Update on Quarterly Dividend and D6 Block in India

CALGARY, ALBERTA (Marketwire – September 28, 2012) (all amounts are stated in US$) – Niko Resources Ltd. (TSX - NKO) is now entering into the most significant exploration drilling program in its corporate history with the Ocean Monarch deepwater semi-submersible drilling rig expected to begin moving to the Jayarani-1 location in the Lhokseumawe block in Indonesia on October 1, 2012. This rig has been contracted for a four-year term with an option for one additional year and will be utilized to drill numerous prospects in the Company's extensive exploration portfolio in Indonesia. As such, the board of directors have decided to suspend the Company's quarterly dividend. The timing and level of future dividends will be reviewed periodically by the board of directors.

D6 Block Exploration and Development Plans

Revised Development Plan for the MA Field

In August 2012, the "Management Committee" for the D6 Block, comprised of two representatives of the Government of India ("GOI") and one representative from each of the joint venture partners, Reliance Industries Limited (the "Operator"), BP Exploration (Alpha) Ltd., and ourselves (collectively, the "Contractor"), agreed on the revised field development plan ("FDP") for the MA oil and gas field which had been submitted in February 2012. This revised FDP updates the estimates of production forecasts and development activities based on the current understanding of the reservoir and reflects the requirement of an additional gas producing well and the conversion via work over of two suspended oil wells into gas producers to accelerate the production of the reservoir gas cap.

Revised Development Plan for the Dhirubhai 1 and 3 ("D1 D3") Fields

In August 2012, a revised FDP for the D1 D3 gas fields was submitted to the Management Committee. This revised FDP updates the estimates of production levels and development activities based on the current understanding of the reservoir and reflects the installation of increased water handling capacity and additional booster compression over the next two to three years to address the decline in reservoir pressure.

Proposal for Drilling of MJ-1 Exploration Well

In September 2012, a proposal for drilling of the MJ-1 exploration well in early 2013 was submitted to the GOI. The exploration well would target the Mesozoic synrift clastic reservoir, similar to the MA oil and gas field.

Alignment with Guidance and Ryder Scott Reserve Report

The production and capital projections included in the revised FDPs for the MA and D1 D3 fields are in line with our previous guidance and the Ryder Scott Reserve Report as at March 31, 2012 and the capital for the exploration well is included in our overall capital guidance of $210 million for fiscal 2013.

Integrated Development Strategy for the D6 Block

An integrated development strategy for the D6 Block including three undeveloped areas is currently being prepared by the Operator with input from the joint venture partners and we expect FDPs under this strategy to be submitted to the Management Committee in late 2012. The development of these three areas is expected to be completed within three to four years from the approval of the FDPs. The plan is likely to include re-entry and completion of some existing wells, drilling of new wells, connected with new flow-lines, umbilicals, and subsea facilities into existing D6 Block infrastructure, located within 25 to 60 kilometres. Once we have received approval and assuming we obtain acceptable natural gas pricing terms (see D6 Block Gas Pricing below), we intend to begin the development of these three areas which we believe could increase our reserve base and provide significant production growth in the coming years.

D6 Block Cost Recovery Dispute

By its letter dated 2nd May 2012, the GOI has alleged that the Contractor is in breach of the Production Sharing Contract ("PSC") for the D6 Block as the Contractor failed to drill all of the wells and attain production levels contemplated in the Addendum to the Initial Development Plan for the D1 D3 fields. The GOI has further asserted that Contractor's costs totalling $1.462 billion (our share $146.2 million) are therefore disallowed for cost recovery. The joint venture partners are of the view that the **disallowance of recovery of costs incurred by the Contractor has no basis in the terms of the PSC** and that there are strong grounds to challenge the action of the GOI before an appropriate forum. The Operator has commenced arbitration proceedings against the GOI challenging the allegations and the disallowance of cost recovery. The arbitral tribunal is in the process of being constituted with the Contractor and the GOI having nominated two of the three arbitrators.

D6 Block Gas Pricing

In July 2012, the Rangarajan Committee was appointed by the GOI to study and make recommendations on various issues relating to Indian PSC's including the structure and elements of the guidelines for determining the basis or formula for the price of domestically produced gas in India.

We believe gas market demand fundamentals are strong in India, where gas markets have historically been supply-constrained. Despite increases in LNG imports and domestic production, the gap between supply and demand in India has remained high and we believe it could grow in the future.

The PSC for the D6 Block states that natural gas must be sold at arm`s length prices, with "arm`s length" defined as sales made freely in the open market between willing and unrelated sellers and buyers, and that the pricing formula be approved by the GOI taking into account the prevailing policy on natural gas. In May 2007, the Operator, on behalf of the Contractor, discovered an arm's length price for the sale of gas on a transparent basis with a term of three years and accordingly, proposed a gas price formula to the GOI. In September 2007, the GOI approved a pricing formula with some modification to the proposed formula. The approved pricing formula was declared effective for a period of five years rather than the three years proposed by the Operator and while linked to crude oil prices, has a floor and a cap. The floor is $2.50/MMBtu if Brent crude oil is $25/bbl or lower and the cap is $4.20/MMBtu if Brent crude oil is $60/bbl or more. The then prevailing price for LNG contracted for sale in India under long term LNG contracts was approximately $3.80/MMBtu. We have signed numerous gas sales contracts with customers in the fertilizer, power, steel, city gas distribution, liquefied petroleum gas market and pipeline transportation industries, and all of these gas sales contracts expire on March 31, 2014.

In January 2012, the Operator wrote to the GOI requesting that the parties discuss a revised price formula consistent with the terms of the PSC and the principles established by the New Exploration Licensing Policy and the Ministry of Petroleum and Natural Gas of India. The revised formula would be applicable immediately to all sales of natural gas produced and saved from the D6 Block. The GOI is still considering the Operator's request. In June 2012, the Operator submitted to the GOI for approval a proposal for a new crude oil-linked pricing formula to be used in new sales contracts for the period commencing April 1, 2014. The proposed formula was based on the pricing formula under a contract for long-term import of LNG into India and was universally accepted by arm's length buyers who bid in large numbers in an open price discovery process. The proposed formula is as follows:

Gas Price ($/MMBtu) = 12.67% x JCC + $0.26

where "JCC" or Japan Customs cleared Crude is the average price of customs cleared crude oil imports into Japan as reported in Trade Statistics announced by the Ministry of Finance, Japan for the month previous to the month in which gas supplies are made. If the formula is approved, it would result in a gas price of slightly under $13.00/MMBtu based on current JCC price levels of around $100/bbl.

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For further information, please contact:
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Forward Looking Information
Certain statements in this press release constitute forward-looking information. Specifically, this press release contains forward looking information relating to the timing and level of any future dividends that may be determined by the Board, planned further development of the MA and D1 D3 fields and the drilling of the MJ-1 exploration well, details regarding an integrated development strategy for the D6 Block, potential results of the cost recovery dispute with the GOI and proposed new pricing for the D6 Block. These forward looking statements are based on certain key expectations and assumptions, including management's estimates of future commodity sales prices, estimates of future sales, production and deliveries, estimated amounts and timing of capital expenditures, anticipated operating costs, royalty rates, cash flows, transportation plans and capacity, anticipated access to infrastructure, legal interpretation of the terms of the PSC for the D6 Block or other expectations regarding future events. 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 achieved during the forecast period will vary from the information provided herein as a result of numerous known and unknown risks and uncertainties and other factors. Such factors include, but are not limited to: general economic, market and business conditions; industry capacity; competitive action by other companies; fluctuations in oil and gas prices; the results of exploration and development drilling and related activities; the uncertainty of estimates and projections relating to production, costs and expenses; uncertainties as to the availability and cost of financing; fluctuations in currency exchange rates; the imprecision in reserve estimates; risks associated with oil and gas operations, such as operational risks in exploring for, developing and producing crude oil and natural gas; risks and uncertainties involving geology of oil and gas deposits; the weather in our area of operations; the ability of suppliers to meet commitments; changes in environmental and other regulations; actions by governmental authorities including changes in laws and increases in taxes; decisions or approvals of judicial or administrative tribunals, including the decision of the arbitral tribunal currently considering the issue of cost recovery and alleged breach of the PSC relating to the D6 Block; risks in conducting foreign operations (for example, political and fiscal instability or the possibility of civil unrest or military action); the effect of acts of, or actions against international terrorism; and other factors, many of which are beyond our control. The arbitration regarding the issue of cost recovery and alleged breach of the PSC relating to the D6 Block is being undertaken by the Operator of the D6 Block and there is a risk that the Operator may not be successful in the arbitration proceeding and, depending on the determination of the tribunal, this could have a material adverse effect on us. We make no representation that the actual results achieved during the forecast period will be the same in whole or in part as those forecast.