NIKO RESOURCES LTD

ANNUAL REPORT

FOR THE YEAR ENDED MARCH 31, 2021

July 29, 2021

MANAGEMENT'S DISCUSSION AND ANALYSIS

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

The following Management's Discussion and Analysis ("MD&A") of the financial condition, financial performance and cash flows of the Company for the year ended March 31, 2021 should be read in conjunction with the consolidated financial statements for the year ended March 31, 2021. Additional information relating to the Company, is available on SEDAR at www.sedar.com and on the Company's website at www.nikoresources.com. This MD&A is dated July 29, 2021.

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

LIQUIDITY AND CAPITAL RESOURCES

Going concern

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

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

These consolidated financial statements for the year ended March 31, 2021 do not reflect the adjustments or reclassification of assets and liabilities which would be necessary if the Company were unable to continue as a going concern and therefore be required to realize on its assets and liabilities in other than the normal course of business and potentially at amounts significantly different from those recorded in the consolidated financial statements for the year ended March 31, 2021.

India

In January 2021, Niko (NECO) Ltd. ("Niko NECO"), an indirect subsidiary of the Company, received a refund of $1.8 million for income taxes previously withheld from interest earned on previous tax refunds received by the subsidiary in India.

In May, 2021, Niko NECO received a refund of $5.3 million for GST previously paid with respect to the D6 settlement transaction after receiving a ruling from the GST department of India that GST was not applicable to the transaction. In January 2020, Niko NECO had received net proceeds from the D6 settlement transaction after agreeing to withdraw from the D6 PSC and joint operating agreement and settle an arbitration case in exchange for $36 million, net of applicable taxes. Under the terms of the Company's Facilities Agreement, the Lenders had appointed a receiver over the shares of Niko NECO and exercised their rights over the bank account of Niko NECO that the net proceeds of the D6 settlement were deposited into. In February 2020, $26 million (net of payments of taxes, including the aforementioned GST, and other transaction costs) was distributed by Niko NECO solely to the security trustee of the Lenders pursuant to the Waterfall Distribution mechanism defined in the Facilities Agreement and the indenture governing the Convertible Notes of the Company, and was reflected in fiscal 2020 as a loss on revaluation of long-term debt offset by an impairment reversal, net of income taxes (as part of discontinued operations). In March 2021, the receiver over the shares of Niko NECO was removed by the Lenders.

Bangladesh

Going forward, the Company plans to use its remaining available cash and future potential cash inflows primarily to fund its ongoing efforts to recover amounts due from Bangladesh Oil, Gas and Mineral Corporation ("Petrobangla") in Bangladesh, subject to the Lenders' continuing right to appoint a receiver. In fiscal 2011, an 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 from November 2004 to April 2010 under the Feni Gas Purchase Sales Agreement ("Feni GPSA") with Petrobangla (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 fiscal 2020, Niko Block 9, filed an arbitration case against Petrobangla and the Government of Bangladesh under the rules of ICSID regarding a dispute over non-payment of amounts due from Petrobangla under the Block 9 gas and condensate purchase and sales agreements and effective expropriation of Niko Block 9's 60 percent interest in the Block 9 PSC (the "Block 9 Claim"). The Payment Claim and Compensation Claim are expected to conclude within the next year and the tribunal for the Block 9 Claim is expected to be constituted within the next few months. Refer to Note 21(a) if the consolidated financial statement for the year ended March 31, 2021 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 21 of the consolidated financial statements for the year ended March 31, 2021, and are actively defending against these claims.

OVERALL PERFORMANCE AND RESULTS OF OPERATIONS BY REPORTABLE SEGMENT

The Company's results for the fourth quarter and year ended March 31, 2021 are as follows:

	Three months ended March 31,		Year ended March 31,	
(thousands of US Dollars)	2021	2020	2021	2020
Net income (loss) from continuing operations	(783)	(25,324)	(3,114)	(27,624)
Net income (loss) from discontinued operations	(157)	24,144	(1,504)	22,803
Total net income (loss)	(940)	(1,180)	(4,618)	(4,821)

Highlights for the fourth quarter ended March 31, 2021:

Net income from continuing operations in the fourth quarter of fiscal 2021 primarily reflected a provision of $2.2 million for the Compensation Claim case related to the Chattak field in Bangladesh (refer to Note 21(a) of the consolidated financial statements for the year ended March 31, 2021 for further details) and general and administrative expenses, partially offset by a refund of $1.8 million for income taxes previously withheld from interest earned on previous tax refunds received by the subsidiary in India. General and administrative expenses increased from the fourth quarter of fiscal 2020 primarily due to increased legal expenses and the reclassification of costs associated with the D6 settlement transaction from general and administrative expenses in the fourth quarter of fiscal 2020, partially offset by the Company's cost saving efforts. Net income from continuing operations in the fourth quarter of fiscal 2020 also reflected the recognition of a loss on revaluation of long-term debt of $26 million resulting from the distribution to the security agent of the Lenders of $26 million of the net proceeds of the D6 settlement.

Net loss from discontinued operations in the fourth quarter of fiscal 2021 primarily reflected commercial claim expense, which was virtually unchanged from the fourth quarter of fiscal 2020. Net income from discontinued operations in the fourth quarter of fiscal 2020 also reflected a reversal of impairment of property, plant and equipment in the D6 Block in India of $28.4 million as a result of the D6 settlement transaction, partially offset by current income tax expense of $2.4 million related to the settlement transaction and recognition of unfulfilled exploration commitment expense of $1.4 million related to the Company's interests in Brazil.

Highlights for the year ended March 31, 2021:

Net loss from continuing operations in fiscal 2021 of $3.1 million primarily reflected a provision of $2.2 million for the Compensation Claim case related to the Chattak field in Bangladesh (refer to Note 21(a) of the consolidated financial statements for the year ended March 31, 2021 for further details) and $2.9 million of general and administrative expenses, partially offset by a refund of $1.8 million for income taxes previously withheld from interest earned on previous tax refunds received by the subsidiary in India. General and administrative expenses increased from fiscal 2020 primarily due to increased legal expenses, partially offset by the Company's cost saving efforts. Net income from continuing operations in the fourth quarter of fiscal 2020 also reflected the recognition of a loss on revaluation of long-term debt of $26 million resulting from the distribution to the security agent of the Lenders of $26 million of the net proceeds of the D6 settlement.

Net loss from discontinued operations in fiscal 2021 primarily reflected $1.8 million of commercial claim expense, which was virtually unchanged from fiscal 2020. Net income from discontinued operations in the fourth quarter of fiscal 2020 also reflected a reversal of impairment of property, plant and equipment in the D6 Block in India of $28.4 million as a result of the D6 settlement transaction, partially offset by current income tax expense of $2.4 million related to the settlement transaction and recognition of unfulfilled exploration commitment expense of $1.4 million related to the Company's interests in Brazil.

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)	2021	2020	2019
Continuing Operations			
Basic and diluted[(1)]			
Net income (loss) from continuing operations	(3,114)	(27,624)	206,314
Weighted average number of common shares	94,049,967	94,049,967	94,049,967
Net income (loss) per share	(0.03)	(0.29)	2.19
Discontinued Operations			
Basic and diluted[(1]			
Net income (loss) from discontinued operations[(2)]	(1,504)	22,803	(274,874)
Weighted average number of common shares	94,049,967	94,049,967	94,049,967
Net income (loss) per share	(0.02)	0.24	(2.92)
Total Assets	2,311	3,399	5,210
Total Current Liabilities	408,787	405,237	402,227

(1) For the years ended March 31, 2021, 2020, and 2019, 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 2021 of $3.1 million primarily reflected general and administrative expenses of $2.9 million and a provision of legal claim of $2.2 million pertaining to the Compensation Claim case in Bangladesh, partially offset by a refund of $1.8 million for income taxes previously withheld from interest earned on previous tax refunds received by the subsidiary in India. Net loss from continuing operations of $27.6 million in fiscal 2020 primarily reflected a loss on revaluation of long-term debt of $26 million and general and administrative expenses of $1.8 million. Net income from continuing operations of $206 million in fiscal 2019 primarily reflected a gain on revaluation of long-term debt of $211 million, partially offset by an impairment loss associated with Block 9 in Bangladesh of $1 million.

Net loss from discontinued operations in fiscal 2021 primarily reflected $1.8 million of commercial claim expense, which was virtually unchanged from fiscal 2020. Net income from discontinued operations of $22.8 million in fiscal 2020 also reflected reversal of impairment of $28.4 million, partially offset by current income tax expense of $2.4 million, commercial claim expense of $1.8 million, and unfulfilled exploration commitment expense of $1.4 million. Net loss from discontinued operations of $275 million in fiscal 2019 primarily reflected net impairment loss of $219 million, depletion and depreciation expenses of $39 million for the D6 Block in India and current income tax expense of $16 million.

Total assets decreased since fiscal 2019 primarily due to a reduction in cash balances.

Total current liabilities increased since fiscal 2019 primarily due to the recognition of the liability for commercial claim expense.

SUMMARY OF QUARTERLY RESULTS

(thousands of US Dollars)	Mar 31, 2021	Dec 31, 2020	Sep 30, 2020	Jun 30, 2020	Mar 31, 2020	Dec 31, 2019	Sep 30, 2019	Jun 30, 2019
Net loss from continuing operations(1)	(783)	(526)	(948)	(857)	(25,324)	(918)	(560)	(822)
Net income (loss) from discontinued operations(1)(2)	(157)	(447)	(450)	(450)	24,144	(449)	(448)	(444)
Total net loss	(940)	(973)	(1,398)	(1,307)	(1,180)	(1,367)	(1,008)	(1,266)
Earnings (loss) per share – Basic and diluted(1)								
Continuing operations	(0.01)	(0.01)	(0.01)	(0.01)	(0.27)	(0.01)	(0.01)	(0.01)
Discontinued operations	(0.00)	(0.00)	(0.00)	(0.00)	0.26	(0.00)	(0.00)	(0.00)
Total	(0.01)	(0.01)	(0.01)	(0.01)	(0.01)	(0.01)	(0.01)	(0.01)

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

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

The Company's quarterly results primarily reflected general and administrative expenses and. In addition, total net loss for the quarter ended March 31, 2021 included a provision of legal claim of the Company of $2.2 million, partially offset by a refund of $1.8 million for income taxes previously withheld from interest earned on previous tax refunds received by the subsidiary in India and total net loss for the quarter ended March 31, 2020 included a reversal of impairment of $28 million which was offset by a loss on revaluation of long-term debt of $26 million and current tax expenses of $2 million. Refer to the Company's previously issued annual and interim MD&A's, available on SEDAR at www.sedar.com for further information regarding changes in the prior quarters.

CONTRACTUAL OBLIGATIONS

The following table represents the Company's contractual obligations and other commitments as at March 31, 2021:

(thousands of US Dollars)	Face Value	Carrying Value	< 1 year	1 to 3 years	3 to 5 years	> 5 years
Term loan facilities(1)(2)	533,294	-	-	-	-	-
Convertible notes(1)(3)	134,770	-	-	-	-	-
Contract settlement obligation(4)	26,057	-	-	-	-	-
Deferred obligation(5)	6,925	-	-	-	-	-
Exploration work commitments	270,667	270,667	270,667	-	-	-
Total contractual obligations	971,713	270,667	270,667	-	-	-

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

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

(3) The convertible notes are recorded in the financial statements at fair value of nil. The face value of the convertible notes as at March 31, 2021 is Cdn$169.5 million (including accrued interest).

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

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

OUTSTANDING SHARE DATA

The Company did not issue any common shares or securities convertible or exchangeable into common shares in fiscal 2021. As at July 29, 2021, the Company has 94,049,967 common shares, 1 preferred share, and no stock options outstanding.

OFF BALANCE SHEET ARRANGEMENTS

The Company had no off balance sheet arrangements in place as at March 31, 2021.

GENERAL AND ADMINISTRATIVE EXPENSES

	Year ended March 31,	
(thousands of US Dollars)	2021	2020
Legal fees	1,816	388
Salaries	242	290
Management fees	172	199
Insurance	100	179
Audit fees	65	90
Rent	27	51
Consultants	23	38
Office costs	13	19
Other	435	512
	2,893	1,766

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)	2021	2020
Annual fees for non-management directors(1)	83	117
Executive officers – salaries (1)	235	286
	318	403

(1) Amounts are based on cash payments made during the years ended March 31, 2021 and March 31, 2020, respectively.

FINANCIAL INSTRUMENTS

The Company is exposed to credit risk, liquidity risk, foreign currency risk and commodity price risk as a part of normal operations. A detailed description of the Company's financial instruments and risk management is included in Note 11 to the consolidated financial statements for the year ended March 31, 2021.

DISCLOSURE CONTROLS AND INTERNAL CONTROLS OVER FINANCIAL REPORTING

The Company's Chief Executive Officer and the Vice President, Finance and Chief Financial Officer have assessed the design and effectiveness of internal controls over financial reporting ("ICFR") and disclosure controls and procedures ("DC&P") as at March 31, 2021. There have been no significant changes in ICFR during the three ended March 31, 2021 that have materially affected, or are reasonably likely to materially affect, ICFR.

CRITICAL ACCOUNTING ESTIMATES

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

For a complete discussion of the critical accounting estimates, refer to Note 5 of the consolidated financial statements for the year ended March 31, 2021.

RISK FACTORS

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

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

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

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

BASIS OF PRESENTATION

The financial data included in this MD&A is in accordance with the International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") and interpretations of the International Financial Reporting Interpretations Committee ("IFRIC") that are effective as at March 31, 2021. All financial information is presented in thousands of US Dollars unless otherwise indicated.

The term "fiscal 2021" is used throughout the MD&A and in all cases refers to the period from April 1, 2020 through March 31, 2021. The term "fiscal 2020" is used throughout the MD&A and in all cases refers to the period from April 1, 2019 through March 31, 2020. The term "fiscal 2019" is used throughout the MD&A and in all cases refers to the period from April 1, 2018 through March 31, 2019.

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 AUDITORS' REPORT

To the Shareholders of Niko Resources Ltd.

Opinion

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

- the consolidated statements of financial position as at March 31, 2021 and March 31, 2020
- the consolidated statements of comprehensive loss for the years then ended
- the consolidated statements of changes in shareholders' deficit 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 significant accounting policies

(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 Company as at March 31, 2021 and March 31, 2020, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with International Financial Reporting Standards (IFRS) 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 "*Auditors' Responsibilities for the Audit of the Financial Statements*" section of our auditors' report.

We are independent of the Company 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, 2021, the Company is in default of its facilities agreement with its senior lenders and the

Company has significant existing liabilities, obligations and contingent liabilities. The Company and its subsidiaries are subject to various claims from other parties and an adverse outcome on one or more of the claims impacting the Company and its subsidiaries could significantly and negatively impact the future cash flows of the Company and further deteriorate its overall liquidity.

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 a material uncertainty exists that may cast significant doubt on the Company'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 auditors' 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 auditors' 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 International Financial Reporting Standards (IFRS) 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 Company'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 Company or to cease operations, or has no realistic alternative but to do so.

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

Auditors' 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 auditors' 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 Company'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 Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' 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 auditors' report. However, future events or conditions may cause the Company 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.

The engagement partner on the audit resulting in this auditors' report is David Yung.

KPMG LLP

Chartered Professional Accountants
Calgary, Canada
July 29, 2021

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

(thousands of US Dollars)	As at March 31, 2021	As at March 31, 2020
Assets		
Current assets		
Cash and cash equivalents	2,273	3,246
Accounts receivable and other (Note 7)	38	153
	2,311	3,399
Liabilities		
Current liabilities		
Trade payables (Note 8)	320	454
Other payables (Note 9)	408,447	404,783
	408,767	405,237
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	(1,918,612)	(1,913,994)
	(406,456)	(401,838)
	2,311	3,399

Going Concern (Note 2)
Contingent liabilities (Note 21)

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 LOSS

(thousands of US Dollars)	Year ended March 31, 2021	2020
Net finance and other income (Note 14)	238	128
General and administrative expenses (Note 15)	(2,893)	(1,766)
Provision for legal claim (Note 9)	(2,200)	-
Loss on revaluation of long-term debt (Note 10)	-	(26,000)
Net loss before income tax from continuing operations	(4,855)	(27,638)
Current income tax recovery (Note 17)	1,741	14
Net loss from continuing operations	(3,114)	(27,624)
Net income (loss) from discontinued operations (Notes 2 and 16)	(1,504)	22,803
Total net loss and comprehensive loss	(4,618)	(4,821)
Net income (loss) per share (Note 18)		
Basic and diluted – continuing operations	(0.03)	(0.29)
Basic and diluted – discontinued operations	(0.02)	0.24

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

CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' DEFICIT

(thousands of US Dollars, except number of common shares)	Number of common shares	Share capital	Contributed surplus	Currency translation reserve	Deficit	Total
Balance, March 31, 2019	94,049,967	1,366,867	143,142	2,147	(1,909,173)	(397,017)
Net loss for the year	-	-	-	-	(4,821)	(4,821)
Balance, March 31, 2020	94,049,967	1,366,867	143,142	2,147	(1,913,994)	(401,838)
Net loss for the year	-	-	-	-	(4,618)	(4,618)
Balance, March 31, 2021	94,049,967	1,366,867	143,142	2,147	(1,918,612)	(406,456)

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)	2021	2020
Cash flows from operating activities:		
Net loss from continuing operations	(3,114)	(27,624)
Adjustments for:		
Provision for legal claim (Note 9)	2,200	-
Loss on revaluation of long-term debt (Note 10)	-	26,000
Change in non-cash working capital	(59)	(80)
Net cash used in operating activities of continuing operations	(973)	(1,704)
Cash flows from investing activities:		
Net cash from investing activities of discontinued operations (Notes 2 and 16)	-	26,000
Cash flows from financing activities:		
Repayment of long-term debt	-	(26,000)
Net cash used in financing activities of continued operations	-	(26,000)
Change in cash and cash equivalents	(973)	(1,704)
Cash and cash equivalents, beginning of year	3,246	4,950
Cash and cash equivalents, end of year	2,273	3,246

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 1500, 205 – 5th Avenue SW, Calgary, Alberta, T2P 2V7. The Company was engaged in the exploration, development and production of oil and natural gas primarily in India and Bangladesh. Effective March 13, 2019, the Company's common shares and convertible notes were delisted from the Toronto Stock Exchange.

2. Going Concern and Subsequent Event

Going Concern

Commencing June 2016, the Company ceased receiving revenue related to the 60 percent interest of its indirect subsidiary, Niko Exploration (Block 9) Ltd. ("Niko Block 9"), in the Block 9 production sharing contract ("PSC") in Bangladesh, due to legal cases related to this and other ownership interests in Bangladesh (see Note 21(a) for further details on these matters}. In addition, since fiscal 2019, 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, 2021, the Company has significant existing liabilities, obligations and contingent liabilities (see Note 21). An adverse outcome on one or more of the claims impacting the Company and its subsidiaries could significantly and negatively impact the future cash flows of the Company and further deteriorate its overall liquidity. Currently, the Company's primary focus is on attempting to realize value related to amounts for which the Company believes are owed to its subsidiaries that hold interests in Bangladesh and attempting to collect income and other tax refunds in India, with any realized value likely to be for the ultimate benefit of its Lenders. There is no guarantee that the Company will be successful in realizing any value in these endeavors.

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

These consolidated financial statements for the year ended March 31, 2021 do not reflect the adjustments or reclassification of assets and liabilities which would be necessary if the Company were unable to continue as a going concern and therefore be required to realize on its assets and liabilities in other than the normal course of business and potentially at amounts significantly different from those recorded in these financial statements.

India

In January 2021, Niko (NECO) Ltd. ("Niko NECO"), an indirect subsidiary of the Company, received a refund of $1.8 million for income taxes previously withheld from interest earned on previous tax refunds received by the subsidiary in India.

In May 2021, Niko NECO received a refund of $5.3 million for GST previously paid with respect to the D6 settlement transaction after receiving a ruling from the GST department of India that GST was not applicable to the transaction. In January 2020, Niko NECO had received net proceeds from the D6 settlement transaction after agreeing to withdraw from the D6 PSC and joint operating agreement and settle an arbitration case in exchange for $36 million, net of applicable taxes. Under the terms of the Company's Facilities Agreement, the Lenders had appointed a receiver over the shares of Niko NECO and exercised their rights over the bank account of Niko NECO that the net proceeds of the D6 settlement were deposited into. In February 2020, $26 million (net of payments of taxes, including the aforementioned GST, and other transaction costs) was distributed by Niko NECO solely to the security trustee of the Lenders pursuant to the Waterfall Distribution mechanism defined in the Facilities Agreement and the indenture governing the Convertible Notes of the Company, and was reflected in fiscal 2020 as a loss on revaluation of long-term debt offset by an impairment reversal, net of income taxes (as part of discontinued operations). In March 2021, the receiver over the shares of Niko NECO was removed by the Lenders.

Bangladesh

In fiscal 2011, an 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 from November 2004 to April 2010 under the Feni Gas Purchase Sales Agreement ("Feni GPSA") with Petrobangla (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 fiscal 2020, Niko Block 9, filed an arbitration case against Petrobangla and the Government of Bangladesh under the rules of ICSID regarding a dispute over non-payment of amounts due from

Petrobangla under the Block 9 gas and condensate purchase and sales agreements and effective expropriation of Niko Block 9's 60 percent interest in the Block 9 PSC (the "Block 9 Claim").

Contingent Liabilities

The Company and its subsidiaries are subject to various claims from other parties, as described in Note 21, 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 International Financial Reporting Standards 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 29, 2021.

(b) Basis of measurement

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

(c) Functional and presentation currency

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

4. Significant Accounting Policies

(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) Cash and cash equivalents

Cash and cash equivalents include cash on hand, amounts on deposit with banks and term deposits.

(c) Financial assets and liabilities

The Company's financial assets and financial liabilities are classified into two categories: Amortized Cost and Fair Value through Profit and Loss ("FVTPL"). 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.

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.

A financial liability is classified as measured at FVTPL if it is held-for-trading, a derivative, or designated as FVTPL on initial recognition and are subsequently measured at fair value with changes in fair value immediately charged to the consolidated statements of profit or loss.

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.

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.

The Convertible Notes are classified as a Level 3 financial instrument and the estimated fair value is determined using estimated discount rates and the corresponding net proceeds that may be payable to the Lenders under the Waterfall Distribution mechanism.

The Term Loan, deferred obligation and contract settlement on the modification date and subsequent thereto and the Convertible Notes post the modification date are classified as a Level 3 financial instrument and the estimated fair value is determined using estimated discount rates and the corresponding net proceeds that may be payable to the Lenders under the Waterfall Distribution mechanism.

(d) Oil and natural gas exploration, development and producing expenditure

Oil and natural gas exploration and development expenditures are accounted for using the method described below:

(i) Pre-license costs: Pre-licence costs are expensed in the period in which they are incurred.

(ii) Licence and property acquisition costs: Licence and property acquisition costs are capitalized as exploration and evaluation assets.

(iii) Geological and geophysical costs: Geological and geophysical costs are expensed in the period in which they are incurred.

(iv) Exploration and evaluation costs: All costs incurred directly attributable to an exploration well (drilling, testing and evaluating for technical feasibility and commercial viability of extraction) including appraisal and any directly attributable general and administration costs and share-based payments are initially capitalized as exploration and evaluation assets. If hydrocarbons are not found, the accumulated exploration costs are written off as a dry hole. If hydrocarbons that may be capable of commercial development are found, subject to further appraisal activity that may include the drilling of further wells, the costs shall continue to be carried as exploration and evaluation assets. All such carried costs are subject to regular technical, commercial and management review to confirm the continued intent to develop or otherwise extract value from the discovery. When this is no longer the case, the costs are written off or impaired. If technical feasibility is demonstrated and commercial reserves are discovered, then the carrying value of the relevant exploration and evaluation asset will be reclassified as a development asset into the cash generating unit to which it relates, but only after the carrying value of the relevant exploration and evaluation asset has been assessed for impairment and, where appropriate, its carrying value adjusted. If technical feasibility and commercial viability have not been achieved in relation to the exploration and evaluation assets appraised, all other associated costs are written down to the recoverable amount in profit or loss.

(v) Development and production assets: Expenditures for development and producing assets including the costs of drilling development wells and the construction of production facilities are capitalized under development assets after technical feasibility and commercial viability of producing hydrocarbons has been demonstrated. Development assets are transferred to producing assets when they are put in use. After recognition as an asset, development and producing assets are carried at cost less any accumulated depletion and impairment losses.

(e) Other property, plant and equipment

Other property, plant and equipment include buildings, office equipment, furniture and fixtures, and vehicles. These costs were initially recorded at historical cost less accumulated depreciation and impairment losses. Initial costs include expenditures that were directly attributable to the acquisition of the asset.

(f) Depletion and depreciation

Exploration and evaluation assets were not amortized prior to the conclusion of appraisal activities.

Development and producing assets were not depleted until production commences. The net carrying value of producing assets was depleted using the unit-of-production method by reference to the ratio of production in the year to the related total proved reserves of oil and natural gas. The depletion calculation took into account the estimated future development costs required to develop the proved reserves.

Proved and probable reserves were estimated using independent reservoir engineering reports and techniques and represented the estimated quantities of crude oil, natural gas and natural gas liquids which geological, geophysical and engineering data demonstrated with a specified degree of certainty to be recoverable in future years from known reservoirs and which were considered commercially producible.

Depreciation for finance lease assets was charged based on the unit-of-production method over the life of the total proved reserves.

Depreciation for other property, plant and equipment was recognized in profit or loss on a declining balance method or straight-line method depending on the nature of the asset over the estimated useful lives of each group of property, plant and equipment. Land was not depreciated.

The estimated useful lives of other property, plant and equipment are:	
Buildings	30 years
Roads	10 years
Plant and machinery	10 - 15 years
Office equipment, furniture and fittings	5 - 10 years
Computers	1 - 3 years
Vehicles and aircrafts	8 - 20 years
Pipelines	30 years

(g) Impairment

The carrying amounts of the Company's exploration and evaluation assets, property, and plant and equipment are tested for impairment at each reporting period when indicators of impairment exist. Indicators are events, changes or circumstances that indicate the carrying value may not be recoverable.

At the end of each reporting period, impairment is assessed at the cash generating unit ("CGU") level. The Company's property, plant and equipment are grouped into CGUs based on separately identifiable and largely independent cash inflows considering geological characteristics, shared infrastructure and exposure to market risks. If indicators of impairment exist, the recoverable amount of the CGU is estimated. The recoverable amount is the greater of the asset's fair value less cost to sell and the value-in-use. Fair value, less costs to sell or dispose, is assessed by utilizing market valuation based on an arm's length transaction between active participants. In the absence of such information, fair value less costs to dispose is derived by estimating the discounted future net cash flows. Value-in-use is assessed using the expected future cash flows discounted at a pre-tax rate.

Impairments are only reversed when there is significant evidence that the impairment no longer exists based on changes in event and circumstances. A reversal in impairment is limited to the extent of what the carrying amount would have been had no impairment been recognized.

(h) Provisions and Contingent Liabilities

Provisions are recognized when the Company has a present legal or constructive obligation as a result of past events, it is probable that an outflow of economic resources will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability.

(i) Decommissioning obligations

The PSCs that the Company has entered into include an obligation for abandonment of wells and facilities including removal of all equipment and installations and site restoration, collectively termed decommissioning obligations. Provision is made for the estimated cost of decommissioning obligations for wells drilled, and for equipment or installations upon completion. The provision is capitalized in the relevant asset category.

The provision is estimated using the present value of the estimated future cash outflows required to reclaim, settle and abandon wells and facilities in the future, discounted using the relevant risk free rate. Subsequent to the initial measurement, the obligation is accreted over time to reflect the passage of time and changes in the estimated future cash flows. Accretion expense is included in finance costs recognized in profit or loss. Actual costs incurred upon settlement of the decommissioning obligations are charged against the provision to the extent the provision was established.

(j) Revenue recognition

The Company principally generated revenues from the sale of commodities which includes crude oil, condensate and natural gas from properties in which the Company has interests in joint operations are recognized on the basis of the Company's working interest. Revenue associated with the sale of commodities is recognized when control of goods is transferred from the Company to the customers.

Revenue is recorded net of value added tax ("VAT"), other sales-related taxes, royalties and the government share of the profit oil and gas as determined under the Company's PSCs. The transaction price is based on the commodity price, adjusted for quality, location or other factors, whereby each component of the pricing formula can be either fixed or variable, depending on the contract terms.

(k) Foreign currency translation

(i) Foreign operations

The financial statements of each group entity are presented in the currency of the primary economic environment in which the entity operates (its functional currency), which is US Dollars for all entities. For the purpose of the consolidated financial statements, the results and financial position of each group entity are expressed in US Dollars, which is the presentation currency for the consolidated financial statements.

(ii) Foreign transactions

Transactions in currencies other than the entity's functional currency (foreign currencies) are recognized at the rates of exchange prevailing at the date of the transactions. At the end of each reporting period, monetary items denominated in foreign currencies are re-translated at the rates prevailing at that date. Non-monetary items carried at fair value that are denominated in foreign currencies are re-translated at the rates prevailing at the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not re-translated. Exchange differences are recognized in the statement of comprehensive income (loss) in the period in which they arise.

(l) Net finance income

Net finance income includes interest earned on short-term investments and income tax refunds, net of bank charges and other finance costs and foreign exchange gains or losses.

(m) Taxation

Income tax expense comprises of current tax, minimum alternate tax and deferred tax.

Current tax is the amount of income taxes payable 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 liability for current tax 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 bases 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.

(n) Per share amounts

Basic per share information is computed by dividing the net income or loss for the period attributable to equity owners of the Company by the weighted average number of common shares outstanding during the period. Diluted per share information is computed by adjusting the income attributable to common shareholders and the weighted average number of common shares outstanding, for the effects of all dilutive potential common shares, which comprise Convertible Notes and/or share options granted to employees.

(o) Segment reporting

A segment is a distinguishable component of the Company that is engaged either in providing related products or services (business segment), or in providing products or services within a particular economic environment (geographical segment), which is subject to risks and returns that are different from those of other segments. The Company has reportable segments in India and Other.

(p) 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 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:

Asset Impairment
At the end of each reporting period, the Company assesses whether there is any indication that an asset may be impaired or require a reversal of previously recorded impairments. If any such indication exists, the Company estimates the recoverable amount of the asset. Events and circumstances may change resulting in indicators of impairment in future periods that could result in a material impairment. Exploration and evaluation assets are tested for impairment when facts and circumstances suggest that the carrying amount of exploration and evaluation assets may exceed their recoverable amount by comparing the relevant costs to the fair value or value in use.

The recoverability of development and producing asset carrying values is assessed at the CGU level. Determination of what constitutes a CGU is subject to management judgements and the circumstances. The Company allocates costs to a CGU based on geographic location, shared infrastructure, and common geological and geophysical characteristics. In general, the Company has determined that each PSC constitutes a CGU. In assessing the recoverability of these assets, each CGU's carrying value is compared to its recoverable amount, defined as the greater of its fair value less cost to sell and value in use. The determination of the value-in-use of CGUs requires the use of assumptions and estimates including future commodity prices, quantity of reserves and expected production volumes, asset retirement obligations, future development and production costs, and discount rates. Changes in the assumptions used in determining the recoverable amount could affect the carrying value of the related assets and CGU.

Fair Value of Long-Term Debt
The Company estimates fair value of the Company's Term Loan, Convertible Notes, deferred obligation and contract settlement obligation at that date of modification of such debt agreements. Subsequently, the Company will mark to market the fair value of the debt upon the occurrence of certain events (such as the trigger of a sale) or when there is a significant change to fair values in the market. Assumptions used when determining fair value includes quoted trading prices of the Convertible Notes, estimated discount rates, and estimated net proceeds under the Waterfall Distribution. The difference between the fair value and the carrying value is recognized on the statement of comprehensive loss as gain or loss on revaluation of long-term debt.

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.

Income Taxes
The Company estimates current and deferred income taxes based on interpretation and judgement in applying tax laws in the various jurisdictions in which it operates and pays income taxes. Tax interpretations, regulations and legislation in the various jurisdictions in which the Company operates are subject to change. Determination of income taxes is subject to measurement uncertainty. Management makes certain judgements in estimating the timing of temporary difference reversals and the realization of deferred tax assets. Deferred income tax assets are assessed by management at the end of the reporting period to determine the likelihood that they will be realized from future taxable earnings.

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. Accounting Pronouncements

IAS 1 - Presentation of Financial Statements
In January 2020, IASB issued amendments to IAS 1 "Presentation of Financial Statements". The amendments include specific changes to the classification of liabilities as current or non-current, particularly to liabilities in which entities do not have an unconditional right to defer the settlement for at least twelve months after the end of the reporting period, or the right to defer settlement for at least twelve months after the reporting period exists only if the company complies with conditions specified in the loan agreement at the end of the reporting period, even if the lender does not test compliance until a later date. In addition, the amendments state that settlement of a liability includes transferring a company's own equity instruments to the counterparty. The IASB has also

clarified that – when classifying liabilities as current or non-current – a company can ignore only those conversion options that are recognised as equity. The amendments apply retrospectively for annual reporting periods beginning on or after January 1, 2022. Earlier application is permitted. The Company has not early adopted these amendments.

7. Accounts Receivable and Other

(thousands of US Dollars)	As at March 31, 2021	As at March 31, 2020
Prepaid and deposits	25	74
GST/VAT receivable	3	53
Other receivables	10	26
	38	153

8. Trade Payables

(thousands of US Dollars)	As at March 31, 2021	As at March 31, 2020
India	102	208
Other	218	246
	320	454

9. Other Payables

(thousands of US Dollars)	As at March 31, 2021	As at March 31, 2020
Provision for legal claim	2,200	-
Payables from discontinued operations:		
Unfulfilled exploration commitment obligations	270,667	270,811
Other accrued liabilities	101,303	101,476
Provision for minimum contract quantities dispute	34,277	32,496
	408,447	404,783

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 21(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 accrual liabilities of $86 million for dormant exploration subsidiaries that operated in Indonesia, Pakistan and Trinidad, and $14 million for disputed liabilities in the D6 Block in India. Under the terms of the D6 settlement agreement, the disputed liabilities are retained by an indirect subsidiary of the Company.

- A provision for minimum contract quantities dispute of $34 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 $17.8 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

(thousands of US Dollars)	Year ended March 31, 2021	Year ended March 31, 2020
Opening balance	-	-
Loss on revaluation	-	26,000
Repayment	-	(26,000)
Closing balance	-	-
Current portion	-	-
Long-term portion	-	-

(1) Refer to Note 2 for further information.

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:
    - (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 estimated fair value of the Term Loan is 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 revalued its Term Loan as at September 30, 2018 to nil. In February 2020, the Company revalued its long-term debt to $26 million prior to the distribution of the net proceeds from the D6 settlement transaction of $26 million and recognized a loss on revaluation on long-term debt of $26 million. There have been no changes to the estimated fair value of the Term Loan since February 2020.

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 estimated fair value of the Deferred Obligation is 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 noted in Note 10(a), the Company revalued its Deferred Obligation as at September 30, 2018 to nil. There have been no changes to the estimated fair value of the Deferred Obligation since September 2018.

(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 Intercreditor 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 as described in Note 15(b);
- 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 Intercreditor Agreement
The key terms of the Intercreditor 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 estimated fair value of the Convertible Notes is 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 noted in Note 10(a), the Company revalued its Convertible Notes as at September 30, 2018 to nil. There have been no changes to the estimated fair value of the Convertible Notes since September 2018.

(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 estimated fair value of the Contract Settlement Obligation is 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 noted in Note 10(a), the Company revalued its Contract Settlement Obligation as at September 30, 2018 to nil. There have been no changes to the estimated fair value of the Contract Settlement Obligation since September 2018.

11. Financial Instruments and Risk Management

(a) Financial Instruments

The Company's financial instruments recognized on the consolidated balance sheet consists of cash, accounts receivable, accounts payable, accrued liabilities, Term Loan, Convertible Notes, deferred obligation and contract settlement. 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 Company's Term Loan, Convertible Notes, deferred obligation and contract settlement obligations are classified as Level 3 financial instrument as their estimated fair value 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.

In February 2020, $26 million from the D6 settlement transaction (net of payments of applicable taxes and other transaction costs) was distributed by Niko NECO solely to the security trustee of the Lenders in accordance with the Waterfall Distribution mechanism defined in the Facilities Agreement and the indenture governing the Convertible Notes of the Company. The fair value of the Company's term loan of $26 million at that time was estimated based on the net proceeds received. See Notes 2 and 10 for further information.

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, 2021:

(thousands of US Dollars)	Face Value(1)	Fair Value
Term loan (Note 10(a))	533,294	-
Convertible notes (Note 10(b))	134,770	-
Deferred obligation (Note 10(a))	26,057	-
Contract settlement obligation (Note 10(c))	6,925	-
	701,046	-

(1) Includes accrued interest and other amounts owing as at March 31, 2021.

(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 21(a)(ii). As at March 31, 2021, the carrying amount of accounts receivable represents the maximum credit exposure.

(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, 2021 are as follows:

(thousands of US Dollars)	Carrying amount	< 1 year	> 1 year
Trade payables	320	320	-
Other payables[1]	408,447	408,447	-

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

The global impact of the COVID-19 pandemic has resulted in significant declines in the global stock markets and has resulted in a great deal of uncertainty as to the health of the global economy and volatility in financial markets. The potential impact that COVID-19 will have on the Company's business or financial results cannot be reasonably estimated at this time. However, any lockdowns requested or mandated by government authorities in response to the outbreak of COVID-19 may have a material impact on the timing of resolutions on the claims and disputes that the Company is a party of.

(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, 2021, 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, 2021, 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, 2021, 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 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 Oil and Gas Revenue

For the years ended March 31, 2021 and March 31, 2020, the Company did not recognize any net oil and gas revenue. Effective September 2018, the Company discontinued recognition of net oil and gas revenue related to the D6 Block in India. See Note 2 for further information. Effective September 2016, the Company discontinued recognition of net oil and gas revenue related to Block 9 in Bangladesh. The Company has not recognized an estimated $71 million of net oil and gas revenue for Block 9 that it otherwise would have been entitled to from March 2016 to March 2021. Refer to Notes 2 and 21(a).

14. Net Finance and Other Income

	Year ended March 31,	
(thousands of US Dollars)	2021	2020
Interest income on short-term investments	6	38
Interest income on income tax refunds	107	33
Other income	144	56
Bank charges and other finance costs	(9)	(13)
Foreign exchange gain (loss)	(10)	14
	238	128

15. General and Administrative Expenses

	Year ended March 31,	
(thousands of US Dollars)	2021	2020
Legal fees	1,816	388
Salaries	242	290
Management fees	172	199
Insurance	100	179
Audit fees	65	90
Rent	27	51
Consultants	23	38
Office costs	13	19
Other	435	512
	2,893	1,766

16. Discontinued Operations

Discontinued operations includes Brazil, India, Indonesia, Pakistan, and Trinidad. For the year ended March 31, 2021 the Company reclassified its Brazil segment as discontinued operations. Net income (loss) from discontinued operations for the year-ended March 31, 2021 and 2020 was as follows:

	Year ended March 31,	
(thousands of US Dollars)	2021	2020
Foreign exchange gain	276	-
Impairment reversal	-	28,387
Commercial claim expense	(1,780)	(1,785)
Unfulfilled work commitments expense	-	(1,412)
Current income tax expense	-	(2,387)
Net income (loss) from discontinued operations	(1,504)	22,803

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

	Year ended March 31,	
(thousands of US Dollars)	2021	2020
Cash flow from investing activities	-	26,000

17. Income Taxes

(a) Income tax recovery

The Company is subject to tax on income earned in India. India's federal tax law contains a tax holiday deduction for seven years for profits from the commercial production of mineral oil. The Company is subject to current tax of the greater of 43.68 percent of taxable income in India after a deduction for the tax holiday or a minimum alternate tax of 20.2 percent of Indian income. Indian income is calculated in accordance with Indian Generally Accepted Accounting Principles. Refer to the application of the tax holiday provisions in Note 21(c).

The Company is subject to tax on income earned in the other jurisdictions in which it operates. However, the Company does not have oil and gas revenues in these jurisdictions.

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

	Year ended March 31,	
(thousands of US Dollars)	2021	2020
Loss for the year - continuing operations	(3,114)	(27,624)
Current income tax recovery on continuing operations	1,741	14
Loss excluding tax - continuing operations	(4,855)	(27,638)
Tax using the Company's domestic tax rate (2021 - 25.25%, 2021 – 25%)	(1,226)	(6,909)
Income exempt from tax	990	109
Adjustment to foreign statutory tax rates	150	5,177
Other non-deductible expenses	99	154
Withholding tax	-	-
Unrecognized deferred tax asset	4,200	(10,211)
Prior year adjustments	(261)	126
Foreign exchange and other adjustments	(3,952)	11,540
Recognition of income tax refunds	(1,741)	-
Total	(1,741)	(14)

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

	Year ended March 31,	
(thousands of US Dollars)	2021	2020
Income / (loss) for the year – discontinued operations	(1,504)	22,803
Current income tax expense on discontinued operations	-	(2,387)
Income / (loss) excluding tax – discontinued operations	(1,504)	25,190
Tax using the Company's domestic tax rate (2021 - 25.25%, 2021 – 25%)	(380)	(6,298)
Withholding tax	-	2,387
Unrecognized deferred tax asset	380	6,298
Total	-	2,387

(c) 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, 2021	As at March 31, 2020
Deductible temporary differences	158,150	150,316
Minimum alternate tax credit	40,626	39,131
Capital tax losses	43,971	43,279
Non-capital tax losses	30,550	30,550
	273,297	263,276

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 $346 million will expire between fiscal 2027 and fiscal 2038.

The Company has temporary differences associated with its investments in its foreign subsidiaries, branches and interests in joint operations. At March 31, 2021, the Company has no recognized deferred tax liabilities in respect of these temporary differences.

18. Per Share Amounts

(thousands of US Dollars, except number of common shares)	Year ended March 31, 2021	2020
Continuing Operations		
Basic and diluted		
Net loss	(3,114)	(27,624)
Weighted average number of common shares	94,049,967	94,049,967
Net loss per share	(0.03)	(0.29)
Discontinued Operations		
Basic and diluted		
Net income (loss)	(1,504)	22,803
Weighted average number of common shares	94,049,967	94,049,967
Net income (loss) per share	(0.02)	0.24

(1) For the years ended March 31, 2021 and 2020, the outstanding convertible notes were excluded from the diluted earnings per share calculation as they were anti-dilutive.

19. Segmented Information

Segment income (loss) from reportable segments

	Year ended March 31, 2021			Year ended March 31, 2020		
(thousands of US Dollars)	India	Other	**Total**	India	Other	**Total**
Net finance and other income	-	238	**238**	-	128	**128**
General and administrative expenses	-	(2,893)	**(2,893)**	-	(1,766)	**(1,766)**
Provision for legal claim	-	(2,200)	**(2,200)**	-	-	**-**
Loss on revaluation of long-term debt	-	-	**-**	-	(26,000)	**(26,000)**
Current income tax recovery	-	1,741	**1,741**	-	14	**14**
Net segment loss from continuing operations	**-**	**(3,114)**	**(3,114)**	**-**	**(27,624)**	**(27,624)**
Net segment income (loss) from discontinued operations (Note 16)	**(1,648)**	**144**	**(1,504)**	**24,215**	**(1,412)**	**22,803**
Total net loss and comprehensive loss	**(1,648)**	**(2,970)**	**(4,618)**	**24,215**	**(29,036)**	**(4,821)**

20. 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, 2021	2020
Annual fees for non-management directors(1)	83	117
Executive officers – salaries (1)	235	286
	318	403

(1) Amounts are based on cash payments made during the years ended March 31, 2021 and March 31, 2020, respectively.

21. Contingent Liabilities

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

(i) ICSID Arbitration Disputes – Bangladesh
Niko Resources (Bangladesh) Ltd. ("NRBL") is a party to two arbitration disputes to be decided upon by Tribunals 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 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.

For the Payment Claim, i) in September 2014, the Tribunals decided that Petrobangla owed NRBL for the gas delivered and accrued interest, ii) in September 2015, the Tribunals decided that Petrobangla shall pay the amounts owed into escrow accounts, and iii) in May 2016, the Tribunals decided that Petrobangla shall pay the amounts owed to NRBL forthwith and free of any restrictions. In November 2020, NRBL filed a request for an award from the Tribunals for the Payment Claim for a total of approximately $42 million (including interest) plus reimbursement of the costs of the arbitration case, and a response from the Tribunal is expected soon. There is no assurance that Petrobangla will comply with the decisions or an award (if issued) of the Tribunals. As such, no amounts have been recorded in these consolidated financial statements.

For the 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. A hearing to determine the magnitude of the recoverable losses under i) and ii) above is scheduled for November 2021 with the magnitude of environmental losses, if any, to be determined by the Tribunals based on further written submissions of the parties.

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 sales agreements and effective expropriation of Niko Block 9's 60 percent interest in the Block 9 PSC. The estimated value of Niko Block 9's claim against Petrobangla and the GOB exceeds $130 million, including i) an estimated $70 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 2021; and ii) an estimated value for Niko Block 9's share of remaining gas and condensate reserves.

(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 during fiscal 2006 by the GOB and Petrobangla, claiming approximately $105 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 GSPA 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 seized 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 and the Company filed an appeal in the Appellate Division of the Supreme Court against the decision of the Court.

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 Niko 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 sales 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 benefits 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).

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.

(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 2019, 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. Hearings on the dispute are continuing.

Under the terms of the D6 settlement agreement, Niko NECO, the Company's indirect subsidiary that previously held an interest in the D6 Block, 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 benefits 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. No progress has been made on this case due to the impact of the COVID-19 pandemic.

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 benefits 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 benefits 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.