

Niko Reports Results for the Quarter Ended June 30, 2014

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CALGARY, ALBERTA--(Marketwired - Aug 14, 2014) - [Niko Resources Ltd.](#) ("Niko" or the "Company") (TSX:NKO) is pleased to report its operating and financial results for the quarter ended June 30, 2014. The operating results are effective August 13, 2014. All amounts are in US dollars unless otherwise indicated and all amounts are reported using International Financial Reporting Standards unless otherwise indicated.

PRESIDENT'S MESSAGE TO THE SHAREHOLDERS

In fiscal 2014, the Company adopted a new business strategy that incorporates the following principles:

- Focus on value generation in the D6 Block in India;
- Reduce the Company's exposure to future drilling commitments in its exploration portfolio while, if possible, maintaining optionality to benefit from the exploration potential in its portfolio; and
- Continue to restructure the Company to create the necessary financial strength and flexibility to realize the inherent value of the Company's assets.

The highlights of the Company's progress on its strategy thus far in fiscal 2015 are as follows:

- As previously announced, in June 2014, the Government of India ("GOI") decided to further defer until October 1, 2014 the implementation of a new gas pricing formula for domestic natural gas sales in India to allow time for consultation with all stakeholders and comprehensive discussions on the issues. The Company has provided input to the GOI about the requirement for market price for natural gas sales as per the production sharing contracts awarded during the New Exploration Licensing Policy rounds and the fundamental principle of sanctity of contract as a required underpinning for long-term investments in any country. The Company and its partners will not make investments in planned development projects without achieving the pricing as provided in the PSC to provide adequate returns on the investments.
- In June 2014, the Company closed the sale of its interest in the Block 5(c) asset in Trinidad, providing funds to repay \$15 million of its settlement obligation for its drilling contracts and \$20 million of the short-term Facility E portion of its term loan facilities, and adding an additional \$26 million in cash to the balance sheet.
- The Company is working with the governments to reschedule its exploration commitments and continues its efforts to farm-out or sell assets in its exploration portfolio. In July 2014, the Company transferred its remaining interest in Madagascar to an existing partner in exchange for contingent future success payments.
- In August 2014, the Company's Board of Directors appointed two new independent directors, Kevin J. Clarke and Steven K. Gendal, to the Board of Directors, bringing independent specialized sets of experience, knowledge and expertise to the Board as the Company furthers its restructuring efforts and develops plans for its future recovery.

While the Company is disappointed with the lack of progress on the Indian gas price issue, it has continued to execute on its strategy. The Company has focused its spending on its core assets and has achieved an increase in EBITDAX in the quarter. Simultaneously, spending in other areas has been minimized, conserving cash for future funding of value generation opportunities in the D6 Block in India. The Company maintained its liquidity at approximately \$160 million of available cash through the quarter and will manage this liquidity consistent with the principles outlined above.

Jake Brace - President, [Niko Resources Ltd.](#)

BUSINESS HIGHLIGHTS

The significant business highlights of the first quarter in fiscal 2015 are as follows:

Sales Volumes

(MMcfe/d)	Quarter ended June 30, 2014	Quarter ended March 31, 2014	Quarter ended June 30, 2013
D6 Block, India	50	50	53
Block 9, Bangladesh	66	67	50
Other ⁽¹⁾	2	2	3
Total ⁽¹⁾	118	119	107

(1) Other includes Hazira in India, and Canada.

(2) Figures may not add up due to rounding.

D6 Block, India

- Total sales volumes in the first quarter of fiscal 2015 from the D6 Block in India of 50 MMcfe/d were flat compared to the fourth quarter of fiscal 2014 primarily due to production from the MA-6H sidetrack well brought on-stream in April 2014 and sales of crude oil that had been held in inventory at March 31, 2014 offsetting the impact of natural production declines in the fields in the block. Total sales volumes for the current quarter decreased compared to the first quarter of fiscal 2014 as production from the MA-8 development well brought on-stream in January 2014 and the MA-6H well brought on-stream in April 2014 and sales of crude oil held in inventory were more than offset by the impact of natural production declines in the fields in the block.
- Production optimization efforts for existing fields in the D6 Block continued in the first quarter of fiscal 2015 with i) workover campaigns on existing shut-in wells, and ii) engineering and construction activities for booster compression, with targeted completion by the fourth quarter of fiscal 2015. The sidetrack of the MA-6H well was successfully completed in the quarter while a workover operation of a well in the Dhirubhai 1 and 3 ("D1 D3") gas fields was not successful due to mechanical wellbore difficulties. A workover on another well in the D1 D3 field that commenced in the current quarter and concluded in the second quarter is under evaluation.
- The drilling of MJ-A2 appraisal well, located to target the eastern fault block on the MJ field discovered in the first quarter of fiscal 2014, was completed in June 2014 and encountered high quality Mesozoic synrift reservoir, similar to the quality and age of the hydrocarbon bearing sections found in the MJ-1 discovery well and the successful MJ-A1 appraisal well, but the targeted section was wet. The implication of the MJ-A2 well is a reduction of the estimated areal extent of the MJ field from 65 square kilometers to 38 to 45 square kilometers, approximately 3.5 to 4 times the areal extent of the analogous MA field. The results of the appraisal wells are being integrated into the plans for further appraisal drilling and subsequent options for development. The MJ field remains a material discovery for the D6 Block partners and is well positioned to take advantage of the existing D6 Block infrastructure. Niko and its partners are currently finalizing the optimal location for the third appraisal well in this field.
- Notification of a new price for domestic natural gas sales in India has been deferred by the GOI until October 1, 2014 and under protest but in good faith, the contractor group has kept supplying the gas to customers and the customers have been paying for the gas supplied under the terms of the sales contracts that expired on March 31, 2014. In May 2014, the contractor group for D6 Block issued a notice of arbitration to the GOI seeking market pricing for the gas as per the terms of the PSC for the block.
- The final decision to proceed with the R-Cluster development project in the D6 Block approved by the GOI, providing the opportunity for significant production growth for the Company in the future, is pending resolution of the gas pricing issue noted above.

Block 9, Bangladesh

- Total sales volumes in the first quarter of fiscal 2015 from Block 9 in Bangladesh of 66 MMcfe/d were virtually flat compared to the fourth quarter of fiscal 2014. Total sales volumes for the current quarter increased compared to the first quarter of fiscal 2014 due to the impact of workovers performed during fiscal 2014.
- Installation of plant compression facilities continued in the first quarter of fiscal 2015, with targeted completion in the second quarter of fiscal 2015.

Restructuring

- In June 2014, the Company sold its 25 percent interest in Block 5(c) in Trinidad and Tobago to a subsidiary of the BG Group and received net proceeds of \$61 million, providing funds to repay \$15 million of its contract settlement obligations and \$20 million of short-term Facility E loan portion of secured term loan, and adding an additional \$26 million in cash for the future funding of the anticipated requirements of its operating subsidiaries in India and Bangladesh, its corporate general and administrative expenses and its interest obligations.
- In July 2014, the Company transferred its remaining 35 percent interest in the Grand Prix block in Madagascar to an existing partner in exchange for potential future payments that are contingent on certain future events in the block.
- In May 2014, the Company entered into a settlement agreement with a vendor resulting in other income of \$2 million.

Legal Proceedings

- The processes for two arbitration claims being heard by a tribunal constituted under the Rules of the International Centre for Settlement of Investment Disputes continued in the first quarter of fiscal 2015, with a hearing occurring in April 2014 on the claim for amounts owed to the Company for gas supplied from the Feni field in Bangladesh from 2004 to 2009. A decision from the arbitral panel on this claim is expected in fiscal 2015.

CAPITAL AND EXPLORATION EXPENDITURES

	Quarter ended
(millions of U.S. dollars)	June 30, 2014
India / Bangladesh	18
Other countries	2
Net	20

India / Bangladesh

Capital and exploration expenditures in India and Bangladesh totaled \$18 million for first quarter of 2015. Development capital of \$11 million for the quarter related primarily to the drilling of the MA-6H sidetrack well and workover operations in the D1 D3 field in the D6 Block in India. Exploration and evaluation capital of \$6 million for the quarter related primarily to the drilling of the MJ-A2 appraisal well in the MJ field in the D6 Block in India, the costs of which have been expensed.

Other Countries

Capital and exploration expenditures outside of India and Bangladesh totaled \$2 million for the first quarter of 2015 as exploration and evaluation costs expensed directly to income of \$6 million, reflecting the Company's reduction in staffing and exploration efforts outside of India, and other exploration and evaluation expenditures of \$2 million were partially offset by the impact of returning \$6 million of drilling inventory to suppliers.

FINANCIAL RESULTS

EBITDAX⁽¹⁾

(millions of U.S. dollars)	Quarter ended June 30, 2014	Quarter ended March 31, 2014	Quarter ended June 30, 2013
EBITDAX	26	20	20
Loss	(55)	(1)	(59)

(1) EBITDAX is a non-IFRS measure as defined by the Company in its quarterly filings of its Management's Discussion and Analysis on SEDAR at www.sedar.com. The most comparable IFRS measure is net loss and a reconciliation of EBITDAX to net loss is contained in the Company's Management's Discussion and Analysis.

EBITDAX for the first quarter of fiscal 2015 was \$26 million compared to \$20 million for the fourth quarter of

fiscal 2014, primarily due to the impact of increased liquids sales volumes from the D6 Block in India and increased other income in the current quarter. Compared to the first quarter of fiscal 2014, EBITDAX for the quarter increased due to the impact of increased liquids sales volumes from the D6 Block in India, increased natural gas sales volumes from Block 9 in Bangladesh and increased other income in the current quarter, partially offset by lower natural gas sales volumes from the D6 Block in India and higher G&A expenses in the current quarter related to legal cost of the ICSID arbitration cases.

Complete details of the Company's financial results are contained in its unaudited condensed interim consolidated financial statements and Management's Discussion and Analysis for the quarter ended June 30, 2014 which will be available on SEDAR at www.sedar.com.

LIQUIDITY AND CAPITAL RESOURCES

To implement its strategy of developing and appraising the assets in the D6 Block in India while maintaining optionality in the balance of its exploration portfolio, the Company has the following sources of funding for its planned operating, investing and financing cash outflows (including working capital requirements):

- Unrestricted cash and cash equivalents as at June 30, 2014 of \$106 million;
- Restricted cash as at June 30, 2014 of \$50 million that is available for funding of expenditures related to the D6 Block in India (including working capital requirements);
- Receipts of oil and natural gas revenues from its producing assets in India and Bangladesh;
- Potential proceeds from asset sales, farm-outs and other arrangements; and
- Potential proceeds from future equity or debt issues.

The Company's budget for its planned capital program for India and Bangladesh in fiscal 2015 is approximately \$70 million, with a potential increase to \$150 - \$200 million in fiscal 2016 depending on the resolution of the natural gas price issue described below. Annual average sales volumes for the Company in fiscal 2015 from existing producing wells in its producing fields are targeted to be approximately equal to the annual average sales volumes for fiscal 2014, with the sales volumes from planned development activities in the D6 Block in the remainder of the year dependent on the timing and results of these activities. EBITDAX for fiscal 2015 is dependent on the sales volumes and resolution of the natural gas price issue.

Effective April 1, 2014, prices for natural gas sales from the D6 Block were expected to approximately double as per the pricing formula approved by the Government of India ("GOI") in June, 2013 and included in the Domestic Natural Gas Guidelines, 2014 ("Guidelines") published by the GOI in January, 2014. As per the Guidelines, the pricing formula is to be applicable to all natural gas sales from the D6 Block, subject to submission of bank guarantees related to incremental natural gas revenues from the Dhirubhai 1 and 3 fields. The Company has been working with Reliance, the operator of the D6 Block, on providing bank guarantees that were to be required by the GOI. However, the GOI has not notified the price calculated under these Guidelines, initially due to an election commission ruling that the price should not be notified during the election campaign, and subsequently due to the transition to a new government ruling party. Under protest but in good faith, the contractor group for the D6 Block has kept supplying gas to its customers and the customers have been paying for the gas supplied at the price specified in the sales contracts that expired on March 31, 2014. In May 2014, the contractor group for the D6 Block filed a notice of arbitration to the GOI seeking the implementation of the Guidelines. The GOI has indicated that it is working towards the announcement of a new natural gas price to be effective October 1, 2014, but there is significant uncertainty at this time as to the timing and magnitude of the price increase.

If a new market price for natural gas sales from the D6 Block in India is not notified by the GOI, then a significant portion of the contractor group's planned investments in the block are expected to be deferred; and

- the unrestricted and restricted cash and the forecasted receipts of oil and gas revenues are expected to be sufficient to satisfy the anticipated cash requirements of the Company's operating subsidiaries in India and Bangladesh, its corporate general and administrative expenditures, and its interest obligations for the foreseeable future.

If a new market price for natural gas sales from the D6 Block in India is notified by the GOI, effective October 1, 2014, the contractor group's planned investments in the block for fiscal 2015 and fiscal 2016 are expected to occur as currently planned; and:

- If a bank guarantee is required by the GOI and is provided by Reliance on behalf of the contractor group without a requirement for cash support from the Company, then the unrestricted and restricted cash and the forecasted receipts of oil and gas revenues are expected to be sufficient to satisfy the anticipated cash requirements of the Company's operating subsidiaries in India and Bangladesh, its corporate general and administrative expenditures, and its interest obligations for the foreseeable future.
- If a bank guarantee is required by the GOI and is provided by Reliance on behalf of the contractor group with full cash support from the Company for the Company's share of the incremental natural gas revenue from the Dhirubhai 1 and 3 fields, then the unrestricted and restricted cash and the forecasted receipts of oil and gas revenues are expected to be sufficient to satisfy the anticipated cash requirements of the Company's operating subsidiaries in India and Bangladesh, its corporate general and administrative expenditures, and its interest obligations for fiscal 2015. In this scenario, for fiscal 2016, the Company is expected to require additional funding from asset sales, farm-outs and other arrangements and/or future equity or debt issues and expects that it will be able to raise the required funds from some or all of these sources. However, there can be no assurance that these efforts will be sufficient to satisfy the anticipated cash requirements of the Company's operating subsidiaries in India and Bangladesh, its corporate general and administrative expenditures, and its interest obligations.

As at June 30, 2014, the Company had \$105 million of accounts payable and accrued liabilities related to its exploration subsidiaries, primarily in Indonesia and Trinidad, and has significant exploration work commitments over the next several years (see note 22 in the unaudited interim consolidated financial statements). The terms of the Company's term loan facilities limit the funding of capital expenditures and working capital requirements in these areas and the Company is evaluating its options for these subsidiaries as part of its strategy of maintaining optionality in its exploration portfolio. The Company is working on selling or farming out interests in many of its exploration production sharing contracts, rescheduling its exploration commitments, and settling its vendor liabilities. There is significant uncertainty regarding whether these efforts will be sufficient to allow certain of the Company's exploration subsidiaries to meet existing and future obligations and continue activities in the future.

Over the next few years, the Company plans to limit its exploration expenditures outside of India and Bangladesh, net of proceeds of farm-outs and other arrangements, to less than \$35 million per year.

As described above, there is material uncertainty that may cast significant doubt about the ability of the Company to continue as a going concern.

Non-core Asset Dispositions, Farm-outs and Other Arrangements

In the first quarter of fiscal 2015, the Company closed the sale of its 25 percent interest in Block 5(c) in Trinidad and Tobago for net proceeds of \$61 million and used the funds to repay \$15 million of contract settlement obligation owing to Diamond and repay the \$20 million term loan Facility E. As per the terms of the facilities agreement, the Company offered to prepay approximately \$26 million of the term loan and the lender group declined the offer, resulting in additional cash being available for funding of the anticipated cash requirements of its operating subsidiaries in India and Bangladesh, its corporate general and administrative expenses, and its interest obligations.

Conference Call

Niko will be hosting its Q1 results conference call on Thursday, August 14, 2014 at 9:00 am MST/ 11:00 am EST. The conference call will be webcast and the link to the webcast is <http://www.gowebcasting.com/5647>.

Forward-Looking Information

Certain statements in this press release constitute forward-looking information within the meaning of applicable securities legislation. Specifically, this press release contains forward-looking information relating to the proposed shift in strategic focus of the Company, the proposed sale of non-core assets and farm-out transactions involving exploratory production sharing contracts, possible resolution of outstanding payables from the Indonesian and Trinidad drilling programs, sources of funding for planned operating activities, drilling activities in the D6 Block in India and the corresponding increases in sales volumes from these drilling

activities anticipated in fiscal 2015, forecast EBITDAX for 2015, planned capital and exploration expenditures for 2015, and the outcome and timing in respect of the determination by the GOI of the increased pricing formula for natural gas sales in India. 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 based on certain key expectations and assumptions, including expectations and assumptions regarding its future growth, results of operations, production, future capital and other expenditures (including the amount, nature and sources of funding thereof), competitive advantages, plans for and results of drilling activity, environmental matters, business prospects and opportunities, prevailing commodity prices and exchange rates, applicable royalty rates and tax laws, future well production rates, the performance of existing wells, the success of drilling new wells, the availability of capital to undertake planned activities, the availability and cost of labour and services and general market conditions. The reader is cautioned that the assumptions used in the preparation of such 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: the risks associated with the oil and natural gas industry in general, such as operational risks in development, exploration and production, delays or changes in plans with respect to exploration or development projects or capital expenditures, the uncertainty of estimates and projections relating to production rates, costs and expenses, commodity price and exchange rate fluctuations, government regulation, marketing and transportation risks, environmental risks, competition, the ability to access sufficient capital from internal and external sources, changes in tax, royalty and environmental legislation, the impact of general economic conditions, imprecision of reserve estimates, the lack of availability of qualified personnel or management, stock market volatility, risks associated with meeting all of the Company's financing obligations and contractual commitments (including work commitments), the risks discussed under "Risk Factors" in the Company's Annual Information Form for the year-ended March 31, 2014 ("AIF") 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 forecast.

The forward looking information included in this press release is expressly qualified in its entirety by this cautionary statement. The forward looking information included herein is made as of the date of this press release and Niko assumes no obligation to update or revise any forward looking information to reflect new events or circumstances, except as required by law.

Non-IFRS Measures

The selected financial information presented throughout this press release is prepared in accordance with IFRS, except for "EBITDAX" and "funds from operations". The Company utilizes EBITDAX and funds from operations to assess past performance and to help determine its ability to fund future capital projects and investments. EBITDAX is calculated as net income before interest expense, income taxes, depletion and depreciation expenses, exploration and evaluation expenses, and other non-cash items (gain or loss on investments, asset impairment, share-based compensation expense, restructuring expenses, accretion expense, and unrealized foreign exchange gain or loss). Funds from operations is calculated as cash flows from operating activities prior to the change in operating non-cash working capital, the change in long-term accounts receivable and exploration and evaluation costs expensed to the statement of comprehensive income. Funds from operations should not be viewed as a substitute for measures of financial performance presented in accordance with IFRS or as a measure of a company's profitability or liquidity. This non-IFRS measure do not have any standardized meaning prescribed by IFRS and is therefore unlikely to be comparable to similar measures presented by other companies. Refer to the Company's Management's Discussion and Analysis for details on these non-IFRS financial measures.

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