Niko Reports Results for the Quarter Ended December 31, 2017

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CALGARY, AB--(Marketwired - February 14, 2018) - Niko Resources Ltd. ("Niko" or the "Company") (TSX: NKO) is pleased to report its operating and financial results for the quarter ended December 31, 2017. The operating results are effective February 14, 2018. All amounts are in US dollars unless otherwise indicated and all amounts are reported using International Financial Reporting Standards unless otherwise indicated.

CHIEF EXECUTIVE OFFICER'S MESSAGE TO THE SHAREHOLDERS

Major contracts for development of the R-Cluster fields in the D6 Block in India have been awarded with a targeted start-up of production by the second quarter of fiscal 2021. While the Company's efforts to monetize its core assets for the benefit of all its stakeholders continue, the Company's liquidity situation and its ability of fund its share of costs of the D6 Block are critical concerns. The Company has required certain consents from its senior lenders to fund its cash requirements over the past several months and has received these required consents. The Company will require additional consents from its senior lenders and require additional funding over the short term. No assurance can be made that the lenders will provide these consents in the future or that additional funding will be secured in a manner or on a timely basis so as to enhance the Company's cash resources sufficiently to meet its cash requirements.

William Hornaday -- Chief Executive Officer, Niko Resources Ltd.

LIQUIDITY AND CAPITAL RESOURCES

Funding of Projected Cash Requirements of the Company
The Company's cash flow has been negatively impacted by the failure of Bangladesh Oil, Gas and Mineral Corporation ("Petrobangla") to comply with its legal obligations as outlined below.

In order to fund the Company's cash requirements over the short term, the Company requires certain consents from the Lenders under its amended and restated facilities agreement as well as other sources of funds. To date, the Company has received consents under which the required restricted cash balance under the terms of the amended facilities agreement has been reduced from $7.0 million at December 31, 2017 to $3.3 million as of February 7, 2018, with the cash released for use in funding the Company's requirements. The Company expects that additional consents from the Lenders will be required over the short term. The withholding of such consents by the Lenders during this period will have a material adverse impact on the Company's ability to fund its operations and is therefore likely to have a material adverse impact on all stakeholders.

The Company's cash resources, and therefore its ability to fund its operations, could be positively enhanced by various factors, including the following:

- Receiving payments of amounts due from Petrobangla,
- Executing sale(s) of the Company's interests in its core assets in India and Bangladesh,
- Obtaining financing for planned development projects in the D6 Block, or
- Receiving income tax refunds due from the Government of India ("GOI").

No assurance can be made that appropriate steps will be taken, or goals accomplished, in a manner or on a timely basis so as to enhance the Company's cash resources sufficiently. The failure to enhance the Company's cash resources on a timely basis will have a material adverse impact on the ability of the Company to fund its operations and will therefore have a material adverse impact on all stakeholders.

Major contracts for development of the R-Cluster fields in the D6 Block in India have been awarded with drilling expected to commence in the second quarter of fiscal 2019, towards a targeted start-up of production by the second quarter of fiscal 2021. In addition, field development plans for the Satellite Cluster discoveries and the MJ discovery in the D6 Block have been submitted to the GOI for approval. The Company is pursuing financing options for these projects, but at this time, the Company has not secured funding and, as such, it may not have sufficient funds available to pay cash calls for the D6 production sharing contract ("PSC") in the short term. Under the terms of the joint operating agreement ("JOA") between the participating interest holders in the D6 PSC, if a cash call is not paid, the operator of the D6 PSC could issue a default notice to the defaulting party and during the continuance of a default, the defaulting party shall not have a right to its share of sales proceeds (which shall vest in and be the property of the non-defaulting parties who have paid to cover the amount in default in order to recover the amounts owed by the defaulting party). In addition, if the defaulting party does not cure a default within sixty days of the default notice, the non-defaulting parties have the option to require the defaulting party to withdraw from the D6 PSC and JOA. If this option were to be exercised, it would have a material adverse impact on the Company and all of its stakeholders.

Non-payments by Petrobangla of Amounts Due
Since June 2016, 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, with the amounts for March 2016 to December 2017 invoices totalling $48 million to date (equal to the 60 percent share in the Block 9 PSC held by Niko Exploration (Block 9) Limited ("Niko Block 9")). Niko Block 9 has issued notices of dispute and force majeure under the Block 9 PSC and sales agreements to the Government of Bangladesh and Petrobangla and plans to initiate arbitration proceedings for these disputes under the rules of the International Centre for Settlement of Investment Disputes. As the cash flow that was expected to be generated by the Block 9 PSC was targeted to fund the capital and operating expenditure of the Block 9 PSC as well as other cash requirements of the Company, since late September 2016, Niko Block 9 has not paid cash calls that were due and has been issued default notices by the operator of the Block 9 PSC. Under the terms of the JOA between the participating interest holders in the Block 9 PSC, during the continuance of a default, the defaulting party shall not have a right to its share of gas and condensate sales proceeds, which shall vest in and be the property of the non-defaulting parties who have paid to cover the amount in default in order to recover the amounts owed by the defaulting party. In addition, if the defaulting party does not cure a default within sixty days of the default notice, the non-defaulting parties have the option to require the defaulting party to withdraw from the PSC and JOA. To date, the non-defaulting parties have not exercised this option. Refer to Note 24(a)(ii) of the condensed interim consolidated financial statements for the three and nine months ended December 31, 2017 for further details on this matter.

Exploration Subsidiaries
The Company's exploration subsidiaries that previously owned interests in PSCs in Trinidad and Indonesia have significant accounts payable and accrued liabilities (including PSC obligations) and unfulfilled exploration work commitments reflected on the Company's balance sheet as at December 31, 2017. In May 2017, the Company's indirect subsidiaries received written notices from the Government of the Republic of Trinidad and Tobago terminating the three PSCs. In the Company's view, the parent guarantees for unfulfilled exploration commitments for the three PSCs have expired. Effective with the termination of the PSCs, the Company reclassified the Trinidad segment as discontinued operations in its consolidated financial statements.

Contingent Liabilities
The Company and its subsidiaries are subject to various claims from other parties, as described in Note 24 of the condensed interim consolidated financial statements for the three and nine months ended December 31, 2017 and are actively defending against these claims. An adverse outcome on one or more of these claims could significantly impact the future cash flows of the Company.

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

Complete details of the Company's financial results are contained in its condensed interim consolidated financial statements and Management's Discussion and Analysis for the three and nine months ended December 31, 2017 which will be available under the Company's SEDAR profile at www.sedar.com.

OVERALL PERFORMANCE AND RESULTS OF OPERATIONS BY REPORTABLE SEGMENT

Non-payments by Petrobangla of Amounts Due
As a result of (i) the continued non-payments by Petrobangla of amounts due as outlined above, (ii) Niko Block 9's non-payments of cash calls due to the operator of the Block 9 PSC, and (iii) the default mechanism in the Block 9 JOA, the invoices issued by the operator of the Block 9 PSC for gas and condensate sales to Petrobangla for September 2016 to December 2017 reflect the non-defaulting parties' entitlement to the sales proceeds and, as such, the Company has not recognized $35 million of net oil and gas revenues that it otherwise would have been entitled to (of which $6 million related to natural gas and condensate sales in the third quarter of fiscal 2018 and $8 million related to natural gas and condensate sales in the third quarter of fiscal 2017). In addition, the Company recognized an impairment of $13 million in the second quarter of fiscal 2017 related to the net revenue receivable from Petrobangla for the months of March 2016 to August 2016.

If the non-defaulting parties to the Block 9 JOA exercise their option to require Niko Block 9 to withdraw from the PSC and JOA and if this results in a loss of Niko Block 9's interest in the PSC and JOA, then a full impairment of the Company's carrying value of the assets and liabilities related to Block 9 could result.

Minimum Contract Quantities Dispute - India
As a result of an arbitration award in respect of the Hazira field in India (described in the Company's Management's Discussion and Analysis for the three months ended June 30, 2017 available under the Company's SEDAR profile at www.sedar.com), in the first quarter of fiscal 2018, the Company recognized a liability of $28 million for the awarded amount plus accrued interest.

The Company's results for the three and nine months ended December 31, 2017 are as follows:

Consolidated

(thousands of US Dollars,	Three months ended December 31,		Nine months ended December 3	
unless otherwise indicated)	2017	2016	2017	2016
Sales volumes (MMcfe/d)(1)	75	84	78	88
Net oil and natural gas revenue	6,116	6,667	16,806	36,288
EBITDAX from continuing operations(2)	(1,369)	771	(2,523)	16,528
Net income (loss) from continuing operations	(7,688)	23,044	(55,736)	243,023
Net income (loss) from discontinued operations	108	(2,133)	346	(2,693)

(1) Includes volumes in Bangladesh for which revenue has not been recognized since September 2016.
(2) Refer to "Non-IFRS Measures" for details.

Lower natural gas sales volumes for the D6 Block in India, partially offset by increased natural gas and crude oil prices, contributed to lower net oil and natural gas revenue and lower EBITDAX for the Company in the third quarter of fiscal 2018 compared to the third quarter of fiscal 2017. In addition, production and operating expenses increased in the third quarter of fiscal 2018 compared to the third quarter of fiscal 2017.

Net loss from continuing operations of $(8) million in the third quarter of fiscal 2018 was primarily due to lower EBITDAX, partially offset by lower depletion and depreciation expense. Net income from continuing operations of $23 million for the third quarter of fiscal 2017 primarily resulted from the recognition of a gain on debt modification of $28 million due to the execution in October 2016 of a revised agreement with subsidiaries of Diamond Offshore relating to the settlement of outstanding claims under drilling contracts.

India

(thousands of US Dollars,	Three months ended December 31,		Nine months ended December 31,	
unless otherwise indicated)	2017	2016	2017	2016
Sales volumes (MMcfe/d)(1)	19	28	21	30
Net oil and natural gas revenue	6,110	6,662	16,789	25,411
Segment EBITDAX(1)	1,924	3,371	6,261	13,697
Segment loss	(3,905)	(251)	(42,396)	(417)

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

Total sales volumes from the D6 Block in the third quarter of fiscal 2018 of 19 MMcfe/d decreased from 26 MMcfe/d in the third quarter of fiscal 2017 primarily due to the impact of natural production declines, underperformance, and water and sand ingress that resulted in the shut-in of wells, partially offset by the impact of incremental production from sidetrack wells brought on-stream in the second half of fiscal 2017.

Net oil and natural gas revenues of $6 million decreased slightly in the third quarter of fiscal 2018 compared to the third quarter of fiscal 2017 primarily due to lower natural gas sales volumes, partially offset by increased natural gas and crude oil prices. The notified price for gas sales from the D6 Block for October 2017 to March 2018 of $2.89 / MMbtu is approximately 16 percent higher than the notified price for October 2016 to March 2017 of $2.50 / MMbtu.

Segment EBITDAX of $2 million in the third quarter of fiscal 2018 decreased compared to the third quarter of fiscal 2017 primarily due to lower net oil and natural gas revenues and increased production and operating expenses.

Segment loss of $(4) million in the third quarter of fiscal 2018 increased compared to the third quarter of fiscal 2017 primarily due to lower segment EBITDAX, partially offset by lower depletion expense.

Hazira sale
Subsequent to the end of the third quarter of fiscal 2018, the Government of India approved the assignment of Niko's 33.33 percent interest in the Hazira PSC to a third party. Closing of the sale, effective October 1, 2017, is expected to occur in the fourth quarter of fiscal 2018. Under the Company's operatorship, the Hazira Field was nearing the end of its life with an abandonment program planned for the near future, and the expected sale proceeds, net of closing adjustments, are not forecast to significantly impact the Company's liquidity.

NEC-25 relinquishment
As previously disclosed, in the second quarter of fiscal 2016, the Company withdrew from the NEC-25 PSC and relinquished its interest to the remaining interest holders. In the third quarter of fiscal 2018, the Government of India approved the assignment of Niko's ten percent interest in the NEC-25 PSC to the remaining interest holders.

Bangladesh

(thousands of US Dollars, unless otherwise indicated)	Three months ended December 31, 2017	2016	Nine months ended December 31, 2017	2016
Sales volumes (MMcfe/d)[1]	57	57	58	58
Net oil and natural gas revenue	-	-	-	10,867
Segment EBITDAX[1]	(1,728)	(1,017)	(4,440)	6,280
Segment loss	(2,936)	(2,348)	(8,442)	(10,892)

(1) Includes volumes for which revenue has not been recognized since September 2016.
(2) Refer to "Non-IFRS Measures" for details.

Total sales volumes from Block 9 in the third quarter of fiscal 2018 were flat compared to the third quarter of fiscal 2017, as the impact of increased delivery pressure requirements of the sales trunkline was virtually offset by the impact of a development well that was brought on-stream in the fourth quarter of fiscal 2017.

Net oil and natural gas revenues have not been recognized since September 2016 due to non-payments by Petrobangla (refer to discussion on *Non-payments by Petrobangla of Amounts Due in the Liquidity and Capital Resources* section).

Segment EBITDAX in the third quarter of fiscal 2018 of $(2) million decreased compared to the third quarter of fiscal 2017 primarily as a result of increased production and operating expenses.

Segment loss of $(3) million in the third quarter in fiscal 2018 increased compared to a segment loss of $(2)

million in the third quarter of fiscal 2017 primarily as a result of lower segment EBITDAX.

Other

(thousands of US Dollars,	Three months ended December 31,		Nine months ended Decembe	
unless otherwise indicated)	2017	2016	2017	2016
Segment EBITDAX from continuing operations(1)	(1,565)	(1,583)	(4,344)	(3,448)
Segment income (loss) from continuing operations	(847)	25,643	(4,898)	254,332
Net income (loss) from discontinued operations	108	(2,133)	346	(2,693)

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

Segment EBITDAX from continuing operations in the third quarter in fiscal 2018 decreased slightly from the third quarter of fiscal 2017, primarily due to lower legal costs associated with the Company's disputes in Bangladesh.

Segment loss from continuing operations of ($1) million in the third quarter in fiscal 2018 decreased from a segment income of $26 million in third quarter of fiscal 2017, primarily resulting for the recognition in the third quarter of fiscal 2017 of a gain on debt modification of $28 million due to the execution in October 2016 of a revised settlement agreement with subsidiaries of Diamond Offshore relating to the settlement of outstanding claims under drilling contracts.

Forward-Looking Information
Certain statements in this press release constitute forward-looking information. Specifically, this press release contains forward looking information relating to the Company's ability to fund its cash requirements over the short term, the ability of the Company to successfully complete its strategic plan on a timely basis, the ability to receive consents from the Lenders for funding of the Company's cash requirements over the upcoming months and the expected closing of the Hazira sale. 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. 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 against governments and others in its favour) or fund its operations over the short term. 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. 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, many of which are not within the control of the Company and include expectations and assumptions regarding the future actions of the Company's lenders, the receipt of income tax refunds, non-defaulting parties not seeking to require a subsidiary of the Company to withdraw from the Block 9 PSC or JOA, the ability to satisfy cash calls in respect of the D6 Block, future commodity prices, 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 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: risks related to the ability of the Company to continue as a going concern, risks related to the Company not being able to increase its cash resources (including failure to positively enhance its cash resources by not achieving any of the four matters set out under *Liquidity and Capital Resources* above), the risks associated with the Company meeting its obligations under the amended Facilities Agreement and successfully completing its strategic plan, risks related to the various legal claims against the Company or its subsidiaries, risks related to non-payments by Petrobangla of amounts due to subsidiaries of the Company, as well as 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, 2017 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 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 "Segment EBITDAX". The Company utilizes EBITDAX and Segment EBITDAX to assess performance and to help determine its ability to fund future capital projects and to repay debt. EBITDAX and Segment 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 debt modification, gain or loss on asset disposal, gain or loss on derivatives, asset impairment, share-based compensation expense, restructuring expenses, accretion expense, unfulfilled exploration commitment expense, commercial claim expense and unrealized foreign exchange gain or loss). EBITDAX and Segment EBITDAX 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. These non-IFRS measures do not have any standardized meaning prescribed by IFRS and is therefore may not 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 and reconciliation of the non-IFRS measure to the most directly comparable measure defined under IFRS.

Contact

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