarter of fiscal 2016, primarily related to payments due under the PSCs in Trinidad.

FINANCIAL HIGHLIGHTS

EBITDAX / Net Loss

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

	Three months ended June 30,	
(thousands of US Dollars)	2015	2014
Oil and natural gas revenue	26,679	35,161
Production and operating expenses	(7,516)	(9,371)
General and administrative expenses	(1,435)	(3,697)
Finance and other income	1,202	3,785
Bank charges and other finance costs	(17)	(55)
Realized foreign exchange gain	(50)	29
EBITDAX[(1)]	**18,863**	**25,852**
Cash interest expense	(14,201)	(15,492)
Cash restructuring costs	(3,054)	(1,404)
Current income tax expense	-	(22)
Non-cash production and operating expenses	(21)	(181)
Depletion and depreciation expenses	(15,881)	(24,241)
Exploration and evaluation expenses	(3,192)	(16,252)
Non-cash restructuring recovery	309	747
Asset impairment	(25)	(600)
Share-based compensation expense	(3)	(896)
Accretion expense	(8,113)	(18,288)
Gain on derivative	252	-
Interest due upon repayment	(1,972)	(178)
Unrealized foreign exchange loss	(2,268)	(2,906)
Deferred income tax recovery	-	(1,082)
Net loss	**(29,306)**	**(54,943)**

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

OVERALL PERFORMANCE AND RESULTS OF OPERATIONS

Highlights for the three months ended June 30, 2015 in comparison to the three months ended June 30, 2014 are as follows:

Oil and natural gas revenue

Oil and natural gas revenue of $27 million in the current quarter decreased from $35 million in the prior year quarter, primarily due to lower sales volumes, lower oil prices, and higher government share of profit petroleum in Block 9 in Bangladesh, partially offset by higher natural gas prices in India.

Production and operating expenses

Production and operating expense of $8 million in the current quarter decreased from $9 million in the prior year quarter, primarily due to lower insurance expense in India and a lower impact of transferring of costs to expense related to the sale of crude oil and condensate inventory volumes.

General and administrative expenses

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

Finance and other income

Finance and other income in the current quarter decreased from the prior year quarter, primarily due to reduced benefits recognized from settlement of outstanding vendor obligations and reduced insurance premium refunds.

Interest expense

Cash interest expense of $14 million in the current quarter declined from $15 million in the prior year quarter, primarily due to lower outstanding principal on the term loan facilities. Interest due upon repayment of $2 million in the current quarter increased from the prior year quarter due to an additional 5 percent interest accrued on the term loan facilities effective June 2014. Refer to

Liquidity and Capital Resources section for additional details.

Restructuring costs
Cash restructuring costs of $3 million in the current quarter increased from $1 million in the prior year quarter, primarily due to higher advisory costs. Non-cash restructuring recoveries in the current and prior year quarters reflect share-based compensation adjustments resulting from the forfeiture of stock options.

Depletion and depreciation expenses
Depletion and depreciation expenses of $16 million in the current quarter decreased from $24 million in the prior year quarter, primarily due to lower production volumes and a lower depletion rate for the D6 Block in India.

Exploration and evaluation expenses
Exploration and evaluation expenses of $3 million in the current quarter decreased from $16 million in the prior year quarter, primarily due to the costs expensed in the prior year quarter associated with an unsuccessful appraisal well in the MJ field in the D6 Block in India and the Company's continuing efforts to reduce exploration costs in countries outside of India.

Share-based compensation expense
Share-based compensation expense in the current quarter decreased from the prior year quarter primarily due to a reduction in outstanding options. No new options have been granted since May 2014.

Accretion expense
Accretion expense of $8 million in the current quarter decreased from $18 million in the prior year quarter. In the current quarter, the Company reclassified the outstanding balance of its contract settlement obligation from long-term to current and recognized $3 million of accelerated accretion expense. Higher accretion expenses were incurred in the prior year quarter as a result of the impact of prepayments of the outstanding principal on Facility E of the term loan facilities and a portion of the contract settlement obligation.

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

SEGMENT PROFIT

India

(thousands of US Dollars)	Three months ended June 30, 2015	2014
Natural gas revenue	18,297	17,723
Oil and condensate revenue	3,254	8,982
Royalties	(1,075)	(1,234)
Government share of profit petroleum	(204)	(588)
Production and operating expense	(5,229)	(7,185)
Depletion and depreciation expense	(13,915)	(22,846)
Other income	-	-
Asset impairment	-	(10)
Exploration and evaluation expense	(80)	(6,909)
Current tax expense	-	(22)
Deferred income tax recovery	-	(1,082)
Segment loss(1)	1,048	(13,171)
Daily natural gas sales (Mcf/d)	39,813	46,873
Daily oil and condensate sales (bbls/d)	613	920
Operating costs ($/Mcfe)	1.27	1.45
Depletion rate ($/Mcfe)	3.35	4.76

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

Natural gas revenue in the current quarter increased slightly from the prior year quarter due to an increase in natural gas price, partially offset by lower sales volumes in the D6 Block. The natural gas price for the period of April 1, 2015 to September 30, 2015 is approximately $5.18 / MMbtu based on the NCV, which was an increase of approximately 23 percent from the $4.20 / MMbtu NCV that natural gas sales had been priced at prior to the adoption of the Guidelines.

Oil and condensate revenue decreased from the prior year quarter primarily due to the impact of lower oil and condensate prices and lower sales volumes during the quarter.

Royalties and government share of profit petroleum expense decreased from the prior year quarter due to the impact of lower revenues.

Production and operating expenses decreased from the prior year quarter primarily due to lower insurance expense and a lower impact of transferring of costs to expense related to the sale of crude oil and condensate inventory volumes.

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

Bangladesh

(thousands of US Dollars)	Three months ended June 30, 2015	2014
Natural gas revenue	13,302	13,640
Condensate revenue	957	1,863
Government share of profit petroleum	(7,857)	(5,242)
Production and operating expense	(2,306)	(2,367)
Depletion and depreciation expense	(1,809)	(1,205)
Exploration and evaluation expense	-	(193)
Segment profit(1)	2,287	6,496
Daily natural gas sales (Mcf/d)	63,099	64,691
Daily condensate sales (bbls/d)	176	193
Operating costs ($/Mcfe)	0.36	0.39
Depletion rate ($/Mcfe)	0.30	0.20

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

Natural gas revenues for the current quarter decreased slightly due to lower sales volumes in the quarter.

Condensate revenue decreased from the prior year quarter primarily as a result of lower condensate prices experienced in the market and lower condensate sales volumes in the quarter.

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

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

Indonesia

	Three months ended June 30,	
(thousands of US Dollars)	2015	2014
Other income	583	-
Exploration and evaluation expense	(121)	(4,980)
Depreciation expense	-	(37)
Asset impairment reversal (expense)	112	(530)
Restructuring cost	-	(37)
Segment income[1]	574	(5,584)

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

Other income

Other income in the current quarter resulted from the settlement of an outstanding vendor obligation.

Exploration and evaluation expenses

Exploration and evaluation expenses in the current quarter decreased from the prior year quarter due to lower branch office costs and costs in the prior year quarter related to the operation of the Ocean Monarch rig.

Trinidad

	Three months ended June 30,	
(thousands of US Dollars)	2015	2014
Exploration and evaluation expenses	(2,805)	(3,296)
Depreciation expense	(111)	(24)
Asset impairment	(137)	(60)
Segment loss[1]	(3,053)	(3,380)

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

Exploration and evaluation expenses decreased from the prior year quarter due to the Company's shift in strategic focus. Expenditures incurred in the current quarter primarily relate to obligations specified in various PSCs.

All Other (Brazil, Madagascar, Pakistan)

	Three months ended June 30,	
(thousands of US Dollars)	2015	2014
Other income (expenses)	(2)	1,602
Royalty income	5	17
Exploration and evaluation expenses	(186)	(874)
Depreciation expenses	(46)	(129)
Segment income[1]	(229)	616

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

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

CORPORATE

(thousands of US Dollars)	Three months ended June 30, 2015	2014
Finance and other income	619	2,183
General and administrative expenses	(1,435)	(3,697)
Share-based compensation expenses	(3)	(896)
Restructuring cost	(2,745)	(620)
Finance expense	(24,303)	(34,013)
Gain on derivative	252	-
Foreign exchange loss	(2,318)	(2,877)

Finance and other income

Other income in the prior year quarter included $2 million of insurance premium refunds in India.

General and administrative expenses

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

Restructuring costs

Restructuring costs in the current quarter increased from the prior year quarter primarily due to higher advisory costs.

Finance expense

(thousands of US Dollars)	Three months ended June 30, 2015	2014
Interest expense	16,173	15,670
Accretion expense	8,113	18,288
Bank charges and other finance costs	17	55
Finance expense	24,303	34,013

Interest expense for the current quarter increased compared to the prior year quarter primarily due to interest on the term loan facilities, which includes accrued interest due upon maturity of the term loan facilities. Refer to "Liquidity and Capital Resources" for details.

Accretion expense of $8 million in the current quarter decreased from $18 million in the prior year quarter. In the current quarter, the Company reclassified the outstanding balance of its contract settlement obligation from long-term to current liabilities and recognized $3 million of accelerated accretion expense. Higher accretion expenses were incurred in the prior year quarter as a result of the impact of prepayments of the outstanding principal on Facility E of the term loan facilities and a portion of the contract settlement obligation.

Foreign Exchange

(thousands of US Dollars)	Three months ended June 30, 2015	2014
Realized foreign exchange gain	50	(29)
Unrealized foreign exchange loss	2,268	2,906
Total foreign exchange loss	2,318	2,877

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

LIQUIDITY AND CAPITAL RESOURCES

In fiscal 2015, after three deferrals, the Government of India ("GOI") approved a new domestic gas pricing policy for India that increased the price for gas sales from the D6 Block in India, but the formula in the new policy guidelines resulted in prices that are significantly lower than had been expected when the Company entered into a term loan facilities agreement with its senior lenders in December 2013.

The lower than expected gas price for D6 gas sales contributed to the Company's inability to meet its financial covenants under its term loan facilities in fiscal 2015, resulting in the recognition of the outstanding balances of the term loan facilities and the Company's 7 percent senior unsecured convertible notes due December 31, 2017 ("Notes") as current liabilities and necessitating the negotiation of amendments to the term loan facilities agreements in the fourth quarter of fiscal 2015 and the first quarter of fiscal 2016. These amendments waived certain financial covenants and undertakings until September 15, 2015 and provided the Company with time to pursue the potential sale of the Company's interest in the D6 Block or the sale of the Company, subject to the following conditions:

- Restrictions in the Company's capital expenditures for non-core assets and general and administrative expenditures and maintenance of specified minimum total cash balances during calendar 2015;
- Prepayments on the term loan facilities of $50 million, reducing the principal amount outstanding to $250 million as at June 30, 2015;
- Deferral of the quarterly interest payment due on June 23, 2015 under the term loan facilities agreement to September 23, 2015; and
- Restrictions from making any interest or other payments under the Notes or under the terms of the agreement entered into with Diamond (the "Diamond Settlement Agreement") until September 30, 2015 (see below under "Negotiations with Stakeholders").

The Company is no longer focused on the sale of its interest in the D6 Block or the Company in the near term, and is now pursuing a strategic plan to maintain the Company's core assets until the value of these assets can be enhanced for the benefit of the Company's stakeholders.

Negotiations with Stakeholders

As a result of the amendments to the facilities agreement, the Company initiated discussions and negotiations with holders of the Notes and their representatives to seek their consent to defer to September 30, 2015 the interest payment due on June 30, 2015. In addition, the Company sought the consent of the parties to the Diamond Settlement Agreement to defer any payments that are due and payable prior to September 30, 2015 and eliminate the required minimum balance in a reserve account specified in the Diamond Settlement Agreement. To date, no consents have been obtained from the holders of the Notes or the other parties to the Diamond Settlement Agreement.

The interest payment due on June 30, 2015 under the terms of the indenture governing the Notes was not made and as a result an event of default occurred on July 30, 2015. Accordingly, the noteholders have the option to accelerate repayment of the Notes. A group of convertible noteholders have formed an ad hoc committee to evaluate proposals and next steps. Based on discussions with the ad hoc committee and the trustee under the Note indenture, the Company does not expect that any steps will be taken in the near term to enforce any rights under the indenture. Nevertheless, it is important to note that there can be no assurance that steps will not be taken, particularly if no arrangements are reached with the lenders under the facilities agreement by September, 15, 2015.

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

The discussions with the holders of the Notes and the parties to the Diamond Settlement Agreement are now focused on the strategic plan of the Company to enhance value over a longer period of time. Negotiations are also continuing with the Company's its senior lenders in order to seek a resolution that allows for the pursuit of the strategic plan past September 15, 2015, the date that the waiver of certain financial covenants and undertakings cease to apply. This strategic plan would likely be subject to certain approvals by various stakeholders and could have a significant negative impact on stakeholders and the value of their interests in the Company. No assurance can be made that any strategic plan can be accomplished at all or on a timely basis. The failure to effect a transaction pursuant to a strategic plan on a timely basis could prove to be unsatisfactory for security holders, which would likely have a material adverse impact on the value of their interest in the Company.

Sources of Funding - Operating Subsidiaries in India and Bangladesh and Corporate
The Company has the following sources of funding for its planned operating, investing and financing cash outflows (including working capital requirements):

- Unrestricted cash and cash equivalents as at June 30, 2015 of $39 million;
- Restricted cash as at June 30, 2015 of $23 million (subject to terms of the facilities agreement, as amended);
- Receipts of oil and natural gas revenues from its producing assets in India and Bangladesh;
- Potential proceeds from asset sales, farm-outs and other arrangements; and
- Potential proceeds from future equity or debt issuances.

The Company believes that it has sufficient liquidity for the foreseeable future to satisfy the anticipated cash requirements of its operating subsidiaries in India and Bangladesh and its corporate general and administrative expenses, provided that it receives concessions from its key stakeholders to significantly reduce the cash outflows to these stakeholders until the value of the Company's core assets can be enhanced.

Exploration Subsidiaries in Indonesia and Trinidad
As at June 30, 2015, the Company's exploration subsidiaries in Indonesia and Trinidad had $83 million of accounts payable and accrued liabilities, $192 million of recorded liabilities for unfulfilled exploration work commitments, and $81 million of future exploration commitments. Unfulfilled and future exploration commitments of $133 million related to subsidiaries in Trinidad are backed by parent company guarantees.

The Company is continuing its efforts to sell or farm out interests in many of its exploration PSCs, reschedule its exploration commitments, and settle its vendor liabilities.

In April 2015, the Company closed on transactions for the sale of certain of its subsidiaries holding interests in four Indonesian PSCs (West Papua IV, Kofiau, Halmahera-Kofiau, and Aru) as the first phase of transactions under a definitive agreement executed in October 2014 with a subsidiary of Ophir Energy Plc ("Ophir"). The cash consideration of $16 million received reflects $9 million of combined net working capital obligations of the subsidiaries acquired by Ophir. Further payments under these transactions are contingent on future exploration success. Approximately $4 million of the cash consideration was used to reduce the amount outstanding under the Diamond Settlement Agreement and $9 million was used to pay outstanding tax liabilities in Indonesia and costs associated with the transactions. Subsequently, in July 2015, the Company obtained approval from the Government of Indonesia for the sale of its interest in the North Ganal PSC, for which net cash consideration of $4 million is expected to be received. Closings of the transaction for the sale of the Company's interest in one additional Indonesian PSC (North Makassar Strait) is subject to the satisfaction or waiver of the remaining conditions precedent. Niko is contesting the Land and Building Tax ("LBT") assessments related to certain Indonesian PSCs and has indemnified Ophir for any potential LBT obligations related to the subsidiaries that own interests in the Aru and North Ganal PSCs.

In May 2015, the Company executed agreements to sell its entire interests in the Guayaguayare Shallow and Deep PSCs to subsidiaries of Range Resources Ltd., effectively amending the terms of previously executed farm-out agreements. Under the sale agreements, the Company will sell its interests in the PSCs in exchange for the assumption of existing liabilities and commitments under the PSCs and for potential future payments that are contingent on certain future events in the PSCs. Closing of the sale transactions are subject to certain conditions, including the approval of the Government of Trinidad and Tobago.

The terms of the Company's term loan facilities limit the funding of capital expenditures and working capital requirements of the Company's exploration subsidiaries and the Company is evaluating its options for these subsidiaries as part of its strategic plan. There is significant uncertainty regarding whether these efforts will be sufficient to allow certain of the Company's exploration subsidiaries to meet existing and future obligations and continue activities in the future.

Contingent Liabilities
The Company and its subsidiaries are subject to various claims from other parties, as described in Note 27 of the condensed interim consolidated financial statements for the three months ended June 30, 2015, and is actively defending against these claims. An adverse outcome on one or more of these claims could significantly impact the future cash flows of the Company.

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

Term Loan Facilities

In December 2013, the Company entered into a definitive facilities agreement with certain institutional investors providing for senior secured term loan facilities in an aggregate principal amount of $340 million. In fiscal 2015, the outstanding principal on the facilities was $280 million, which reflected the Company's decided to forego its option to drawdown on the $20 million amount of Facility D, repayment of $20 million drawn on Facility E, and prepayment of $20 million on Facility A as a result of the first amendment of the term loan facilities agreed with the lenders. In the first quarter of fiscal 2016, the Company and its lenders agreed to an extension and a second amendment to the facilities agreement, resulting in the prepayment of $30 million on Facility A and reducing the outstanding principal on the facilities to $250 million.

The key terms related to the outstanding facilities under the facilities agreement and related documentation are as follows:

Specific terms of facilities A/B/C

- Facilities amount: $300 million (combined)
- Prepayment: At the Company's option at any time after December 20, 2015 (at a 7 percent premium, decreasing to 4 percent after December 20, 2016)
  At the lenders option (without premium) from the remaining net proceeds of certain asset sales, farm-outs, equity and debt issuances, after contract settlement payments and Facility D/E prepayments
- Repayment: On September 30, 2017
- Use of proceeds: $175 million Facility A: General corporate purposes, subject to certain restrictions
  $125 million Facilities B/C: Restricted to expenditures related to the D6 Block in India
- Interest: Quarterly cash interest payments at 15 percent per annum; commencing June 2014, potential additional 5 percent per annum payable upon repayment ("D6 PIK interest") if first ranking security is not provided over the Company's participating interest in the D6 Block. The GOI has not yet approved the grant of security to the lenders. If security is provided prior to March 31, 2016, the D6 PIK interest to be paid will be reduced by 50 percent and if the security is provided thereafter, the D6 PIK interest will be reduced by 25 percent.

As per the second amendment to the facilities agreement agreed with the lenders in the first quarter of fiscal 2016, the quarterly cash interest payment due in June 2015 has been deferred until September 2015.

Uncommitted D6 facility

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

Financial Covenants

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

- Maximum ratio of (a) consolidated senior debt (defined as debt incurred under facilities A, B and C and finance lease obligations) to (b) the consolidated EBITDAX (as defined in the facilities agreement) for the trailing four quarters, commencing with the period ending June 30, 2014.
- Minimum ratio of (a) proved plus probable reserves for the D6 Block to (b) senior debt, commencing with the period ending March 31, 2014.

As per the amendments to the facilities agreement in the fourth quarter of fiscal 2015 and the first quarter of fiscal 2016, these financial covenants are waived until September 15, 2015.

General covenants

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

- Maintenance of certain reserve accounts, including:
  - A reserve account for anticipated expenditures in the D6 Block, with a minimum balance that increased over time to the greater of $30 million and the Company's forecasted capital expenditures in the D6 Block for the subsequent six month period.
  - A reserve account for settlement payments, with a minimum balance commencing December 31, 2014 equal to the payments required under the terms of the settlement agreement with Diamond for the subsequent six month period.
  - A reserve account for debt service, with a minimum balance commencing December 31, 2014 equal to the interest payments due under the facilities agreement for the subsequent six month period.
- Restrictions on cash expenditures relating to areas outside of India and Bangladesh, subject to certain exceptions.
- Requirement to raise certain minimum amounts from asset sales, farm-outs and/or equity issuances by June 30, 2015.
- Requirement that, subject to certain exceptions, asset sales be completed at fair market value with at least 90 percent of the consideration received in the form of cash (including assumed liabilities).
- Restrictions on the incurrence of debt, granting of liens, investments and similar transactions.

In the first amendment to the facilities agreement, the Company agreed to additional undertakings including:

- Requirement to achieve certain milestones related to the potential sale of the Company's interest in the D6 Block in India, which could include the sale of the Company.
- Requirement to maintain specified minimum cash balances.
- Restrictions on cash expenditures for non-core assets and general and administrative expenditures.

In the first amendment, the minimum balance requirement for the reserve accounts for settlement payments and debt service has been reduced to zero, and per the second amendment to the facilities agreement agreed with the lenders in the first quarter of fiscal 2016, the minimum balance requirement for the reserve account for anticipated expenditures in the D6 Block has been reduced to $20 million. In addition, the requirement to raise minimum amounts from asset sales, farm-outs and equity issuances has been waived until September 15, 2015. In addition, the Company is restricted from making any interest or other payments under the Notes, or under the terms of the Diamond Settlement Agreement until September 30, 2015.

Change in Control

If a change in control of the Company occurs or the Company's indirect subsidiary, Niko (NECO) Ltd., disposes of any part of its rights in respect of the D6 PSC, the Company shall make an offer to prepay all of the outstanding principal (plus a one percent prepayment fee) and accrued and unpaid interest (including cash interest and D6 PIK interest) within ten days of the change of control.

Deferred Obligation

As a condition of the facilities agreement, the Company entered into an agreement that provides for a monthly payment equal to six percent of the Company's share of the gross revenues received from the D6 Block in India, commencing April 1, 2015 for a period of seven years.

Security

The obligations under the facilities agreement and the deferred obligation are initially secured by:

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

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

Farm-in Options

As a condition of the facilities agreement, the Company entered into a farm-in rights agreement with an affiliate of the lenders that grants four exclusive, irrevocable, non-assignable rights to acquire interests in pre-selected Indonesian PSCs. Each farm-in right provides the holder with the option to purchase a 5 percent participating interest in selected PSCs (subject to a maximum acquired participating interest equal to the lesser of 50 percent of the Company's aggregate participating interests in the selected PSC and 10 percent) by paying its proportionate share of the previously incurred costs of the selected PSC. A farm-in right may be exercised by the holder by giving at least seven days' notice prior to the target spud date of a well to be drilled in the selected PSC. Unexercised farm-in rights expire on the earlier of (i) the date on which the eighth well on the selected PSCs is spudded and (ii) December 20, 2020.

Convertible Notes

In December 2012, the Company issued Cdn$115 million principal amount of convertible unsecured notes that mature on December 31, 2017 and bear interest at a rate of 7 percent, with interest payable semi-annually in arrears on June 30 and December 31 of each year, commencing June 30, 2013. The convertible notes are convertible at the option of each holder into common shares at a conversion price of Cdn$11.30 per share. After December 31, 2015, the convertible notes are redeemable by the Company, in whole or in part from time to time, provided that the market price of the Company's common shares (defined as the weighted average trading price of the common shares for the twenty consecutive trading days ending five trading days prior to the issue of the notice of redemption) is at least 130 percent of the conversion price. The Company has the right to use common shares to satisfy some or all of its obligations for the convertible notes.

The convertible notes are guaranteed on an unsecured basis by the Company's subsidiaries, Niko Resources (Cayman) Ltd., Niko (NECO) Ltd. and Niko Exploration (Block 9) Ltd. Each guarantor guarantees that the notes shall be paid in accordance with the agreement terms. The guarantees of the convertible notes are subordinated to the guarantees provided to the lenders of the Company's term loan facilities.

Undertakings and covenants in respect of the convertible notes include:

- Requirement to make offers to purchase the convertible notes at par plus accrued and unpaid interest within 30 days following a change of control (as defined below); and

- Requirement to obtain the consent of the holders of the convertible notes to sell all or substantially all of the Company's assets to another person, subject to certain exceptions.

For the purpose of such undertakings and covenants, subject to certain exceptions, a change of control includes a sale of all or substantially all of the Company's assets, and a sale of assets of a subsidiary of the Company that would constitute all or substantially all of the assets of the Company on a consolidated basis is deemed to be a sale of all or substantially all of the assets of the Company.

The note indenture provides that an event of default in respect of the convertible notes will occur, if an event of default occurs or exists under the term loan facilities agreement, if that default:

- is caused by a failure to pay obligations prior to the expiration of any applicable grace or cure period, or
- results in the lenders of the term loan facilities having the right to accelerate such obligations prior to their stated maturity,
- and that default is not cured or waived within a period of 45 days from the occurrence of that default.

If an event of default in respect of the convertible notes has occurred and is continuing, the note trustee may, in its discretion, and shall upon request of holders of not less than 25 percent of the principal amount of convertible notes then outstanding, declare the principal of and interest on all outstanding convertible notes to be immediately due and payable. In certain cases, the holders of more than 50 percent of the principal amount of the convertible notes then outstanding may, on behalf of the holders of all convertible notes, waive any event of default and/or cancel any such declaration upon such terms and conditions as such holders shall prescribe.

A breach of the senior debt to EBITDAX financial covenant of the original term loan facilities agreement would have resulted in the right of the lenders of the term loan facilities to accelerate payment of the outstanding principal amount of the term loan facilities. As a result of the cross default provisions of the note indenture, the Company reflected the outstanding balances of the convertible notes as current liabilities.

In the first quarter of fiscal 2016, the Company initiated discussions and negotiations with holders of the Notes and their representatives to seek their consent to defer to September 30, 2015 the interest payment due on June 30, 2015. To date, consent has not been obtained from the holders of the Notes. The interest payment due on June 30, 2015 under the terms of the indenture governing the Notes was not made and as a result, an event of default occurred on July 30, 2015. Based on discussions with the ad hoc committee and the trustee under the Note indenture, the Company does not expect that any steps will be taken in the near term to enforce any rights under the indenture. Nevertheless, it is important to note that there can be no assurance that steps will not be taken, particularly if no arrangements are reached with the lenders under the facilities agreement by September 15, 2015.

Contract Settlement Obligation

In December 2013, the Company entered into an agreement with Diamond relating to the settlement of payment obligations and other commitments under the Ocean Monarch and Ocean Lexington drilling contracts. The settlement agreement includes a mutual release of claims in respect of certain rights and obligations under the drilling contracts, with the claims in respect of the Company's payment obligations under the drilling contracts to be released upon payment by the Company of $80 million. An initial payment of $25 million was made to Diamond using proceeds from the initial advance of the term loan facilities, with the outstanding balance to be paid over subsequent years up to September 30, 2017, subject to early prepayment upon the occurrence of certain events. The amounts due are non-interest bearing. In the first quarter of fiscal 2016, approximately $4 million was prepaid from proceeds of asset sales, reducing the amount outstanding to $31 million.

In the first quarter of fiscal 2016, the Company sought the consent of the parties to the Diamond Settlement Agreement to defer any payments that are due and payable prior to September 30, 2015 and eliminate the required minimum balance in a reserve account specified in the Diamond Settlement Agreement. To date, no consents have been obtained from the parties to the Diamond Settlement Agreement.

The scheduled payment of $5 million and the deposit into a reserve account of $5 million due on June 30, 2015 were not made and an event of default occurred under the Diamond Settlement Agreement. Diamond Offshore has filed suit in a court in Texas seeking to enforce the scheduled payment and the deposit into the reserve account. The Company is currently considering the merits of the suit and available defences. Under the terms of Diamond Settlement Agreement, Diamond has the option to terminate the agreement and revert to the original drilling contracts that include termination provisions. To date, Diamond has not taken any steps to terminate the Diamond Settlement Agreement. The Company has estimated the maximum potential unsecured termination claim under the original drilling contracts could range from $100 to $220 million.

Contractual Obligations

The Company has various contractual obligations, as follows:

As at June 30, 2015		Obligations by Period			
(thousands of US Dollars)	Total	< 1 year	1 to 3 years	3 to 5 years	> 5 years
Term loan facilities(1)	285,483	285,483	-	-	-
Finance lease obligations(2)	34,097	10,757	23,340	-	-
Convertible notes(3)	95,199	95,199	-	-	-
Other long-term liabilities(4)	71,949	36,337	13,096	22,516	-
Decommissioning obligations(5)	85,612	8,279	-	-	77,333
Exploration work commitments(6)(7)(8)(9)	275,427	270,213	2,214	3,000	-
Total contractual obligations	847,767	706,268	38,650	25,516	77,333

(1) The term loan facilities are recorded in the condensed interim consolidated financial statements at $265 million. The term loan facilities are included in the table based on the sum of the principal amounts plus consent fee and quarterly interest payments until September 15, 2015, the end of the amendment period. This table includes additional D6 PIK interest of 5 percent per annum accrued since June 19, 2014 and payable upon repayment. The additional interest to be paid upon repayment will be reduced by 50 percent if first ranking security over the Company's participating interest in the D6 Block is provided prior to March 31, 2016, and by 25 percent if security is provided thereafter. As at June 30, 2015 the Company has reflected the outstanding balances of the term loan facilities as current liabilities (refer to notes 2(b) and 14(a) of the condensed interim consolidated financial statements).

(2) The finance lease obligation relating to the charter of the floating, production, storage and offloading vessel ("FPSO") used in the MA field in the D6 Block is recorded in the condensed interim consolidated financial statements at $28 million (including current and long-term portions).

(3) The convertible notes are recorded in the condensed interim consolidated financial statements at $92 million. The convertible notes are included in the table based on the sum of the principal amount that would be required to repay in cash the Cdn$115 million convertible notes plus quarterly interest payments until September 15, 2015, the end of the amendment period for the term loan facilities, converted at the year-end exchange rate. As at June 30, 2015 the Company has reflected the outstanding balances of the convertible notes as current liabilities (refer to notes 2(b) and 14(c) of the condensed interim consolidated financial statements).

(4) Other long-term liabilities are recorded in the condensed interim consolidated financial statements at $55 million (including current and long-term portions), reflecting the discounted value of the contract settlement obligation and the deferred obligation. Other long-term liabilities are included in the table based on the estimated undiscounted value of the contract settlement obligation and the deferred obligation. As at June 30, 2015 the Company has reflected the outstanding balances of the contract settlement obligation as current liabilities (refer to notes 2(b) and 15(a) of the condensed interim consolidated financial statements.)

(5) Decommissioning obligations are based on the undiscounted estimated future liability of the Company as disclosed in the notes of the condensed interim consolidated financial statements. They do not include costs related to wells or facilities that were not completed as at June 30, 2015. Site restoration funds totalling $9 million have been set up for certain of these obligations and are reflected in restricted cash.

(6) The exploration work commitments reflect the amounts that the host government may claim if the Company does not perform the work commitments. Exploration work commitments totalling $133 million in Trinidad and $3 million in Brazil for the Company's PSCs in these countries are backed by parent company guarantees. Exploration work commitments for the Company's PSCs in Indonesia total $139 million, with certain commitments guaranteed with performance bonds that are secured by $0.6 million of cash deposits reflected in restricted cash. Refer to note 13 and 26 in the condensed interim consolidated financial statements for discussion on unfulfilled exploration commitments recognized as liabilities as at June 30, 2015.

(7) The Company also signed an exploration option agreement granting a farm-in option to the option holder to (i) acquire a 5 percent working interest in a block in Indonesia, by paying its proportionate share of previously incurred costs within a specified period after the drilling of the first exploration well in the block, or (ii) receive a cash payment of approximately $10 million if a commercial discovery is made with the first exploration well drilled in the applicable block and the optionee elects not to exercise its farm-in option in the applicable block. Pursuant to the exploration option agreement, if a well is not spud in an applicable block in Indonesia prior to July 2016, the Company is obligated to pay approximately $5 million to the option holder, which is payable after the repayment of the term loan facilities. The amount has been excluded from the table above.

(8) In April, 2015, the Company completed the sale of four Indonesian PSCs, resulting in a reduction in outstanding work commitment obligations of approximately $0.5 million. Refer to notes 9 and 26.

(9) The actual cost of fulfilling the work commitments may exceed the amount of the commitment included in the table. The majority of the exploration work commitments relate to PSCs where the Company is working on asset sales or farm-outs to joint operating partners in exchange for re-imbursement of a portion of the sunk costs, funding of a disproportionate share of future costs, and/or future payments related to commencement of production or other milestones. Completion of these asset sales and/or farm-outs could significantly reduce the Company's share of the future commitment costs. The Company has in the past received and has currently applied for extensions to the periods required to complete the work commitments related to several of its PSCs. A delay or rejection of the requested extensions may result in additional funding required to fulfill the commitments.

SUBSEQUENT EVENT

Government approval of the sale of the Company's interest in one PSC in Indonesia

In July 2015, the Government of Indonesia approved of the sale of its subsidiary holding interest in the North Ganal PSC in Indonesia as the second phase under a definitive agreement executed with a subsidiary of Ophir. Net cash consideration of $4 million from the sale is expected to be received. As a result, the Company recognized a reversal of impairment of $0.1 million as at June 30, 2015 related to the sale. The Company is contesting the LBT assessments related to certain Indonesian PSCs and has indemnified Ophir for any potential LBT obligations related to the subsidiary that owns an interest in the North Ganal PSC.

SUMMARY OF QUARTERLY RESULTS

Three months ended	Jun 30, 2015	Mar 31, 2015	Dec 31, 2014	Sept 30, 2014	Jun 30, 2014	Mar 31, 2014	Dec 31, 2013	Sept 30, 2013
(thousands of US Dollars, except per share amounts)								
Oil and natural gas revenue[1]	26,679	28,447	29,009	28,471	35,161	31,623	33,349	36,388
Net loss	(29,306)	(435,264)	(143,532)	(39,173)	(54,943)	(1,116)	(448,177)	(148,541)
Per share - basic and diluted	(0.31)	(4.63)	(1.53)	(0.42)	(0.59)	(0.01)	(6.17)	(2.12)

(1) Oil and natural gas revenue is oil and natural gas sales less royalties and the government share of profit petroleum.
(2) Table may not add up due to rounding.

Oil and natural gas revenue fluctuated throughout the last eight quarters based on a number of underlying factors. Reserves have naturally declined, while exploration and development activities in India and Bangladesh have positively increased sales volumes.

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

- In the quarter ended June 30, 2015, net loss was primarily a result of lower oil and natural gas revenue and higher restructuring costs, partially offset by lower finance expense.
- In the quarter ended March 31, 2015, net loss was primarily a result of a $207 million impairment of the Company's assets in the D6 and NEC-25 blocks in India, $65 million write off due to impairment valuation, $4 million impairment of capital inventory in Trinidad, recognition of $192 million of liabilities for unfulfilled exploration commitments in Indonesia and Trinidad, partially offset by $23 million of reversal of asset impairments related to four Indonesia PSCs sold to Ophir in April 2015, and $17 million gain on derivative related to the revaluation of the Company's deferred obligation related to the D6 Block in India.
- In the quarter ended December 31, 2014, net loss of $143 million was due to accelerated accretion expense recognized from the reclassification of the term loan facilities and convertible notes from long-term to current liabilities. Impairment of exploration and evaluation costs and capital inventory in Trinidad and Indonesia contributed to the loss by $67 million. The loss was offset by a gain on derivative on deferred royalty obligation of $48 million.
- In the quarter ended December 31, 2013, net loss of $448 million resulted from asset impairment of $481 million related to exploration and evaluation costs and property, plant and equipment assets in Indonesia and Trinidad blocks along with $38 million of restructuring costs related to contract settlement, retirement and advisory costs. Interest and accretion expenses were higher from the impact of the Company entering into the term loan facilities.
- In the quarter ended September 30, 2013, net loss of $149 million primarily resulted from write-off of exploration and evaluation costs associated with unsuccessful wells in the Cendrawasih and Kofiau blocks in Indonesia. In addition, exploration and evaluation assets related to Central Range blocks in Trinidad and the four Cendrawasih blocks in Indonesia were impaired.

FINANCIAL INSTRUMENTS

A detailed description of the Company's financial instruments is included in note 17 to the condensed interim consolidated financial statements for the period ended June 30, 2015.

CHANGES IN ACCOUNTING STANDARDS

(a) Accounting pronouncements issued but not yet effective

IFRS 9 – Financial Instruments

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

IFRS 15 – Revenue from Contracts with Customers

In May, IASB issued IFRS 15 which replaces IAS 11 "Construction Contracts", IAS 18 "Revenue", IFRIC 13 "Customer Loyalty Programmes", IFRIC 15 "Agreements for the Construction of Real Estate", IFRIC 18 "Transfer of Assets from Customers" and SIC 31 "Revenue – Barter Transactions Involving Advertising Services". IFRS 15 establishes revenue recognition principles for reporting the nature, amount, timing, and uncertainty of revenue and cash flows arising from an entity's contract with customers. This standard is effective for annual periods beginning on or after January 1, 2017, and permits early adoption. The Company does not foresee any impact of adopting this new standard on its consolidated financial statements.

CRITICAL ACCOUNTING ESTIMATES

The Company makes assumptions in applying certain critical accounting estimates that are uncertain at the time the accounting estimate is made and may have a significant effect on the condensed interim consolidated financial statements of the Company.

- 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 the MD&A for the Company's fiscal year-ended March 31, 2015, available on SEDAR at www.sedar.com.

CORPORATE GOVERNANCE

Disclosure Controls and Procedures

The Chief Executive Officer and Chief Financial Officer are responsible for designing disclosure controls and procedures or causing them to be designed under their supervision and evaluating the effectiveness of the Company's disclosure controls and procedures. The Chief Executive Officer and Chief Financial Officer oversee the design and evaluation process and have concluded that the design and operation of these disclosure controls and procedures ("DC&P") were effective in ensuring material information relating to the Company required to be disclosed by the Company in its quarterly and yearly filings or other reports filed or submitted under applicable Canadian securities laws is made known to management on a timely basis to allow decisions regarding required disclosure. As at June 30, 2015, the Chief Executive Officer and Chief Financial Officer evaluated the design and operation of the Company's DC&P. Based on the evaluation, the Chief Executive Officer and Chief Financial Officer concluded that the Company's DC&P was effective as at June 30, 2015.

Internal Controls over Financial Reporting

The Chief Executive Officer and Chief Financial Officer of the Company are responsible for designing internal controls over financial reporting ("ICFR") or causing them to be designed under their supervision and evaluating the effectiveness of the Company's ICFR. The Chief Executive Officer and Chief Financial Officer have overseen the design and evaluation of internal controls over financial reporting and have concluded that the design and operation of these internal controls over financial reporting were effective in providing reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with IFRS. Because of their inherent limitations, DC&P and ICFR may not prevent or detect misstatements, errors or fraud. Control systems, no matter how well conceived or operated, can provide only reasonable, not absolute, assurance that the objectives of the control system are met. ICFR were internally tested and evaluated as at June 30, 2015. Based on the evaluation of the design and operating effectiveness of the Company's ICFR, the Chief Executive Officer and Chief Financial Officer concluded that the Company's ICFR was effective as at June 30, 2015. In making this assessment, the Chief Executive Officer and Chief Financial Officer used the criteria set forth by the Committee of Sponsoring Organizations of the Treadway Commission ("COSO 1992"). During fiscal 2016, the Company will be transitioning to the updated standards set out in the COSO 2013 framework.

There were no changes in the three months ended June 30, 2015 that materially affected, or are reasonably likely to materially affect, our internal controls over financial reporting.

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 Company's ability to achieve certain milestones in the amended terms of the facilities agreement related to the Company's strategic alternatives plan in respect of the potential sale of the Company's interest in the D6 Block in India;
- The Company's ability to comply with the terms of its amended term loan facilities agreement;

- As no consents to defer any payments that are due and payable prior to September 30, 2015 have been obtained from the holders of the Notes, the Company is in breach of the indenture governing the Convertible Notes. Accordingly, the noteholders have the option to accelerate repayment of the Notes.
- As no consents to eliminate the required minimum balance in a reserve account specified in the Diamond Settlement Agreement have been obtained from the other parties to the Diamond Settlement Agreement, the Company is in breach of the Diamond Settlement Agreement. Diamond has filed suit in a court in Texas to enforce the scheduled payment and the deposit into the reserve account.
- The ability of the Company to continue as a going concern;
- There can be no assurance that debt or equity financing or cash generated by operations will be sufficient or available to meet our obligations for debt repayment and development, rehabilitation, production and acquisition of oil and natural gas reserves in the future;
- The Company's ability to meet all of its financing obligations and contractual commitments (including work commitments and settlement obligations) in fiscal 2016;
- Uncertainty surrounding the ability of the Company to successfully pursue and complete strategic alternatives including the sale of assets of the Company, a merger or other business combination, the outright sale of the Company, a refinancing of its existing debt with replacement debt, or some combination thereof;
- No assurance can be made that an alternative plan if pursued can be accomplished at all or on a timely basis, if the strategic alternatives noted above do not achieve the desired goal;
- The Company is subject to fluctuating natural gas and crude oil prices which could result in deferral of development plans and material adverse effect on the Company's operations and financial condition;
- Uncertainties in the future long-term natural gas price outlook in India;
- The Company's exploration subsidiaries may not be able to meet existing and future obligations and continue activities in the future;
- The Company's liability for any LBT;
- The Company may not be able to find reserves at a reasonable cost, develop reserves within required time-frames or at a reasonable cost, or sell these reserves for a reasonable profit;
- Reserves may be revised, deferred or be subject to material reductions due to economic and technical factors;
- The Company may not be able to obtain approval, or obtain approval on a timely basis for exploration and development activities;
- Changes in capital markets and uncertainties as to the availability and cost of financing;
- Changing governmental policies, social instability and other political, economic or diplomatic developments in the countries in which the Company operates;
- Changing taxation policies, taxation laws and interpretations thereof;
- Adverse factors including climate and geographical conditions, weather conditions and labour disputes;
- Changes in foreign exchange rates that impact the Company's non-US Dollar transactions;
- Future oil and natural gas prices are subject to large fluctuations in the market;
- Uncertainties associated with the negotiations with foreign governments and the possibility of adverse decisions regarding outstanding litigations and arbitration; and
- Environmental regulations and legislations including restriction and prohibitions on the release of emission from oil and gas operations.

The Company's 2015 AIF containing additional information related to the Company and its identified risks is available on SEDAR at www.sedar.com.

A complete description of the potential effects of the Company's contingencies on the Company as at June 30, 2015 are described in note 27 of the condensed interim consolidated financial statements for the period ended June 30, 2015.

OUTSTANDING SHARE DATA

The Company had the following outstanding shares as at:

	June 30, 2015		August 13, 2015	
	Number	Cdn$[(1)]	Number	Cdn$[(1)]
Common shares	94,019,172	1,523,235,901	94,019,172	1,523,235,901
Preferred shares	Nil	Nil	Nil	Nil
Stock options	2,115,227	-	1,957,394	-

(1) Equals the amount received in Canadian Dollars for common shares issued. The US Dollar equivalent at June 30, 2015 and at August 13, 2015 is $1,366,605,969.

CONDENSED INTERIM CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

(unaudited) (thousands of US Dollars)	As at June 30, 2015	As at March 31, 2015
Assets		
Current assets		
Cash and cash equivalents	39,182	59,636
Restricted cash (note 5)	22,516	37,559
Accounts receivable (note 6)	27,891	29,871
Inventories (note 8)	4,928	7,892
Exploration assets held for sale (note 9)	112	22,936
	94,629	157,894
Restricted cash (note 5)	8,464	8,343
Long-term accounts receivable (note 7)	6,729	5,111
Exploration and evaluation assets (note 10)	37,537	37,321
Property, plant and equipment (note 11)	212,173	214,462
Income tax receivable	30,935	31,523
	390,467	454,654
Liabilities		
Current liabilities		
Accounts payable and accrued liabilities (note 12)	144,456	153,968
Unfulfilled exploration commitments obligation (note 13)	191,536	191,536
Current portion of long-term debt (note 2 and 14)	364,545	390,837
Current portion of long-term liabilities (note 15)	35,959	22,538
Current portion of decommissioning obligations (note 16)	1,785	1,785
Current tax payable	1,257	1,230
	739,538	761,894
Decommissioning obligations (note 16)	43,234	42,507
Long-term debt (note 2 and 14)	20,542	22,586
Long-term liabilities (note 15)	19,400	30,343
	822,714	857,330
Shareholders' Equity (Deficit)		
Share capital (note 18)	1,366,605	1,366,605
Contributed surplus	143,034	143,299
Equity component of convertible notes (note 14(c))	23,232	23,232
Currency translation reserve	2,147	2,147
Deficit	(1,967,265)	(1,937,959)
	(432,247)	(402,676)
	390,467	454,654

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

CONDENSED INTERIM CONSOLIDATED STATEMENTS OF COMPREHENSIVE LOSS

(unaudited) (thousands of US Dollars, except per share amounts)	Three months ended June 30, 2015	 2014
Oil and natural gas revenue (note 19)	26,679	35,161
Production and operating expenses	(7,537)	(9,552)
General and administrative expenses	(1,435)	(3,697)
Finance and other income (note 21)	1,202	3,785
Finance expense (note 22)	(24,303)	(34,013)
Foreign exchange loss	(2,318)	(2,877)
Depletion and depreciation expenses (note 11)	(15,881)	(24,241)
Exploration and evaluation expenses (note 20)	(3,192)	(16,252)
Share-based compensation expense (note 18)	(3)	(896)
Restructuring costs (note 23)	(2,745)	(657)
Asset impairment	(25)	(600)
Gain on derivative (note 15(b))	252	-
Loss before income tax	(29,306)	(53,839)
Income tax expense	-	(22)
Deferred income tax recovery	-	(1,082)
Income tax recovery	-	(1,104)
Net loss	(29,306)	(54,943)
Comprehensive loss	(29,306)	(54,943)
Loss per share		
Basic and diluted (note 24)	(0.31)	(0.59)

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

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

(unaudited) (thousands of US Dollars, except number of common shares)	Common shares (#)	Share capital	Contributed surplus	Currency translation reserve	Equity component of convertible notes	Deficit	Total
Balance, March 31, 2014	90,712,938	1,360,668	143,248	2,147	23,232	(1,265,045)	264,250
Share-based compensation expense	-	-	556	-	-	-	556
Conversion of unsecured notes	2,997,611	5,333	-	-	-	-	5,333
Net loss for the period	-	-	-	-	-	(54,944)	(54,944)
Balance, June 30, 2014	93,710,549	1,366,001	143,804	2,147	23,232	(1,319,989)	215,195
Share-based compensation expense	-	-	(505)	-	-	-	(505)
Conversion of unsecured notes	308,623	604	-	-	-	-	604
Net loss for the period	-	-	-	-	-	(617,970)	(617,971)
Balance, March 31, 2015	94,019,172	1,366,605	143,299	2,147	23,232	(1,937,959)	(402,676)
Share-based compensation expense	-	-	(265)	-	-	-	(265)
Net loss for the period	-	-	-	-	-	(29,306)	(29,306)
Balance, June 30, 2015	94,019,172	1,366,605	143,034	2,147	23,232	(1,967,265)	(432,247)

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

CONDENSED INTERIM CONSOLIDATED STATEMENTS OF CASHFLOWS

(unaudited)	Three months ended June 30,	
(thousands of US Dollars)	2015	2014
Cash flows from operating activities:		
Net loss	(29,306)	(54,943)
Adjustments for:		
Depletion and depreciation expenses	15,881	24,241
Accretion expense	8,113	18,288
Deferred income tax recovery	-	1,082
Unrealized foreign exchange loss	2,268	2,906
Asset impairment	25	600
Exploration and evaluation write-off (note 10)	-	8,202
Share-based compensation expense	44	1,298
Restructuring costs / (recovery) (note 23)	(309)	(747)
Gain on derivative (note 15(b))	(252)	-
Restricted cash contributions	(886)	-
Interest due upon repayment of term loan facilities (note 14(a))	1,972	178
Change in non-cash working capital	10,964	(7,754)
Change in long-term accounts receivable	(1,618)	(15)
Net cash from (used in) operating activities	6,896	(6,664)
Cash flows from investing activities:		
Exploration and evaluation expenditures	(216)	(8,109)
Property, plant and equipment expenditures	(11,230)	(5,468)
Proceeds from asset sales, net of costs	13,835	60,927
Contribution of restricted cash (note 5)	(232)	-
Change in non-cash working capital	(8,921)	(1,222)
Repayment of contract settlement obligation (note 15(a))	(3,767)	(14,725)
Net cash (used in) from investing activities	(10,531)	31,403
Cash flows from financing activities:		
Proceeds from advances on long term debt, net of issuance costs (note 14)	-	(31)
Repayment of long-term debt (note 14)	(31,819)	(21,619)
Release of restricted cash (note 5)	15,000	20,761
Net cash used in financing activities	(16,819)	(889)
Change in cash and cash equivalents	(20,454)	23,850
Cash and cash equivalents, beginning of period	59,636	82,479
Cash and cash equivalents, end of period	39,182	106,329

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

NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

(unaudited)

1. Nature of Business

Niko Resources Ltd. (the "Company") is a limited company incorporated in Alberta, Canada. The address of its registered office and principal place of business is Suite 4600 Devon Tower, 400 – 3 Avenue SW, Calgary, Alberta, Canada, T2P 4H2. The Company is engaged in the exploration, development and production of oil and natural gas in India, Bangladesh, Indonesia, Brazil and Trinidad. The Company's common shares are traded on the Toronto Stock Exchange under the symbol "NKO".

2. Going concern

In fiscal 2015, after three deferrals, the Government of India ("GOI") approved a new domestic gas pricing policy for India that increased the price for gas sales from the D6 Block in India, but the formula in the new policy guidelines ("Guidelines") resulted in prices that are significantly lower than had been expected when the Company entered into a term loan facilities agreement with its senior lenders in December 2013.

The lower than expected gas price for D6 gas sales contributed to the Company's inability to meet its financial covenants under its term loan facilities in fiscal 2015, resulting in the recognition of the outstanding balances of the term loan facilities and the Company's 7 percent senior unsecured convertible notes due December 31, 2017 ("Notes") as current liabilities and necessitating the negotiation of amendments to the term loan facilities agreements in the fourth quarter of fiscal 2015 and the first quarter of fiscal 2016. These amendments waived certain financial covenants and undertakings until September 15, 2015 and provided the Company with time to pursue the potential sale of the Company's interest in the D6 Block or the sale of the Company, subject to the following conditions:

- Restrictions in the Company's capital expenditures for non-core assets and general and administrative expenditures and maintenance of specified minimum total cash balances during calendar 2015;
- Prepayments on the term loan facilities of $50 million, reducing the principal amount outstanding to $250 million as at June 30, 2015;
- Deferral of the quarterly interest payment due on June 23, 2015 under the term loan facilities agreement to September 23, 2015; and
- Restrictions from making any interest or other payments under the Notes or under the terms of the agreement entered into with Diamond (the "Diamond Settlement Agreement") until September 30, 2015 (see below under "Negotiations with Stakeholders").

The Company is no longer focused on the sale of its interest in the D6 Block or the Company in the near term, and is now pursuing a strategic plan to maintain the Company's core assets until the value of these assets can be enhanced for the benefit of the Company's stakeholders.

Negotiations with Stakeholders

As a result of the amendments to the facilities agreement, the Company initiated discussions and negotiations with holders of the Notes and their representatives to seek their consent to defer to September 30, 2015 the interest payment due on June 30, 2015. In addition, the Company sought the consent of the parties to the Diamond Settlement Agreement to defer any payments that are due and payable prior to September 30, 2015 and eliminate the required minimum balance in a reserve account specified in the Diamond Settlement Agreement. To date, no consents have been obtained from the holders of the Notes or the other parties to the Diamond Settlement Agreement.

The interest payment due on June 30, 2015 under the terms of the indenture governing the Notes was not made and as a result, an event of default occurred on July 30, 2015. Accordingly, the noteholders have the option to accelerate repayment of the Notes. A group of convertible noteholders have formed an ad hoc committee to evaluate proposals and next steps. Based on discussions with the ad hoc committee and the trustee under the Note indenture, the Company does not expect that any steps will be taken in the near term to enforce any rights under the indenture. Nevertheless, it is important to note that there can be no assurance that steps will not be taken, particularly if no arrangements are reached with the lenders under the facilities agreement by September 15, 2015.

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

The discussions with the holders of the Notes and the parties to the Diamond Settlement Agreement are now focused on the strategic plan of the Company to enhance value over a longer period of time. Negotiations are also continuing with the Company's senior lenders in order to seek a resolution that allows for the pursuit of the strategic plan past September 15, 2015, the date that the waiver of certain financial covenants and undertakings cease to apply. This strategic plan would likely be subject to certain approvals by various stakeholders and could have a significant negative impact on stakeholders and the value of their interests in the Company. No assurance can be made that any strategic plan can be accomplished at all or on a timely basis. The failure to effect a transaction pursuant to a strategic plan on a timely basis could prove to be unsatisfactory for security holders, which would likely have a material adverse impact on the value of their interest in the Company.

Sources of Funding - Operating Subsidiaries in India and Bangladesh and Corporate
The Company has the following sources of funding for its planned operating, investing and financing cash outflows (including working capital requirements):

- Unrestricted cash and cash equivalents as at June 30, 2015 of $39 million;
- Restricted cash as at June 30, 2015 of $23 million (subject to terms of the facilities agreement, as amended);
- Receipts of oil and natural gas revenues from its producing assets in India and Bangladesh;
- Potential proceeds from asset sales, farm-outs and other arrangements; and
- Potential proceeds from future equity or debt issuances.

The Company believes that it has sufficient liquidity for the foreseeable future to satisfy the anticipated cash requirements of its operating subsidiaries in India and Bangladesh and its corporate general and administrative expenses, provided that it receives concessions from its key stakeholders to significantly reduce the cash outflows to these stakeholders until the value of the Company's core assets can be enhanced.

Exploration Subsidiaries in Indonesia and Trinidad
As at June 30, 2015, the Company's exploration subsidiaries in Indonesia and Trinidad had $83 million of accounts payable and accrued liabilities, $192 million of recorded liabilities for unfulfilled exploration work commitments, and $81 million of future exploration commitments. Unfulfilled and future exploration commitments of $133 million related to subsidiaries in Trinidad are backed by parent company guarantees.

The Company is continuing its efforts to sell or farm out interests in many of its exploration PSCs, reschedule its exploration commitments, and settle its vendor liabilities.

In April 2015, the Company closed on transactions for the sale of certain of its subsidiaries holding interests in four Indonesian PSCs (West Papua IV, Kofiau, Halmahera-Kofiau, and Aru) as the first phase of transactions under a definitive agreement executed in October 2014 with a subsidiary of Ophir Energy Plc ("Ophir"). The cash consideration of $16 million received reflects $9 million of combined net working capital obligations of the subsidiaries acquired by Ophir. Further payments under these transactions are contingent on future exploration success. Approximately $4 million of the cash consideration was used to reduce the amount outstanding under the Diamond Settlement Agreement and $9 million was used to pay outstanding tax liabilities in Indonesia and costs associated with the transactions. Subsequently, in July 2015, the Company obtained approval from the Government of Indonesia for the sale of its interest in the North Ganal PSC, for which net cash consideration of $4 million is expected to be received. Closings of the transaction for the sale of the Company's interest in one additional Indonesian PSC (North Makassar Strait) is subject to the satisfaction or waiver of the remaining conditions precedent. Niko is contesting the Land and Building Tax ("LBT") assessments related to certain Indonesian PSCs and has indemnified Ophir for any potential LBT obligations related to the subsidiaries that own interests in the Aru and North Ganal PSCs.

In May 2015, the Company executed agreements to sell its entire interests in the Guayaguayare Shallow and Deep PSCs to subsidiaries of Range Resources Ltd. ("Range"), effectively amending the terms of previously executed farm-out agreements. Under the sale agreements, the Company will sell its interests in the PSCs in exchange for the assumption of existing liabilities and commitments under the PSCs and for potential future payments that are contingent on certain future events in the PSCs. Closing of the sale transactions are subject to certain conditions, including the approval of the Government of Trinidad and Tobago.

The terms of the Company's term loan facilities limit the funding of capital expenditures and working capital requirements of the Company's exploration subsidiaries and the Company is evaluating its options for these subsidiaries as part of its strategic plan. There is significant uncertainty regarding whether these efforts will be sufficient to allow certain of the Company's exploration subsidiaries to meet existing and future obligations and continue activities in the future.

Contingent Liabilities
The Company and its subsidiaries are subject to various claims from other parties, as described in Note 27, 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.

3. Basis of Presentation

(a) Statement of compliance

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

The financial statements were approved by the Board of Directors and authorized for issue on August 13, 2015.

(b) Accounting policies, judgements, estimates and disclosures

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

(c) Basis of measurement

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

(d) Functional and presentation currency

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

4. Accounting pronouncements

Accounting pronouncements issued but not yet effective include:

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

IFRS 15 – Revenue from Contracts with Customers
In May, IASB issued IFRS 15 which replaces IAS 11 "Construction Contracts", IAS 18 "Revenue", IFRIC 13 "Customer Loyalty Programmes", IFRIC 15 "Agreements for the Construction of Real Estate", IFRIC 18 "Transfer of Assets from Customers" and SIC 31 "Revenue – Barter Transactions Involving Advertising Services". IFRS 15 establishes revenue recognition principles for reporting the nature, amount, timing, and uncertainty of revenue and cash flows arising from an entity's contract with customers. This standard is currently proposed to be effective for annual periods beginning on or after January 1, 2018, and permits early adoption. The Company does not foresee any impact upon adoption of this new standard on its consolidated financial statements.

5. Restricted cash

(thousands of US Dollars)	As at June 30, 2015	As at March 31, 2015
Current portion of restricted cash		
Performance security guarantee(1)	-	900
Site restoration(2)	1,630	1,659
Term loan facilities reserve account(3)	20,000	35,000
Escrow account(4)	886	-
	22,516	37,559
Non-current portion of restricted cash		
Performance security guarantee(1)	630	630
Site restoration(2)	7,834	7,713
	8,464	8,343
	30,980	45,902

(1) The Company has performance security guarantees related to the work commitments for certain exploration blocks in Indonesia. The Company is required to provide funds to support the guarantees in the amounts indicated above. The subsidiary that provided the performance guarantee under the Aru PSC was sold to Ophir in the current quarter (refer to note 9).

(2) In accordance with the provisions of its PSCs, the Company is required to deposit funds in separate accounts restricted to funding of future decommissioning obligations. The funds may be used for site restoration on the expiry or termination of an agreement or relinquishment of part of the contract area. As at June 30, 2015, $2 million of site restoration funds related to the abandonment program of the Surat block in India have been reflected as current.

(3) Under the original terms of the term loan facilities agreement, the Company is required to maintain balances in the debt service and vendor financing reserve accounts for funding of interest on the term loan facilities and the repayment of contract settlement obligations. In addition, the advances under Facility B and C are required to be used by the Company to fund expenditures in the D6 Block, with a portion to be retained as a minimum balance. In February 2015, the Company and lenders of the term loan facility amended existing terms of the agreement which included terms to allow release of amounts restricted in the Debt Service Reserve Account and the Vendor Financing Reserve Account. The Company did not release $5 million held in the Vendor Financing Reserve Account until June 2015. In June 2015, the Company agreed with its lenders of its term loan facility agreement to further amend the terms of the agreement, including a reduction in the required minimum balance of the reserve account for anticipated expenditures from $30 million to $20 million. Refer to note 14(a) for amended terms to the term loan facilities agreement.

(4) Restricted funds in the escrow account relate to the Company's Key Employee Retention Plan.

6. Accounts receivable

(thousands of US Dollars)	As at June 30, 2015	As at March 31, 2015
Oil and gas revenues receivable	12,296	13,317
Receivable from joint operators	6,674	8,518
Advances to vendors	1,893	2,947
Prepaid expenses and deposits	1,452	824
VAT receivable	2,270	2,224
Other receivables	3,306	2,041
	27,891	29,871

7. Long-term receivable

(thousands of US Dollars)	As at June 30, 2015	As at March 31, 2015
Long term receivable	919	967
Gas pool account receivable(1)	5,810	4,144
	6,729	5,111

(1) Effective November 1, 2014, customers of the D6 Block in India pay for natural gas at the new gas price of $5.05 / MMBtu GCV, which equates to approximately $5.61 / MMBtu NCV for the period of November 1, 2014 to March 31, 2015, and $5.18 / MMBtu for the period of April 1, 2015 to September 30, 2015. The contractor group is paid the earlier price of $4.20 / MMBtu NCV for the production in the Dhirubhai 1 and 3 fields in the D6 Block and the difference between the revised price and the $4.20 / MMBtu NCV is credited to a gas pool account. The Company has reflected the gas pool account receivable as long-term due to the uncertainty of timing regarding resolutions from the cost recovery arbitration described in note 27(c).

8. Inventories

(thousands of US Dollars)	As at June 30, 2015	As at March 31, 2015
Stock, spares and consumables	4,548	7,492
Oil and condensate inventories	380	400
	4,928	7,892

9. Exploration assets held for sale

(thousands of US Dollars)	As at June 30, 2015	As at March 31, 2015
Opening balance	22,936	-
Reversal of impairment	112	22,936
Disposal of assets previously held for sale	(22,936)	-
Closing balance	112	22,936

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

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

Subsequently, in July 2015, the Company obtained approval from the Government of Indonesia for the sale of its interest in the North Ganal PSC as the second phase of the sales transaction with Ophir. Net cash consideration of $4 million from the sale is expected to be received. As a result, the Company recognized a reversal of impairment of $0.1 million as at June 30, 2015 related to the sale.

Closing of the transactions for the sale of the Company's interests in one additional Indonesian PSC (North Makassar Strait) is subject to the satisfaction or waiver of the remaining conditions precedent. Niko is contesting the LBT assessments related to certain Indonesian PSCs and has indemnified Ophir for any potential LBT obligations related to the subsidiaries that owns an interest in the Aru PSC and North Ganal PSC (refer to note 27(f)).

The North Ganal and North Makassar Strait PSCs classified as assets held for sale did not generate any revenue during the three months ended June 30, 2015.

10. Exploration and evaluation assets

(thousands of US Dollars)	Three months ended June 30, 2015	Year ended March 31, 2015
Opening balance	37,321	167,665
Additions	216	17,026
Disposals and other arrangements	-	(8,007)
Transfers	-	(3,904)
Expensed	-	(64,729)
Impairment	-	(70,730)
Closing balance	37,537	37,321

In fiscal 2015, the formula adopted in the Guidelines, effective November 2014, resulted in lower than anticipated natural gas prices for the periods from November 1, 2014 to March 31, 2015 and April 1, 2015 to September 30, 2015. In addition, forecasts for future world natural gas and crude oil prices have declined during fiscal 2015. The lower natural gas and oil price environment and uncertainty of future natural gas prices in India was considered in management's evaluations of the exploration and evaluation asset values related to undeveloped discoveries in the D6 and NEC-25 CGUs in India. As a result, the Company recognized total impairment to exploration and evaluation assets of $22 million for the D6 and NEC-25 blocks in the prior year. In addition, $62 million of exploration and evaluation assets were written off for D6 and NEC-25 blocks relating to the discoveries which were either relinquished or for which there are no future development plans.

The Company fully impaired its exploration and evaluation assets in Trinidad and Indonesia to carrying value of nil in the prior years, excluding assets held for sale in Indonesia which resulted in a reversal of impairment (refer to note 9). In fiscal 2016, the Company continues to focus on developing and appraising its assets in the D6 Block in India, and limiting capital expenditure spending outside of India and Bangladesh.

11. Property, plant and equipment

(a) Development assets

(thousands of US Dollars)	Three months ended June 30, 2015	Year ended March 31, 2015
Opening balance	4,696	137,211
Additions	11,230	31,269
Disposals	-	(52,936)
Transfers to other asset categories	(5,870)	(44,888)
Asset impairment	-	(65,960)
Closing balance	10,056	4,696

(b) Producing assets

(thousands of US Dollars)	Three months ended June 30, 2015	Year ended March 31, 2015
Cost		
Opening balance	1,011,351	1,070,231
Transfers from other asset categories	5,870	59,921
Disposals	-	-
Asset impairment	-	(118,801)
Foreign currency translation	-	-
Closing balance	1,017,221	1,011,351
Accumulated depletion		
Opening balance	(824,666)	(734,528)
Additions	(15,475)	(90,138)
Foreign currency translation	-	-
Closing balance	(840,141)	(824,666)
Net producing assets	177,080	186,685

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

Estimates of future world natural gas and crude oil prices are used in the preparation of reserves estimates and asset impairment evaluations and are subject to measurement uncertainty. Variations between actual natural gas and oil prices and the forecasted prices used in the impairment evaluations and/or changes in the Company's plans could result in positive or negative changes in the carrying value of the assets in the future.

(c) Other property, plant and equipment

(thousands of US Dollars)	Land and buildings	Vehicles, helicopters and aircraft	Office equipment, furniture and fittings	Pipelines	Total
Cost					
Balance, March 31, 2015	18,423	3,072	9,114	10,782	41,391
Additions	-	-	-	-	-
Balance, June 30, 2015	18,423	3,072	9,114	10,782	41,391
Accumulated depreciation					
Balance, March 31, 2015	(10,908)	(1,932)	(8,611)	(9,529)	(30,980)
Additions	(97)	(31)	(158)	(120)	(406)
Balance, June 30, 2015	(11,005)	(1,963)	(8,769)	(9,649)	(31,386)
Net book value, June 30, 2015	7,418	1,109	345	1,133	10,005

(thousands of US Dollars)	Land and buildings	Vehicles, helicopters and aircraft	Office equipment, furniture and fittings	Pipelines	Total
Cost					
Balance, March 31, 2014	18,234	2,346	9,245	10,747	40,572
Additions	447	726	166	35	1,374
Disposals	(258)	-	(297)	-	(555)
Balance, March 31, 2015	18,423	3,072	9,114	10,782	41,391
Accumulated depreciation and impairment					
Balance, March 31, 2014	(8,093)	(1,791)	(6,579)	(8,270)	(24,733)
Additions	(2,986)	(141)	(2,070)	(1,259)	(6,456)
Disposals	174	-	225	-	399
Asset impairment	(3)	-	(187)	-	(190)
Balance, March 31, 2015	(10,908)	(1,932)	(8,611)	(9,529)	(30,980)
Net book value, March 31, 2015	7,515	1,140	503	1,253	10,411

(d) Capital work-in-progress

(thousands of US Dollars)	Three months ended June 30, 2015	Year ended March 31, 2015
Opening balance	12,670	43,973
Additions	-	(1,740)
Disposals	-	(3,550)
Transfers	2,499	(1,990)
Impairment	(137)	(24,023)
Closing balance	15,032	12,670

12. Accounts payable and accrued liabilities

(thousands of US Dollars)	As at June 30, 2015	As at March 31, 2015
India	41,891	43,013
Bangladesh	997	1,271
Indonesia	61,034	82,382
Trinidad	22,463	20,029
Other	18,071	7,273
	144,456	153,968

13. Unfulfilled exploration commitments obligation

(thousands of US Dollars)	As at June 30, 2015	As at March 31, 2015
Indonesia (note 26)	116,896	116,896
Trinidad (note 26)	74,640	74,640
	191,536	191,536

14. Long-term debt

(a) Term loan Facilities

(thousands of US Dollars)	Three months ended June 30, 2015	Year ended March 31, 2015
Opening balance	292,559	249,014
Advances, net of issuance costs	-	(895)
Accretion	-	72,162
Interest due upon repayment	3,420	13,490
Repayment	(31,448)	(41,212)
Closing balance	264,531	292,559
Current portion	264,531	292,559
Long-term portion	-	-

In December 2013, the Company entered into a definitive facilities agreement with certain institutional investors providing for senior secured term loan facilities in an aggregate principal amount of $340 million. In fiscal 2015, the outstanding principal on the facilities was $280 million, which reflected the Company's decision to forego its option to drawdown on the $20 million amount of Facility D, the repayment of the $20 million drawn on Facility E, and the prepayment of $20 million on Facility A as a result of the first amendment of the term loan facilities agreed with the lenders. In the first quarter of fiscal 2016, the Company and its lenders agreed to an extension and a second amendment to the facilities agreement, resulting in the prepayment of $30 million on Facility A and reducing the outstanding principal on the facilities to $250 million.

The key terms related to the outstanding facilities under the facilities agreement and related documentation are as follows:

Specific terms of facilities A/B/C

- Facilities amount: $300 million (combined)
- Prepayment: At the Company's option at any time after December 20, 2015 (at a 7 percent premium, decreasing to 4 percent after December 20, 2016)
  At the lenders option (without premium) from the remaining net proceeds of certain asset sales, farm-outs, equity and debt issuances, after contract settlement payments and Facility D/E prepayments
- Repayment: On September 30, 2017
- Use of proceeds: $175 million Facility A: General corporate purposes, subject to certain restrictions
  $125 million Facilities B/C: Restricted to expenditures related to the D6 Block in India
- Interest: Quarterly cash interest payments at 15 percent per annum; commencing June 2014, potential additional 5 percent per annum payable upon repayment ("D6 PIK interest") if first ranking security is not provided over the Company's participating interest in the D6 Block. The GOI has not yet approved the grant of security to the lenders. If security is provided prior to March 31, 2016, the D6 PIK interest to be paid will be reduced by 50 percent and if the security is provided thereafter, the D6 PIK interest will be reduced by 25 percent.

As per the second amendment to the facilities agreement agreed with the lenders in the first quarter of fiscal 2016, the quarterly cash interest payment due in June 2015 has been deferred until September 2015.

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

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

- Maximum ratio of (a) consolidated senior debt (defined as debt incurred under facilities A, B and C and finance lease obligations) to (b) the consolidated EBITDAX (as defined in the facilities agreement) for the trailing four quarters, commencing with the period ending June 30, 2014.
- Minimum ratio of (a) proved plus probable reserves for the D6 Block to (b) senior debt, commencing with the period ending March 31, 2014.

As per the amendments to the facilities agreement agreed with the lenders in the fourth quarter of fiscal 2015 and the first quarter of fiscal 2016, these financial covenants are waived until September 15, 2015.

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

- Maintenance of certain reserve accounts, including:
    - A reserve account for anticipated expenditures in the D6 Block, with a minimum balance that increased over time to the greater of $30 million and the Company's forecasted capital expenditures in the D6 Block for the subsequent six month period.
    - A reserve account for settlement payments, with a minimum balance commencing December 31, 2014 equal to the payments required under the terms of the settlement agreement with Diamond for the subsequent six month period.
    - A reserve account for debt service, with a minimum balance commencing December 31, 2014 equal to the interest payments due under the facilities agreement for the subsequent six month period.
- Restrictions on cash expenditures relating to areas outside of India and Bangladesh, subject to certain exceptions.
- Requirement to raise certain minimum amounts from asset sales, farm-outs and/or equity issuances by June 30, 2015.
- Requirement that, subject to certain exceptions, asset sales be completed at fair market value with at least 90 percent of the consideration received in the form of cash (including assumed liabilities).
- Restrictions on the incurrence of debt, granting of liens, investments and similar transactions.

In the first amendment to the facilities agreement, the Company agreed to additional undertakings including:

- Requirement to achieve certain milestones related to the potential sale of the Company's interest in the D6 Block in India, which could include the sale of the Company.
- Requirement to maintain specified minimum cash balances.
- Restrictions on cash expenditures for non-core assets and general and administrative expenditures.

In the first amendment, the minimum balance requirement for the reserve accounts for settlement payments and debt service has been reduced to zero, and per the second amendment to the facilities agreement agreed with the lenders in the first quarter of fiscal 2016, the minimum balance requirement for the reserve account for anticipated expenditures in the D6 Block has been reduced to $20 million and the requirement to raise minimum amounts from asset sales, farm-outs and equity issuances has been waived until September 15, 2015. In addition, the Company is restricted from making any interest or other payments under the Notes, or under the terms of the agreement entered into the Diamond Settlement Agreement until September 30, 2015 (refer to note 14(c) and 15(a)).

Change in Control
If a change in control of the Company occurs or the Company's indirect subsidiary, Niko (NECO) Ltd., disposes of any part of its rights in respect of the D6 PSC, the Company shall make an offer to prepay all of the outstanding principal (plus a one percent prepayment fee) and accrued and unpaid interest (including cash interest and D6 PIK interest) within ten days of the change of control.

Deferred Obligation
As a condition of the facilities agreement, the Company entered into an agreement that provides for a monthly payment equal to six percent of the Company's share of the gross revenues received from the D6 Block in India, commencing April 1, 2015 for a period of seven years. Refer to note 15(b).

Security
The obligations under the facilities agreement and the deferred obligation are initially secured by:

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

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

Farm-in Options

As a condition of the facilities agreement, the Company entered into a farm-in rights agreement with an affiliate of the lenders that grants four exclusive, irrevocable, non-assignable rights to acquire interests in pre-selected Indonesian PSCs. Each farm-in right provides the holder with the option to purchase a 5 percent participating interest in selected PSCs (subject to a maximum acquired participating interest equal to the lesser of 50 percent of the Company's aggregate participating interests in the selected PSC and 10 percent) by paying its proportionate share of the previously incurred costs of the selected PSC. A farm-in right may be exercised by the holder by giving at least seven days' notice prior to the target spud date of a well to be drilled in the selected PSC. Unexercised farm-in rights expire on the earlier of (i) the date on which the eighth well on the selected PSCs is spudded and (ii) December 20, 2020.

(b) Finance lease obligation

(thousands of US Dollars)	Three months ended June 30, 2015	Year ended March 31, 2015
Opening balance	30,223	37,024
Repayments	(1,819)	(6,801)
Closing balance	28,404	30,223
Current portion	7,862	7,637
Long-term portion	20,542	22,586

The Company has recognized a finance lease for the floating, production, storage and offloading vessel ("FPSO") used in the D6 Block in India. The fair value of $37 million for the finance lease is calculated based on future lease payments discounted at a rate of 11.65 percent. The finance lease asset is included in producing properties within property, plant and equipment and the net carrying amount is $28 million.

(c) Convertible notes

(thousands of US Dollars)	Three months ended June 30, 2015	Year ended March 31, 2015
Opening balance	90,641	78,030
Accretion	-	24,948
Foreign currency translation	1,511	(12,337)
Closing balance	92,152	90,641
Current portion	92,152	90,641
Long-term portion	-	-

In December 2012, the Company issued Cdn$115 million principal amount of convertible unsecured notes that mature on December 31, 2017 and bear interest at a rate of 7 percent, with interest payable semi-annually in arrears on June 30 and December 31 of each year, commencing June 30, 2013. The convertible notes are convertible at the option of each holder into common shares at a conversion price of Cdn$11.30 per share. After December 31, 2015, the convertible notes are redeemable by the Company, in whole or in part from time to time, provided that the market price of the Company's common shares (defined as the weighted average trading price of the common shares for the twenty consecutive trading days ending five trading days prior to the issue of the notice of redemption) is at least 130 percent of the conversion price. The Company has the right to use common shares to satisfy some or all of its obligations for the convertible notes.

The convertible notes are guaranteed on an unsecured basis by the Company's subsidiaries, Niko Resources (Cayman) Ltd., Niko (NECO) Ltd. and Niko Exploration (Block 9) Ltd. Each guarantor guarantees that the notes shall be paid in accordance with the agreement terms. The guarantees of the convertible notes are subordinated to the guarantees provided to the lenders of the Company's term loan facilities.

Undertakings and covenants in respect of the convertible notes include:

- Requirement to make offers to purchase the convertible notes at par plus accrued and unpaid interest within 30 days following a change of control (as defined below); and
- Requirement to obtain the consent of the holders of the convertible notes to sell all or substantially all of the Company's assets to another person, subject to certain exceptions.

For the purpose of such undertakings and covenants, subject to certain exceptions, a change of control includes a sale of all or substantially all of the Company's assets, and a sale of assets of a subsidiary of the Company that would constitute all or substantially all of the assets of the Company on a consolidated basis is deemed to be a sale of all or substantially all of the assets of the Company.

The note indenture provides that an event of default in respect of the convertible notes will occur, if an event of default occurs or exists under the term loan facilities agreement, if that default:

- is caused by a failure to pay obligations prior to the expiration of any applicable grace or cure period, or
- results in the lenders of the term loan facilities having the right to accelerate such obligations prior to their stated maturity,
- and that default is not cured or waived within a period of 45 days from the occurrence of that default.

If an event of default in respect of the convertible notes has occurred and is continuing, the note trustee may, in its discretion, and shall upon request of holders of not less than 25 percent of the principal amount of convertible notes then outstanding, declare the principal of and interest on all outstanding convertible notes to be immediately due and payable. In certain cases, the holders of more than 50 percent of the principal amount of the convertible notes then outstanding may, on behalf of the holders of all convertible notes, waive any event of default and/or cancel any such declaration upon such terms and conditions as such holders shall prescribe.

A breach of the senior debt to EBITDAX financial covenant of the original term loan facilities agreement would have resulted in the right of the lenders of the term loan facilities to accelerate payment of the outstanding principal amount of the term loan facilities. As a result of the cross default provisions of the note indenture, the Company has reflected the outstanding balances of the convertible notes as current liabilities.

In the first quarter of fiscal 2016, the Company initiated discussions and negotiations with holders of the Notes and their representatives to seek their consent to defer to September 30, 2015 the interest payment due on June 30, 2015. To date, consent has not been obtained from the holders of the Notes. The interest payment due on June 30, 2015 under the terms of the indenture governing the Notes was not made and as a result, an event of default occurred on July 30, 2015. Based on discussions with the ad hoc committee and the trustee under the Note indenture, the Company does not expect that any steps will be taken in the near term to enforce any rights under the indenture. Nevertheless, it is important to note that there can be no assurance that steps will not be taken, particularly if no arrangements are reached with the lenders under the facilities agreement by September 15, 2015.

15. Long-term liabilities

(a) Contract settlement obligation

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

In December 2013, the Company entered into an agreement with Diamond relating to settlement of payment obligations and other commitments under the Ocean Monarch and Ocean Lexington drilling contracts. The settlement agreement includes a mutual release of claims in respect of certain rights and obligations under the drilling contracts, with the claims in respect of the Company's payment obligations under the drilling contracts to be released upon payment by the Company of $80 million. An initial payment of $25 million was made to Diamond using proceeds from the initial advance of the term loan facilities, with the outstanding balance to be paid over subsequent years up to September 30, 2017, subject to early prepayment upon the occurrence of certain events. The amounts due are non-interest bearing. In the first quarter of fiscal 2016, approximately $4 million was prepaid from proceeds of asset sales, reducing the amount outstanding to $31 million.

In the first quarter of fiscal 2016, the Company sought the consent of the parties to the Diamond Settlement Agreement to defer any payments that are due and payable prior to September 30, 2015 and eliminate the required minimum balance in a reserve account specified in the Diamond Settlement Agreement. To date, no consents have been obtained from the parties to the Diamond Settlement Agreement.

The scheduled payment of $5 million and the deposit into a reserve account of $5 million due on June 30, 2015 were not made and an event of default occurred under the Diamond Settlement Agreement. Diamond Offshore has filed suit in a court in Texas seeking to enforce the scheduled payment and the deposit into the reserve account. The Company is currently considering the merits of the suit and available defences. Under the terms of Diamond Settlement Agreement, Diamond has the option to terminate the agreement and revert to the original drilling contracts that include termination provisions. To date, Diamond has not taken any steps to terminate the Diamond Settlement Agreement. The Company has estimated the maximum potential unsecured termination claim under the original drilling contracts could range from $100 to $220 million (refer to note 27(g)).

(b) Deferred obligation

(thousands of US Dollars)	Three months ended June 30, 2015	Year ended March 31, 2015
Opening balance	24,644	78,669
Repayment	(889)	-
Accretion	874	10,799
Gain on valuation of derivative (note 17)	(252)	(64,824)
Closing balance	24,377	24,644
Current portion	4,977	4,915
Long-term portion	19,400	19,729

In December 2013, as a condition of the term loan facilities agreement, the Company entered into an agreement that provides for a monthly payment equal to 6 percent of the Company's share of the gross revenues from the D6 Block in India, commencing April 1, 2015 for a period of seven years. If the Company sells or disposes of all or any portion of its participating interest in the D6 PSC prior to the end of the term of this agreement, it must pay an amount equal to the pro-rata share of the net present value of the remaining payments under the agreement. The Company may optionally redeem the entire remaining amount of the obligation at any time on terms satisfactory to the parties to the agreement. For so long as obligations under the term loan facilities agreement remain outstanding, the security for the term loan facilities also secures this obligation.

The deferred obligation has been reflected at the net present value of the estimated payments, with the imputed interest of 16.30 percent to be recorded as accretion expense over the term of the payments. The initial valuation of the deferred obligation was recognized as additional debt issuance cost of the term loan facilities. Subsequent changes in the valuation of the deferred obligation have been reflected on the statement of comprehensive loss as gain or loss on derivatives (refer to note 17).

16. Decommissioning obligations

(thousands of US Dollars)	Three months ended June 30, 2015	Year ended March 31, 2015
Opening balance	44,292	44,574
Provisions made during the period	-	200
Change in estimate during the period	-	(1,328)
Accretion	727	846
Closing balance	45,019	44,292
Current portion	1,785	1,785
Long-term portion	43,234	42,507

The Company's decommissioning obligations are expected to be settled over a period of approximately one to fifteen years and discounted using a weighted average discount rate of 6 or 10 percent, depending on the block. The Company has estimated the net present value of the decommissioning obligations to be $45 million as at June 30, 2015 based on an undiscounted total future liability of $86 million. As at June 30, 2015, $2 million of decommissioning obligations related to the abandonment program of the Surat block in India have been reflected as current. In accordance with provisions of its PSCs, the Company has deposited $9 million in restricted accounts for funding of future decommissioning obligations of Hazira, Surat and Block 9. These amounts have been reflected as restricted cash (refer to note 5).

17. Financial instruments

(a) Capital risk management

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

- To promote confidence in the Company by the capital markets, by investors, by creditors and by government agencies in the countries in which the Company bids for concessions and/or operates;
- To maintain resources required to withstand financial difficulties due to exogenous influences such as financial, political, economic, social or market uncertainties and events; and
- To facilitate the Company's ability to fulfill exploration and development commitments, and to seek and execute growth

opportunities.

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

(thousands of US Dollars)	As at June 30, 2015	As at March 31, 2015
Term loan facilities	264,531	292,559
Convertible notes	92,152	90,641
Shareholders' deficit	432,247	402,676

(b) Fair value measurements

The Company classifies fair value measurements using the following fair value hierarchy that reflects the significance of the inputs used in making the measurements:

- Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2: Inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and
- Level 3: Inputs for the asset or liability that are not based on observable market date (unobservable inputs).

The Company's deferred obligation as at June 30, 2015 have been assessed on the fair value hierarchy described above and has been classified as a Level 3 instrument. The fair value of the deferred obligation was based on estimates of production volumes and natural gas and crude oil prices included in the reserve report for the D6 Block as at June 30, 2015. For the three months ended June 30, 2015, $0.2 million gain on derivative (three months ended June 30, 2014 - $nil) resulted from the change in actual production and prices compared to estimated production and prices in the reserve report as at March 31, 2015.

(c) Credit risk management

Credit risk is the risk of financial loss to the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Company's receivables from customers. The carrying amounts of the cash and cash equivalents, restricted cash, and accounts receivable reflect management's assessment of the maximum credit exposure. The Company takes measures in order to mitigate any risk of loss, which may include obtaining guarantees. There were no changes in the Company's exposure to credit risks or any changes to the Company's processes for managing the risks from the previous period.

The aging of the accounts receivable as at June 30, 2015 was:

(thousands of US Dollars)	As at June 30, 2015
0—30 days(1)(2)	18,221
30—60 days(1)	-
60—365 days(1)(2)	8
	18,229

(1) Excludes accrued receivables that have not yet been cash called or invoiced, loans and advances, prepaid expenses, and VAT receivables which are not past due.
(2) Accounts receivables past due have been evaluated for impairment as at June 30, 2015.

(d) Liquidity risk management

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company manages its exposure to this risk by preparing cash flow forecasts to assess when and if additional funds are required.

The Company has the following financial liabilities and due dates as at June 30, 2015:

(thousands of US Dollars)	Carrying amount	< 1 year	> 1 year
Accounts payable and accrued liabilities	144,456	144,456	-
Unfulfilled work commitments obligation	191,536	191,536	-
Current taxes payable	1,257	1,257	-
Term loan facilities(1)(5)	264,531	264,531	-
Finance lease obligations(2)(5)	28,404	7,862	20,542
Convertible notes(3)(5)	92,152	92,152	-
Other long-term liabilities(4)(5)	55,359	35,959	19,400

(1) The carrying amount of the term loan facilities is the fair value of $265 million. The outstanding principal is $250 million. As at June 30, 2015 the Company has reflected the outstanding balances of the term loan facilities as current (refer to note 2 and 14(a)).
(2) The carrying value of the finance lease obligation is the fair value of $28 million. The lease payments are $11 million per year (including principal

and interest) until August 2018.

(3) The carrying amount of the convertible notes is $92 million. The amount that will be required to be repaid assuming that the notes are not converted or repaid in common shares is Cdn$115 million. The convertible notes will mature on December 31, 2017. As at June 30, 2015 the Company has reflected the outstanding balances of the convertible notes as current (refer to note 2 and 14(c)).

(4) The carrying amount of the other long-term liabilities is the fair value of $55 million. The amount that will be required to be repaid for the contract settlement obligation is $35 million, which will be repaid in instalments by March 31, 2017. The amount that will be paid on the deferred obligation is estimated to be $42 million over seven years, commencing in April 2015. As at June 30, 2015 the Company has reflected the outstanding balance of the contract settlement obligation of $31 million as current (refer to note 15(a)).

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

(e) Market risk

Market risk consists of currency risk, commodity prices and interest rate risk. The Company may use both financial derivatives and physical delivery sales contracts to manage market risks. There were no changes in the Company's exposure to market risks or the Company's processes for managing the risks from the previous period.

(i) Currency risk

Foreign currency exchange rate risk is the risk that the fair value or future cash flows will fluctuate as a result of changes in foreign exchange rates. All of the Company's revenues are denominated in US Dollars and the Company holds the majority of its funds in US Dollars, except as required to fund dividends and make interest payments on the convertible notes. The Company has limited cash exposure to fluctuations in the value of the US Dollar versus other currencies. Exposure to changes in the value of the Indian Rupee versus the US Dollar is applicable to the Company's working capital, income tax receivable and deferred tax liability of its subsidiaries in India; in addition to exposure to changes in the value of the Euros versus the US Dollar applicable to certain vendor payables for its subsidiary in India. The foreign exchange impact on Euro is capitalized under development projects and does not have impact on profit or loss. The Company does not have any foreign exchange contracts in place to mitigate currency risk as at June 30, 2015.

Assuming that all other variables remained constant, a 4 percent strengthening or weakening of the Indian Rupee against the US Dollar at June 30, 2015, based on historical movements in the foreign exchange rates, would respectively decreased or increased net loss for the year by approximately $0.2 million. The financial instruments are exposed to fluctuations in foreign exchange rates, which are used in the translation of Canadian corporate operations to US Dollars. The reported US Dollar value of the cash and cash equivalents, debt and accounts payable of the Canadian corporate operations is exposed to fluctuations in the value of the Canadian Dollar versus the US Dollar. A 3 percent strengthening or weakening of the Canadian Dollar against the US Dollar at June 30, 2015, which is based on historical movement in foreign exchange rates, would have respectively increased or decreased net loss for the year by $3 million. This analysis assumes that all other variables remained constant.

(ii) Commodity price risk

Commodity price risk is the risk that the fair value of future cash flows may have potential adverse impact due to changes in commodity prices. Commodity prices for petroleum and natural gas are impacted by global economic events that dictate the level of supply and demand as well as the relationship between the Canadian and US Dollar. Crude oil prices are subject to fluctuation and volatility as evident in today's market. A US$10.00/bbl increase or decrease in crude oil would respectively increase or decrease net income or loss for the year by $1 million.

As per the Guidelines, the announcement of the gas price will be determined on a semi-annual basis. Prices will be calculated based on a volume weighted average of prices in the US, Canada, Europe and Russia based on the twelve month trailing average price with a lag of three months with deductions for transportation and treatment charges. A US$0.10/mmcfe increase or decrease in natural gas would respectively increase or decrease net income or loss for the year by $1 million.

This analysis assumes that all other variables remained constant.

(iii) Interest rate risk

Interest rate risk is the risk that future cash flows will fluctuate as a result of changes in market interest rates. The Company has minimum exposure to interest rates as the term loan facilities and convertible notes have a fixed interest rate. The Company has not entered into any contracts to hedge against interest rate risk as at June 30, 2015.

18. Share capital

(a) Fully paid ordinary shares

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

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

The Company has reserved for issue 9,401,917 common shares for granting under stock options to directors, officers, and employees. The options become vested immediately to five years after the date of grant and expire one to six years after the date of grant. The stock options are settled in equity.

Stock option transactions for the respective periods were as follows:

	Three months ended June 30, 2015		Year ended March 31, 2015	
	Number of options	Weighted average exercise price (Cdn$)	Number of options	Weighted average exercise price (Cdn$)
Opening balance	2,241,431	20.00	3,128,188	27.04
Granted	-	-	579,071	2.22
Forfeited	(111,829)	19.70	(813,772)	34.63
Expired	(14,375)	96.18	(652,056)	19.73
Closing balance	2,115,227	19.50	2,241,431	20.00
Exercisable	1,594,327	23.02	1,496,742	20.41

The following table summarizes stock options outstanding and exercisable under the plan at June 30, 2015:

	Outstanding Options			Exercisable Options	
Exercise Price (Cdn$)	Options	Remaining life (years)	Weighted average exercise price (Cdn$)	Options	Weighted average exercise price (Cdn$)
2.00 – 3.00	971,989	0.72	2.51	644,000	2.55
3.00 – 10.00	655,239	0.43	8.59	541,078	8.65
10.00 – 112.64	487,999	0.65	67.98	409,249	74.22
	2,115,227	0.61	19.50	1,594,327	23.02

The weighted average share price during the three months ended June 30, 2015 was $0.35 (three months ended June 30, 2014 - $2.29).

(c) Fair value measure of equity instruments granted

The fair value of each option granted was estimated on the date of grant using the Black-Scholes option-pricing model with the following weighted average inputs:

(thousands of US Dollars)	Three months ended June 30, 2015	Three months ended June 30, 2014
Grant-date fair value	-	Cdn$0.45
Market price per share	-	Cdn$2.23
Exercise price per option	-	Cdn$2.23
Expected volatility	-	67%
Expected life (years)	-	0.6
Expected dividend rate	-	0%
Risk-free interest rate	-	1.1%
Expected forfeiture rate	-	13%

Expected volatility was determined based on the historical movements in the closing price of the Company's stock for a length of time equal to the expected life of each option. Refer to note *d.* below for categorization of share-based payment expense during the period.

(d) Share-based compensation disclosure

The Company prepares its statement of comprehensive loss classifying costs according to function as opposed to the nature of the costs. As a result, share-based compensation expense is charged to various other headings in the statement of comprehensive loss.

(thousands of US Dollars)	Three months ended June 30, 2015	Three months ended June 30, 2014
Share-based compensation expense included in:		
Exploration and evaluation assets	-	4
Production and operating expenses	21	183
Exploration and evaluation expenses	20	220
Share-based compensation expense	3	896
Restructuring costs (note 23)	(309)	(747)
	(265)	556

19. Revenue

(thousands of US Dollars)	Three months ended June 30, 2015	Three months ended June 30, 2014
Natural gas sales	31,599	31,363
Oil and condensate sales	4,211	10,845
Less:		
Royalties	(1,070)	(1,217)
Government's share of profit petroleum	(8,061)	(5,830)
Oil and natural gas revenue	26,679	35,161

In Bangladesh, revenues from oil and gas sales to Petrobangla comprised 40 percent of gross revenues for the three months ended June 30, 2015 (three months ended June 30, 2014 – 37 percent). In India, revenues from natural gas sales to Indian Farmers Fertiliser Cooperative Limited represents 11 percent of gross revenues (three months ended June 30, 2014 – 8 percent) and Rashtriya Chemicals and Fertilizers Limited represents 10 percent of gross revenues (three months ended June 30, 2014 – 7 percent). For the three months ended June 30, 2015, crude oil sales to Reliance Jamnagar represented 17 percent of gross revenues.

20. Exploration and evaluation expenses

(a) Exploration and evaluation expenses incurred

(thousands of US Dollars)	Three months ended June 30, 2015	Three months ended June 30, 2014
Geological and geophysical	173	618
Exploration and evaluation (note 20(b))	189	9,733
General and administrative	527	2,991
Production sharing contract obligation costs	2,283	2,690
Share-based compensation	20	220
Exploration and evaluation	3,192	16,252

(b) Exploration and evaluation expenses by nature

	Three months ended June 30, 2015				
(thousands of US Dollars)	India	Indonesia	Trinidad	Other	Total
Dry hole costs	33	-	-	-	33
Other drilling costs	-	156	-	-	156
Exploration and evaluation	33	156	-	-	189

	Three months ended June 30, 2014				
(thousands of US Dollars)	India	Indonesia	Trinidad	Other	Total
Dry hole costs	6,772	-	-	-	6,772
Standby and rig cancellation costs	-	1,356	-	-	1,356
Other drilling costs	-	1,572	33	-	1,605
Exploration and evaluation	6,772	2,928	33	-	9,733

21. Finance and other income

(thousands of US Dollars)	Three months ended June 30, 2015	Three months ended June 30, 2014
Finance income	173	392
Other income	1,029	3,393
Finance and other income	1,202	3,785

22. Finance expense

(thousands of US Dollars)	Three months ended June 30, 2015	Three months ended June 30, 2014
Interest expense(1)	16,173	15,670
Accretion expense	8,113	18,288
Bank charges and other finance costs	17	55
Finance expense	24,303	34,013

(1) For the three months ended June 30, 2015, interest expense included $2 million of D6 PIK interest due upon repayment of the term loan facilities agreement (refer to note 14(a)).

23. Restructuring costs

(thousands of US Dollars)	Three months ended June 30, 2015	Three months ended June 30, 2014
Severance and allocated expenses	659	1,194
Advisory costs	2,395	210
Share-based compensation recovery	(309)	(747)
Restructuring costs	2,745	657

24. Per share amounts

(thousands of US Dollars)	Three months ended June 30, 2015	Three months ended June 30, 2014
Net loss	(29,306)	(54,943)
Weighted average number of common – basic and diluted	94,019,172	92,484,431
Basic and diluted loss per share	(0.31)	(0.59)

As a result of the net loss for the three months ended June 30, 2015 and 2014, the outstanding stock options and shares issuable upon conversion of the outstanding notes as at June 30, 2015 were considered anti-dilutive to the loss per share and were excluded from the weighted average number of common shares for the purposes of diluted earnings per share. The average market value of the Company's common shares for purposes of calculating the dilutive effect of stock options for the periods was based on quoted market prices for the periods that the options were outstanding. Refer to note 14(c) for details of the conversion of the convertible notes.

25. Segmented information

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

(thousands of US Dollars)	Three months ended June 30, 2015	Three months ended June 30, 2014
Natural gas sales		
India	18,297	17,723
Bangladesh	13,302	13,640
Oil and condensate sales		
India	3,254	8,982
Bangladesh	957	1,863
Total oil and natural gas revenue	35,810	42,208

(b) Determination of reportable segments

Geographical areas are used to identify the Company's reportable segments. A significant geographic segment is considered a reportable segment once its activities are regularly reviewed by the Company's management.

(c) Segmented assets and segmented net profit or loss

(thousands of US Dollars)	Three months ended June 30, 2015		Year ended March 31, 2015	
	Additions to:			
Segment	Exploration and evaluation assets (E&E)	Property, plant and equipment (PP&E)	Exploration and evaluation assets (E&E)	Property, plant and equipment (PP&E)
Bangladesh	-	1,241	108	2,764
India	216	9,989	15,115	32,594
Indonesia	-	-	1,716	(5,520)
Trinidad	-	-	88	(246)
Other	-	-	-	145
Total	216	11,230	17,027	29,737

(thousands of US Dollars)	As at June 30, 2015			As at March 31, 2015		
Segment	Total E&E	Total PP&E	Total Assets	Total E&E	Total PP&E	Total Assets
Bangladesh	4,737	22,187	36,021	4,737	22,755	41,045
India	32,800	189,252	303,752	32,584	190,679	315,260
Indonesia	112	-	9,283	22,936	-	36,895
Trinidad	-	446	3,367	-	694	3,700
Other	-	288	38,044	-	334	57,754
Total	37,649	212,173	390,467	60,257	214,462	454,654

(thousands of US Dollars)

Segment	Natural gas, condensate and oil sales	Government share of profit petroleum	Royalty (expense) / income	Production and operating expenses	Depletion and depreciation expenses	Exploration and evaluation expenses	Gain / (loss) on derivatives	Share-based compensation	Asset reversal (impairment)	General and administrative expenses	Restructuring costs	Finance and other income, gain / (loss) from asset disposal	Finance expense and foreign exchange (loss) gain	Unfulfilled work commitments expense	Income tax recovery / (expense)	Segment profit (loss)
	Three months ended June 30, 2015															
Bangladesh	14,259	(7,857)	-	(2,306)	(1,809)	-	-	-	-	-	-	-	-	-	-	2,287
India	21,551	(204)	(1,075)	(5,229)	(13,915)	(80)	-	-	-	-	-	-	-	-	-	1,048
Indonesia	-	-	-	-	-	(121)	-	-	112	-	-	583	-	-	-	574
Trinidad	-	-	-	-	(111)	(2,805)	-	-	(137)	-	-	-	-	-	-	(3,053)
All other	-	-	5	(2)	(46)	(186)	252	(3)	-	(1,435)	(2,745)	619	(26,621)	-	-	(30,162)
Total	35,810	(8,061)	(1,070)	(7,537)	(15,881)	(3,192)	252	(3)	(25)	(1,435)	(2,745)	1,202	(26,621)	-	-	(29,306)

(thousands of US Dollars)

Segment	Natural gas, condensate and oil sales	Government share of profit petroleum	Royalty (expense) / income	Production and operating expenses	Depletion and depreciation expenses	Exploration and evaluation expenses	Gain / (loss) on derivatives	Share-based compensation	Asset reversal (impairment)	General and administrative expenses	Restructuring costs	Finance and other income, gain / (loss) from asset disposal	Finance expense and foreign exchange (loss) gain	Unfulfilled work commitments expense	Income tax recovery / (expense)	Segment profit (loss)
	Three months ended June 30, 2014															
Bangladesh	15,503	(5,242)	-	(2,367)	(1,205)	(193)	-	-	-	-	-	-	-	-	-	6,496
India	26,705	(588)	(1,234)	(7,185)	(22,846)	(6,909)	-	-	(10)	-	-	-	-	-	(1,104)	(13,171)
Indonesia	-	-	-	-	(37)	(4,980)	-	-	(530)	-	(37)	-	-	-	-	(5,584)
Trinidad	-	-	-	-	(24)	(3,296)	-	-	(60)	-	-	-	-	-	-	(3,380)
All other	-	-	17	-	(129)	(874)	-	(896)	-	(3,697)	(620)	3,785	(36,890)	-	-	(39,304)
Total	42,208	(5,830)	(1,217)	(9,552)	(24,241)	(16,252)	-	(896)	(600)	(3,697)	(657)	3,785	(36,890)	-	(1,104)	(54,943)

26. Commitments and contractual obligations

(a) Exploration commitments

The Company has minimum work commitments as specified in the PSCs for its exploration properties. The work commitments relate to PSCs where the Company is working on asset sales or farm-outs to joint operators in exchange for a re-imbursement a portion of the sunk costs, funding of a disproportionate share of future costs, and/or future payments related to commencement of production or other milestones. Completion of these asset sales and/or farm-outs could significantly reduce the Company's share of the future commitment costs. The Company may apply for extensions to commitment deadline if it is unable to fulfill the commitment by the deadline or may relinquish the property (refer to note 2). A delay or rejection of the requested extensions may result in additional funding required to fulfill the commitments or payment of original commitment amounts.

Indonesia

(thousands of US Dollars)	As at June 30, 2015
Past due(1)	116,896
Due before May 2016	22,214
	139,110

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

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

The Company also signed an exploration option agreement granting a farm-in option to the option holder to (i) acquire a 5 percent working interest in a block in Indonesia, by paying its proportionate share of previously incurred costs within a specified period after the drilling of the first exploration well in the block, or (ii) receive a cash payment of approximately $10 million if a commercial discovery is made with the first exploration well drilled in the applicable block and the optionee elects not to exercise its farm-in option in the applicable block. Pursuant to the exploration option agreement, if a well is not spud in an applicable block in Indonesia prior to July 2016, the Company is obligated to pay approximately $5 million to the option holder, which is payable after the repayment of the term loan facilities. The amount has not been reflected in the table above.

In April 2015, the Company completed the sale of four Indonesian PSCs, resulting in a reduction in outstanding work commitment obligations of $0.5 million (refer to note 9).

Trinidad

(thousands of US Dollars)	As at June 30, 2015
Past due(1)	74,640
Due before April 2016(2)	58,680
	133,320

(1) The work commitments have been recognized as a liability (refer to note 13).
(2) Does not reflect working interest changes in the sales arrangement that is subject to Government of Trinidad and Tobago approval.

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

In January 2014, the Company farmed out 50 percent of its interest in the Guayaguayare Shallow and Deep PSCs to Range. Under the farm-out agreement, Range was expected to drill two onshore and one offshore well, which would reduce the outstanding work commitments on the two PSCs from $20 million to $5 million net to the Company. In May 2015, the Company executed agreements to sell its entire interests in the PSCs to Range. Under the sale agreements, the Company will sell its interests in the PSCs in exchange for the assumption of existing liabilities and commitments under the PSCs and for potential future payments that are contingent on certain future events in the PSCs. Approval from the Government of Trinidad and Tobago is pending. Transfer of working interest from the sales agreement has not been assumed in the table above.

Brazil

(thousands of US Dollars)	As at June 30, 2015
Due September 2018	3,000

Work commitments in Brazil are backed by parent company guarantees.

(b) Finance lease obligation

The Company has recognized a finance lease for the FPSO used in the D6 Block in India. The fair value of $37 million for the finance lease is calculated based on future lease payments discounted at a rate of 11.65 percent. The finance lease asset is included in producing properties within property, plant and equipment and the net carrying amount is $28 million. The future minimum lease payments as at the end of the reporting period and their net present values are:

	Lease payments
<1 year	10,757
1 - 5 years	23,340
Subtotal	34,097
Imputed interest	(5,693)
Carrying value	28,404

The lease has an initial charter period of 3,650 days maturing in August 2018, which is cancellable by paying exit costs. The Company has an option to purchase the leased asset.

(c) Contract settlement obligation

In December 2013, the Company entered into a settlement agreement related to drilling rig contracts in Indonesia and Trinidad (refer to note 15(a)). The future minimum payments relating to this agreement are as follows:

(thousands of US Dollars)	Payments
<1 year	25,000
1 - 5 years	5,983
Total	30,982
Imputed interest	-
Carrying value	30,982

(d) Deferred obligation

In December 2013, as a condition of the term loan facilities agreement, the Company entered into an agreement related to D6 Block in India (refer to note 14(a) and 15(b)). The estimated future minimum payments related to this agreement are as follows:

(thousands of US Dollars)	Payments
< 1	5,354
2 - 5 year	18,186
6 years and 9 months	17,425
Subtotal	40,965
Imputed interest	(16,588)
Carrying value	24,377

27. Contingent liabilities

(a) ***ICSID Arbitration***

The Company's indirect subsidiary, Niko Resources (Bangladesh) Ltd. ("NRBL"), is a party to two arbitration disputes to be decided upon by a tribunal panel ("Tribunal") under the International Centre for Settlement of Investment Disputes ("ICSID"). These disputes are related to its Feni Gas Purchase and Sales Agreement ("GPSA") with Bangladesh Oil, Gas and Mineral Corporation ("Petrobangla") and to its joint venture agreement ("JVA") with Bangladesh Petroleum Exploration & Production Company Limited ("BAPEX") for the Feni and Chattak fields in Bangladesh:

1. "Payment Claim": Dispute over payment for gas delivered from the Feni field from and after November 2, 2004 under

the Feni GPSA with Petrobangla.

2. "Compensation Declaration": Dispute over compensation claims arising from the uncontrolled flow problems that occurred in Chattak field in January and June 2005, including the claims raised in the pleadings filed in the Money Suit discussed below.

In August 2013, the Tribunal delivered its decision that ICSID does have jurisdiction over the two arbitration disputes.

In September 2014, the Tribunal issued a favourable decision on the Payment Claim dispute. The Tribunal decided that:

i. Petrobangla owes NRBL $25 million plus Bangladeshi taka ("BDT") 140 million ($2 million) for gas delivered from November 2004 to April 2010;
ii. Petrobangla must pay interest on NRBL's invoices at the rate of six month London Interbank Offered Rate plus 2 percent on the US$ amounts and at 5 percent for the BDT amounts, with interest due from 45 days after the delivery date of each invoice until the funds are placed at NRBL's unrestricted disposition; and
iii. The parties were invited to seek an amicable settlement with respect to the implementation of the present decision and to report to the Tribunal by no later than September 30, 2014. Failing amicable settlement, either party may ask the Tribunal to order provisional measures or issue a final decision concerning the outstanding amounts.

The Payment Claim amount due to NRBL totals $34 million (including $7 million for accrued interest up to the awarded date). An amicable settlement has not been reached between the parties and the Company has requested that the Tribunal issue a final decision concerning the outstanding amounts. The Company believes that while the magnitude of the Payment Claim amount is determinable, the process and timing for implementation is not yet certain. As such, no amounts have been recorded in these consolidated financial statements.

At the direction of the Tribunal, the hearing on the Compensation Declaration originally scheduled for November 2014 has been rescheduled for November 2015.

Money Suit

During the year ended March 31, 2006, NRBL received a letter from Petrobangla demanding compensation related to the uncontrolled flow problems that occurred in the Chattak field in January and June 2005. In June 2008, NRBL was named as a defendant in a lawsuit (the "Money Suit") that was filed in Bangladesh by the Government of Bangladesh ("GOB") and Petrobangla, demanding compensation as follows:

i. $5 million for 3 Bcf of free natural gas delivered from the Feni field as compensation for the burnt natural gas;
ii. $10 million for 5.89 Bcf of free natural gas delivered from the Feni field as compensation for the subsurface loss;
iii. Bangladesh Taka 846 million ($11 million) for environmental damages, an amount subject to be increased upon further assessment;
iv. Bank guarantee for $79 million for 45 Bcf of natural gas as compensation for further subsurface loss to be finally determined on the basis of production data and analysis; and
v. any other claims that arise from time to time.

Various court dates for the Money Suit have been set for which the proceedings have been progressing at a slow pace. If NRBL were to lose the Money Suit, the Company may lose its rights to the assets of NRBL (including the receivable for gas sales supplied under the GPSA). The Company believes that the outcome of the Money Suit and the associated cost to the Company, if any, are not determinable. As such, no amounts have been recorded in these consolidated financial statements. Settlement costs, if any, will be recorded in the period of determination.

(b) In accordance with natural gas sales contracts to customers of production from the Hazira field in India, the Company had committed to deliver certain minimum quantities and was unable to deliver the minimum quantities for a period ended December 31, 2007. The Company's partner in the Hazira field delivered the shortfall volumes in return for either: (a) delivery of replacement volumes five times greater than the shortfall; (b) a cash payment; or (c) a combination of (a) and (b). The Company's partner has served a notice of arbitration as the Company is unable to supply gas from the D6 Block to the partner and the arbitration process has commenced. The Company believes that the agreement with its partner is not effective as the GOI's gas utilization policy prevents the Company from supplying the gas to the partner.

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

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

The Company may not be able to supply gas to a customer in Hazira whose contract runs until April 2016. The Company has notified the customer that the underperformance of reservoir is a force majeure event. The customer does not agree with this position and has served a notice of arbitration on the Company. The arbitration is in process. The Company believes that the outcome is not determinable.

(c) In a May 2012 letter, the GOI alleged that the D6 contractor group is in breach of the PSC for the D6 Block as they failed to drill all of the wells and attain production levels contemplated in the Addendum to the Initial Development Plan for the Dhirubhai 1 and 3 fields. The GOI further asserted that certain joint venture costs are therefore disallowed for cost recovery. The contractor group is of the view that the disallowance of recovery of costs incurred by the joint operation has no basis in the terms of the PSC and that there are strong grounds to challenge the action of the GOI. The contractor group has commenced arbitration proceedings against the GOI challenging the allegations and the disallowance of cost recovery. In a July 2014 letter, the GOI updated their preliminary estimate of disallowed costs as at March 31, 2014 to $2.4 billion. To the extent that any amount of joint venture costs are disallowed, such amount would be removed from the calculation of profit petroleum, a portion of which would be payable to the GOI under the PSC. Because profit petroleum percentages for the contractor group and the GOI change as the contractor group recovers specified percentages of their investments, the potential impact on the GOI's share of profit petroleum is dependent on the future revenue and expenditures in the block and cannot be precisely determined. Based on the current profit petroleum percentage of 90 percent for the contractor group and 10 percent for the GOI, if the GOI were to be successful in the cost recovery arbitration and the entire $2.4 billion ($238 million Niko share) of costs were disallowed, Niko's share of the potential impact would be a total of $24 million, of which $12 million would relate to periods up to June 30, 2015 and $12 million would relate to future periods. The GOI has also raised issues regarding other potential adjustments to the profit petroleum calculation and the contractor group has refuted these potential adjustments.

In October 2014, the Cabinet Committee of Economic Affairs of the GOI approved the new domestic gas pricing policy for India, effective November 1, 2014, and the GOI issued the Guidelines, 2014 (refer to note 2). The Guidelines indicate that the contractor group for the D6 Block will be paid the earlier price of $4.20 / MMbtu for gas sales from the Dhirubhai 1 and 3 fields and the difference between the revised price and the $4.20 / MMbtu will be credited to a gas pool account and "whether the amount so collected is payable or not to the contractors of this block would be dependent on the outcome of the award of the pending arbitration and any attendant legal proceedings".

(d) The Company is claiming tax holiday under the Income Tax Act ('Act') that provide for a tax holiday deduction for eligible undertakings related to the Hazira and Surat fields. However the tax department contends that the Company is not eligible for the requested tax holiday because: a) the holiday only applies to "mineral oil" which excludes natural gas; and / or b) the Company has inappropriately defined undertakings. With respect to undertakings eligible for the tax holiday deduction, the Act was retrospectively amended to include an "explanation" on how to determine undertakings. The Act now states that all blocks licensed under a single contract shall be treated as a single undertaking.

On March 26 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 Government of India'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 High Court ruling, the accounting treatment of considering the advance tax of $18 million paid by the Company related to tax holiday as an income tax receivables is appropriate.

If the tax department appeals the High Court ruling in Supreme Court and should the Supreme Court overturn the ruling of the High Court, the Company would have to accordingly 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 the net income tax receivable). In addition, the Company could be obligated to pay interest on taxes for the past periods.

The Company is facing a similar unfavorable tax assessment for the taxation year 2012 relating to tax holiday claimed by the Company's subsidiary that owns its interest in the D6 Block. The Company has filed the appeal against this tax assessment which the Company is hopeful of winning based on the March 2015 High Court of Gujarat Ruling described above. Since the subsidiary was in a tax loss position for the taxation year 2012, there is no contingent obligation.

(e) The Cauvery and D4 blocks in India are under relinquishment. The Company believes it has fulfilled all commitments for the Cauvery block while the GOI contends that the Company has unfulfilled commitments of $2 million.

(f) The Tax Directorate General of Indonesia had assessed several oil and gas companies operating in Indonesia for Land and Building Tax using a new framework which applies to PSCs signed subsequent to the implementation of a government regulation effective December 20, 2010. The Surface and Sub Surface assessments of LBT have been applied to offshore PSCs out of which majority of the assessed tax relates to Surface Area. The LBT assessments are being challenged by the impacted oil and gas companies and industry associations.

Certain of the Company's Indonesian subsidiaries holding interests in three of its operated offshore PSCs (Obi, South East Seram and Aru) received assessment notices raising demands for a total of $31 million net for assessment years 2012 to 2014. Each subsidiary filed an objection letter with the tax department, which was subsequently rejected by the tax authorities. Each of the subsidiaries has filed an appeal in the tax court objecting to the decision of the tax department. The operator for two of the Company's partner-operated offshore PSCs (North Ganal and Halmahera II) has also received 2012 to 2014 assessments totaling $5 million net and filed objection letters and appeals regarding these assessments.

For assessment year 2014, the Tax Directorate General has further amended its framework, which will result in nil surface assessments for LBT for 2014. Effective January 1, 2015, assessments for exploration PSCs have been exempt from LBT as a result of a change in the law by the Finance Ministry. Appeal hearings were conducted in May and June 2015, no conclusion has been drawn. The Company believes that it has a strong legal position against the taxes assessed from 2012 to 2014 and therefore has not recorded these amounts in its financial statements. In the event that the appeal is not successful, the subsidiaries of the Company could be liable for a penalty of up to 100 percent of the LBT tax owing in addition to the amount of assessed tax, for a potential liability of $61 million.

In April 2015, the Company closed on transactions for the sale of certain of its subsidiaries holding interests in four Indonesian PSCs (West Papua IV, Kofiau, Halmahera-Kofiau, and Aru) as the first phase of transactions under a definitive agreement executed with a subsidiary of Ophir. In July 2015, the Company obtain approval from the Government of Indonesia on the sale of its subsidiary holding interest in the North Ganal PSC as the second phase of the definitive agreement (refer to note 28). The Company has indemnified Ophir for any potential LBT obligations related to the subsidiary that owns an interest in the Aru and North Ganal PSCs.

(g) The scheduled payment of $5 million and the deposit into a reserve account of $5 million due on June 30, 2015 were not made and an event of default occurred under the Diamond Settlement Agreement. Diamond has filed suit in a court in Texas seeking to enforce the scheduled payment and the deposit into the reserve account. The Company is currently considering the merits of the suit and available defences. Under the terms of Diamond Settlement Agreement, Diamond has the option to terminate the agreement and revert to the original drilling contracts that include termination provisions. To date, Diamond has not taken any steps to terminate the Diamond Settlement Agreement. The Company has estimated the maximum potential unsecured termination claim under the original drilling contracts could range from $100 to $220 million. The Company believes that the outcome is not determinable at this time.

(h) Various lawsuits have been filed against the Company for incidents arising in the ordinary course of business. In the opinion of management, the outcome of the lawsuits, now pending, is not determinable or not material to the Company's operations. Should any loss result from the resolution of these claims, such loss will be charged to operations in the year of resolution.

28. Subsequent Event

Government approval of the sale of the Company's interest in one PSC in Indonesia

In July 2015, the Government of Indonesia approved of the sale of its subsidiary holding interest in the North Ganal PSC in Indonesia as the second phase under a definitive agreement executed with a subsidiary of Ophir. Net cash consideration of $4 million from the sale is expected to be received. As a result, the Company recognized a reversal of impairment of $0.1 million as at June 30, 2015 related to the sale. The Company is contesting the LBT assessments related to certain Indonesian PSCs and has indemnified Ophir for any potential LBT obligations related to the subsidiary that owns an interest in the North Ganal PSC.