



QUARTERLY REPORT
FOR THE QUARTER ENDED DECEMBER 31, 2020

February 25, 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 three and nine months ended December 31, 2020 should be read in conjunction with the condensed interim consolidated financial statements for the three and nine months ended December 31, 2020. 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 February 25, 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

Bangladesh

Since June 2016, Bangladesh Oil, Gas and Mineral Corporation ("Petrobangla") has paid reduced amounts to the operator of the Block 9 PSC for invoiced amounts due for gas and condensate supplied pursuant to the Block 9 gas and condensate sales agreements. In the first quarter of fiscal 2020, the Company was notified by the operator of the Block 9 PSC that Petrobangla paid funds to the operator of the Block 9 for recovery of costs incurred by the operator related to the 60 percent interest of Niko Exploration (Block 9) Ltd. ("Niko Block 9") in Block 9 and the Company understands that Petrobangla has continued to do so for subsequent periods. However, Petrobangla has not paid amounts due for Niko Block 9's share of the profit petroleum portion of invoiced amounts, with the cumulative amount owed for March 2016 to December 2020 estimated to be \$67 million. In the second quarter of fiscal 2021, Niko Block 9 filed a request for arbitration against Petrobangla and the Government of Bangladesh under the rules of International Centre for Settlement of Investment Disputes ("ICSID"). In addition, the amount due from Petrobangla under the ICSID arbitration dispute for gas delivered from the Feni field from November 2004 to April 2010 is estimated to be approximately \$42 million (including accrued interest). Refer to Note 22(a) of the audited consolidated financial statements for the year ended March 31, 2020 for further details on these matters.

India

In January 2021, a 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. An adjustment to income taxes for the amount of the refund and the related interest income will be recorded in the fourth quarter of fiscal 2021.

Contingent Liabilities

The Company and its subsidiaries are subject to various claims from other parties, as described in Note 22 of the audited consolidated financial statements for the year ended March 31, 2020, and are actively defending against these claims. An adverse outcome on one or more of these claims could significantly and negatively impact the future cash flows of the Company.

Ability of the Company to Continue as a Going Concern

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

OVERALL PERFORMANCE AND RESULTS OF OPERATIONS BY REPORTABLE SEGMENT

The Company's results for the third quarter ended December 31, 2020 are as follows:

(thousands of US Dollars)	Three months ended December 31,		Nine months ended December 31,	
	2020	2019	2020	2019
Net loss from continuing operations	(526)	(918)	(2,331)	(2,299)
Net loss from discontinued operations	(447)	(448)	(1,347)	(1,341)
Total net loss	(973)	(1,366)	(3,678)	(3,640)

In fiscal 2020, the Company reclassified its India segment as discontinued operations. Prior year comparatives have been restated accordingly. Net loss from continuing operations in the third quarter of fiscal 2021 primarily reflected general and administrative expenses, which decreased from the third quarter of fiscal 2020 primarily due to lower legal expenses and the Company's cost saving efforts. Net loss from discontinued operations in the third quarter of fiscal 2021 reflected commercial claim expense, which was virtually unchanged from the third quarter of fiscal 2020.

SUMMARY OF QUARTERLY RESULTS

(thousands of US Dollars)	Dec 31, 2020	Sep 30, 2020	Jun 30, 2020	Mar 31, 2020	Dec 31, 2019	Sep 30, 2019 ¹	Jun 30, 2019	Mar 31, 2019
Net income (loss) from continuing operations⁽¹⁾	(526)	(948)	(857)	(26,737)	(918)	(560)	(821)	(402)
Net income (loss) from discontinued operations⁽¹⁾⁽²⁾	(447)	(450)	(450)	25,556	(448)	(449)	(444)	429
Total net income (loss)	(973)	(1,398)	(1,307)	(1,181)	(1,366)	(1,009)	(1,265)	27
Earnings (loss) per share – Basic and diluted⁽¹⁾								
Continuing operations	(0.01)	(0.01)	(0.01)	(0.27)	(0.01)	(0.01)	(0.01)	(0.00)
Discontinued operations	(0.00)	(0.00)	(0.00)	0.26	(0.00)	(0.00)	(0.00)	0.01
Total	(0.01)	(0.01)	(0.01)	(0.01)	(0.01)	(0.01)	(0.01)	(0.00)

(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 India, Indonesia, Pakistan and Trinidad. Prior quarters have been restated for comparative purposes.

The Company's quarterly results primarily reflected general and administrative expenses of the Company. In addition, 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 December 31, 2020:

(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⁾	522,054	-	-	-	-	-
Convertible notes ⁽¹⁾⁽³⁾	131,379	-	-	-	-	-
Contract settlement obligation ⁽⁴⁾	26,057	-	-	-	-	-
Deferred obligation ⁽⁵⁾	6,925	-	-	-	-	-
Exploration work commitments	270,811	270,811	270,811	-	-	-
Total contractual obligations	957,226	270,811	270,811	-	-	-

(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 December 31, 2020 is Cdn\$167 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 February 25, 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 December 31, 2020.

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 14 to the audited consolidated financial statements for the year ended March 31, 2020.

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 December 31, 2020. There have been no significant changes in ICFR during the three ended December 31, 2020 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 audited consolidated financial statements for the year ended March 31, 2020.

RISK FACTORS

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

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

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

For a complete description of the potential effects of the Company's contingencies on the Company, refer to Note 28 of the audited consolidated financial statements for the year ended March 31, 2020.

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 December 31, 2020. 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.

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 successfully complete its strategic plan on a timely basis or that the Company will be able to meet the goals and purposes of its business plan (including resolving various disputes in its favour) or fund its cash requirements. In particular, the Company has not been successful in its efforts to enhance its liquidity. In addition, the Company is in default under the Facilities Agreement and the Lenders have not agreed to waive the default. Further, the Company's ability to defend claims may be restricted or limited for various reasons. Absolutely no assurance can be made that the Company will be able to meet its funding requirements or its other obligations, and nothing herein should be read as stating or inferring otherwise. The failure to meet or satisfy any of the foregoing is likely to have a material adverse impact on the Company and thereby significantly impair the value of security holders' interest in the Company. The reader is cautioned that the assumptions used in the preparation of forward-looking information, although considered reasonable at the time of preparation, may prove to be incorrect. Actual results may vary from the information provided herein as a result of numerous known and unknown risks and uncertainties and other factors and such variations may be material. Such risk factors include, but are not limited to those set out above as well as: risks related to the ability of the Company to continue as a going concern, risks related to the Company not being able to maintain its cash resources, the risks associated with the Company meeting its obligations under the facilities agreement, risks related to the various legal claims against the Company or its subsidiaries, as well as the risks associated with the oil and natural gas industry in general, such as commodity price and exchange rate fluctuations, government regulation, environmental risks, competition, changes in tax, royalty and environmental legislation, the impact of general economic conditions, risks associated with meeting all of the Company's obligations, the risks discussed under "Risk Factors" in the Company's Annual Information Form for the year ended March 31, 2018, and in the Company's public disclosure documents, and other factors, many of which are beyond the Company's control. Niko makes no representation that the actual results achieved during the forecast period will be the same in whole or in part as those forecasts. The forward-looking information included in this MD&A is expressly qualified in its entirety by this cautionary statement. The forward-looking information included herein is made as of the date of this MD&A and Niko assumes no obligation to update or revise any forward-looking information to reflect new events or circumstances, except as required by law.

CONDENSED INTERIM CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

(thousands of US Dollars)	As at December 31, 2020	As at March 31, 2020
Assets		
Current assets		
Cash and cash equivalents	987	3,246
Accounts receivable	78	153
	1,065	3,399
Liabilities		
Current liabilities		
Trade payables	451	454
Other payables	406,130	404,783
	406,581	405,237
Shareholders' Deficit		
Share capital	1,366,867	1,366,867
Contributed surplus	143,142	143,142
Currency translation reserve	2,147	2,147
Deficit	(1,917,672)	(1,913,994)
	(405,516)	(401,838)
	1,065	3,399

Going Concern and Subsequent Event (Note 2)

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

CONDENSED INTERIM CONSOLIDATED STATEMENTS OF COMPREHENSIVE LOSS

(thousands of US Dollars)	Three months ended December 31,		Nine months ended December 31,	
	2020	2019	2020	2019
General and administrative expenses	(525)	(929)	(2,334)	(2,356)
Net finance income (expense)	(1)	11	3	57
Net loss before and after income tax from continuing operations	(526)	(918)	(2,331)	(2,299)
Net loss before and after income tax from discontinued operations (Note 4)	(447)	(448)	(1,347)	(1,341)
Total net loss and comprehensive loss	(973)	(1,366)	(3,678)	(3,640)
Net loss per share (Note 5)				
Basic and diluted – continuing operations	(0.01)	(0.01)	(0.02)	(0.02)
Basic and diluted – discontinued operations	(0.00)	(0.00)	(0.01)	(0.01)

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

CONDENSED INTERIM 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 period	-	-	-	-	(3,640)	(3,640)
Balance, December 31, 2019	94,049,967	1,366,867	143,142	2,147	(1,912,813)	(400,657)
Net loss for the period	-	-	-	-	(1,181)	(1,181)
Balance, March 31, 2020	94,049,967	1,366,867	143,142	2,147	(1,913,994)	(401,838)
Net loss for the period	-	-	-	-	(3,678)	(3,678)
Balance, December 31, 2020	94,049,967	1,366,867	143,142	2,147	(1,917,672)	(405,516)

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

CONDENSED INTERIM CONSOLIDATED STATEMENTS OF CASH FLOWS

(thousands of US Dollars)	Three months ended December 31,		Nine months ended December 31,	
	2020	2019	2020	2019
Cash flows from operating activities:				
Net loss from continuing operations	(526)	(918)	(2,331)	(2,299)
Change in non-cash working capital	(430)	170	72	(51)
Net cash used in operating activities and change in cash and cash equivalents	(956)	(748)	(2,259)	(2,350)
Cash and cash equivalents, beginning of period	1,943	3,348	3,246	4,950
Cash and cash equivalents, end of period	987	2,600	987	2,600

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

NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

1. Nature of Business

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

2. Going Concern and Subsequent Event

Bangladesh

Since June 2016, Bangladesh Oil, Gas and Mineral Corporation ("Petrobangla") has paid reduced amounts to the operator of the Block 9 PSC for invoiced amounts due for gas and condensate supplied pursuant to the Block 9 gas and condensate sales agreements. In the first quarter of fiscal 2019, the Company was notified by the operator of the Block 9 PSC that Petrobangla paid funds to the operator of the Block 9 for recovery of costs incurred by the operator related to the 60 percent interest of Niko Exploration (Block 9) Ltd. ("Niko Block 9") in Block 9 and the Company understands that Petrobangla has continued to do so for subsequent periods. However, Petrobangla has not paid amounts due for Niko Block 9's share of the profit petroleum portion of invoiced amounts, with the cumulative amount owed for March 2016 to December 2020 estimated to be \$67 million. In the first quarter of fiscal 2020, Niko Block 9 filed a request for arbitration against Petrobangla and the Government of Bangladesh under the rules of International Centre for Settlement of Investment Disputes ("ICSID"). In addition, the amount due from Petrobangla under the ICSID arbitration dispute for gas delivered from the Feni field from November 2004 to April 2010 is estimated to be approximately \$42 million (including accrued interest). Refer to Note 22(a) of the audited consolidated financial statements for the year ended March 31, 2020 for further details on these matters.

India

In January 2021, a 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. An adjustment to income taxes for the amount of the refund and the related interest income will be recorded in the fourth quarter of fiscal 2021.

Contingent Liabilities

The Company and its subsidiaries are subject to various claims from other parties, as described in Note 22 of the audited consolidated financial statements for the year ended March 31, 2020, and are actively defending against these claims. An adverse outcome on one or more of these claims could significantly and negatively impact the future cash flows of the Company.

Ability of the Company to Continue as a Going Concern

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

These condensed interim consolidated financial statements for the three months ended December 31, 2020 do not reflect the adjustments or reclassification of assets and liabilities which would be necessary if the Company were unable to continue as a going concern and therefore be required to realize on its assets and liabilities in other than the normal course of business and potentially at amounts significantly different from those recorded in these financial statements.

3. Basis of Presentation

(a) Statement of compliance

The condensed interim consolidated financial statements have been prepared in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board. These condensed interim consolidated financial statements do not include all of the information required for full annual consolidated financial statements and should be read in conjunction with the audited consolidated financial statements and notes for the year ended March 31, 2020. The condensed interim consolidated financial statements have been prepared, for all periods presented, following the same accounting policies and methods as described in Note 4 of the audited consolidated financial statements for the year ended March 31, 2020.

Certain prior period amounts have been reclassified to conform to the current presentation. These condensed interim consolidated financial statements have not been reviewed by the Company's independent external auditors.

The condensed interim consolidated financial statements were approved by the Board of Directors and authorized for issue on February 25, 2021.

4. Discontinued Operations

For the year ended March 31, 2020, the Company reclassified its India segment as discontinued operations. Net loss from discontinued operations for the three months-ended December 31, 2020 and 2019 was as follows:

(thousands of US Dollars)	Three months ended December 31,		Nine months ended December 31,	
	2020	2019	2020	2019
Commercial claim expense and net loss from discontinued operations	(447)	(448)	(1,347)	(1,341)

5. Per Share Amounts

(thousands of US Dollars, except number of common shares)	Three months ended December 31,		Nine months ended December 31,	
	2020	2019	2020	2019
Continuing Operations				
Basic and diluted				
Net loss	(526)	(918)	(2,331)	(2,299)
Weighted average number of common shares	94,049,967	94,049,967	94,049,967	94,049,967
Net loss per share	(0.01)	(0.01)	(0.02)	(0.02)
Discontinued Operations				
Basic and diluted				
Net loss	(447)	(448)	(1,347)	(1,341)
Weighted average number of common shares	94,049,967	94,049,967	94,049,967	94,049,967
Net loss per share	(0.00)	(0.00)	(0.01)	(0.01)

(1) For the periods ended December 31, 2020 and 2019, the outstanding convertible notes were excluded from the diluted earnings per share calculation as they were anti-dilutive.

6. Segmented Information

(a) *Segment income (loss) from reportable segments*

(thousands of US Dollar)	Three months ended December 31, 2020				Three months ended December 31, 2019			
	India	Bangladesh	Other	Total	India	Bangladesh	Other	Total
General and administrative expenses	-	-	(525)	(525)	-	-	(929)	(929)
Net finance income (expense)	-	-	(1)	(1)	-	-	11	11
Net segment loss from continuing operations	-	-	(526)	(526)	-	-	(918)	(918)
Net segment loss from discontinued operations (Note 4)	(447)	-	-	(447)	(448)	-	-	(448)
Total net loss and comprehensive loss	(447)	-	(526)	(973)	(448)	-	(918)	(1,366)

(thousands of US Dollar)	Nine months ended December 31, 2020				Nine months ended December 31, 2019			
	India	Bangladesh	Other	Total	India	Bangladesh	Other	Total
General and administrative expenses	-	-	(2,334)	(2,334)	-	-	(2,356)	(2,356)
Net finance income	-	-	3	3	-	-	57	57
Net segment loss from continuing operations	-	-	(2,331)	(2,331)	-	-	(2,299)	(2,299)
Net segment loss from discontinued operations (Note 4)	(1,347)	-	-	(1,347)	(1,341)	-	-	(1,341)
Total net loss and comprehensive loss	(1,347)	-	(2,331)	(3,678)	(1,341)	-	(2,299)	(3,640)