NIKO RESOURCES LTD

NIKO REPORTS RESULTS FOR THE QUARTER ENDED SEPTEMBER 30, 2018

Niko Resources Ltd. ("Niko" or the "Company") reports its operating and financial results for the quarter ended September 30, 2018. The operating results are effective November 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

D6 Block in India

To date, the Company has not been successful in its efforts to sell its interest in the D6 Block in India or secure financing for funding of its share of the R-Cluster, Satellite Cluster and MJ development projects in the block. While these efforts are continuing, to conserve its remaining cash (approximately $3.6 million as of September 30, 2018), the Company elected not to pay a D6 Block cash call that was due in early October, 2018.

Subsequently, a subsidiary of the Company received a default notice from the operator of the D6 production sharing contract ("PSC") in India for non-payment of the cash call. Under the terms of the joint operating agreement ("JOA") between the participating interest holders in the D6 PSC, during the continuance of a default, the defaulting party shall not have a right to its share of revenue (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.

The receipt of the default notice from the operator of the D6 PSC resulted in an event of default under the terms of the Company's Facilities Agreement with its senior lenders (the "Lenders"). No action has been taken by the Lenders and the Company continues to have discussions with the Lenders with whom the Company believes it has a positive relationship. The Company has requested that, under the terms of the Facilities Agreement, some or all of the Lenders provide a senior loan facility for funding of D6 Block expenditures. None of the Lenders is under any obligation to provide this loan facility and, to date, none of the Lenders have offered to provide this loan facility.

If the default under the D6 JOA is not cured on a timely basis and the non-defaulting parties request that Niko withdraw from the D6 PSC and JOA, then this will have a material adverse impact on the Company's stakeholders. No assurance whatsoever can be made that the Company will be able to meet its funding requirements under the D6 PSC or its other obligations on a timely basis or at all.

Block 9 in Bangladesh

In the first quarter of fiscal 2019, the Company was notified by the operator of the Block 9 PSC that Bangladesh Oil, Gas and Mineral Corporation ("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 and the Company understands that Petrobangla has continued to do so for subsequent periods. The estimated cumulative amount of non-payments by Petrobangla of amounts due for Niko's share of the profit petroleum portion of invoiced amounts due for gas and condensate sales supplied pursuant to the Block 9 gas and condensate sales agreements for March 2016 to September 2018 is $35 million. 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.

Efforts to Realize Value

The Company is continuing its efforts to realize value from its core assets. Per the Waterfall Distribution mechanism defined in the agreements governing the Term Loan and the convertible notes of the Company, 100% of any net proceeds received for these assets up to $180 million would be payable to the Lenders of the Term Loan. As such, if the Company were able to conclude any transaction to realize value up to $180 million, this value would be required to be distributed to the Lenders. No assurance whatsoever can be made that the Company will realize any value for its core assets.

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 September 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, 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.

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 September 30, 2018, which will be available under the Company's SEDAR profile at www.sedar.com.

RESULTS OF OPERATIONS

The following significant items impacted the Company's financial results for the second quarter of fiscal 2019:

Impairment of Assets, net of Derecognition of Associated Liabilities
As at September 30, 2018, the Company determined that the realization of value from its D6 and Block 9 property, plant and equipment and exploration and evaluation assets, inventory, restricted cash, income tax and other receivables was substantially dependent on uncertain events that were not wholly within the control of the Company. As such, in the second quarter of fiscal 2019, the Company recognized impairments of these assets, net of associated liabilities, totalling $222 million, reducing the carrying value of these balance sheet items to nil.

Revaluation of Long-term Debt
As a result of the impairment of the assets noted above, the Company revalued its long-term debt as at September 30, 2018 to nil, resulting in the recognition of a gain on revaluation of long-term debt of $211 million.

(thousands of US Dollars)	For the six months ended September 30, 2018
Impairment of plant, property and equipment	(277,850)
Impairment of exploration and evaluation assets	(4,737)
Impairment of other assets	(34,992)
Derecognition of associated liabilities	95,678
Gain on revaluation of long-term debt	211,015
Impairment loss, net	(10,886)

The Company's results for the three and six months ended September 30, 2018 are as follows:

Consolidated

(thousands of US Dollars, unless otherwise indicated)	Three months ended September 30, 2018	Three months ended September 30, 2017	Six months ended September 30, 2018	Six months ended September 30, 2017
Sales volumes (MMcfe/d)[(1)]	61	77	64	80
Net oil and natural gas revenue	5,105	4,926	9,680	10,690
EBITDAX from continuing operations[(2)]	772	(444)	5,386	(1,123)
Net loss from continuing operations	(34,015)	(10,536)	(52,199)	(47,367)
Net income from discontinued operations	-	58	-	238

(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 second quarter of fiscal 2019 of 61 MMcfe/d decreased from 77 MMcfe/d in the second quarter of fiscal 2018 primarily due to lower natural gas sales volumes from the D6 Block in India, lower sales volumes from Block 9 in Bangladesh, and the sale of the Company's interest in the Hazira Block in India, effective October 1, 2017, partially offset by higher crude oil sales volumes from the D6 Block in India as the MA field ceased production in September 2018 at the end of the term of the contract for the floating, processing, storage and offloading vessel.

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

EBITDAX from continuing operations in the second quarter of fiscal 2019 increased from the second quarter of fiscal 2018 primarily due to a realized foreign exchange gain in the second quarter of fiscal 2019 versus a realized foreign exchange loss in the second quarter of fiscal 2018.

Net loss from continuing operations of $(34) million in the second quarter of fiscal 2019 increased compared to $(11) million in the second quarter of fiscal 2018 primarily due to increased depletion expense resulting from negative revisions to proved reserves for the D1 D3 and MA field in the D6 Block in India and the recognition of a net impairment loss of $11 million in the second quarter of fiscal 2019.

RECONCILIATION OF NON-IFRS MEASURES

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

(thousands of US Dollars,	Three months ended September 30,		Six months ended September 30,	
unless otherwise indicated)	2018	2017	2018	2017
Sales volume				
Natural gas (mcf/d)	58,128	74,755	61,087	77,618
Oil and condensate (bbl/d)	497	374	424	375
Natural gas equivalent (mcfe/d)	61,112	76,995	63,630	79,864
Natural gas revenue	3,256	4,823	7,198	10,468
Crude oil and condensate revenue	2,320	772	3,496	1,600
Royalties	(414)	(568)	(907)	(1,213)
Government share of profit petroleum	(57)	(101)	(107)	(165)
Net oil and natural gas revenue	**5,105**	**4,926**	**9,680**	**10,690**
Production and operating expenses	(4,707)	(4,845)	(8,759)	(9,028)
General and administrative expenses	(660)	(759)	(1,451)	(2,477)
Finance and other income	77	370	4,610	512
Bank charges and other finance costs	(5)	(2)	(15)	(8)
Realized foreign exchange gain (loss)	962	(134)	1,321	(812)
EBITDAX from continuing operations(1)	**772**	**(444)**	**5,386**	**(1,123)**
Cash interest expense	(48)	(751)	(312)	(1,142)
Restructuring costs	-	(51)	-	(328)
Depletion and depreciation expenses	(20,943)	(6,355)	(41,405)	(13,523)
Exploration and evaluation expenses	(5)	(38)	(5)	(94)
Impairment loss, net	(10,886)	(1,328)	(10,886)	(1,328)
Accretion expense	(1,055)	(853)	(1,834)	(1,691)
Non-cash finance and other income	247	160	475	410
Commercial claim expense	(448)	-	(891)	(27,604)
Unrealized foreign exchange loss	(1,649)	(876)	(2,727)	(944)
Net loss from continuing operations(2)	**(34,015)**	**(10,536)**	**(52,199)**	**(47,367)**
Net income from discontinued operations(2)	**-**	**58**	**-**	**238**
Total net loss	**(34,015)**	**(10,478)**	**(52,199)**	**(47,129)**

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

(2) Refer to Note 8 of the condensed interim financial statements for the quarter ended September 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". The Company utilizes EBITDAX to assess performance and to help determine its ability to fund future capital projects and to repay debt. EBITDAX is calculated as net income before interest expense, income taxes, depletion and depreciation expenses, exploration and evaluation expenses, and other items (impairment loss, net, share-based compensation expense, restructuring costs, accretion expense, non-cash finance and other income, commercial claim expense and unrealized foreign exchange gain or loss). 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 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 non-IFRS financial measures and reconciliation of non-IFRS measures to the most directly comparable measures defined under IFRS.

Forward-Looking Information

Certain statements in this press release constitute forward-looking information, including forward-looking information relating to the Company's efforts to realize value from its core assets, the ability of the Company to fund its operations and meet its obligations, the Company defending certain claims and the possible actions of the Lenders. 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 sell its interest in the D6 Block in India or secure financing for funding of its share of the R-Cluster, Satellite Cluster and MJ development projects in the D6 Block, and while it will continue such efforts to enhance its liquidity there can be no assurance whatsoever that these efforts will be successful on a timely basis or at all. In addition, the Company has requested that the Lenders waive a default under the Facilities Agreement and fund a senior loan facility. The Lenders have not agreed to either request. 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 under the D6 PSC or its other obligations on a timely basis or at all, 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 increase its cash resources, the risks associated with the Company meeting its obligations under the amended 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 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, 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.