MANAGEMENT'S DISCUSSION AND ANALYSIS

Niko Resources Ltd. ("Niko" or the "Company") is a company incorporated in Alberta, Canada. The address of its registered office and principal place of business is Suite 1500, 205 – 5th Avenue SW, Calgary, Alberta, T2P 2V7. The Company is engaged in the exploration for and development and production of oil and natural gas, primarily in India and Bangladesh. The Company's common shares are traded on the Toronto Stock Exchange under the symbol "NKO".

The following Management's Discussion and Analysis ("MD&A") of the financial condition, financial performance and cash flows of the Company for the quarter ended December 31, 2018 should be read in conjunction with the condensed interim consolidated financial statements for the quarter ended December, 2018. Additional information relating to the Company, including the Company's Annual Information Form ("AIF"), is available on SEDAR at www.sedar.com and on the Company's website at www.nikoresources.com. This MD&A is dated February 13, 2019.

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

LIQUIDITY AND CAPITAL RESOURCES

D6 Block in India

In the third quarter of fiscal 2019, a subsidiary of the Company received a default notice from the operator of the D6 production sharing contract ("PSC") in India for non-payment of cash calls. Under the terms of the joint operating agreement ("JOA") between the participating interest holders in the D6 PSC, during the continuance of a default, the defaulting party shall not have a right to its share of revenue (which shall vest in and be the property of the non-defaulting parties who have paid to cover the amount in default). In addition, if the defaulting party does not cure a default within sixty days of the default notice, the non-defaulting parties have the option to require the defaulting party to withdraw from the D6 PSC and JOA. In December 2018, the subsidiary of the Company received a notice from the non-defaulting parties requiring the subsidiary to withdraw from the D6 PSC and JOA. The Company has filed a notice of arbitration challenging the withdrawal notice received from the non-defaulting parties. Nevertheless, the delivery of the withdrawal notice will have a material adverse impact on the Company's stakeholders, particularly its shareholders.

Due to the non-payment of cash calls, an event of default occurred under the terms of the Company's Facilities Agreement with its senior lenders (the "Lenders"). As a result, the Lenders may exercise rights and remedies in accordance with the Facilities Agreement and applicable law.

Block 9 in Bangladesh

In the first quarter of fiscal 2019, the Company was notified by the operator of the Block 9 PSC that Bangladesh Oil, Gas and Mineral Corporation ("Petrobangla") paid funds to the operator of the Block 9 for recovery of costs incurred by the operator related to Niko Block 9's interest in Block 9 and the Company understands that Petrobangla has continued to do so for subsequent periods. The estimated cumulative amount of non-payments by Petrobangla of amounts due for Niko's share of the profit petroleum portion of invoiced amounts due for gas and condensate sales supplied pursuant to the Block 9 gas and condensate sales agreements for March 2016 to December 2018 is $38 million. In addition, the amount due from Petrobangla under the Payment Claim arbitration dispute (to be decided upon by Tribunals constituted under the rules of International Centre for Settlement of Investment Disputes) for gas delivered from the Feni field from November 2004 to April 2010 is estimated to be approximately $39 million (including accrued interest). Refer to Note 30(a)(ii) of the audited consolidated financial statements for the year ended March 31, 2018 for further details on this matter.

Waterfall Distribution

Per the Waterfall Distribution mechanism defined in the agreements governing the Term Loan and the convertible notes of the Company, 100% of any net proceeds received for the Company's assets up to $180 million would be payable to the Lenders of the Term Loan. As such, if the Company were able to conclude any transaction to realize value up to $180 million, this value would be required to be distributed to the Lenders. No assurance whatsoever can be made that the Company will realize any value for its core assets.

Contingent Liabilities

The Company and its subsidiaries are subject to various claims from other parties, as described in Note 30 of the audited consolidated financial statements for the year ended March 31, 2018 and updated in Note 9 of the condensed interim consolidated financial statements for the quarter ended December 31, 2018, and are 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, defaults and contingent liabilities of the Company and its subsidiaries), there are material uncertainties that may cast significant doubt about the ability of the Company to continue as a going concern.

RESULTS OF OPERATIONS

The Company's results for the three and nine months ended December 31, 2018 are as follows:

Consolidated

	Three months ended December 31,		Nine months ended December 31,	
(thousands of US Dollars)	2018	2017	2018	2017
EBITDAX from continuing operations(1)	(795)	(1,369)	4,591	(2,523)
Net loss from continuing operations	(1,244)	(7,366)	(53,443)	(54,734)
Net income from discontinued operations	-	108	-	346

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

At the end of the second quarter of fiscal 2019, the Company recognized impairments of the value of its D6 and Block 9 property, plant and equipment and exploration and evaluation assets, inventory, restricted cash, income tax and other receivables in India and Bangladesh, net of associated liabilities, reducing the carrying value of these balance sheet items to nil. Effective for the third quarter of fiscal 2019, the Company is no longer recognizing net oil and gas revenue, production and operating expenses or depreciation and depletion expenses related to these assets.

EBITDAX and net loss from continuing operations in the third quarter of fiscal 2019 primarily reflected general and administrative expenses of the Company, which decreased from the third quarter of fiscal 2018 primarily due to cost savings efforts of the Company. EBITDAX from continuing operations in the third quarter of fiscal 2019 also reflected the non-recognition of oil and natural gas revenue in the D6 Block, offset by non-recognition of production and operating expense for the D6 Block in India and Block 9 in Bangladesh. Net loss from continuing operations in the third quarter of fiscal 2019 also reflected the non-recognition of depreciation and depletion expenses for the D6 Block in India and Block 9 in Bangladesh.

RECONCILIATION OF NON-IFRS MEASURES

The following table reconciles the Company's gross oil and natural gas revenue to EBITDAX to net loss:

	Three months ended December 31,		Nine months ended December 31,	
(thousands of US Dollars)	2018	2017	2018	2017
Natural gas revenue	-	4,691	7,198	15,158
Crude oil and condensate revenue	-	2,091	3,496	3,691
Royalties	-	(594)	(908)	(1,808)
Government share of profit petroleum	-	(72)	(106)	(235)
Net oil and natural gas revenue	**-**	**6,116**	**9,680**	**16,806**
Production and operating expenses	-	(5,914)	(8,759)	(14,968)
General and administrative expenses	(938)	(1,323)	(2,389)	(3,800)
Finance and other income	44	31	4,654	543
Bank charges and other finance costs	(8)	(4)	(23)	(15)
Realized foreign exchange gain (loss)	107	(275)	1,428	(1,089)
EBITDAX from continuing operations[1]	**(795)**	**(1,369)**	**4,591**	**(2,523)**
Cash interest expense	-	(385)	(312)	(1,525)
Restructuring costs	-	(39)	-	(367)
Depletion and depreciation expenses	-	(5,629)	(41,405)	(19,151)
Exploration and evaluation expenses	-	(51)	(5)	(119)
Impairment loss, net	-	-	(10,886)	(1,328)
Accretion expense	-	(867)	(1,834)	(2,557)
Non-cash finance and other income	-	217	475	627
Commercial claim expense	(449)	-	(1,340)	(27,604)
Unrealized foreign exchange gain (loss)	-	757	(2,727)	(187)
Net loss from continuing operations[2]	**(1,244)**	**(7,366)**	**(53,443)**	**(54,734)**
Net income from discontinued operations[2]	**-**	**108**	**-**	**346**
Total net loss	**(1,244)**	**(7,258)**	**(53,443)**	**(54,388)**

(1) Refer to "Non-IFRS Measures" for details.
(2) Refer to Note 8 of the condensed interim financial statements for the quarter ended December 31, 2018 for detailed segment information.

SUMMARY OF QUARTERLY RESULTS

(thousands of US Dollars)	Dec 31, 2018	Sept 30, 2018	Jun 30, 2018	Mar 31, 2018	Dec 31, 2017	Sept 30, 2017	Jun 30, 2017	Mar 31, 2017
Oil and natural gas revenue[1]	-	5,105	4,575	3,547	6,116	4,926	5,764	8,097
Net income (loss)[1]								
Continuing operations	(1,244)	(34,015)	(18,184)	(26,886)	(7,366)	(10,536)	(36,831)	24,142
Discontinued operations[2]	-	-	-	-	108	58	180	(54)
Total	(1,244)	(34,015)	(18,184)	(26,886)	(7,258)	(10,478)	(36,651)	24,088
Earnings (loss) per share - basic[1]								
Continuing operations	(0.01)	(0.36)	(0.19)	(0.28)	(0.08)	(0.12)	(0.39)	0.26
Discontinued operations[2]	-	-	-	-	-	-	-	-
Total	(0.01)	(0.36)	(0.19)	(0.28)	(0.08)	(0.12)	(0.39)	0.26
Earnings (loss) per share - diluted[1]								
Continuing operations	(0.01)	(0.36)	(0.19)	(0.28)	(0.08)	(0.12)	(0.39)	0.26
Discontinued operations[2]	-	-	-	-	-	-	-	-
Total	(0.01)	(0.36)	(0.19)	(0.28)	(0.08)	(0.12)	(0.39)	0.26

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

Oil and natural gas revenue fluctuated throughout the last eight quarters based on changes in production and price. Production has naturally declined in India. Natural gas prices have fluctuated in India reflecting semi-annual price notifications issued by the GOI. For the quarter ended March 31, 2017, the Company recognized a $31 million deferred tax recovery. For the quarter ended June 30, 2017, the Company recognized a liability of $28 million for an arbitration award relating to the minimum contracted quantities dispute in India. For the quarters ended March 31, 2018, June 30, 2018 and September 30, 2018, the Company recognized increased depletion expense resulting from negative revisions to proved reserves for the D1 D3 and MA fields in the D6 Block in India. For the quarter ended September 30, 2018, the Company recognized impairments of assets in India and Bangladesh, net of associated liabilities, totaling $222 million (reducing the carrying value of these balance sheet items to nil), partially offset by recognition of a gain on revaluation of long-term debt of $211 million. Effective for the third quarter of fiscal 2019, the Company is no longer recognizing net oil and gas revenue, production and operating expenses or depreciation and depletion expenses related to these assets.

CONTRACTUAL OBLIGATIONS

The following table represents the Company's contractual obligations and other commitments as at December 31, 2018:

(thousands of US Dollars)	Face Value	Carrying Value	< 1 year	1 to 3 years	3 to 5 years	> 5 years
Term loan facilities[(1)(2)]	453,336	-	-	-	-	-
Convertible notes[(1)(3)]	115,410	-	-	-	-	-
Contract settlement obligation[(4)]	26,057	-	-	-	-	-
Deferred obligation[(5)]	6,925	-	-	-	-	-
Decommissioning obligations[(6)]	68,353	-	-	-	-	-
Exploration work commitments[(7)]	272,399	272,399	272,399	-	-	-
Total contractual obligations	942,480	272,399	272,399	-	-	-

(1) The Company is not required to make interest payments (including interest previously owing) under the term loan facilities agreement or the note indenture governing the convertible notes, other than in connection with a Waterfall Distribution.
(2) The term loan facilities are recorded in the financial statements at fair value.
(3) The convertible notes are recorded in the financial statements at fair value. The face value of the convertible notes as at December 31, 2018 is Cdn$149 million (including accrued interest).
(4) The contract settlement obligation is recorded in the financial statements at fair value.
(5) The deferred obligation is recorded in the financial statements at fair value.
(6) Decommissioning obligations are included in the table based on the estimated undiscounted future liability of the Company.
(7) The total unfulfilled exploration commitment obligation includes $269 million recorded in the condensed interim consolidated financial statements for quarter ended December 31, 2018 related to dormant subsidiaries.

OUTSTANDING SHARE DATA

The Company did not issue any common shares or securities convertible or exchangeable into common shares. As at February 13, 2019, the Company has 94,049,967 common shares, 1 preferred share, and no stock options outstanding.

OFF BALANCE SHEET ARRANGEMENTS

The Company had no off balance sheet arrangements in place as at December 31, 2018.

FINANCIAL INSTRUMENTS

The Company is exposed to credit risk, liquidity risk, foreign currency risk and commodity price risk as a part of normal operations. A detailed description of the Company's financial instruments and risk management is included in Note 6 to the condensed interim consolidated financial statements for the quarter ended December 31, 2018.

DISCLOSURE CONTROLS AND INTERNAL CONTROLS OVER FINANCIAL REPORTING

The Company's Chief Executive Officer and the Vice President, Finance and Chief Financial Officer has assessed the design and effectiveness of internal controls over financial reporting ("ICFR") and disclosure controls and procedures ("DC&P") as at December 31, 2018. There have been no significant changes in ICFR during the three and nine months ended December 31, 2018 that have materially affected, or are reasonably likely to materially affect, ICFR.

CHANGES IN ACCOUNTING STANDARDS

Effective April 1, 2018, the Company adopted the following new accounting standards. Also refer to the audited consolidated financial statements for the year ended March 31, 2018 for the recent accounting pronouncements issued but not yet effective.

IFRS 9 – Financial Instruments
IFRS 9 "Financial Instruments" was amended in July 2014 with respect to its classification and measurement of financial assets and introduces a new expected loss impairment model. The standard now includes three categories for financial assets, as compared to five categories under IAS 39, including amortized cost, fair value through profit or loss, and fair value through other comprehensive income. IFRS 9 removes the loans and receivables and held for trading categories previously included under IAS 39. The adoption of IFRS 9 did not require any material adjustments to the Company's consolidated financial statements.

IFRS 15 – Revenue from Contracts with Customers
In May 2014, IASB issued IFRS 15 which replaces IAS 11 "Construction Contracts", IAS 18 "Revenue", IFRIC 13 "Customer Loyalty Programmes", IFRIC 15 "Agreements for the Construction of Real Estate", IFRIC 18 "Transfer of Assets from Customers" and SIC 31 "Revenue – Barter Transactions Involving Advertising Services". IFRS 15 establishes revenue recognition principles for reporting the nature, amount, timing, and uncertainty of revenue and cash flows arising from an entity's contract with customers. The adoption of IFRS 15 did not require any material adjustments to the Company's consolidated financial statements.

CRITICAL ACCOUNTING ESTIMATES

The Company makes assumptions in applying certain critical accounting estimates that are uncertain at the time the accounting estimate is made and may have a significant effect on the condensed interim consolidated financial statements of the Company. The Company used the following critical accounting estimates for the nine months of fiscal 2019 as consistent with the year ended March 31, 2018:

- Pricing Forecasts
- Oil and Natural Gas Reserves
- Exploration and Evaluation Assets
- Depletion, Depreciation and Amortization
- Fair Value of Long-Term Debt
- Asset Impairment
- Decommissioning Obligations
- Income Taxes
- Contingencies

For a complete discussion of the critical accounting estimates, refer to Note 5 of the audited consolidated financial statements for the year ended March 31, 2018, available on SEDAR at www.sedar.com.

Since the Company has not received financial information from the operator of the Block 9 PSC since the month of July 2018, the recorded production and operating expenses for the nine months of fiscal 2019 of $2.7 million reflect estimates for the three and nine months ended December 31, 2018 based on trends from prior months and from the first quarter of fiscal 2019. In addition, the Company has not received financial information from the operator of the D6 Block upon issuance of default notice in October 2018. The Company has not recorded revenue or expenditures subsequent to October 2018.

NOTICE OF DELISTING FROM TSX

On February 11, 2019, the Toronto Stock Exchange ("TSX") notified the Company that it has determined to delist the Company's common shares and convertible notes effective at the close of market on March 13, 2019. These measures were taken due to the Company not meeting the continued listing requirements of the TSX. The Company is evaluating whether or not it will apply for a listing on another Canadian stock exchange. The TSX notification does not affect the Company's applicable Canadian reporting requirements, and does not constitute an event of default under any of the Company's debt obligations.

RISK FACTORS

In the normal course of business the Company is exposed to a variety of actual and potential events, uncertainties, trends and risks. In addition to the risks associated with the use of assumptions in the critical accounting estimates, financial instruments, the Company's commitments and actual and expected operating events, all of which are discussed above, the Company has identified the following events, uncertainties, trends and risks that could have a material adverse impact on the Company.

- The ability of the Company to continue as a going concern;
- The ability of the Company to be able to maintain its cash resources;
- The ability of the Company to meet its obligations under the Facilities Agreement;
- The risks related to the various legal claims against the Company or its subsidiaries;
- The ability of the Company to meet all of its obligations;
- The timing of receiving income tax refunds due from the Government of India ("GOI");
- Changing governmental policies, social instability and other political, economic or diplomatic developments in the countries in which the Company operates;
- Adverse factors including climate and geographical conditions, weather conditions, environmental and labour disputes;
- Changes in taxation policies, taxation laws and interpretations thereof;
- Commodity price and foreign exchange rate risk; and
- Changes in environmental regulations and legislations.

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

A complete description of the potential effects of the Company's contingencies on the Company as at December 31, 2018 are described in Note 30 of the audited consolidated financial statements for the year ended March 31, 2018 as updated in Note 9 of the condensed interim consolidated financial statements for the quarter ended December 31, 2018.

BASIS OF PRESENTATION

The financial data included in this MD&A is in accordance with the International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") and interpretations of the International Financial Reporting Interpretations Committee ("IFRIC") that are effective as at March 31, 2018. Certain prior period amounts have been reclassified to conform to the current presentation. All financial information is presented in thousands of US Dollars unless otherwise indicated.

The term "fiscal 2019" is used throughout the MD&A and in all cases refers to the period from April 1, 2018 through March 31, 2019. The term "fiscal 2018" is used throughout the MD&A and in all cases refers to the period from April 1, 2017 through March 31, 2018.

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

NON-IFRS MEASURES

The selected financial information presented throughout this MD&A is prepared in accordance with IFRS, except for "EBITDAX". This non-IFRS financial measure, which has been derived from the condensed interim consolidated financial statements for the quarter ended December 31, 2018 and applied on a consistent basis, is used by management as a measure of performance of the Company. This non-IFRS measure should not be viewed as a substitute for measures of financial performance presented in accordance with IFRS or as a measure of a company's profitability or liquidity. This non-IFRS measure does not have any standardized meaning under IFRS and therefore may not be comparable to similar measures presented by other issuers. The non-IFRS measure is further defined for use throughout this MD&A as follows:

EBITDAX

The Company utilizes EBITDAX to assess performance and to help determine its ability to fund future capital projects and to repay debt. EBITDAX is calculated as net income before interest expense, income taxes, depletion and depreciation expenses, exploration and evaluation expenses, and other non-cash items (net impairment loss, restructuring costs, accretion expense, non-cash finance and other income, commercial claim expense and unrealized foreign exchange gain or loss). The most directly comparable measure under IFRS presented in the audited consolidated financial statements to EBITDAX is net income (loss) on the statement of comprehensive income (loss).

FORWARD LOOKING INFORMATION STATEMENTS

Certain statements in this MD&A constitute forward-looking information, including forward-looking information relating to the impact of the arbitration proceedings in respect of the notice received requiring the Company's subsidiary to withdraw from the D6 PSC and JOA, the Company's efforts to realize value from its core assets and any ability to make any payments therefrom to anyone other than the Lenders, the evaluation of a potential application for listing on another Canadian stock exchange, the ability of the Company to fund its operations and meet its obligations, the Company defending certain claims and the possible actions of the Lenders. Such forward-looking information is based on a number of risks, uncertainties and assumptions, which may cause actual results or other expectations to differ materially from those anticipated and which may prove to be incorrect. Undue reliance should not be placed on forward-looking information. Such forward-looking information reflects the Company's current beliefs and assumptions and is based on information currently available to the Company. This forward-looking information is also based on certain key expectations and assumptions, many of which are not within the control of the Company. There can be no assurances that the Company will be able to successfully complete its strategic plan on a timely basis or that the Company will be able to meet the goals and purposes of its business plan (including resolving various disputes in its favour) or fund its cash requirements. In particular, the Company has not been successful in its efforts to enhance its liquidity. In addition, the Company is in default under the Facilities Agreement and the Lenders have not agreed to waive the default. Further, the Company's ability to defend claims may be restricted or limited for various reasons. Absolutely no assurance can be made that the Company will be able to meet its funding requirements or its other obligations, and nothing herein should be read as stating or inferring otherwise. The failure to meet or satisfy any of the foregoing is likely to have a material adverse impact on the Company and thereby significantly impair the value of security holders' interest in the Company. The reader is cautioned that the assumptions used in the preparation of forward-looking information, although considered reasonable at the time of preparation, may prove to be incorrect. Actual results may vary from the information provided herein as a result of numerous known and unknown risks and uncertainties and other factors and such variations may be material. Such risk factors include, but are not limited to those set out above as well as: risks related to the ability of the Company to continue as a going concern, risks related to the Company not being able to maintain its cash resources, the risks associated with the Company meeting its obligations under the Facilities Agreement, risks related to the various legal claims against the Company or its subsidiaries, as well as the risks associated with the oil and natural gas industry in general, such as commodity price and exchange rate fluctuations, government regulation, environmental risks, competition, changes in tax, royalty and environmental legislation, the impact of general economic conditions, risks associated with meeting all of the Company's obligations, the risks discussed under "Risk Factors" in the Company's Annual Information Form for the year ended March 31, 2018, and in the Company's public disclosure documents, and other factors, many of which are beyond the Company's control. Niko makes no representation that the actual results achieved during the forecast period will be the same in whole or in part as those forecasts. The forward-looking information included in this MD&A is expressly qualified in its entirety by this cautionary statement. The forward-looking information included herein is made as of the date of this MD&A and Niko assumes no obligation to update or revise any forward-looking information to reflect new events or circumstances, except as required by law.

CONDENSED INTERIM CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

(unaudited) (thousands of US Dollars)	As at December 31, 2018	As at March 31, 2018
Assets		
Current assets		
Cash and cash equivalents	5,111	2,809
Restricted cash	-	590
Accounts receivable	147	4,073
Inventories	-	4,136
Current portion of income tax receivable	-	13,923
	5,258	25,531
Restricted cash	-	1,552
Long-term accounts receivable	-	6,309
Exploration and evaluation assets	-	4,737
Property, plant and equipment (Note 5)	-	306,929
Income tax receivable	-	18,161
	5,258	363,219
Liabilities		
Current liabilities		
Trade payables	1,202	9,618
Other payables	385,956	421,667
Current portion of long-term debt	-	4,380
	387,158	435,665
Decommissioning obligations	-	44,956
Long-term debt	-	211,055
	387,158	691,676
Shareholders' Deficit		
Share capital	1,366,867	1,366,867
Contributed surplus	143,142	143,142
Currency translation reserve	2,147	2,147
Deficit	(1,894,056)	(1,840,613)
	(381,900)	(328,457)
	5,258	363,219

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

CONDENSED INTERIM CONSOLIDATED STATEMENTS OF COMPREHENSIVE LOSS

(unaudited)	Three months ended December 31,		Nine months ended December 31,	
(thousands of US Dollars)	2018	2017	2018	2017
Oil and natural gas revenue	-	6,116	9,680	16,806
Production and operating expenses	-	(5,914)	(8,759)	(14,968)
General and administrative expenses	(938)	(1,323)	(2,389)	(3,800)
Finance and other income	44	248	5,129	1,170
Finance expense	(8)	(1,256)	(2,169)	(4,097)
Foreign exchange gain (loss)	107	482	(1,299)	(1,276)
Depletion and depreciation expenses (Note 5)	-	(5,629)	(41,405)	(19,151)
Exploration and evaluation expenses	-	(51)	(5)	(119)
Restructuring costs	-	(39)	-	(367)
Impairment loss, net	-	-	(10,886)	(1,328)
Commercial claim expense	(449)	-	(1,340)	(27,604)
Loss before and after income tax from continuing operations	(1,244)	(7,366)	(53,443)	(54,734)
Net loss from continuing operations	(1,244)	(7,366)	(53,443)	(54,734)
Net income from discontinued operations	-	108	-	346
Total net loss and comprehensive loss	(1,244)	(7,258)	(53,443)	(54,388)
Earnings (loss) per share (Note 7)				
Basic and diluted – continuing operations	(0.01)	(0.08)	(0.57)	(0.58)
Basic and diluted – discontinued operations	-	-	-	-
	(0.01)	(0.08)	(0.57)	(0.58)

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

CONDENSED INTERIM CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' DEFICIT

(unaudited) (thousands of US Dollars, except number of common shares)	Number of Common shares	Share capital	Contributed surplus	Currency translation reserve	Deficit	Total
Balance, March 31, 2017	94,049,614	1,366,867	143,142	2,147	(1,759,342)	(247,186)
Net loss for the period	-	-	-	-	(54,388)	(54,388)
Balance, December 31, 2017	94,049,967	1,366,867	143,142	2,147	(1,813,730)	(301,574)
Net loss for the period	-	-	-	-	(26,883)	(26,883)
Balance, March 31, 2018	94,049,967	1,366,867	143,142	2,147	(1,840,613)	(328,457)
Net loss for the period	-	-	-	-	(53,443)	(53,443)
Balance, December 31, 2018	94,049,967	1,366,867	143,142	2,147	(1,894,056)	(381,900)

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

CONDENSED INTERIM CONSOLIDATED STATEMENTS OF CASH FLOWS

(unaudited) (thousands of US Dollars)	Three months ended December 31, 2018	2017	Nine months ended December 31, 2018	2017
Cash flows from operating activities:				
Net loss from continuing operations	(1,244)	(7,366)	(53,443)	(54,734)
Adjustments for:				
Depletion and depreciation expenses	-	5,629	41,405	19,151
Accretion expense	-	867	1,834	2,557
Unrealized foreign exchange loss (gain)	-	(757)	2,727	187
Finance and other income	-	(217)	(475)	(679)
Impairment loss, net	-	-	8,860	1,328
Commercial claim expense	449	-	1,340	27,604
Change in non-cash working capital	2,280	4,431	14,052	5,356
Change in long-term accounts receivable	-	(14)	-	(13)
Cash from operating activities from continuing operations	1,485	2,573	16,300	757
Cash from operating activities from discontinued operations	-	77	-	453
Net cash from operating activities	1,485	2,650	16,300	1,210
Cash flows used in investing activities:				
Property, plant and equipment expenditures (net)	-	(2,696)	(12,324)	(3,443)
Contribution of restricted cash	-	-	-	(30)
Change in non-cash working capital	-	1,055	2,706	(965)
Cash used in investing activities from continuing operations	-	(1,641)	(9,618)	(4,438)
Cash flows used in financing activities:				
Repayment of long-term debt	-	(2,464)	(4,380)	(7,153)
Release of restricted cash	-	300	-	300
Cash used in financing activities from continuing operations	-	(2,164)	(4,380)	(6,853)
Change in cash and cash equivalents	1,485	(1,155)	2,302	(10,081)
Cash and cash equivalents, beginning of period	3,626	2,468	2,809	11,394
Cash and cash equivalents, end of period	5,111	1,313	5,111	1,313

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

NOTES TO THE UNAUDITED CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

1. Nature of Business

Niko Resources Ltd. (the "Company") is a company incorporated in Alberta, Canada. The address of its registered office and principal place of business is Suite 1500, 205 – 5th Avenue SW, Calgary, Alberta, T2P 2V7. The Company is engaged in the exploration, development and production of oil and natural gas primarily in India and Bangladesh. The Company's common shares are traded on the Toronto Stock Exchange under the symbol "NKO".

2. Going Concern

D6 Block in India
In the third quarter of fiscal 2019, a subsidiary of the Company received a default notice from the operator of the D6 production sharing contract ("PSC") in India for non-payment of cash calls. Under the terms of the joint operating agreement ("JOA") between the participating interest holders in the D6 PSC, during the continuance of a default, the defaulting party shall not have a right to its share of revenue (which shall vest in and be the property of the non-defaulting parties who have paid to cover the amount in default). In addition, if the defaulting party does not cure a default within sixty days of the default notice, the non-defaulting parties have the option to require the defaulting party to withdraw from the D6 PSC and JOA. In December 2018, the subsidiary of the Company received a notice from the non-defaulting parties requiring the subsidiary to withdraw from the D6 PSC and JOA. The Company has filed a notice of arbitration challenging the withdrawal notice received from the non-defaulting parties. Nevertheless, the delivery of the withdrawal notice will have a material adverse impact on the Company's stakeholders, particularly its shareholders.

Due to the non-payment of cash calls, an event of default occurred under the terms of the Company's Facilities Agreement with its senior lenders (the "Lenders"). As a result, the Lenders may exercise rights and remedies in accordance with the Facilities Agreement and applicable law.

Block 9 in Bangladesh
In the first quarter of fiscal 2019, the Company was notified by the operator of the Block 9 PSC that Bangladesh Oil, Gas and Mineral Corporation ("Petrobangla") paid funds to the operator of the Block 9 for recovery of costs incurred by the operator related to Niko Block 9's interest in Block 9 and the Company understands that Petrobangla has continued to do so for subsequent periods. The estimated cumulative amount of non-payments by Petrobangla of amounts due for Niko's share of the profit petroleum portion of invoiced amounts due for gas and condensate sales supplied pursuant to the Block 9 gas and condensate sales agreements for March 2016 to December 2018 is $38 million. In addition, the amount due from Petrobangla under the Payment Claim arbitration dispute (to be decided upon by Tribunals constituted under the rules of International Centre for Settlement of Investment Disputes) for gas delivered from the Feni field from November 2004 to April 2010 is estimated to be approximately $39 million (including accrued interest). Refer to Note 30(a)(ii) of the audited consolidated financial statements for the year ended March 31, 2018 for further details on this matter.

Waterfall Distribution
Per the Waterfall Distribution mechanism defined in the agreements governing the Term Loan and the convertible notes of the Company, 100% of any net proceeds received for the Company's assets up to $180 million would be payable to the Lenders of the Term Loan. As such, if the Company were able to conclude any transaction to realize value up to $180 million, this value would be required to be distributed to the Lenders. No assurance whatsoever can be made that the Company will realize any value for its core assets.

Contingent Liabilities
The Company and its subsidiaries are subject to various claims from other parties, as described in Note 30 of the audited consolidated financial statements for the year ended March 31, 2018 and updated in Note 9, and are 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, defaults and contingent liabilities of the Company and its subsidiaries), there are material uncertainties that may cast significant doubt about the ability of the Company to continue as a going concern.

These condensed interim consolidated financial statements for the quarter ended December 31, 2018 do not reflect the adjustments or reclassification of assets and liabilities which would be necessary if the Company were unable to continue as a going concern and therefore be required to realize on its assets and liabilities in other than the normal course of business and potentially at amounts significantly different from those recorded in these financial statements.

3. Basis of Presentation

Statement of compliance

These condensed interim consolidated financial statements do not include all of the information required for full annual consolidated financial statements and should be read in conjunction with the audited consolidated financial statements and notes for the year ended March 31, 2018. The condensed interim consolidated financial statements have been prepared, for all periods presented, following the same accounting policies and methods as described in Note 4 of the audited consolidated financial statements for the year ended March 31, 2018. Certain prior period amounts have been reclassified to conform to the current presentation. These condensed interim consolidated financial statements have not been reviewed by the Company's independent external auditors.

The condensed interim consolidated financial statements were approved by the Board of Directors and authorized for issue on February 13, 2019.

4. Changes in Accounting Policies

Effective April 1, 2018, the Company adopted the following new accounting standards. Also refer to the audited consolidated financial statements for the year ended March 31, 2018 for the recent accounting pronouncements issued but not yet effective.

IFRS 9 – Financial Instruments
IFRS 9 "Financial Instruments" was amended in July 2014 with respect to its classification and measurement of financial assets and introduces a new expected loss impairment model. The standard now includes three categories for financial assets, as compared to five categories under IAS 39, including amortized cost, fair value through profit or loss, and fair value through other comprehensive income. IFRS 9 removes the loans and receivables and held for trading categories previously included under IAS 39. The adoption of IFRS 9 did not require any material adjustments to the Company's consolidated financial statements.

IFRS 15 – Revenue from Contracts with Customers
In May 2014, IASB issued IFRS 15 which replaces IAS 11 "Construction Contracts", IAS 18 "Revenue", IFRIC 13 "Customer Loyalty Programmes", IFRIC 15 "Agreements for the Construction of Real Estate", IFRIC 18 "Transfer of Assets from Customers" and SIC 31 "Revenue – Barter Transactions Involving Advertising Services". IFRS 15 establishes revenue recognition principles for reporting the nature, amount, timing, and uncertainty of revenue and cash flows arising from an entity's contract with customers. The adoption of IFRS 15 did not require any material adjustments to the Company's consolidated financial statements.

5. Property, Plant and Equipment

In the second quarter of fiscal 2019 the Company determined that the realization of value from its D6 and Block 9 property, plant and equipment was substantially dependent on uncertain events that were not wholly within the control of the Company (refer to Note 2). As a result, the Company recognized an impairment loss of $278 million on its property, plant and equipment in the second quarter of fiscal 2019.

(a) Development and producing assets

(thousands of US Dollars)	As at December 31, 2018
Cost	
Balance, March 31, 2018	1,144,489
Additions	8,026
Impairment	(259,854)
Balance, December 31, 2018	892,661
Accumulated depletion	
Balance, March 31, 2018	(851,510)
Additions	(41,151)
Balance, December 31, 2018	(892,661)
Net book value, December 31, 2018	-

During the third and fourth quarter of fiscal 2018, the Company corrected its calculations of depletion expense for the Company's India segment for the prior quarters of fiscal 2018. In these financial statements, depletion expense for the nine months of fiscal 2018 has been adjusted by $5.6 million.

(b) Other property, plant and equipment

(thousands of US Dollars)	Land and buildings	Vehicles, aircrafts, plant and machinery	Office equipment and furniture	Pipelines	Total
Cost					
Balance, March 31, 2018	17,533	2,765	2,791	3,691	26,780
Additions	-	-	-	4	4
Disposals / Adjustments	-	-	(1,484)	-	(1,484)
Balance, December 31, 2018	17,533	2,765	1,307	3,695	25,300
Accumulated depreciation					
Balance, March 31, 2018	(11,384)	(2,123)	(2,767)	(3,633)	(19,907)
Additions	(169)	(126)	(1)	(24)	(320)
Disposals / Adjustments	-	-	1,484	67	1,551
Impairment	(5,980)	(516)	(23)	(105)	(6,624)
Balance, December 31, 2018	(17,533)	(2,765)	(1,307)	(3,695)	(25,300)
Net book value, December 31, 2018	-	-	-	-	-

(c) Capital work-in-progress

(thousands of US Dollars)	As at December 31, 2018
Balance, March 31, 2018	7,078
Additions	4,294
Impairment	(11,372)
Balance, December 31, 2018	-

6. Financial Instruments

The Company's financial instruments include cash and cash equivalents, accounts receivable, accounts payable, accrued liabilities and long-term debt. The fair values of cash and cash equivalents, accounts receivable, accounts payable and accrued liabilities, approximate their carrying value.

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

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

As a result of amendments executed in July 2016, the Company determined that the estimated fair value of the Company's Term Loan, Convertible Notes, deferred obligation and contract settlement obligation were substantially less than the carrying value of these obligations at that date and the difference between the fair value and the carrying value of these was recognized on the statement of comprehensive loss as a gain on debt modification. In the second quarter of fiscal 2019, the Company revalued these obligations to the estimated fair value of nil and recognized a gain on revaluation of long-term debt of $211 million.

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

The Term Loan on the modification date and subsequent thereto and the Convertible Notes post the modification date are classified as Level 3 financial instruments and the estimated fair values are determined using estimated discount rates and the corresponding net proceeds that may be payable to the Term Loan lenders and the Noteholders under the Waterfall Distribution mechanism.

The deferred obligation and contract settlement obligation are classified as Level 3 financial instruments and the estimated fair values of these amounts were determined based on the priority of payments under the Waterfall Distribution mechanism.

The following table compares the face value and fair value of the Company's Term Loan, Convertible Notes, deferred obligation and contract settlement obligation as at December 31, 2018:

(thousands of US Dollars)	Face Value[(1)]	Fair Value
Term loan[(2)]	453,336	-
Convertible notes[(2)]	115,410	-
Deferred obligation[(2)]	6,925	-
Contract settlement obligation[(2)]	26,057	-
	601,728	-

(1) Includes accrued interest and other amounts owing as at December 31, 2018.
(2) Refer to the audited consolidated financial statements for the year ended March 31, 2018 for discussion.

7. Per Share Amounts

(thousands of US Dollars, except number of common shares)	Three months ended December 31, 2018	Three months ended December 31, 2017	Nine months ended December 31, 2018	Nine months ended December 31, 2017
Continuing Operations				
Basic and Diluted				
Net loss	(1,244)	(7,366)	(53,443)	(54,734)
Weighted average number of common shares	94,049,967	94,049,967	94,049,967	94,049,713
Basic and diluted net loss per share	(0.01)	(0.08)	(0.57)	(0.58)
Discontinued Operations				
Basic and Diluted				
Net income	-	108	-	346
Weighted average number of common shares	94,049,967	94,049,967	94,049,967	94,049,713
Basic and diluted net income per share	-	-	-	-

(1) For the three and nine months ended December 31, 2018 and 2017, stock options were excluded from the diluted earnings per share calculation as these options were anti-dilutive.
(2) For the three and nine months ended December 31, 2018 and 2017, the outstanding Convertible Notes were excluded from the diluted earnings per share calculation as the Convertible Notes were anti-dilutive.

8. Segmented Information

(a) Revenues from reportable segments

(thousands of US Dollars)	Three months ended December 31, 2018	2017	Nine months ended December 31, 2018	2017
Natural gas sales				
India	-	4,691	7,198	15,158
Oil and condensate sales				
India	-	2,091	3,496	3,691
Total oil and natural gas revenue	-	6,782	10,694	18,849

(b) Capital additions from reportable segments

(thousands of US Dollars)	Nine months ended December 31, 2018		Nine months ended December 31, 2017	
Continuing Segments	Exploration and evaluation assets	Property, plant and equipment	Exploration and evaluation assets	Property, plant and equipment
Bangladesh	-	62	-	
India	-	12,262	-	
Total	-	12,324	-	

(c) Segmented assets

(thousands of US Dollars)	As at December 31, 2018			As at March 31, 2018		
Segment	Total Exploration and evaluation assets	Total Property, plant and equipment	Total Assets	Total Exploration and evaluation assets	Total Property, plant and equipment	Total Assets
Bangladesh	-	-	23	4,737	26,307	32,770
India	-	-	311	-	280,622	328,781
Other	-	-	4,924	-	-	1,668
Total	-	-	5,258	4,737	306,929	363,219

(d) Segment income (loss) from reportable segments

	Three months ended December 31, 2018				Three months ended December 31, 2017			
(thousands of US Dollar)	India	Bangladesh	Other	Total	India	Bangladesh	Other	Total
Natural gas revenue	-	-	-	-	4,691	-	-	4,691
Crude oil and condensate revenue	-	-	-	-	2,091	-	-	2,091
Royalties	-	-	-	-	(600)	-	6	(594)
Profit petroleum	-	-	-	-	(72)	-	-	(72)
Net oil and natural gas revenue	**-**	**-**	**-**	**-**	**6,110**	**-**	**6**	**6,116**
Production and operating expenses	-	-	-	-	(4,186)	(1,728)	-	(5,914)
General and administrative expenses	-	-	(938)	(938)	-	-	(1,323)	(1,323)
Finance and other income	-	-	44	44	217	-	31	248
Finance expense	-	-	(8)	(8)	(1,133)	(119)	(4)	(1,256)
Foreign exchange gain	-	-	107	107	-	-	482	482
Depletion and depreciation expenses	-	-	-	-	(4,540)	(1,089)	-	(5,629)
Exploration and evaluation expenses	-	-	-	-	(51)	-	-	(51)
Impairment loss, net	-	-	-	-	-	-	-	-
Restructuring costs	-	-	-	-	-	-	(39)	(39)
Commercial claim expense	(449)	-	-	(449)	-	-	-	-
Net segment income (loss) from continuing operations	**(449)**	-	**(795)**	**(1,244)**	**(3,583)**	**(2,936)**	**(847)**	**(7,366)**
Net segment income from discontinued operations	**-**	**-**	**-**	**-**	**-**	**-**	**108**	**108**
Total net income (loss) and comprehensive income (loss)	**(449)**	-	**(795)**	**(1,244)**	**(3,583)**	**(2,936)**	**(739)**	**(7,258)**

	Nine months ended December 31, 2018				Nine months ended December 31, 2017			
(thousands of US Dollar)	India	Bangladesh	Other	Total	India	Bangladesh	Other	Total
Natural gas revenue	7,198	-	-	7,198	15,158	-	-	15,158
Crude oil and condensate revenue	3,496	-	-	3,496	3,691	-	-	3,691
Royalties	(922)	-	14	(908)	(1,824)	-	17	(1,807)
Profit petroleum	(106)	-	-	(106)	(236)	-	-	(236)
Net oil and natural gas revenue	**9,666**	**-**	**14**	**9,680**	**16,789**	**-**	**17**	**16,806**
Production and operating expenses	(6,033)	(2,726)	-	(8,759)	(10,528)	(4,440)	-	(14,968)
General and administrative expenses	-	-	(2,389)	(2,389)	-	-	(3,800)	(3,800)
Finance and other income	475	-	4,654	5,129	627	-	543	1,170
Finance expense	(1,884)	(261)	(24)	(2,169)	(3,382)	(700)	(15)	(4,097)
Foreign exchange loss	-	-	(1,299)	(1,299)	-	-	(1,276)	(1,276)
Depletion and depreciation expenses	(39,314)	(2,091)	-	(41,405)	(15,849)	(3,302)	-	(19,151)
Exploration and evaluation expenses	(5)	-	-	(5)	(119)	-	-	(119)
Impairment loss, net	(221,735)	(166)	211,015	(10,886)	(1,328)	-	-	(1,328)
Restructuring costs	-	-	-	-		-	(367)	(367)
Commercial claim expense	(1,340)	-	-	(1,340)	(27,604)	-	-	(27,604)
Net segment income (loss) from continuing operations	**(260,170)**	**(5,244)**	**211,971**	**(53,443)**	**(41,394)**	**(8,442)**	**(4,898)**	**(54,734)**
Net segment income from discontinued operations	**-**	**-**	**-**	**-**	**-**	**-**	**346**	**346**
Total net income (loss) and comprehensive income (loss)	**(260,170)**	**(5,244)**	**211,971**	**(53,443)**	**(41,394)**	**(8,442)**	**(4,552)**	**(54,388)**

9. Contingent Liabilities

See Note 30 of the audited consolidated financial statements for the year ended March 31, 2018 for a description of the contingent liabilities of the Company. See below for the material updates since the issuance of those financial statements.

Alleged Migration of Natural Gas Dispute

In July 2018, an international arbitral tribunal issued an award in favour of the contractor group, rejecting completely the claims of the GOI, by a majority of 2 to 1. All the contentions of the contractor group have been upheld by the majority with a finding that the contractor group was entitled to produce all gas from its contract area and all claims made by the GOI have been rejected with the contractor group not liable to pay any amount to the GOI.

In October 2018, the GOI filed a petition to the High Court of Delhi in India seeking to set aside the final award issued by the tribunal and uphold the opinion of the dissenting member of the tribunal. The contractor group is expected to defend against this petition.