NIKO RESOURCES LTD

ANNUAL REPORT

FOR THE YEAR ENDED MARCH 31, 2024

July 29, 2024

MANAGEMENT'S DISCUSSION AND ANALYSIS

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 2700, 255 – 5th Avenue SW, Calgary, Alberta, T2P 3G6. The Company was engaged in the exploration for and development and production of oil and natural gas, primarily in India and Bangladesh. Effective March 13, 2019, the Company's common shares and convertible notes were delisted from the Toronto Stock Exchange ("TSX").

The following Management's Discussion and Analysis ("MD&A") of the financial condition, financial performance and cash flows of the Company for the year ended March 31, 2024 should be read in conjunction with the consolidated financial statements for the year ended March 31, 2024. Additional information relating to the Company, is available on SEDAR at www.sedar.com and on the Company's website at www.nikoresources.com. This MD&A is dated July 26, 2024.

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

Going Concern

Commencing June 2016, the Company's indirect subsidiary, Niko Exploration (Block 9) Ltd. ("Niko Block 9"), ceased receiving revenue related to its 60 percent interest in the Block 9 production sharing contract ("PSC") in Bangladesh, due to legal cases related to this and other ownership interests in Bangladesh (see Note 19(a) of the consolidated financial statements for the year ended March 31, 2024 for further details on these matters). In addition, since 2018, the Company has been in default of its Facilities Agreement (see Note 10 of the consolidated financial statements for the year ended March 31, 2024) with its senior lenders (the "Lenders") and has not recognized or received any oil and gas revenue. At March 31, 2024, the Company had limited cash resources and may not be able to fund its activities during fiscal 2025 without additional funding being provided and there is no guarantee that this funding will be provided. In addition, the Company had significant other liabilities, obligations and contingent liabilities (see Note 19 of the consolidated financial statements for the year ended March 31, 2024). An adverse outcome on one or more of the claims impacting the Company and its subsidiaries could significantly and negatively impact the Company. Currently, the Company's primary focus is on attempting to realize value related to amounts for which the Company believes are owed to its subsidiaries that hold interests in Bangladesh and attempting to collect income and other tax refunds in India, with any realized value likely to be for the ultimate benefit of its Lenders. There is no guarantee that the Company will be successful in realizing any value in these endeavors.

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

These consolidated financial statements for the year ended March 31, 2024 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 the consolidated financial statements for the year ended March 31, 2024.

India

In July 2022, the Company's indirect subsidiary, Niko (NECO) Ltd., received a refund of $1.8 million for income tax previously paid. In September 2022, the Company received consent from the Lenders under its amended and restated facilities agreement to retain the $1.8 million to be released only for payments related to arbitration disputes in Bangladesh and general and administrative expenses. As at March 31, 2024, $0.3 million was held in the restricted cash reserve account (refer to Note 6 of the consolidated financial statements for the year ended March 31, 2024).

Bangladesh

In 2010, the Company's indirect subsidiary, Niko Resources (Bangladesh) Ltd. ("NRBL"), filed two arbitration cases under the rules of International Centre for Settlement of Investment Disputes ("ICSID") regarding i) a dispute over payment for gas delivered from the Feni field to Petrobangla from November 2004 to April 2010 (the "Payment Claim") and ii) a dispute over compensation claims arising from the uncontrolled flow problems that occurred in Chattak field in January and June 2005 (the "Compensation Claim"). In 2019, Niko Block 9, filed an arbitration case against Petrobangla and the Government of Bangladesh under the rules of ICSID regarding a dispute over non-payment of amounts due from Petrobangla under the Block 9 gas and condensate purchase and sale agreements and effective expropriation of Niko Block 9's 60 percent interest in the Block 9 PSC (the "Block 9 Claim"). In September 2021, the tribunal for the Payment Claim issued an award of approximately $44 million in favor of NRBL and in October 2023, an ICSID ad hoc committee dismissed Petrobangla's application to annul the award on the Payment Claim. There is no assurance that Petrobangla will comply with the award of the tribunal and as such, no amounts have been recorded in the consolidated financial statements. In fiscal 2021, the Company recorded a provision of $2.2 million for the Compensation Claim. Final hearings on the Compensation Claim occurred in November 2021. Final hearings on the Block 9 Claim occurred in December 2023. Refer to Note 19(a) of the consolidated financial statements for the year ended March 31, 2024 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 19 of the consolidated financial statements for the year ended March 31, 2024, and are actively defending against these claims.

Subsequent Events
To reduce the Company's future cash outflows, in July 2024, the Board of Directors approved resolutions authorizing the Company to execute agreements whereby effective July 1, 2024, the services of the Company's executive officers, non-management directors and certain other contractors will be provided by a corporation owned equally by the Company's Chief Executive Office and Chief Financial Officer in exchange for payments wholly contingent upon receiving value from the Company's claims in Bangladesh (refer to note 19(a) for further details).

RESULTS OF OPERATIONS

The Company's results for the fourth quarter and year ended March 31, 2024 are as follows:

	Three months ended March 31,		Year ended March 31,	
(thousands of US Dollars)	2024	2023	2024	2023
Net loss from continuing operations	(267)	(637)	(1,869)	(1,971)
Net income (loss) from discontinued operations	5,384	(653)	5,726	845
Total net income (loss)	5,117	(1,290)	3,857	(1,126)

Highlights for the fourth quarter ended March 31, 2024:

Net loss from continuing operations in the fourth quarter of fiscal 2024 primarily reflected general and administrative expenses, which decreased from the fourth quarter of fiscal 2023 primarily due to decreased legal fees.

Net income from discontinued operations in the fourth quarter of fiscal 2024 reflected a net reversal of provisions of $5.7 million related to the Company's previous interests in India and net foreign exchange gains of $0.1 million (compared to net foreign exchange losses of $0.2 million in the fourth quarter of fiscal 2023), partially offset by commercial claim expense of $0.4 million (unchanged from the fourth quarter of fiscal 2023).

Highlights for the year ended March 31, 2024:

Net loss from continuing operations in fiscal 2024 of $1.9 million primarily reflected $2.0 million of general and administrative expenses, partially offset by finance and other income of $0.1 million. General and administrative expenses decreased slightly from fiscal 2023 primarily due to decreased other costs, partially offset by increased legal fees.

Net income from discontinued operations in fiscal 2024 of $5.7 million reflected a net reversal of provisions of $7.4 million related to the Company's previous interests in India and net foreign exchange gains of $0.1 million (compared to $0.8 million in fiscal 2023), partially offset by commercial claim expense of $1.8 million (unchanged from fiscal 2023). Net income from discontinued operations in fiscal 2023 also reflected an income tax recovery of $1.8 million as a result of an income tax refund received in India.

GENERAL AND ADMINISTRATIVE EXPENSES

	Year ended March 31,	
(thousands of US Dollars)	2024	2023
Legal fees	1,104	973
Salaries	238	242
Management fees	135	136
Audit fees	86	85
Insurance	30	35
Rent	15	21
Office costs	13	13
Consultants	8	10
Other	334	476
	1,963	1,991

SUMMARY OF QUARTERLY RESULTS

(thousands of US Dollars)	Mar 31, 2024	Dec 31, 2023	Sep 30, 2023	Jun 30, 2023	Mar 31, 2023	Dec 31, 2022	Sep 30, 2022	Jun 30, 2022
Net loss from continuing operations(1)	(267)	(706)	(527)	(369)	(637)	(367)	(453)	(514)
Net income (loss) from discontinued operations(1)	5,384	(686)	1,585	(557)	(653)	(913)	2,182	229
Total net income (loss)	5,117	(1,392)	1,058	(926)	(1,290)	(1,280)	1,729	(285)
Earnings (loss) per share – Basic and diluted(1)								
Continuing operations	(0.00)	(0.01)	(0.01)	(0.00)	(0.01)	(0.00)	(0.00)	(0.01)
Discontinued operations(2)	0.06	(0.01)	0.02	(0.01)	(0.01)	(0.01)	0.02	0.00
Total(2)	(0.05)	(0.01)	0.01	(0.01)	(0.01)	(0.01)	0.02	(0.00)

(1) The results for the eight most recent quarters were prepared in accordance with IFRS and presented in US Dollars.
(2) May not add up due to rounding

The Company's net loss from continuing operations for the past eight quarters primarily reflected general and administrative expenses, which varied primarily due to changes in the amount of legal fees each quarter.

Net income (loss) from discontinued operations for the past eight quarters primarily reflected $0.4 million of commercial claim expense each quarter, along with the following: a net reversal of provisions of $5.7 million in the quarter ended March 31, 2024; a reversal of provision of $1.8 million in the quarter ended September 30, 2023; an income tax refund of $1.8 million in the quarter ended December 31, 2022; net foreign exchange gains of $0.1 million in the quarter ended March 31, 2024, $0.3 million in the quarter ended September 30, 2023, $0.8 million in the quarter ended September 30, 2022, and $0.7 million in the quarter ended June 30, 2022; and net foreign exchange losses of $0.2 million in the quarter ended December 31, 2023, $0.1 million in the quarter ended June 30, 2023, $0.2 million in the quarter ended March 31, 2023 and $0.5 million in the quarter ended December 31, 2022. Refer to the Company's previously issued annual and interim MD&A's, available on SEDAR at www.sedar.com for further information regarding changes in the prior quarters.

SELECTED ANNUAL INFORMATION

The selected annual information provides comparatives for the three most recently completed financial years:

	Year ended March 31,		
(thousands of US Dollars)	2024	2023	2022
Continuing Operations			
Net loss from continuing operations	(1,869)	(1,971)	(5,827)
Weighted average number of common shares	94,049,967	94,049,967	94,049,967
Net loss per share - basic and diluted(1)	(0.02)	(0.02)	(0.06)
Discontinued Operations			
Net income from discontinued operations(2)	5,726	845	3,973
Weighted average number of common shares	94,049,967	94,049,967	94,049,967
Net income per share- basic and diluted(1)	0.06	0.01	0.04
Total Assets	736	2,178	2,426
Total Current Liabilities	406,315	411,614	410,736

(1) For the years ended March 31, 2024, 2023, and 2022, the outstanding Convertible Notes were excluded from the diluted earnings per share calculation as they were anti-dilutive.
(2) The Company has discontinued operations in Brazil, India, Indonesia, Pakistan and Trinidad.

Net loss from continuing operations in fiscal 2024 of $1.9 million primarily reflected $2.0 million of general and administrative expenses, partially offset by finance and other income of $0.1 million. Net loss from continuing operations in fiscal 2023 of $2.0 million primarily reflected $2.0 million of general and administrative expenses. Net loss from continuing operations in fiscal 2022 of $5.8 million primarily reflected a $3.0 million loss recognized on revaluation of long-term debt and $2.8 million of general and administrative expenses.

Net income from discontinued operations in fiscal 2024 of $5.7 million reflected a net reversal of provisions of $7.4 million related to the Company's previous interests in India and net foreign exchange gains of $0.1 million, partially offset by $1.8 million of commercial claim expense that was unchanged from fiscal 2023 and fiscal 2022. Net income from discontinued operations in fiscal 2023 of $0.8 million also reflected $1.8 million for an income tax refund received in India and net foreign exchange gains of $0.8

million. Net income from discontinued operations in fiscal 2022 of $4.0 million also reflected other income of $5.3 million for a goods and services tax refund received in India and net foreign exchange gains of $0.4 million.

Total assets decreased since fiscal 2022 primarily due to a reduction in cash balances.

Total current liabilities increased since fiscal 2022 primarily due to increased trade payables and additional provision for commercial claim expenses, partially offset by net reversals of provisions and net foreign exchange gains.

OUTSTANDING SHARE DATA

The Company has not issued any common shares or securities convertible or exchangeable into common shares in fiscal 2024 to date. As at July 26, 2024, 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 March 31, 2024, other than those previously disclosed.

RELATED PARTY TRANSACTIONS

Key management of the Company includes its directors and executive officers (Chief Executive Officer and Chief Financial Officer). Non-management directors receive an annual fee and the Chief Executive Officer and Chief Financial Officer receive a salary. The Company does not have other short-term benefits, defined contribution plans or defined benefit plans and does not provide post-employment benefits. Key management compensation includes the following:

	Year ended March 31,	
(thousands of US Dollars)	2024	2023
Annual fees for non-management directors	82	83
Executive officers – salaries	230	235
	312	318

In fiscal 2024, an investment corporation owned equally by the Company's Chief Executive Officer and Chief Financial Officer purchased approximately 1.5 percent of the Company's Term Loan Facilities from an institutional investor for a nominal sum. In connection with this transaction, the Company's Chief Executive Officer purchased Cdn$7 million of the Company's Convertible Notes from the same institutional investor.

FINANCIAL INSTRUMENTS

(a) Financial Instruments

The Company's financial instruments recognized on the consolidated statement of financial position consists of cash, accounts receivable, accounts payable, accrued liabilities, Term Loan, Convertible Notes, deferred obligation and contract settlement obligation. The Company does not have any derivative financial instruments. The non-derivative financial instruments are recognized initially at fair value. The fair values of the current financial instruments approximate their carrying value due to their short-term maturity.

The fair value of the Company's Term Loan, Convertible Notes, deferred obligation and contract settlement obligations is based on the estimated payments under the Waterfall Distribution mechanism. The Waterfall Distribution specifies that 100 percent of any net proceeds received up to $180 million would be payable to the Lenders.

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 March 31, 2024:

	As at March 31, 2024		As at March 31, 2023	
(thousands of US Dollars)	Face Value(1)	Fair Value	Face Value(1)	Fair Value
Term loan	664,310	-	619,693	-
Convertible notes	144,850	-	138,419	-
Deferred obligation	26,057	-	26,057	-
Contract settlement obligation	6,925	-	6,925	-
	842,142	-	791,094	-

(1) Includes accrued interest and other amounts owing as at March 31, 2024.

(b) Credit Risk

Credit risk is the risk of financial loss if a partner or counterparty to a product sales contract or financial instrument fails to meet its contractual obligation. The Company is currently subject to credit risk in Bangladesh due to amounts withheld by Petrobangla equal to the Company's share of gas and condensate supplied from the Block 9 PSC. Refer to Notes 2, 7 and 19(a)(ii) of the consolidated financial statements for the year ended March 31, 2024. As at March 31, 2024, the carrying amount of accounts receivable represents the maximum credit exposure.

The Company is exposed to credit risk with respect to cash and cash equivalents and restricted cash. Credit risk is managed on a group basis by the Company. The Company has established policies whereby majority of the bank balances are held with independently rated banks and financial institutions with a minimum rating of ['C'].

(c) Liquidity Risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they are due. The Company manages and mitigates its exposure to liquidity risk by the use of cash flow forecasts. Refer to Note 2 of the consolidated financial statements for the year ended March 31, 2024.

The carrying values of the financial liabilities as at March 31, 2024 are as follows:

(thousands of US Dollars)	Carrying amount	< 1 year	> 1 year
Trade payables	167	167	-
Other payables[1]	406,148	406,148	-

(1) Refer to Note 9 in the consolidated financial statements for the year ended March 31, 2024 for discussion of the components of Other Payables.

(d) Foreign Currency Risk

Foreign currency risk is the risk that future cash flows will fluctuate as a result of changes in foreign exchange rates. The Company holds the majority of its cash balances in US Dollars which is the Company's functional currency. The Company is exposed to fluctuations between the Indian Rupee against the US Dollar on Indian Rupee denominated financial instruments including cash and cash equivalents, accounts receivable, and accounts payable. In addition, the Company is subject to fluctuations in the value of the Euro compared to the US Dollar, as applicable to certain vendor payables for its subsidiary in India. The Company's corporate operations is exposed to fluctuations in the value of the Canadian Dollar against the US Dollar on Canadian denominated financial instruments including cash and cash equivalents, accounts payable and accrued liabilities and Convertible Notes. As at March 31, 2024, the Company does not have forward exchange rate contracts in place to mitigate foreign currency risk.

(e) Commodity Price Risk

Commodity price risk is the risk that the fair value of future cash flows may have potential adverse impact due to changes in commodity prices. Commodity prices for oil and natural gas are impacted by global economic events that dictate the level of supply and demand as well as the relationship between the Canadian and US Dollar. Crude oil prices are subject to fluctuation and volatility as evident in today's market. As at March 31, 2024, the Company had no material commodity price risk on its earnings as the Company is no longer recognizing revenue for its operations in Bangladesh. Commodity price risk may impact the proceeds, if any, that the Company realizes from its Block 9 Claim.

(f) Interest rate risk

Interest rate risk is the risk that future cash flows will fluctuate as a result of changes in market interest rates. The Company has minimum exposure to interest rate risk. As at March 31, 2024, the Company has not entered into any contracts to hedge against interest rate risk.

CRITICAL ACCOUNTING ESTIMATES

The preparation of the consolidated financial statements in conformity with IFRS requires management to make estimates, judgements and assumptions regarding the application of accounting policies that affect the reported amounts of assets, liabilities, revenues and expenses and unsettled transactions and events as of the date of the consolidated financial statements. By their nature, these estimates are subject to measurement uncertainty and actual results may differ from those estimated. Estimates and their underlying assumptions are reviewed on an ongoing basis and revisions to these estimates are made in the year which the estimates are revised and any future years that are impacted. Significant estimates and judgement made by management in the preparation of the consolidated financial statements include the following:

Derecognition of Financial Liabilities Associated to Impaired Assets

The Company's oil and natural gas exploration and production operations are subject to laws and regulations in the respective foreign jurisdictions. At times, various government authorities may impose certain restrictions which limit the Company's ability to conduct operations in the foreign jurisdictions and may result in the Company's loss of control of the oil and natural gas assets. Significant judgments are required with respect to the timing of the loss of control of such assets and the derecognition of the respective assets and/or liabilities.

Contingencies

Contingencies are subject to measurement uncertainty as the related financial impact will only be confirmed by the outcome of a future event. The assessment of contingencies requires the application of judgements and estimates including the determination of whether a present obligation exists and the reliable estimation of the timing and amount of cash flows required to settle the contingency.

RISK FACTORS

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

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

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

For a complete description of the potential effects of the Company’s contingencies on the Company, refer to Note 19 of the consolidated financial statements for the year ended March 31, 2024.

BASIS OF PRESENTATION

The financial data included in this MD&A is in accordance with the IFRS Accounting Standards (“IFRS”) as issued by the International Accounting Standards Board (“IASB”). All financial information is presented in thousands of US Dollars unless otherwise indicated.

The term “fiscal 2024” is used throughout the MD&A and in all cases refers to the period from April 1, 2023 through March 31, 2024. The term “fiscal 2023” is used throughout the MD&A and in all cases refers to the period from April 1, 2022 through March 31, 2023. The term “fiscal 2022” is used throughout the MD&A and in all cases refers to the period from April 1, 2021 through March 31, 2022.

FORWARD LOOKING INFORMATION STATEMENTS

Certain statements in this MD&A constitute forward-looking information, including forward-looking information relating to the Company defending certain claims. Such forward-looking information is based on a number of risks, uncertainties and assumptions, which may cause actual results or other expectations to differ materially from those anticipated and which may prove to be incorrect. Undue reliance should not be placed on forward-looking information. Such forward-looking information reflects the Company's current beliefs and assumptions and is based on information currently available to the Company. This forward-looking information is also based on certain key expectations and assumptions, many of which are not within the control of the Company. There can be no assurances that the Company will be able to meet the goals and purposes of its business plan (including resolving various disputes in its favour) or fund its cash requirements. In addition, the Company is in default under the Facilities Agreement and the Lenders have not agreed to waive the default. Further, the Company’s ability to defend claims may be restricted or limited for various reasons. Absolutely no assurance can be made that the Company will be able to meet its funding requirements or its other obligations, and nothing herein should be read as stating or inferring otherwise. The reader is cautioned that the assumptions used in the preparation of forward-looking information, although considered reasonable at the time of preparation, may prove to be incorrect. Actual results may vary from the information provided herein as a result of numerous known and unknown risks and uncertainties and other factors and such variations may be material. Such risk factors include, but are not limited to those set out above as well as: risks related to the ability of the Company to continue as a going concern, risks related to the Company not being able to maintain its cash resources, risks associated with the Company meeting its obligations under the facilities agreement, risks related to the various legal claims against the Company or its subsidiaries, risks associated with meeting all of the Company's obligations, risks discussed under "Risk Factors" in the Company's Annual Information Form for the year ended March 31, 2018, and in the Company's public disclosure documents, and other factors, many of which are beyond the Company's control. Niko makes no representation that the actual results achieved during the forecast period will be the same in whole or in part as those forecasts. The forward-looking information included in this MD&A is expressly qualified in its entirety by this cautionary statement. The forward-looking information included herein is made as of the date of this MD&A and Niko assumes no obligation to update or revise any forward-looking information to reflect new events or circumstances, except as required by law.

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INDEPENDENT AUDITOR'S REPORT

To the Shareholders of Niko Resources Ltd.

Opinion

We have audited the consolidated financial statements of Niko Resources Ltd. (the Entity), which comprise:

- the consolidated statements of financial position as at March 31, 2024 and March 31, 2023
- the consolidated statements of comprehensive income (loss) for the years then ended
- the consolidated statements of changes in shareholders' deficiency for the years then ended
- the consolidated statements of cash flows for the years then ended
- and notes to the consolidated financial statements, including a summary of material accounting policy information

(Hereinafter referred to as the "financial statements").

In our opinion, the accompanying financial statements present fairly, in all material respects, the consolidated financial position of the Entity as at March 31, 2024 and March 31, 2023 and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with IFRS Accounting Standards as issued by the International Accounting Standards Board (IASB).

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the "***Auditor's Responsibilities for the Audit of the Financial Statements***" section of our auditor's report.

We are independent of the Entity in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada and we have fulfilled our other ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Material Uncertainty Related to Going Concern

We draw attention to note 2 in the financial statements, which indicates that at March 31, 2024, the Entity had limited cash resources and may not be able to fund its activities during fiscal 2025 without additional funding being provided and there is no guarantee that this funding will be provided. In addition, the Entity is in default of its facilities agreement with its senior lenders and the Entity has significant existing liabilities, obligations and contingent liabilities. The Entity and its subsidiaries are subject to various claims from other parties and an adverse outcome on one or more of the claims impacting the Entity and its subsidiaries could significantly and negatively impact the future cash flows of the Entity and further deteriorate its overall liquidity.

As stated in note 2 in the financial statements, these events or conditions, along with other matters as set forth in note 2 in the financial statements, indicate that material uncertainties exist that may cast significant doubt on the Entity's ability to continue as a going concern.

Our opinion is not modified in respect of this matter.

Other Information

Management is responsible for the other information. Other information comprises:

– the information included in Management's Discussion and Analysis filed with the relevant Canadian Securities Commissions.

Our opinion on the financial statements does not cover the other information and we do not and will not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit and remain alert for indications that the other information appears to be materially misstated.

We obtained the information included in Management's Discussion and Analysis filed with the relevant Canadian Securities Commissions as at the date of this auditor's report. If, based on the work we have performed on this other information, we conclude that there is a material misstatement of this other information, we are required to report that fact in the auditor's report.

We have nothing to report in this regard.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with IFRS Accounting Standards as issued by the International Accounting Standards Board (IASB), and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Entity's ability to continue as a going concern, disclosing as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Entity or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Entity's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit.

We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion.

  The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Entity's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Entity's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Entity to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.
- Provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the group Entity to express an opinion on the financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

The engagement partner on the audit resulting in this auditor's report is Neil Badyk.

KPMG LLP

Chartered Professional Accountants

Calgary, Canada
July 29, 2024

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

(thousands of US Dollars)	As at March 31, 2024	As at March 31, 2023
Assets		
Current assets		
Cash and cash equivalents	431	673
Restricted cash (Note 6)	262	1,464
Accounts receivable and other (Note 7)	43	41
	736	2,178
Liabilities		
Current liabilities		
Trade payables (Note 8)	167	197
Other payables (Note 9)	406,148	411,417
	406,315	411,614
Shareholders' Deficiency		
Share capital (Note 12)	1,366,867	1,366,867
Contributed surplus	143,142	143,142
Currency translation reserve	2,147	2,147
Deficit	(1,917,735)	(1,921,592)
	(405,579)	(409,436)
	736	2,178

Going Concern (Note 2)
Financial instruments (Note 11(a))
Contingencies and commitments (Note 19)

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

Approved on behalf of the Board,

(Signed) "William T. Hornaday"
William T. Hornaday
Chief Executive Officer

(Signed) "E. Alan Knowles"
E. Alan Knowles
Chairman of the Audit Committee, Director

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (LOSS)

	Year ended March 31,	
(thousands of US Dollars)	2024	2023
General and administrative expenses (Note 14)	(1,963)	(1,991)
Net finance and other income (Note 13)	94	20
Net loss before income tax from continuing operations	(1,869)	(1,971)
Income tax (Note 16)	-	-
Net loss from continuing operations	(1,869)	(1,971)
Net income from discontinued operations (Note 15)	5,726	845
Total net income (loss) and comprehensive income (loss)	3,857	(1,126)
Net income (loss) per share (Note 17)		
Basic and diluted – continuing operations	(0.02)	(0.02)
Basic and diluted – discontinued operations	0.06	0.01

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

CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' DEFICIENCY

(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, 2022	94,049,967	1,366,867	143,142	2,147	(1,920,466)	(408,310)
Net loss for the year	-	-	-	-	(1,126)	(1,126)
Balance, March 31, 2023	94,049,967	1,366,867	143,142	2,147	(1,921,592)	(409,436)
Net income for the year	-	-	-	-	3,857	3,857
Balance, March 31, 2024	94,049,967	1,366,867	143,142	2,147	(1,917,735)	(405,579)

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

CONSOLIDATED STATEMENTS OF CASH FLOWS

	Year ended March 31,	
(thousands of US Dollars)	2024	2023
Cash flows from operating activities:		
Net loss from continuing operations	(1,869)	(1,971)
Change in restricted cash (Note 6)	1,202	(508)
Change in non-cash working capital	425	(73)
Net cash used in operating activities of continuing operations	(242)	(2,552)
Net cash from operating activities of discontinued operations (Notes 2 and 15)	-	1,823
Net cash used in operating activities	(242)	(729)
Change in cash and cash equivalents	(242)	(729)
Cash and cash equivalents, beginning of year	673	1,402
Cash and cash equivalents, end of year	431	673

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

NOTES TO THE 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 2700, 255 – 5th Avenue SW, Calgary, Alberta, T2P 3G6. 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 ("TSX").

2. Going Concern

Going Concern

Commencing June 2016, the Company's indirect subsidiary, Niko Exploration (Block 9) Ltd. ("Niko Block 9"), ceased receiving revenue related to its 60 percent interest in the Block 9 production sharing contract ("PSC") in Bangladesh, due to legal cases related to this and other ownership interests in Bangladesh (see Note 19(a) for further details on these matters). In addition, since 2018, the Company has been in default of its Facilities Agreement (see Note 10) with its senior lenders (the "Lenders") and has not recognized or received any oil and gas revenue. At March 31, 2024, the Company had limited cash resources and may not be able to fund its activities during fiscal 2025 without additional funding being provided and there is no guarantee that this funding will be provided. In addition, the Company had significant other liabilities, obligations and contingent liabilities (see Note 19). An adverse outcome on one or more of the claims impacting the Company and its subsidiaries could significantly and negatively impact the Company. Currently, the Company's primary focus is on attempting to realize value related to amounts for which the Company believes are owed to its subsidiaries that hold interests in Bangladesh and attempting to collect income and other tax refunds in India, with any realized value likely to be for the ultimate benefit of its Lenders. There is no guarantee that the Company will be successful in realizing any value in these endeavors.

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

These consolidated financial statements for the year ended March 31, 2024 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 the consolidated financial statements for the year ended March 31, 2024.

India

In July 2022, the Company's indirect subsidiary, Niko (NECO) Ltd., received a refund of $1.8 million for income tax previously paid. In September 2022, the Company received consent from the Lenders under its amended and restated facilities agreement to retain the $1.8 million to be released only for payments related to arbitration disputes in Bangladesh and general and administrative expenses. As at March 31, 2024, $0.3 million was held in the restricted cash reserve account (see Note 6).

Bangladesh

In 2010, the Company's indirect subsidiary, Niko Resources (Bangladesh) Ltd. ("NRBL"), filed two arbitration cases under the rules of International Centre for Settlement of Investment Disputes ("ICSID") regarding i) a dispute over payment for gas delivered from the Feni field to Petrobangla from November 2004 to April 2010 (the "Payment Claim") and ii) a dispute over compensation claims arising from the uncontrolled flow problems that occurred in Chattak field in January and June 2005 (the "Compensation Claim"). In 2019, Niko Block 9, filed an arbitration case against Petrobangla and the Government of Bangladesh under the rules of ICSID regarding a dispute over non-payment of amounts due from Petrobangla under the Block 9 gas and condensate purchase and sale agreements and effective expropriation of Niko Block 9's 60 percent interest in the Block 9 PSC (the "Block 9 Claim"). In September 2021, the tribunal for the Payment Claim issued an award of approximately $44 million in favor of NRBL and in October 2023, an ICSID ad hoc committee dismissed Petrobangla's application to annul the award on the Payment Claim. There is no assurance that Petrobangla will comply with the award of the tribunal and as such, no amounts have been recorded in these consolidated financial statements. In fiscal 2021, the Company recorded a provision of $2.2 million for the Compensation Claim. Final hearings on the Compensation Claim occurred in November 2021. Final hearings on the Block 9 Claim occurred in December 2023. Refer to Note 19(a) for further details on these matters.

Contingencies and commitments

The Company and its subsidiaries are subject to various claims from other parties, as described in Note 19, and are actively defending against these claims.

3. Basis of Presentation

(a) Statement of compliance

The consolidated financial statements have been prepared in accordance with IFRS Accounting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB").

The consolidated financial statements were approved by the Board of Directors and authorized for issue on July 26, 2024.

(b) Basis of measurement

The consolidated financial statements have been prepared on a historical cost basis, except for the remeasurement of certain financial instruments as described in Note 4(b).

(c) Functional and presentation currency

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

(d) Reclassifications

Certain items on the consolidated statement of financial position for the prior year have been reclassified to conform with the presentation adopted for the current year.

4. Material Accounting Policies

The Company's material accounting policy information is described herein. Accounting policies related to immaterial transactions, other events or conditions are themselves immaterial and as such have been excluded from the consolidated financial statements.

(a) Basis of consolidation

Subsidiaries are entities controlled by the Company. Control exists when an entity is exposed to or has rights to variable returns from its involvement with the entity and has the ability to affect these returns through its power over the entity. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases. Intercompany balances and transactions, and any unrealized income and expenses arising from intercompany transactions, are eliminated in preparing the consolidated financial statements.

(b) Financial assets and liabilities

The classification of financial assets is determined by their context in the Company's business model and by the characteristics of the financial asset's contractual cash flows. The Company does not classify any of its financial instruments as Fair Value through Other Comprehensive Income or Fair Value through Profit and Loss ("FVTPL").

Financial assets and financial liabilities are measured at fair value on initial recognition, which is typically the transaction price, unless a financial instrument contains a significant financing component. Subsequent measurement is dependent on the financial instrument's classification.

Cash and cash equivalents, accounts receivable, accounts payable and accrued liabilities are measured at amortized cost. The contractual cash flows received from the financial assets are solely payments of principal and interest and are held within a business model whose objective is to collect the contractual cash flows. The financial assets and financial liabilities are subsequently measured at amortized cost using the effective interest method.

The convertible notes, term loan, deferred obligation and contract settlement are also measured at amortized cost. The gross carrying amount of these liabilities is adjusted to reflect actual and revised estimated contractual cash flows that may be payable to these parties under the Waterfall Distribution mechanism. The estimated future contractual cash flows are discounted at the financial instrument's original effective interest rate and the adjustment is recognized in profit or loss as income or expense.

Impairment of Financial Assets
The Company assesses whether there is any objective evidence that a financial asset or group of financial assets is impaired at the end of each reporting period. The Company recognizes loss allowances for Expected Credit Losses ("ECLs") on its financial assets measured at amortized cost. Due to the nature of its financial assets, the Company measures loss allowances at an amount equal to expected lifetime ECLs. Lifetime ECLs are the anticipated ECLs that result from all possible default events over the expected life of a financial asset. ECLs are a probability-weighted estimate of credit losses. Credit losses are measured as the present value of all cash shortfalls (i.e. the difference between the cash flows due to the entity in accordance with the contract and the cash flows that the Company expects to receive). ECLs are discounted at the effective interest rate of the related financial asset. The Company does not have any financial assets that contain a financing component. Any impairment loss determined is recognized through the statement of profit or loss.

Derecognition of Financial Liabilities
A substantial modification of the terms of an existing financial liability or a part of it shall be accounted for as an extinguishment of the original financial liability and the recognition of a new financial liability. The difference between the original financial liability and the new financial liability shall be recognized as a gain or loss on debt modification on the statement of profit or loss.

The Company characterizes its fair value measurements into a three-level hierarchy depending on the degree to which the inputs are observable, as follows:

- Level 1 inputs are quoted prices in active markets for identical assets and liabilities;
- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability either directly or indirectly; and
- Level 3 inputs are unobservable inputs for the asset or liability.

(c) Taxation

Income tax expense is comprised of current tax, minimum alternate tax and deferred tax.

Current tax is the amount of income tax expense in respect of the taxable profit for the period. Taxable profit differs from profit as reported in the consolidated statement of comprehensive income (loss) because of items of income or expense that are taxable or deductible in other years and items that are never taxable or deductible. The Company’s current tax expense is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

Minimum alternate tax is the amount of tax payable in respect of accounting profits. The Company pays the greater of minimum alternate tax and current tax for assets in India.

Deferred tax is recognized on temporary differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax base used in the calculation of taxable profit. Deferred tax liabilities are the amounts of income taxes payable in future periods in respect of taxable temporary differences. Deferred tax assets are the amounts of income taxes recoverable in future periods in respect of deductible temporary differences and the carry-forward of unused tax losses and unused tax credits.

Deferred tax liabilities are recognized for taxable temporary differences associated with investments in subsidiaries and associates, and interests in joint operations, except where the Company is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognized to the extent that it is probable there will be sufficient taxable profits against which to utilize the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset realized, based on tax rates and tax laws that have been enacted or substantively enacted by the end of the reporting period. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Company expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Company intends to settle its current tax assets and liabilities on a net basis.

Current and deferred tax are recognized as an expense or income in net income, except when they relate to items that are recognized outside profit or loss (whether in other comprehensive income or directly in equity), in which case the tax is also recognized outside profit or loss, or where they arise from the initial accounting for a business combination. In the case of a business combination, the tax effect is included in the accounting for the business combination.

(d) Discontinued Operations

A discontinued operation is a component of an entity that either has been disposed of or is classified as held for sale, and represents either a separate major line of business or a geographical area of operations and is part of a single co-ordinated plan to dispose of a separate major line of business or geographical area of operations, or that is a subsidiary acquired exclusively with a view to resale and the disposal involves loss of control. Discontinued operations relate to the Company's previous oil and natural gas development and exploration activities in Brazil, India, Indonesia, Pakistan, and Trinidad. The Company's continuing operations relate to ongoing activities associated with the resolution of the contingencies as described in Note 19. Discontinued operations are presented separately in the consolidated statements of profit or loss, statements of cash flows and respective financial statement notes.

5. Critical Accounting Estimates and Judgements

The preparation of the consolidated financial statements in conformity with IFRS requires management to make estimates, judgements and assumptions regarding the application of accounting policies that affect the reported amounts of assets, liabilities, revenues and expenses and unsettled transactions and events as of the date of the consolidated financial statements. By their nature, these estimates are subject to measurement uncertainty and actual results may differ from those estimated. Estimates and their underlying assumptions are reviewed on an ongoing basis and revisions to these estimates are made in the year which the estimates are revised and any future years that are impacted. Significant estimates and judgement made by management in the preparation of these consolidated financial statements include the following:

Derecognition of Financial Liabilities Associated to Impaired Assets
The Company’s oil and natural gas exploration and production operations are subject to laws and regulations in the respective foreign jurisdictions. At times, various government authorities may impose certain restrictions which limit the Company’s ability to conduct operations in the foreign jurisdictions and may result in the Company’s loss of control of the oil and natural gas assets. Significant judgments are required with respect to the timing of the loss of control of such assets and the derecognition of the respective assets and/or liabilities.

Contingencies
Contingencies are subject to measurement uncertainty as the related financial impact will only be confirmed by the outcome of a future event. The assessment of contingencies requires the application of judgements and estimates including the determination of whether a present obligation exists and the reliable estimation of the timing and amount of cash flows required to settle the contingency.

6. Restricted Cash

(thousands of US Dollars)	As at March 31, 2024	As at March 31, 2023
Opening balance	1,464	956
Contributions	-	1,823
Releases	(1,202)	(1,315)
Closing balance	262	1,464

In fiscal 2022, pursuant to certain consents received from the Lenders under the Company’s amended and restated facilities agreement, the Company retained $2.3 million in a restricted account to be released only for payments related to arbitration disputes in Bangladesh and general and administrative expenses. In fiscal 2023, a further $1.8 million was retained.

7. Accounts Receivable and Other

(thousands of US Dollars)	As at March 31, 2024	As at March 31, 2023
Prepaid and deposits	42	34
GST/VAT receivable	1	1
Other receivables	-	6
	43	41

8. Trade Payables

(thousands of US Dollars)	As at March 31, 2024	As at March 31, 2023
India	90	108
Bangladesh and other	77	89
	167	197

9. Other Payables

(thousands of US Dollars)	As at March 31, 2024	As at March 31, 2023
Provision for legal claim	2,200	2,200
Payables for legal costs	1,140	652
Payables from discontinued operations:		
Unfulfilled exploration commitment obligations	270,850	270,829
Other accrued liabilities	92,344	99,902
Provision for minimum contract quantities dispute	39,614	37,834
	406,148	411,417

In fiscal 2021, the Company recorded a provision of $2.2 million for the Compensation Claim case related to the Chattak field in Bangladesh (refer to Note 19(a) for further details).

Payment for $1.1 million (2023 - $0.6 million) of legal costs related to claims in Bangladesh is contingent upon receiving value from its claims in Bangladesh (refer to Note 19(a) for further details).

Payables from discontinued operations are comprised of:

- Unfulfilled exploration commitment obligations of $271 million related to dormant exploration subsidiaries that operated in Brazil, Indonesia, and Trinidad.
- Other accrued liabilities of $86 million for dormant exploration subsidiaries that operated in Brazil, Indonesia, Pakistan and Trinidad, and $6 million for disputed liabilities in India. Under the terms of the D6 settlement agreement, certain of the disputed liabilities in India are retained by an indirect subsidiary of the Company.
- A provision for minimum contract quantities dispute of $40 million is related to the minimum contracted quantities dispute in India. In accordance with previous contracts for natural gas sales from the Hazira field in India, the Company had committed to deliver certain minimum quantities. For the period ended December 31, 2007, the Company was unable to deliver the minimum quantities to certain customers and the Company's joint operating partner in the Hazira field delivered the shortfall volumes from other gas sources. The Company's joint operating partner has filed claims for losses incurred as a result of the delivery of these shortfall volumes. In June 2017, the arbitration tribunal issued an award in favour of the Company's joint operating partner in an amount of approximately $18 million along with the interest thereon at the rate of 10 percent per annum from 2012 to the date of award plus further interest at 10 percent per annum from the date of the award until payment.

10. Long-term Debt

(a) 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 July 2016, the Company executed the Fourth Amendment that amended the terms of the Facilities Agreement. In October 2018, an event of default occurred as a result of non-payment of cash calls due for the D6 Block and the Company continues to be in default.

Key Terms of the Facilities Agreement (as amended)
The key terms of the Facilities Agreement (as amended) are as follows:

- a requirement to distribute any net proceeds ("Waterfall Proceeds") of transactions (sales of assets, settlements of certain arbitration and/or income tax disputes, excess operating cash above an agreed cash flow forecast, etc.) to the Lenders, Noteholders and the Company on the following basis (the "Waterfall Distribution"):
    - first tranche of the first $168 million (currently $139 million after $29 million of distributions to the Lenders):
        (i) 100 percent to the Lenders
    - PIK Interest (as defined below) of $12 million:
        (i) 100 percent to the Lenders
    - second tranche of the next US $100 million, on a *pro rata* basis:

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

  The cumulative proceeds distributed to the Lenders shall not exceed the total principal and interest amounts outstanding to the Lenders as at July 2016 plus interest accruing at a rate of 15 percent per annum from July 2016 plus PIK Interest (as defined below) plus any amounts owing under the Deferred Obligation (see below). All Waterfall Proceeds retained by the Company will be retained free from the security (and claims for payment) held by the Lenders and Noteholders under the Facilities Agreement (as amended) and the Indenture (as amended), respectively;
- accrual of cash interest under the Term Loan at the previously defined non-default rates of interest (15 percent);
- elimination of the requirements to pay cash interest on the Term Loan, other than in connection with the Waterfall Distribution;
- entitlement of the Lenders to additional capitalized interest ("PIK Interest") on the Term Loan calculated on a notional principal amount of $168 million (less any proceeds distributed to the Lenders) at a simple rate of 6 percent per annum, subject to a cap of $12 million (which was reached in September 2017);
- limitation on the events of default and remedies to certain matters, including the remedies of the Lenders in an event of default to the appointment of a receiver;
- issuance of a preferred share to the Agent on behalf of the Lenders; and
- a maturity date of the Term Loan of December 31, 2025.

Security

The obligations under the Facilities Agreement (as amended) and the deferred obligation are 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.

General covenants

In the Facilities Agreement (as amended), the Company agreed to various other undertakings and covenants, including:
- 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.

The contractual cash flows of the Term Loan are determined using various factors including the evaluation of any net proceeds that may be payable under the Waterfall Distribution mechanism. 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 such, 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 determined that the present value of the contractual cash flows associated with the Term Loan as at September 30, 2018 was nil. In fiscal 2020, the Company remeasured its long-term debt to $26 million and distributed $26 million to the Lenders and in fiscal 2022, the Company remeasured its long-term debt to $3 million and distributed $3 million to the Lenders. There were no changes to the estimated contractual cash flows of the Term Loan since fiscal 2022.

Deferred Obligation

As a condition of the Facilities Agreement, the Company entered into an agreement that provided for a monthly payment equal to 6 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. Under the terms of the Fourth Amendment, amounts owing under this obligation are only to be paid after all other obligations under the Facilities Agreement have been fully repaid by Waterfall Distributions.

The contractual cash flows of the Deferred Obligation are determined using various factors including the evaluation of any net proceeds that may be payable under the Waterfall Distribution mechanism. As a result of the impairment of the assets, the Company determined the present value of the contractual cash flows associated with its Deferred Obligation as at September 30, 2018 was nil. There were no changes to the estimated contractual cash flows of the Deferred Obligation since fiscal 2019.

(b) Convertible Notes

In December 2012, the Company issued Cdn$115 million principal amount of convertible unsecured notes. In July 2016, the Company executed the Indenture Amendment that amended the terms of the Indenture governing the Convertible Notes and entered into the Inter-creditor Agreement.

Key Terms of the Indenture (as amended)
The key terms of the Indenture (as amended) are as follows:

- provision for the distribution of Waterfall Proceeds to the Noteholders pursuant to the Waterfall Distribution;
- accrual of cash interest under the Convertible Notes at the previously defined non-default rate of interest (7 percent);
- elimination of the requirement to pay cash interest under the Indenture (as amended), including any cash interest that would otherwise be payable on conversion and accrued and unpaid interest as of July 2016, other than in connection with the Waterfall Distribution;
- replacement of the events of default under the existing Indenture with events of default limited to those described below;
- provision of security for the Convertible Notes by certain assets of the Company and the guarantors as described below;
- elimination of the Company's ability to pay principal or interest in common shares;
- requirement for the Agent's consent to redemption of the Convertible Notes;
- removal of the covenant of the Company under the Indenture requiring the Company to maintain a listing of the Convertible Notes on the Toronto Stock Exchange; and
- extension of the maturity date of the Convertible Notes from December 31, 2017 to December 31, 2025;
- authorization and direction to the Note Trustee to execute and deliver the Intercreditor Agreement (as described below) and the documents that evidenced and gave effect to the security under the Indenture.

Key Terms of the Inter-creditor Agreement
The key terms of the Inter-creditor Agreement are as follows:

- the Noteholders agreed to postpone and fully subordinate payment of the obligations under the Convertible Notes and the security granted to them pursuant to the Indenture Amendments in favour of the Lenders' security and to prior repayment of the Company's obligations to the Lenders, save and except for payments permitted under the Waterfall Distribution;
- the Company, the Noteholders and the Lenders agreed that the Company may make, and the Noteholders and the Lenders may accept, payments made in compliance with the Waterfall Distribution;
- the Noteholders agreed that until the Lenders have been repaid in full, they will not be entitled to take additional security, demand payment of the obligations under the Convertible Notes, appoint a receiver or initiate insolvency proceedings or take any enforcement action against the assets of the Company;
- to the extent the Noteholders or the Lenders receive any distributions or proceeds from the Company contrary to the provisions of the Fourth Amendment or the Indenture (as amended), such proceeds shall be held in trust and immediately turned over to the party entitled to receive such proceeds under the Waterfall Distribution;
- the Company released the Agent under the Facilities Agreement, the Lenders, the Trustee under the Indenture, and the Noteholders (and each of their respective current and former officers, directors, shareholders, unitholders, employees, members, partners, advisors and agents) from liability relating to the actions or omissions of such parties occurring prior to July 2016;
- the Agent and the Lenders released the Company, the Guarantors, the Trustee, and the Noteholders (and each of their respective current and former officers, directors, shareholders, unitholders, employees, members, partners, advisors and agents) from liability relating to the actions or omissions of such parties occurring prior to July 2016; and
- the Trustee, on behalf of itself and each of the Noteholders, released the Company, the Guarantors, the Agent, and the Lenders (and each of their respective current and former officers, directors, shareholders, unitholders, employees, members, partners, advisors and agents) from liability relating to the actions or omissions of such parties occurring prior to July 2016.

The Convertible Notes are convertible at the option of each holder into common shares at a conversion price of Cdn$11.30 per share. At any time prior to or on the Maturity Date, provided that the Current Market Price at the time of the Redemption Notice is not less than 130 percent of the Conversion Price, the Convertible Notes may be redeemed at the option of the Company, in whole or in part, from time to time, on notice at a Redemption Price equal to their principal amount plus accrued and unpaid interest thereon up to (but excluding) the Redemption Date.

The Convertible Notes are direct senior secured obligations of the Company and rank equally with one another (regardless of their actual date or terms of issue) and, subject to statutory preferred exceptions, subordinate only to the indebtedness owing to the Lenders, as more particularly set out in the Intercreditor Agreement.

The Convertible Notes are guaranteed by the Company's subsidiaries, Niko Resources (Cayman) Ltd., Niko (NECO) Ltd. and Niko Exploration (Block 9) Ltd. Each guarantor guarantees that the Convertible 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.

The Convertible Notes are secured by certain assets of the Company and the guarantors, including share pledges of certain key subsidiaries and security over certain bank accounts, but such security is subordinated to the Term Loan such that the Noteholders will have limited rights of enforcement and recourse to such security, which will be subject to the Intercreditor Agreement (as described above).

The Indenture (as amended) provides that an event of default in respect of the Convertible Notes will occur:

- if an event of default occurs or exists under the Facilities Agreement and the Lenders have commenced enforcement actions for breach of contract;
- if the Security ceases to be effective as a result of the deliberate action of the Company and has not been rectified within 30 business days; and
- is caused by a failure to make any payment of Waterfall Proceeds under the terms of the Amendments and which has not been rectified within 15 business days.

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.

The contractual cash flows of the Convertible Notes are determined using various factors including the evaluation of any net proceeds that may be payable under the Waterfall Distribution mechanism. As a result of the impairment of the assets, the Company determined the present value of the contractual cash flows associated with its Convertible Notes as at September 30, 2018 was nil. There were no changes to the estimated contractual cash flows of the Convertible Notes since fiscal 2019.

(c) Contract Settlement Obligation

In October 2016, the Company executed the 2016 Settlement Agreement relating to the settlement of outstanding claims under certain drilling contracts and the 2013 Settlement Agreement (including related judgements granted by courts in Texas and Alberta), in compliance with the terms of the Fourth Amendment. Under the 2016 Settlement Agreement, in exchange for full and final mutual releases of outstanding claims under the drilling contracts and the 2013 Settlement Agreement (including related judgements), the Company:

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

The contractual cash flows of the Contract Settlement Obligation are determined using various factors including the evaluation of any net proceeds that may be payable under the Waterfall Distribution mechanism. As a result of the impairment of the assets, the Company remeasured its Contract Settlement Obligation as at September 30, 2018 to nil. There were no changes to the estimated contractual cash flows of the Contract Settlement Obligation since fiscal 2019.

11. Financial Instruments and Risk Management

(a) Financial Instruments

The Company's financial instruments recognized on the consolidated statement of financial position consists of cash, accounts receivable, accounts payable, accrued liabilities, Term Loan, Convertible Notes, deferred obligation and contract settlement obligation. The Company does not have any derivative financial instruments. The non-derivative financial instruments are recognized initially at fair value. The fair values of the current financial instruments approximate their carrying value due to their short-term maturity.

The fair value of the Company's Term Loan, Convertible Notes, deferred obligation and contract settlement obligations is based on the estimated payments under the Waterfall Distribution mechanism. The Waterfall Distribution specifies that 100 percent of any net proceeds received up to $180 million would be payable to the Lenders (Note 10(a)).

The following table compares the face value and fair value of the Company's Term Loan, Convertible Notes, deferred obligation and contract settlement obligation.

(thousands of US Dollars)		As at March 31, 2024		As at March 31, 2023
	Face Value[(1)]	Fair Value	Face Value[(1)]	Fair Value
Term loan (Note 10(a))	664,310	-	619,693	-
Convertible notes (Note 10(b))	144,850	-	138,419	-
Deferred obligation (Note 10(a))	26,057	-	26,057	-
Contract settlement obligation (Note 10(c))	6,925	-	6,925	-
	842,142	-	791,094	-

(1) Includes accrued interest and other amounts owing as at March 31, 2024.

(b) Credit Risk

Credit risk is the risk of financial loss if a partner or counterparty to a product sales contract or financial instrument fails to meet its contractual obligation. The Company is exposed to credit risk with respect to its oil and gas receivables with its joint operating partners and purchasers of the Company's production. The Company manages credit risk by entering into sales contract with established creditworthy counterparties and limiting exposure to any one counterparty. The Company is currently subject to credit risk in Bangladesh due to amounts withheld by Petrobangla equal to the Company's share of gas and condensate supplied from the Block 9 PSC. Refer to Notes 2, 7 and 19(a)(ii). As at March 31, 2024, the carrying amount of accounts receivable represents the maximum credit exposure.

The Company is exposed to credit risk with respect to cash and cash equivalents and restricted cash. Credit risk is managed on a group basis by the Company. The Company's cash and restricted cash balances are held with a large Canadian investment dealer and independently rated banks and financial institutions with a minimum rating of 'C'.

(c) Liquidity Risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they are due. The Company manages and mitigates its exposure to liquidity risk by the use of cash flow forecasts. Refer to Note 2.

The carrying values of the financial liabilities as at March 31, 2024 are as follows:

(thousands of US Dollars)	Carrying amount	< 1 year	> 1 year
Trade payables	167	167	-
Other payables[(1)]	406,148	406,148	-

(2) Refer to Note 9 for discussion of the components of Other Payables.

(d) Foreign Currency Risk

Foreign currency risk is the risk that future cash flows will fluctuate as a result of changes in foreign exchange rates. The Company holds the majority of its cash balances in US Dollars which is the Company's functional currency. The Company is exposed to fluctuations between the Indian Rupee against the US Dollar on Indian Rupee denominated financial instruments including cash and cash equivalents, accounts receivable, and accounts payable. In addition, the Company is subject to fluctuations in the value of the Euro compared to the US Dollar, as applicable to certain vendor payables for its subsidiary in India. The Company's corporate operations is exposed to fluctuations in the value of the Canadian Dollar against the US Dollar on Canadian denominated financial instruments including cash and cash equivalents, accounts payable and accrued liabilities and Convertible Notes. As at March 31, 2024, the Company does not have forward exchange rate contracts in place to mitigate foreign currency risk.

(e) Commodity Price Risk

Commodity price risk is the risk that the fair value of future cash flows may have potential adverse impact due to changes in commodity prices. Commodity prices for oil and natural gas are impacted by global economic events that dictate the level of supply and demand as well as the relationship between the Canadian and US Dollar. Crude oil prices are subject to fluctuation and volatility as evident in today's market. As at March 31, 2024, the Company had no material commodity price risk on its earnings as the Company is no longer recognizing revenue for its operations in Bangladesh. Commodity price risk may impact the proceeds, if any, that the Company realizes from its Block 9 Claim.

(f) Interest rate risk

Interest rate risk is the risk that future cash flows will fluctuate as a result of changes in market interest rates. The Company has minimum exposure to interest rate risk. As at March 31, 2024, the Company has not entered into any contracts to hedge against interest rate risk.

12. Share Capital

(a) Fully paid ordinary shares

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

In connection with the execution of the Fourth Amendment, the Company issued one preferred share during fiscal 2017. The preferred share was issued to the Agent, on behalf of the Lenders, and has the following terms: (i) one vote, (ii) the right to nominate for election up to two persons to the Board, (iii) an annual preferential cumulative dividend, if declared by the Board, at the rate of 0.00001% per annum on the redemption price of Cdn$1.00, and (iv) in the event of the liquidation, dissolution or winding-up of the Company distribution of capital of Cdn$1.00, in priority to the holders of the common shares of the Company.

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

Under the Company's share option plan, the Company has reserved 9,404,997 common shares for granting stock options to directors, officers, and employees. The Company has not granted any stock options since May 2014 and all stock options granted prior to that date have been forfeited or have expired.

13. Net Finance and Other Income

	Year ended March 31,	
(thousands of US Dollars)	2024	2023
Interest income	73	6
Other income	22	27
Bank charges and other finance costs	(4)	(5)
Foreign exchange gain / (loss)	3	(8)
	94	20

14. General and Administrative Expenses

	Year ended March 31,	
(thousands of US Dollars)	2024	2023
Legal fees	1,104	973
Salaries	238	242
Management fees	135	136
Audit fees	86	85
Insurance	30	35
Rent	15	21
Office costs	13	13
Consultants	8	10
Other	334	476
	1,963	1,991

15. Discontinued Operations

Discontinued operations includes Brazil, India, Indonesia, Pakistan, and Trinidad.

Net income (loss) from discontinued operations for the year-ended March 31, 2024 and 2023 was as follows:

	Year ended March 31,	
(thousands of US Dollars)	2024	2023
Net reversal of provisions	7,470	-
Other write-offs	(32)	-
Commercial claim expense (Note 9)	(1,780)	(1,780)
Foreign exchange gain	68	802
Current tax recovery	-	1,823
Net income from discontinued operations	5,726	845

During fiscal 2024, the Company recorded reversals of provisions of $8.2 million related to the Company's previous interests in India based on judgments by relevant authorities in fiscal 2024, partially offset by an immaterial correction of $0.8 million recorded for previously unrecognized royalties payable that related to the fiscal year ended March 31, 2021. The correction resulted in a decrease to net income from discontinued operations of $0.8 million in the current year and has been recorded in Net reversal of provisions with a corresponding increase to Other payables.

During fiscal 2023, the Company received a refund of approximately $1.8 million for income tax previously paid.

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

	Year ended March 31,	
(thousands of US Dollars)	2024	2023
Cash flow from operating activities	-	1,823

16. Income Taxes

(a)(i) Reconciliation of effective tax rate on continuing operations

	Year ended March 31,	
(thousands of US Dollars)	2024	2023
Loss for the year – continuing operations	(1,869)	(1,971)
Current income tax recovery – continuing operations	-	-
Loss excluding tax – continuing operations	(1,869)	(1,971)
Tax using the Company's domestic tax rate (2024 – 25%, 2023 – 25%)	(467)	(493)
Income exempt from tax	290	258
Adjustment to foreign statutory tax rates	2,134	(200)
Other non-deductible expenses	(3,566)	-
Unrecognized deferred tax asset	183	(8,706)
Other true-ups and prior year adjustments	39	(57)
Foreign exchange and other adjustments	1,387	9,198
Total	-	-

(a)(ii) Reconciliation of effective tax rate on discontinued operations

	Year ended March 31,	
(thousands of US Dollars)	2024	2023
Income for the year - discontinued operations	5,726	845
Current income tax recovery - discontinued operations	-	1,823
Income / (loss) excluding tax - discontinued operations	5,726	(978)
Tax using the Company's domestic tax rate (2024 - 25%, 2023 - 25%)	1,431	(244)
Unrecognized deferred tax asset	(1,431)	244
Recognition of income tax refunds	-	(1,823)
Total	-	(1,823)

(b) Unrecognized deferred tax assets

Deferred tax assets have not been recognized in respect of the following temporary differences:

(thousands of US Dollars)	As at March 31, 2024	As at March 31, 2023
Non-capital tax losses	485,758	486,302
Other deductible temporary differences	39,614	38,077
PP&E	25,542	25,507
Minimum alternate tax credit	35,641	36,169
Capital tax losses	43,971	43,971
Foreign tax credit	-	30,550
	630,526	660,576

The deductible temporary differences do not expire. Deferred tax assets have not been recognized in respect of these items because it is not probable that future taxable profit will be available against which the Company can utilize the benefits therefrom. The Canadian capital tax losses do not expire. The Canadian non-capital tax losses of $348 million will expire between fiscal 2028 and fiscal 2042.

The Company has temporary differences associated with its investments in its foreign subsidiaries, branches and interests in joint operations. As at March 31, 2024, the Company has no recognized deferred tax liabilities in respect of these temporary differences.

17. Per Share Amounts

(thousands of US Dollars, except number of common shares)	Year ended March 31, 2024	2023
Continuing Operations		
Basic and diluted		
Net loss	(1,869)	(1,971)
Weighted average number of common shares	94,049,967	94,049,967
Net loss per share	(0.02)	(0.02)
Discontinued Operations		
Basic and diluted		
Net income	5,726	845
Weighted average number of common shares	94,049,967	94,049,967
Net income per share	0.06	0.01

(1) For the years ended March 31, 2024 and 2023, the outstanding convertible notes were excluded from the diluted earnings per share calculation as they were anti-dilutive.

18. Related Party Transactions

Key management of the Company includes its directors and executive officers (Chief Executive Officer and Chief Financial Officer). Non-management directors receive an annual fee and the Chief Executive Officer and Chief Financial Officer receive a salary. The Company does not have other short-term benefits, defined contribution plans or defined benefit plans and does not provide post-employment benefits.

Key management compensation includes the following:

(thousands of US Dollars)	Year ended March 31, 2024	2023
Annual fees for non-management directors	82	83
Executive officers – salaries	230	235
	312	318

In fiscal 2024, a corporation owned equally by the Company's Chief Executive Officer and Chief Financial Officer purchased approximately 1.5 percent of the Company's Term Loan Facilities from an institutional investor. In connection with this transaction, the Company's Chief Executive Officer purchased Cdn$7 million of the Company's Convertible Notes from the same institutional investor.

19. Contingencies and commitments

(a) Bangladesh: The Company and certain of its subsidiaries are party to various disputes related to assets in Bangladesh:

(i) ICSID Arbitration Disputes – Bangladesh

Niko Resources (Bangladesh) Ltd. ("NRBL") is a party to two arbitration disputes to be decided upon by Tribunal(s) constituted under the rules of International Centre for Settlement of Investment Disputes ("ICSID").

1. "Payment Claim": Dispute over payment for gas delivered from the Feni field from November 2004 to April 2010 under the Feni Gas Purchase and Sale Agreement ("GPSA") with Petrobangla.
2. "Compensation Claim": Dispute over compensation claims arising from the uncontrolled flow problems that occurred in Chattak field in January and June 2005.

Payment Claim

In September 2021, the Tribunal issued an award in favor of NRBL for approximately $44 million ($27 million for unpaid invoices plus interest and costs) and in October 2023, an ICSID ad hoc committee dismissed Petrobangla's application to annul the award on the Payment Claim. There is no assurance that Petrobangla will comply with the award of the Tribunal and post-award interest continues to accrue. As such, no amounts have been recorded in these consolidated financial statements.

Compensation Claim

In March 2016, Bapex filed a memorial with the Tribunals that included a request that the Tribunals declare the JVA null and void based on the premise that the JVA was procured through corruption and dismiss all claims of NRBL in arbitration. In February 2019, the Tribunals issued its decision on the corruption claim in favor of NRBL. In February 2020, the Tribunals issued its decision on liability in which it concluded that NRBL must compensate Bapex for direct loss and damage caused by uncontrolled flow problem that occurred in January 2005. In May 2021, the Tribunals issued its decision on heads of recoverable loss in which it concluded that Bapex is entitled to compensation for the following losses: i) its share of the value of gas that escaped due to the first blowout which includes the period from the time of the first blowout in January 2005 to the time of the second blowout in June 2005 (in fiscal 2021, the Company recorded a provision of $2.2 million as its estimate of this value) and may include some portion of gas lost following the second blowout subject to further determinations to be made by the Tribunal; ii) on behalf of the Government of Bangladesh ("GOB"), the difference between the JVA price (yet to be determined) and the price the GOB or Petrobangla paid to comparable gas producers in Bangladesh for the quantities of gas lost for which NRBL must compensate Bapex; and iii) on behalf of the GOB, environmental losses caused by the first blowout, to the extent Niko has not already compensated for such loss and damages. The final hearing to allow the Tribunal to determine the magnitude of the recoverable losses under i) and ii) above occurred in November 2021 with the magnitude of environmental losses, if any, to be determined by the Tribunals based on written submissions of the parties. The award from the Tribunal is awaited.

Block 9 Claim

In May 2019, Niko Block 9 filed an arbitration case against Petrobangla and the GOB under the rules of ICSID, claiming damages related to non-payment of amounts due from Petrobangla under the Block 9 gas and condensate purchase and sale agreements and effective expropriation of Niko Block 9's 60 percent interest in the Block 9 PSC. The final hearing occurred in December 2023 and the award from the Tribunal is awaited. The estimated value of Niko Block 9's claim against Petrobangla and the GOB as at March 31, 2024 is approximately $130 million, including i) an estimated $94 million for the cumulative amount owed by Petrobangla for Niko Block 9's share of the profit petroleum portion of invoiced amounts for March 2016 to March 2024; ii) interest due on unpaid amounts; and iii) an estimated value for Niko Block 9's share of remaining gas and condensate reserves.

The outcome of this claim is uncertain and may not be concluded in the Company's favor. Additionally, there is significant uncertainty as to the amount of the award should the Tribunal rule in favor of the Company due to the differing assumptions used by each party to the claim in determining claim value.

(ii) *Lawsuits in Local Courts - Bangladesh*

The Company and/or its subsidiaries are party to three lawsuits filed in local courts in Bangladesh.

The first lawsuit (the Money Suit) was filed in June 2008 by the GOB and Petrobangla, claiming approximately $106 million in damages related to the same issues under dispute in the Compensation Claim described above.

In May 2016, a writ petition was filed before the Supreme Court of Bangladesh, High Court Division (the "Court") by a citizen of Bangladesh against (i) the GOB, (ii) Petrobangla, (iii) Bapex, (iv) NRBL and (v) the Company. The writ petition relates to the Feni GPSA and the JVA for the Feni and Chattak fields in Bangladesh. Pending resolution of the writ petition, the Court issued a Stay Order for a period of one month on any kind of benefit given by the GOB, Petrobangla or Bapex to NRBL or Niko or any of its affiliates or subsidiaries, including payments made for gas supplied from the Block 9 PSC. The Court subsequently extended the Stay Order. In August 2017, the presiding judge of the Court announced its decision in favor of the Petitioner and declared:

- the Feni GPSA and the JVA to be without legal authority and of no legal effect; and
- the assets of NRBL and Niko, including its shareholding in the indirect subsidiary that holds a 60 percent interest in the Block 9 PSC, are attached to provide adequate compensation for the blowouts that occurred in 2005 in the Chattak field in Bangladesh.

In November 2017, the full written judgement of the Court was received and in December 2017, NRBL filed a leave for appeal in the Appellate Division of the Supreme Court against the decision of the Court. The leave for appeal was dismissed in June 2023.

In June 2016, another writ petition has been filed before the Supreme Court of Bangladesh, High Court Division (the "Court") in Dhaka by a citizen of Bangladesh against (i) the Government of Bangladesh (ii) Petrobangla, (iii) Bapex, (iv) Niko Block 9, (iv) Niko Resources (Cayman) Ltd. ("Niko Cayman"), a direct subsidiary of the Company and (v) the Company. The writ petition relates to the October 2004 approval by Petrobangla of the acquisition by Niko Cayman of Niko Block 9 (previously Chevron International Bangladesh Limited) from Chevron Corporation. Pending resolution of the writ petition, the Court issued a Stay Order until September 2016 against all direct and indirect payments to Niko Block 9, Niko Cayman or the Company under the Block 9 PSC or the Block 9 joint operating agreement including payments made for gas supplied from the Block 9 PSC. The Court subsequently extended the Stay Order.

The Company believes that ICSID have exclusive jurisdiction to decide all disputes relating to Feni GPSA and the JVA and the Block 9 PSC provides for ICSID arbitration as the default dispute resolution mechanism to decide disputes relating to the Block 9 PSC. In addition, the Company believes that Petrobangla's withholding of funds related to invoiced amounts due for gas and condensate supplied from the Block 9 PSC constitutes breaches of the purchase and sale agreements governing gas and condensate supplied from the Block 9 PSC as well as a breach of the Block 9 PSC.

The Company continues to pursue its rights in these matters. In the Company's opinion, it is more likely than not that the above noted disputes will not result in an outflow of resources embodying economic resources from the Company.

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

The contractor group of the D6 PSC in India is party to an arbitration dispute with the GOI relating to the calculation of cost recovery and profit petroleum for the D6 PSC. In November 2011, after unsuccessful attempts to resolve the dispute, the operator of the D6 Block, on behalf of the contractor group, commenced an arbitration proceeding against the GOI. It is the GOI's position that the contractor group is in breach of the PSC for the D6 Block due to the failure to drill all of the wells and attain production levels contemplated in the Addendum to the Initial Development Plan ("AIDP") for the Dhirubhai 1 and 3 fields and therefore, the GOI asserts that certain costs should be disallowed for cost recovery. The contractor group is of the view that the disallowance of recovery of costs incurred by the joint operation has no basis in the terms of the PSC and that there are strong grounds to challenge the positions of the GOI. Hearings in the arbitration process are continuing.

Since May 2012, the GOI has issued various letters disallowing the recovery of certain costs and demanding payment for its share of profit petroleum based on the GOI's calculation of the costs that should be disallowed for cost recovery and other adjustments. The GOI has also requested compensation to be assessed at a later date for its share of profit petroleum and royalties on the difference in the value of the gas quantities contemplated in the AIDP and the gas quantities actually produced. In November 2016, the contractor group of the D6 Block received a letter from the GOI in which the GOI updated its estimate of the costs that should be disallowed for cost recovery as at March 31, 2016 to $3.02 billion (Niko share $302 million) and its demand for payment for additional profit petroleum to $175 million (Niko share $17.5 million). The amount of an award, if any, in favor of the GOI in this dispute is uncertain and may include interest.

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. Effective November 2014 to March 2016, the D6 contractor group was paid the earlier price of $4.20 / MMbtu NCV for gas sales from the Dhirubhai 1 and 3 fields and the difference between the revised price and the $4.20 / MMbtu NCV was deposited to a gas pool account and "whether the amount so collected is payable or not to the contractors of this block would be dependent on the outcome of the award of the pending arbitration and any attendant legal proceedings". Deposits to the gas pool account for natural gas sales from the D1-D3 fields from November 2014 to March 2016 totaled $82 million (Niko share $8.2 million), of which $4 million (Niko share $0.4 million) of royalties was paid to the GOI out of the gas pool account. Commencing April 2016 to the effective date of the D6 settlement transaction, the revised gas price under the Guidelines has been below the earlier price of $4.20 / MMbtu NCV and deposits were not required to be made to the gas pool account.

In the Company's opinion, it is more likely than not that the above noted disputes will not result in an outflow of resources embodying economic resources from the Company.

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

In the third quarter of fiscal 2016, an international reservoir engineering firm (commissioned by the operator of the D6 Block and the operator of two adjoining blocks, and under the supervision of the Director General of Hydrocarbons of the GOI) issued a third party report stating that their analysis indicated connectivity and continuity of the reservoirs across the D6 Block and the adjoining blocks and that, in their opinion, a portion of the natural gas produced from the D1 D3 facilities in the D6 Block had likely migrated from the adjoining blocks. In the Company's opinion, the operator of the D6 Block has acted in accordance with the provisions of the D6 PSC, with all wells drilled within the block boundaries as per the development plan approved by the relevant authorities under the PSC.

In November 2016, the contractor group of the D6 Block in India received a letter from the GOI, in which the GOI made claims against the contractor group in respect of gas said to have migrated from neighboring blocks to the D6 Block. Later in November 2016, the operator of the D6 Block invoked the dispute resolution mechanism in the PSC on behalf of the contractor group and issued a Notice of Arbitration to the GOI, with the arbitration process currently underway. In March 2018, the GOI updated its base claim to $1.46 billion (Niko share $146 million) for its estimate of the gas migrated from neighboring blocks and produced and sold by the contractor group up to December 31, 2017 multiplied by the prevailing price, a deduction for royalties already paid, and without deduction for any capital and operating expenditures incurred by the contractor group. The GOI also included a claim for interest to December 31, 2017 of $245 million (Niko share $24.5 million).

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. A decision on the petition was issued in May 2023 dismissing the appeal by the GOI. In July 2023, the GOI filed another appeal to the High Court of Delhi in India and updated their claim to $1.92 billion (Niko share $192 million) including interest.

Under the terms of the D6 settlement agreement, Niko NECO retained exposure to the above noted disputes. In the Company's opinion, it is more likely than not that the above noted disputes will not result in an outflow of resources embodying economic resources from the Company.

(c) *Tax Holiday Disputes - India*

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

In March 2015, the High Court of Gujarat in India issued a favorable judgment on the retrospective application of the definition of undertakings and whether or not mineral oil includes natural gas for the purposes of the income tax holiday claims for the Company's Hazira field in India. The judgment states that the GOI's retrospective application of the definition of undertakings as "all blocks licensed under a single contract shall be treated as a single undertaking" is clearly unconstitutional and has been struck down. As such, the Company's position that an undertaking can be defined as a well or cluster of wells has been upheld for the purposes of the tax holiday provisions in the Act. The judgement also states that the term "mineral oil" for the purposes of the tax holiday provisions in the Act takes within its purview both petroleum products and natural gas. In October 2015, the GOI filed a petition in the Supreme Court of India to challenge the favorable tax judgment issued by the High Court of Gujarat. Should the Supreme Court overturn the ruling of the High Court, the Company would have to change its tax position and record additional income tax expense. In addition, the Company could be obligated to pay interest on taxes for the past periods.

Niko NECO received similar unfavorable tax assessments relating to the tax holiday deduction claimed with respect to its interest in the D6 Block. In fiscal 2018, Niko NECO received favorable decisions on its appeals against these tax assessments for certain fiscal years and in fiscal 2019, Niko NECO received income tax refunds totaling $17 million (including interest).

In the Company's opinion, it is more likely than not that the above noted disputes will not result in an outflow of resources embodying economic resources from the Company.

(d) *Unfulfilled Commitments Disputes – India*

The Cauvery and D4 blocks in India have been relinquished. The Company believes it has fulfilled all commitments for the Cauvery and D4 blocks while the GOI contends that the Company has unfulfilled commitments of $7 million.

In the Company's opinion, it is more likely than not that the above noted disputes will not result in an outflow of resources embodying economic resources from the Company.

(e) *Other Claims*

Various other claims have been filed against the Company for incidents arising in the ordinary course of business. In the Company's opinion, the possibility of outflow for these claims is remote or will not be material to the Company's operations.

20. Subsequent Events

In July 2024, the Board of Directors approved resolutions authorizing the Company to execute agreements whereby effective July 1, 2024, the services of the Company's executive officers, non-management directors and certain other contractors will be provided by a corporation owned equally by the Company's Chief Executive Office and Chief Financial Officer in exchange for payments wholly contingent upon receiving value from the Company's claims in Bangladesh (refer to Note 19(a) for further details).