



**QUARTERLY REPORT**  
**FOR THE QUARTER ENDED SEPTEMBER 30, 2019**

November 18, 2019

## MANAGEMENT'S DISCUSSION AND ANALYSIS

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

The following Management's Discussion and Analysis ("MD&A") of the financial condition, financial performance and cash flows of the Company for the three months ended September 30, 2019 should be read in conjunction with the condensed interim consolidated financial statements for the period ended September 30, 2019. Additional information relating to the Company is available on SEDAR at [www.sedar.com](http://www.sedar.com). This MD&A is dated November 18, 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*

During fiscal 2019, the Company was unsuccessful in its efforts to sell its interest in the D6 Block in India or secure financing for funding of its share of development expenditures in the block. In the third quarter of fiscal 2019, a subsidiary of the Company failed to pay cash calls due for the D6 Block and received a default notice under the terms of the D6 joint operating agreement ("JOA") between the participating interest holders in the D6 production sharing contract ("PSC"). Per the terms of the D6 JOA, 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 notices from the non-defaulting parties requiring the subsidiary to withdraw from the D6 PSC and JOA and providing that the subsidiary shall be deemed, as at the date of the notice, to have transferred its interests in the D6 Block to the non-defaulting parties. The subsidiary then filed a notice of arbitration under the rules of the London Court of International Arbitration ("LCIA") challenging the withdrawal notices received from the non-defaulting parties.

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.

The subsidiary and the non-defaulting parties under the D6 JOA are seeking to settle the LCIA arbitration claim. Pursuant to the Waterfall Distribution mechanism defined in the Facilities Agreement and the indenture governing 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. Accordingly, even if a settlement arrangement is concluded, it is expected that any net proceeds received as a result thereof would be required to be distributed solely to the Lenders. As a result, it is highly likely that holders of the Company's convertible notes will not receive any payments from the Company and that no value will be attributed to the common shares of the Company.

#### *Bangladesh*

In the first quarter of fiscal 2020, Niko Block 9 filed a request for arbitration against Petrobangla and the Government of Bangladesh ("GOB") under the rules of International Centre for Settlement of Investment Disputes ("ICSID"). 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 September 2019 is \$49 million. The amount due from Petrobangla under the ICSID arbitration dispute for gas delivered from the Feni field from November 2004 to April 2010 is estimated to be approximately \$40 million (including accrued interest). Refer to Note 28(a) of the audited consolidated financial statements for the year ended March 31, 2019 for further details on these matters.

#### *Contingent Liabilities*

The Company and its subsidiaries are subject to various claims from other parties, as described in Note 28 of the audited consolidated financial statements for the year ended March 31, 2019, 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 six months ended September 30, 2019 are as follows:

### Consolidated

(thousands of US Dollars, unless otherwise indicated)	Three months ended September 30,		Six months ended September 30,	
	2019	2018	2019	2018
EBITDAX <sup>(2)</sup>	(560)	771	(1,382)	5,380
Net loss	(1,009)	(49,158)	(2,274)	(67,342)

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

As at September 30, 2018, the Company determined that the realization of value from its D6 and Block 9 property, plant and equipment and exploration and evaluation assets, inventory, restricted cash, income tax and other receivables was substantially dependent on uncertain events that were not wholly within the control of the Company. As a result, 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. As a result of the impairment of the assets noted above, the Company revalued its long-term debt as at September 30, 2018 to nil. Effective the third quarter of fiscal 2019, the Company no longer recognized net oil and gas revenue, production and operating expenses or depreciation and depletion expenses related to these assets (net oil and gas revenue related to Block 9 had not been recognized since September 2016).

EBITDAX and net loss in the second quarter of fiscal 2020 primarily reflected general and administrative expenses of the Company, which were slightly lower than the second quarter of fiscal 2019 as the Company's cost saving efforts were mostly offset by higher legal expenses. EBITDAX in the second quarter of fiscal 2019 also reflected oil and natural gas revenue in the D6 Block in India, partially offset by production and operating expense for the D6 Block in India and Block 9 in Bangladesh. Net loss in the second quarter of fiscal 2019 also reflected recognition of a net impairment loss of \$10 million and current income tax expense of \$16 million related to the revaluation of assets and related liabilities as at September 30, 2018 as well as 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 revenue to EBITDAX to net loss:

(thousands of US Dollars, unless otherwise indicated)	Three months ended September 30,		Six months ended September 30,	
	2019	2018	2019	2018
Natural gas revenue	-	3,256	-	7,198
Crude oil and condensate revenue	-	2,320	-	3,496
Royalties	-	(414)	-	(907)
Government share of profit petroleum	-	(57)	-	(107)
<b>Net oil and natural gas revenue</b>	-	<b>5,105</b>	-	<b>9,680</b>
Production and operating expenses	-	(4,707)	-	(8,759)
General and administrative expenses	(582)	(665)	(1,427)	(1,456)
Cash finance and other income	26	82	58	4,610
Bank charges and other finance costs	(5)	(6)	(7)	(16)
Realized foreign exchange gain (loss)	1	962	(6)	1,321
<b>EBITDAX from continuing operations<sup>(1)</sup></b>	<b>(560)</b>	<b>771</b>	<b>(1,382)</b>	<b>5,380</b>
Depletion and depreciation expenses	-	(20,943)	-	(41,405)
Non-cash finance and other income	-	242	-	475
Other finance and other expenses	(449)	(1,550)	(892)	(3,036)
Unrealized foreign exchange loss	-	(1,649)	-	(2,727)
Impairment loss, net	-	(9,662)	-	(9,662)
Current tax expense	-	(16,367)	-	(16,367)
<b>Total net loss</b>	<b>(1,009)</b>	<b>(49,158)</b>	<b>(2,274)</b>	<b>(67,342)</b>

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

(2) Refer to Note 6 of the condensed interim financial statements for the three and six months ended September 30, 2019 for detailed segment information.

## SUMMARY OF QUARTERLY RESULTS

(thousands of US Dollars)	Sep 30, 2019	Jun 30, 2019	Mar 31, 2019	Dec 31, 2018	Sep 30, 2018	Jun 30, 2018	Mar 31, 2018	Dec 31, 2017
<b>Oil and natural gas revenue<sup>(1)</sup></b>	-	-	-	-	5,105	4,575	3,547	6,116
<b>Net income (loss)<sup>(1)</sup></b>								
Continuing operations	(1,009)	(1,265)	26	(1,244)	(49,158)	(18,184)	(26,884)	(7,366)
Discontinuing operations <sup>(2)</sup>	-	-	-	-	-	-	-	108
Total	(1,009)	(1,265)	26	(1,244)	(49,158)	(18,184)	(26,884)	(7,258)
<b>Earnings (loss) per share – basic and diluted<sup>(1)</sup></b>								
Continuing operations	(0.01)	(0.01)	(0.00)	(0.01)	(0.52)	(0.19)	(0.28)	(0.08)
Discontinuing operations <sup>(2)</sup>	-	-	-	-	-	-	-	0.00
Total	(0.01)	(0.01)	(0.00)	(0.01)	(0.52)	(0.19)	(0.28)	(0.08)

(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.

Oil and natural gas revenue fluctuated throughout the quarters up to and including September 30, 2018 based on changes in production and price. In India, production naturally declined and natural gas prices have fluctuated reflecting semi-annual price notifications issued by the GOI. 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 \$221 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 September 30, 2018, the Company no longer recognized net oil and gas revenue, production and operating expenses or depreciation and depletion expenses, and the Company's results for past four quarters ended September 30, 2019 primarily reflected general and administrative expenses of the Company. Net income (loss) for the quarters ended June 30, 2018 and March 31, 2019 benefitted from the impact of income tax refunds received in India. Refer to the Company's previously issued annual and interim MD&A's, available on SEDAR at [www.sedar.com](http://www.sedar.com) for further information regarding changes in the prior quarters.

## CONTRACTUAL OBLIGATIONS

The following table represents the Company's contractual obligations and other commitments as at September 30, 2019:

(thousands of US Dollars)	Face Value	Carrying Value	< 1 year	1 to 3 years	3 to 5 years	> 5 years
Term loan facilities <sup>(1)(2)</sup>	489,890	-	-	-	-	-
Convertible notes <sup>(1)(3)</sup>	117,853	-	-	-	-	-
Contract settlement obligation <sup>(5)</sup>	26,057	-	-	-	-	-
Deferred obligation <sup>(5)</sup>	6,925	-	-	-	-	-
Exploration work commitments <sup>(6)</sup>	272,399	272,399	272,399	-	-	-
<b>Total contractual obligations</b>	<b>913,124</b>	<b>272,399</b>	<b>272,399</b>	<b>-</b>	<b>-</b>	<b>-</b>

(1) The Company is not required to make interest payments (including interest previously owing) under the term loan facilities agreement or the note indenture governing the convertible notes, other than in connection with a Waterfall Distribution.

(2) The term loan facilities are recorded in the financial statements at fair value of nil.

(3) The convertible notes are recorded in the financial statements at fair value of nil. The face value of the convertible notes as at September 30, 2019 is Cdn\$156 million (including accrued interest).

(4) The contract settlement obligation is recorded in the financial statements at fair value of nil.

(5) The deferred obligation is recorded in the financial statements at fair value of nil.

(6) The total unfulfilled exploration commitment obligation includes \$269 million related to dormant subsidiaries recorded in the condensed interim consolidated financial statements for period ended September 30, 2019.

## OUTSTANDING SHARE DATA

The Company did not issue any common shares or securities convertible or exchangeable into common shares. As at November 18, 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 September 30, 2019.

## 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 17 of the audited consolidated financial statements for the year ended March 31, 2019.

## CHANGES IN ACCOUNTING STANDARDS

Effective April 1, 2019, the Company adopted the following new accounting standard.

### IFRS 16 – Leases

In January 2016, IASB issued IFRS 16 – Leases, IFRS 16 provides a single lessee accounting model, requiring lessees to recognise assets and liabilities for all leases unless the lease term is twelve months or less or the underlying asset has a low value. The new standard is effective for periods beginning on or after January 1, 2019. The adoption of IFRS 16 did not require any material adjustments to the Company's condensed interim consolidated financial statements.

## CRITICAL ACCOUNTING ESTIMATES

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

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, 2019.

## RISK FACTORS

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

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

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

For a complete description of the potential effects of the Company's contingencies on the Company, refer to Note 28 of the audited consolidated financial statements for the year ended March 31, 2019.

## 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, 2019. Certain prior period amounts have been adjusted to reflect the accounting treatment used in the audited consolidated financial statements for the year ended March 31, 2019 and 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 2020" is used throughout the MD&A and in all cases refers to the period from April 1, 2019 through March 31, 2020. 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.

## **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 period ended September 30, 2019 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 Company utilizes EBITDAX to assess performance. 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, 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 ability to settle the LCIA arbitration claim, any ability to make any payments to anyone other than the Lenders, 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 September 30, 2019	As at March 31, 2019
<b>Assets</b>		
Current assets		
Cash and cash equivalents	3,348	4,950
Accounts receivable	172	260
	3,520	5,210
<b>Liabilities</b>		
Current liabilities		
Trade payables	1,233	1,542
Other payables	401,578	400,685
	402,811	402,227
<b>Shareholders' Deficit</b>		
Share capital	1,366,867	1,366,867
Contributed surplus	143,142	143,142
Currency translation reserve	2,147	2,147
Deficit	(1,911,447)	(1,909,173)
	(399,291)	(397,017)
	3,520	5,210

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)	Three months ended September 30		Six months ended September 30,	
	2019	2018	2019	2018
Oil and natural gas revenue (Note 2)	-	5,105	-	9,680
Production and operating expenses (Note 2)	-	(4,707)	-	(8,759)
Depletion and depreciation expenses (Note 2)	-	(20,943)	-	(41,405)
General and administrative expenses	(582)	(665)	(1,427)	(1,456)
Finance and other income	26	324	58	5,085
Finance and other expense	(454)	(1,556)	(899)	(3,052)
Foreign exchange gain (loss)	1	(687)	(6)	(1,406)
Impairment loss, net	-	(9,662)	-	(9,662)
Net loss before income tax	(1,009)	(32,791)	(2,274)	(50,975)
Current income tax expense	-	(16,367)	-	(16,367)
Net loss and comprehensive loss	(1,009)	(49,158)	(2,274)	(67,342)
Net loss per share (Note 5)				
Basic and diluted	(0.01)	(0.52)	(0.02)	(0.72)

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, 2018	94,049,967	1,366,867	143,142	2,147	(1,840,613)	(328,457)
Net loss for the period	-	-	-	-	(67,342)	(67,342)
Balance, September 30, 2018	94,049,967	1,366,867	143,142	2,147	(1,907,955)	(395,799)
Net loss for the period	-	-	-	-	(1,218)	(1,218)
Balance, March 31, 2019	94,049,967	1,366,867	143,142	2,147	(1,909,173)	(397,017)
Net loss for the period	-	-	-	-	(2,274)	(2,274)
Balance, September 30, 2019	94,049,967	1,366,867	143,142	2,147	(1,911,447)	(399,291)

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 September 30,		Six months ended September 30,	
	2019	2018	2019	2018
<b>Cash flows (used in) from operating activities:</b>				
Net loss from continuing operations	(1,009)	(49,158)	(2,274)	(67,342)
Adjustments for:				
Depletion and depreciation expenses	-	20,943	-	41,405
Finance and other income	-	(242)	-	(475)
Finance and other expense	449	1,503	892	2,725
Unrealized foreign exchange loss	-	1,649	-	2,727
Impairment loss, net	-	9,662	-	9,662
Change in non-cash working capital	(62)	14,899	(220)	26,113
Net cash (used in) from operating activities	(622)	(744)	(1,602)	14,815
<b>Cash flows used in investing activities:</b>				
Property, plant and equipment expenditures (net)	-	(6,976)	-	(12,324)
Change in non-cash working capital	-	2,943	-	2,706
Cash used in investing activities	-	(4,033)	-	(9,618)
<b>Cash flows used in financing activities:</b>				
Repayment of long-term debt	-	(1,801)	-	(4,380)
Cash used in financing activities	-	(1,801)	-	(4,380)
Change in cash and cash equivalents	(622)	(6,578)	(1,602)	817
Cash and cash equivalents, beginning of period	3,970	10,204	4,950	2,809
Cash and cash equivalents, end of period	3,348	3,626	3,348	3,626

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 was engaged in the exploration, development and production of oil and natural gas primarily in India and Bangladesh. Effective March 13, 2019, the Company's common shares and Convertible Notes were delisted from the Toronto Stock Exchange.

### 2. Going Concern and Impairment Loss, Net

#### (a) *Going Concern*

##### *D6 Block in India*

During fiscal 2019, the Company was unsuccessful in its efforts to sell its interest in the D6 Block in India or secure financing for funding of its share of development expenditures in the block. In the third quarter of fiscal 2019, a subsidiary of the Company failed to pay cash calls due for the D6 Block and received a default notice under the terms of the D6 joint operating agreement ("JOA") between the participating interest holders in the D6 production sharing contract ("PSC"). Per the terms of the D6 JOA, 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 notices from the non-defaulting parties requiring the subsidiary to withdraw from the D6 PSC and JOA and providing that the subsidiary shall be deemed, as at the date of the notice, to have transferred its interests in the D6 Block to the non-defaulting parties. The subsidiary then filed a notice of arbitration under the rules of the London Court of International Arbitration ("LCIA") challenging the withdrawal notices received from the non-defaulting parties.

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.

The subsidiary and the non-defaulting parties under the D6 JOA are seeking to settle the LCIA arbitration claim. Pursuant to the Waterfall Distribution mechanism defined in the Facilities Agreement and the indenture governing 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. Accordingly, even if a settlement arrangement is concluded, it is expected that any net proceeds received as a result thereof would be required to be distributed solely to the Lenders. As a result, it is highly likely that holders of the Company's convertible notes will not receive any payments from the Company and that no value will be attributed to the common shares of the Company.

##### *Bangladesh*

In the first quarter of fiscal 2020, Niko Block 9 filed a request for arbitration against Petrobangla and the Government of Bangladesh ("GOB") under the rules of International Centre for Settlement of Investment Disputes ("ICSID"). 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 September 2019 is \$49 million. The amount due from Petrobangla under the ICSID arbitration dispute for gas delivered from the Feni field from November 2004 to April 2010 is estimated to be approximately \$40 million (including accrued interest). Refer to Note 28(a) of the audited consolidated financial statements for the year ended March 31, 2019 for further details on these matters.

##### *Contingent Liabilities*

The Company and its subsidiaries are subject to various claims from other parties, as described in Note 28 of the audited consolidated financial statements for the year ended March 31, 2019, 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 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 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.

(b) *Impairment*

As at September 30, 2018, the Company determined that the realization of value from its D6 and Block 9 property, plant and equipment and exploration and evaluation assets, inventory, restricted cash, income tax and other receivables was substantially dependent on uncertain events that were not wholly within the control of the Company. As a result, the Company recognized impairments of these assets, net of associated liabilities, reducing the carrying value of these balance sheet items to nil. As a result of the impairment of the assets noted above, the Company revalued its long-term debt as at September 30, 2018 to nil. Effective the third quarter of fiscal 2019, the Company no longer recognized net oil and gas revenue, production and operating expenses, or depletion, depreciation and amortization related to these assets (net oil and gas revenue related to Block 9 had not been recognized since September 2016).

### 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, 2019. 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, 2019. Certain prior period amounts have been adjusted to reflect the accounting treatment used in the audited consolidated financial statements for the year ended March 31, 2019 and 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 November 18, 2019.

### 4. Changes in Accounting Policies

Effective April 1, 2019, the Company adopted the following new accounting standards.

#### IFRS 16 – Leases

In January 2016, IASB issued IFRS 16 – Leases, IFRS 16 provides a single lessee accounting model, requiring lessees to recognise assets and liabilities for all leases unless the lease term is twelve months or less or the underlying asset has a low value. The new standard is effective for periods beginning on or after January 1, 2019. The adoption of IFRS 16 did not require any material adjustments to the Company's condensed interim consolidated financial statements.

### 5. Per Share Amounts

(thousands of US Dollars, Except number of common shares)	Three months ended September 30,		Six months ended September 30,	
	2019	2018	2019	2018
<b>Continuing Operations</b>				
Basic and Diluted				
Net loss	(1,009)	(49,159)	(2,274)	(67,343)
Weighted average number of common shares	94,049,967	94,049,967	94,049,967	94,049,967
Basic and diluted net loss per share	(0.01)	(0.52)	(0.02)	(0.72)

(1) For the periods ended September 30, 2019 and 2018, the outstanding Convertible Notes were excluded from the diluted earnings per share calculation as the Convertible Notes were anti-dilutive.

## 6. Segmented Information

### (a) Revenues from reportable segments

(thousands of US Dollars)	Three months ended September 30,		Six months ended September 30,	
	2019	2018	2019	2018
Natural gas sales				
India	-	3,256	-	7,198
Oil and condensate sales				
India	-	2,320	-	3,496
<b>Total oil and natural gas revenue</b>	<b>-</b>	<b>5,576</b>	<b>-</b>	<b>10,694</b>

(1) Effective the third quarter of fiscal 2019, the Company no longer recognized net oil and gas revenue related to the D6 Block in India. See Note 2 for further information.

### (b) Capital additions from reportable segments

(thousands of US Dollars)	Six months ended September 30,		Six months ended September 30,	
	2019		2018	
Continuing Segments	Exploration and evaluation assets	Property, plant and equipment	Exploration and evaluation assets	Property, plant and equipment
Bangladesh	-	-	-	62
India	-	-	-	12,262
<b>Total</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>12,324</b>

### (c) Segmented assets

(thousands of US Dollars)	As at September 30, 2019			As at March 31, 2019		
	Total Exploration and evaluation assets	Total Property, plant and equipment	Total Assets	Total Exploration and evaluation assets	Total Property, plant and equipment	Total Assets
Segment						
Bangladesh	-	-	17	-	-	23
India	-	-	208	-	-	355
Other	-	-	3,295	-	-	4,832
<b>Total</b>	<b>-</b>	<b>-</b>	<b>3,520</b>	<b>-</b>	<b>-</b>	<b>5,210</b>

## (d) Segment income (loss) from reportable segments

(thousands of US Dollar)	Three months ended September 30, 2019				Three months ended September 30, 2018			
	India	Bangladesh	Other	Total	India	Bangladesh	Other	Total
Natural gas revenue	-	-	-	-	3,256	-	-	3,256
Crude oil and condensate revenue	-	-	-	-	2,320	-	-	2,320
Royalties	-	-	-	-	(422)	-	8	(414)
Profit petroleum	-	-	-	-	(57)	-	-	(57)
<b>Net oil and natural gas revenue</b>	-	-	-	-	<b>5,097</b>	-	<b>8</b>	<b>5,105</b>
Production and operating expenses	-	-	-	-	(3,492)	(1,215)	-	(4,707)
General and administrative expenses	-	-	(582)	(582)	-	-	(665)	(665)
Finance and other income	-	-	26	26	242	-	82	324
Finance expense	(449)	-	(5)	(454)	(1,289)	(261)	(6)	(1,556)
Foreign exchange gain (loss)	-	-	1	1	-	-	(687)	(687)
Depletion and depreciation expenses	-	-	-	-	(19,872)	(1,071)	-	(20,943)
Impairment loss, net	-	-	-	-	(220,512)	(166)	211,016	(9,662)
Current tax expense	-	-	-	-	(17,588)	1,221	-	(16,367)
<b>Total net income (loss) and comprehensive income (loss)</b>	<b>(449)</b>	-	<b>(560)</b>	<b>(1,009)</b>	<b>(257,414)</b>	<b>(1,492)</b>	<b>209,748</b>	<b>(49,158)</b>

(1) Effective the third quarter of fiscal 2019, the Company no longer recognized net oil and gas revenue, production and operating expenses, or depletion, depreciation and amortization related to the D6 Block in India and Block 9 in Bangladesh. See Note 2 for further information.

(thousands of US Dollar)	Six months ended September 30, 2019				Six months ended September 30, 2018			
	India	Bangladesh	Other	Total	India	Bangladesh	Other	Total
Natural gas revenue	-	-	-	-	7,198	-	-	7,198
Crude oil and condensate revenue	-	-	-	-	3,496	-	-	3,346
Royalties	-	-	-	-	(922)	-	15	(907)
Profit petroleum	-	-	-	-	(107)	-	-	(107)
<b>Net oil and natural gas revenue</b>	-	-	-	-	<b>9,665</b>	-	<b>15</b>	<b>9,680</b>
Production and operating expenses	-	-	-	-	(6,033)	(2,726)	-	(8,759)
General and administrative expenses	-	-	(1,427)	(1,427)	-	-	(1,456)	(1,456)
Finance and other income	-	-	58	58	475	-	4,610	5,085
Finance expense	(892)	-	(7)	(899)	(2,775)	(261)	(16)	(3,052)
Foreign exchange loss	-	-	(6)	(6)	-	-	(1,406)	(1,406)
Depletion and depreciation expenses	-	-	-	-	(39,314)	(2,091)	-	(41,405)
Impairment loss, net	-	-	-	-	(220,512)	(166)	211,016	(9,662)
Current tax expense	-	-	-	-	(17,588)	1,221	-	(16,367)
<b>Total net income (loss) and comprehensive income (loss)</b>	<b>(892)</b>	-	<b>(1,382)</b>	<b>(2,274)</b>	<b>(276,082)</b>	<b>(4,023)</b>	<b>212,763</b>	<b>(67,342)</b>

(2) Effective the third quarter of fiscal 2019, the Company no longer recognized net oil and gas revenue, production and operating expenses, or depletion, depreciation and amortization related to the D6 Block in India and Block 9 in Bangladesh. See Note 2 for further information.