NIKO RESOURCES LTD

NIKO REPORTS RESULTS FOR THE QUARTER ENDED JUNE 30, 2018

Niko Resources Ltd. ("Niko" or the "Company") is pleased to report its operating and financial results for the quarter ended June 30, 2018. The operating results are effective August 13, 2018. All amounts are in US dollars unless otherwise indicated and all amounts are reported using International Financial Reporting Standards unless otherwise indicated.

LIQUIDITY AND CAPITAL RESOURCES

As at June 30, 2018, the Company`s unrestricted cash balances totalled $10 million compared to $3 million as at March 31, 2018. In May 2018, an indirect subsidiary of the Company received income tax refunds from the Government of India ("GOI") totalling the Indian Rupee equivalent of approximately $15.5 million (including interest). In the first quarter of fiscal 2019, the Company funded expenditures of approximately $6 million related to the development of the R-Cluster fields in the D6 Block in India.

Funding of Projected Future Cash Requirements of the Company

Major contracts for development of the R-Cluster fields in the D6 Block in India have been awarded and drilling commenced in early August 2018 towards a targeted start-up of production by mid-2020. In addition, field development plans for the Satellite Cluster discoveries and the MJ discovery in the D6 Block have been approved by the GOI, with start-up of these projects projected for 2021 and 2022, respectively. Based on Deloitte's reserves evaluation as at March 31, 2018, Niko's share of the funding requirement for development of these projects is estimated at approximately $200 million between mid-2018 and mid-2020, after which time the future net operating revenues from the D6 Block are forecast to be sufficient to fund the development capital expenditures to complete the projects.

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

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

The Company is pursuing financing options for the R-Cluster, Satellite Cluster and MJ development projects in the D6 Block in India and is continuing its efforts to monetize its interest for the benefit of all of its stakeholders. However, the Company has not yet secured funding and, as such, in the next few months, it may not have sufficient funds available to pay cash calls under the D6 production sharing contract ("PSC"). 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 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.

No assurance can be made that the Company will be able to enhance the Company's cash resources on a timely basis or at all, so as to meet its funding requirements under the D6 PSC or its other obligations. 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 of its stakeholders.

Alleged Migration of Natural Gas Dispute

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.

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. The award was issued within 18 months of the constitution of the arbitral tribunal, in accordance with The Arbitration and Conciliation Act, 1996 [26 of 1996] as amended by The Arbitration and Conciliation (Amendment) Act, 2015 [3 of 2016] of India. Under this act, an arbitral award shall be final and binding on the parties, subject to appeal to the Indian court system by either party under limited circumstances.

Non-payments by Petrobangla of Amounts Due

From June 2016 to March 2018, Petrobangla 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 had paid funds to the operator of the Block 9 for recovery of costs incurred by the operator related to Niko Block 9's interest in Block 9. The impact of Petrobangla's actions on the Company's position in Block 9 is currently under evaluation. Refer to Note 30(a)(ii) of the audited consolidated financial statements for the year ended March 31, 2018 for further details on this matter.

Contingent Liabilities

The Company and its subsidiaries are subject to various claims from other parties, as described in Note 30 of the audited consolidated financial statements for the year ended March 31, 2018 and updated in Note 9 of the condensed interim consolidated financial statements for the quarter ended June 30, 2018, 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 quarter ended June 30, 2018 which will be available under the Company's SEDAR profile at www.sedar.com.

RESULTS OF OPERATIONS

The Company's results for the quarter ended June 30, 2018 are as follows:

Consolidated

(thousands of US Dollars, unless otherwise indicated)	Quarter ended June 30, 2018	2017
Sales volumes (MMcfe/d)[(1)]	66	83
Net oil and natural gas revenue	4,575	5,764
EBITDAX from continuing operations[(2)]	4,608	(680)
Net loss from continuing operations	(18,184)	(36,831)
Net income from discontinued operations	-	180

(1) Includes volumes in Bangladesh for which revenue has not been recognized since September 2016.

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

Total sales volumes in the first quarter of fiscal 2019 of 66 MMcfe/d decreased from 83 MMcfe/d in the first quarter of fiscal 2018 primarily due to lower natural gas sales volumes from the D6 Block in India, reflecting the impact of natural production declines, underperformance, and water and sand ingress that resulted in the shut-in of wells, lower sales volumes from Block 9 in Bangladesh, as well as the sale of the Company's interest in the Hazira Block in India, effective October 1, 2017.

Net oil and natural gas revenue in the first quarter of fiscal 2019 decreased from the first quarter of fiscal 2018 primarily due to lower natural gas sales volumes, partially offset by higher natural gas and crude oil prices.

EBITDAX from continuing operations in the first quarter of fiscal 2019 increased from the first quarter of fiscal 2018 primarily due to interest income on income tax refunds received in India in the first quarter of fiscal 2019, a realized foreign exchange gain in the first quarter of fiscal 2019 versus a realized foreign exchange loss in the first quarter of fiscal 2018, and lower general and administrative expenses, partially offset by lower net oil and natural gas revenue.

Net loss from continuing operations of $(18) million in the first quarter of fiscal 2019 decreased compared to net loss from continuing operations of $(37) million in the first quarter of fiscal 2018 primarily due to increased EBITDAX and the recognition in the first quarter of fiscal 2018 of commercial claim expense of $28 million as a result of an arbitration award in the respect of the Hazira field in India, partially offset by increased depletion expense resulting from negative revisions to proved reserves as at March 31, 2018 for the D1 D3 and MA fields in the D6 Block in India.

Bangladesh - Block 9
Net oil and natural gas revenues have not been recognized for Niko's interest in the Block 9 PSC 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). Since the Company has not received financial information from the operator of the Block 9 PSC for the months of May and June of 2018, the recorded production and operating expenses for the first quarter of fiscal 2019 of $1.5 million reflect estimates for these months based on trends from prior months and from the first quarter of fiscal 2018. Depletion and depreciation for the first quarter of fiscal 2019 of $1 million decreased slightly compared to the first quarter of fiscal 2018 primarily due to lower sales volumes.

RECONCILIATION OF NON-IFRS MEASURES

The following table reconciles the Company's gross revenue to EBITDAX to net loss:

(thousands of US Dollars, unless otherwise indicated)	Quarter ended June 30, 2018	2017
Sales volume		
Natural gas (mcf/d)	64,078	80,513
Oil and condensate (bbl/d)	350	375
Natural gas equivalent (mcfe/d)	66,176	82,766
Natural gas revenue	3,942	5,644
Crude oil and condensate revenue	1,176	828
Royalties	(493)	(645)
Government share of profit petroleum	(50)	(63)
Net oil and natural gas revenue	**4,575**	**5,764**
Production and operating expenses	(4,052)	(4,182)
General and administrative expenses	(791)	(1,719)
Finance and other income	4,528	142
Bank charges and other finance costs	(10)	(5)
Realized foreign exchange gain (loss)	359	(680)
EBITDAX from continuing operations(1)	**4,609**	**(680)**
Cash interest expense	(265)	(393)
Restructuring costs	-	(277)
Depletion and depreciation expenses	(20,462)	(7,169)
Exploration and evaluation expenses	-	(56)
Accretion expense	(778)	(836)
Non-cash finance and other income	233	251
Commercial claim expense	(443)	(27,604)
Unrealized foreign exchange loss	(1,078)	(67)
Net loss from continuing operations(2)	**(18,184)**	**(36,831)**
Net income from discontinued operations(2)	-	**180**
Total net loss	**(18,184)**	**(36,651)**

(1) Refer to "Non-IFRS Measures" for details.
(2) Refer to Note 8 of the condensed interim financial statements for the quarter ended June 30, 2018 for detailed segment information.

For further information, please contact:

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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.

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, the ability of the Company to successfully complete its strategic plan on a timely basis, and the impact of Petrobangla paying funds to the operator of the Block 9 for recovery of costs incurred by the operator related to Niko Block 9's interest in Block 9. 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 cash requirements. 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 completion of financings or monetizing of assets, 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 three 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, 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, 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 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.