



ORCA EXPLORATION GROUP INC.



2016 Q1 INTERIM REPORT

Orca Exploration Group Inc. is an international public company engaged in hydrocarbon exploration, development and supply of gas in Tanzania and oil appraisal and gas exploration in Italy. Orca Exploration trades on the TSXV under the trading symbols ORC.B and ORC.A.

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## GLOSSARY

<b>mcf</b>	Thousands of standard cubic feet	<b>1P</b>	Proven reserves
<b>MMcf</b>	Millions of standard cubic feet	<b>2P</b>	Proven and probable reserves
<b>Bcf</b>	Billions of standard cubic feet	<b>3P</b>	Proven, probable and possible reserves
<b>Tcf</b>	Trillions of standard cubic feet	<b>Kwh</b>	Kilowatt hour
<b>MMcfd</b>	Millions of standard cubic feet per day	<b>MW</b>	Megawatt
<b>MMbtu</b>	Millions of British thermal units	<b>US\$</b>	US dollars
<b>HHV</b>	High heat value	<b>CDN\$</b>	Canadian dollars
<b>LHV</b>	Low heat value	<b>bar</b>	Fifteen pounds pressure per square inch



ORCA EXPLORATION GROUP INC.

MANAGEMENT'S  
DISCUSSION  
& ANALYSIS

# Financial and Operating Highlights

THREE MONTHS ENDED/  
AS AT 31 MARCH

(Expressed in US\$'000 unless indicated otherwise)

2016 2015

## OPERATING

Daily average gas delivered and sold (MMcfd)

<b>Protected Gas</b>	<b>36.8</b>	39.0
<b>Additional Gas</b>	<b>46.3</b>	49.1
Industrial	<b>10.7</b>	10.3
Power	<b>35.6</b>	38.8
<b>Total gas production</b>	<b>83.1</b>	88.1
<b>Average price (US\$/mcf)</b>		
Industrial	<b>8.15</b>	7.54
Power	<b>3.55</b>	3.49
Total	<b>4.61</b>	4.34
<b>Operating netback (US\$/mcf)</b>	<b>3.08</b>	1.86

## FINANCIAL

<b>Revenue</b>	<b>15,810</b>	9,720
<b>Funds flow from operating activities <sup>(1)</sup></b>	<b>9,853</b>	3,712
per share - basic and diluted (US\$)	<b>0.28</b>	0.11
<b>Net cash flows from operating activities</b>	<b>(1,154)</b>	7,375
per share - basic and diluted (US\$)	<b>(0.03)</b>	0.21
<b>Net loss</b>	<b>(5,638)</b>	(1,677)
per share - basic and diluted (US\$)	<b>(0.16)</b>	(0.05)
<b>Working capital</b>	<b>56,340</b>	34,870
<b>Cash</b>	<b>72,300</b>	62,640
<b>Capital expenditures</b>	<b>13,997</b>	1,139
<b>Long-term loan</b>	<b>58,350</b>	–
<b>Outstanding shares ('000)</b>		
Class A	<b>1,751</b>	1,751
Class B	<b>33,106</b>	33,164
<b>Total shares outstanding</b>	<b>34,857</b>	34,915
<b>Options</b>	<b>–</b>	400
<b>Weighted average diluted Class A and Class B shares</b>	<b>34,857</b>	35,315

<sup>(1)</sup> See MD&A – Non-GAAP Measures.



## Q1 2016 Operating Highlights

- Revenue for the quarter increased 63% to US\$15.8 million from US\$9.7 million in Q1 2015. The increase is primarily a consequence of the Company being entitled to a greater allocation of net revenue due to the workover of three offshore wells and the drilling of a new offshore well. The offshore workover and development programme commenced in the third quarter of 2015 and was completed in the first quarter of 2016. The expenditures substantially increased the pool of recoverable cost, entitling the Company to 75% of net revenue as Cost Gas in the quarter with the corresponding reduction in Profit Gas reducing the Profit Gas attributable to TPDC by 61%. The 6% fall in the volumes of Additional Gas sold in the quarter to 46.3 MMcfd from 49.1 MMcfd in Q1 2015 having been substantially offset by a 6% rise in the weighted average sale price to US\$4.61/Mcf from US\$4.34/Mcf in Q1 2015.
- Funds flow from operating activities increased by 165% to US\$9.9 million or US\$0.28 per share basic and diluted (Q1 2015: US\$3.7 million or US\$0.11 per share basic and diluted), primarily as a result of the 63% increase in revenue.
- A net loss of US\$5.6 million or US\$0.16 per share was recorded for the quarter compared to a net loss of US\$1.7 million or US\$0.05 per share in Q1 2015. The loss in the quarter was primarily the result of a US\$8.0 million provision against the receivable from TANESCO. The increase in the provision together with the US\$2.8 million charge for stock based compensation offset the increase in revenue for the quarter. The increase in the level of stock based compensation being the combination of an increase in the share price to CDN\$4.14 per share from CDN\$2.75 as at 31 December 2015 and the granting of new Restrictive Stock Units to non-executive directors.
- TANESCO payments for the quarter continued to be irregular. During the quarter, the Company received a total of US\$3.6 million (Q4 2015: US\$4.5 million) from TANESCO against sales invoices totaling US\$10.9 million (Q4 2015: US\$11.7 million). Management has reviewed the current position with TANESCO and feels that the current policy to reclassify all amounts receivable from TANESCO in excess of 60 days, and in arrears, as a long-term receivable is still appropriate. For Q1 2016, the Company has classified an additional US\$8.0 million, the arrears in excess of 60 days, as a long-term receivable and has recorded a full provision against this. The current total provision is US\$69.9 million (Q4 2015: US\$61.9 million). As at the date of this report the total receivable is US\$77.3 million.
- Working capital as at 31 March 2016 increased by 62% to US\$56.3 million from US\$34.9 million in Q1 2015. The increase is primarily a result of the increase in long-term debt of US\$58.4 million offset by capital expenditures primarily related to the recently completed Offshore Programme.
- Total capital expenditures for the quarter were US\$14.0 million compared to US\$1.1 million in Q1 2015. The capital expenditure in the quarter was incurred on the successful completion of the new offshore well SS-12 that was spud in December 2015.
- On 29 October 2015, the Company and the International Finance Corporation ("IFC") completed a debt financing agreement to borrow up to US\$60 million. The financing is a subordinated, income participating loan with flexible repayment terms and a maximum tenure of approximately 10 years. The Company has drawn the US\$60 million Loan facility in full, with an initial drawdown of US\$20 million on 14 December 2015 followed by an additional draw down of US\$40 million on 9 February 2016. The Offshore Programme was completed on 11 February 2016. The loan is stated on the balance sheet net of associated capitalized set up costs which will be amortised over the life of the loan.

## Management's Discussion & Analysis

THIS MD&A OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS FOR THE THREE MONTHS ENDED 31 MARCH 2016 SHOULD BE READ IN CONJUNCTION WITH THE AUDITED CONSOLIDATED FINANCIAL STATEMENTS AND NOTES TOGETHER WITH THE MD&A FOR THE YEAR ENDED 31 DECEMBER 2015. THIS MD&A IS BASED ON THE INFORMATION AVAILABLE ON 19 MAY 2016.

### FORWARD LOOKING STATEMENTS

This management's discussion and analysis ("MD&A") contains forward-looking statements or information (collectively, "forward-looking statements") within the meaning of applicable securities legislation. More particularly, this MD&A contains, without limitation, forward-looking statements pertaining to the following: the Company's expectations regarding supply and demand of natural gas; anticipated power sector revenues; potential impact of TPDC future back-in rights on the economic terms of the Production Sharing Agreement ("PSA"); the commissioning of the second gas processing facility on Songo Songo Island which is part of the National Natural Gas Infrastructure Project ("NNGIP") which includes the construction and commissioning of two gas processing facilities, a 505 kilometer pipeline supplying gas from the Mtwara Region of Tanzania to Dar es Salaam and a 28 kilometer pipeline supplying gas from Songo Songo Island to the mainland NNGIP; ability to meet all conditions under the International Finance Corporation ("IFC") financing agreement signed on 29 October 2015; the Company's estimated spending for the planned Development Programme for 2016 and 2017, which includes construction of the production platform for well SS-12, tie-in of well SS-12 to the production facilities and implementation of a refrigeration unit to enable production into the NNGIP; the potential impact of the Petroleum Act, 2015 ("Act") on the Company's business in Tanzania; the Company's belief that the parties to the unsigned Amended and Restated Gas Agreement ("ARGA") will continue to conduct themselves in accordance with the ARGA until the new Gas Sales Agreement ("GSA") is signed; the Company's expectation that, despite the Re-Rating Agreement of the gas processing plant owned by Songas Limited ("Songas") having expired, the Songas gas processing plant will not be de-rated and the risk that Songas and the Company will not agree on appropriate terms and sign the GSA in a timely manner; the Company's expectation that it can expand and maintain the deliverability of gas volumes in excess of the existing Songas infrastructure; the Company's expectation that the SS-4 well may need to be suspended in the future; the forward-looking statements under "Contractual Obligations and Committed Capital Investment"; the Company's expectation that it will not have a shortfall during the term of the Protected Gas delivery obligation to July 2024; and the Company's expectations in respect of its appeal on the decision of the Tax Revenue Appeals Tribunal and other statements under "Contingencies – Taxation". In addition, statements relating to "reserves" are by their nature forward-looking statements, as they involve the implied assessment, based on certain estimates and assumptions that the reserves described can be profitably produced in the future. The recovery and reserve estimates of the Company's reserves provided herein are estimates only and there is no guarantee that the estimated reserves will be recovered. As a consequence, actual results may differ materially from those anticipated in the forward-looking statements. Although management believes that the expectations reflected in the forward-looking statements are reasonable, it cannot guarantee future results, levels of activity, performance or achievement since such expectations are inherently subject to significant business, economic, operational, competitive, political and social uncertainties and contingencies.

These forward-looking statements involve substantial known and unknown risks and uncertainties, certain of which are beyond the Company's control, and many factors could cause the Company's actual results to differ materially from those expressed or implied in any forward-looking statements made by the Company, including, but not limited to: failure to receive payments from the Tanzanian Electrical Supply Company ("TANESCO"); risk on timing for the NNGIP to be fully commissioned; risk that the Tanzanian Production Development Corporation ("TPDC"), the Ministry of Energy and Minerals ("MEM") and the Company are unable to agree on commercial terms for future incremental gas sales and consequently the Company cannot expand the Songo Songo development beyond the existing Songas infrastructure and supply gas to the NNGIP; risk that additional gas volumes available to the NNGIP from third parties will replace all or a portion of the volumes currently nominated by TANESCO under the Portfolio Gas Sales Agreement ("PGSA") until additional gas-fired power generation is brought on-stream to consume all of the Company's available gas production; risk that the Development Programme is not completed as planned and the actual cost to complete the Development Programme exceeds the Company's estimates; risk that the remaining well workovers under the Development Programme are unsuccessful or determined to be infeasible; risk that the contingencies related to the development work for the full field development plan for Songo Songo are not satisfied; potential negative effect on the Company's rights under the PSA and other agreements relating to its business in Tanzania as a result of the recently approved Act, as well as the risk that such legislation will create additional costs and time connected with the Company's business in Tanzania; risk that, without extending or replacing the Re-Rating Agreement, the gas processing plant may be de-rated back to its original capacity, resulting in a material reduction in the Company's sales volumes of Additional Gas; risk that the Company will not fully recover Songas' share of capital expenditures associated with the workovers of wells SS-5 and SS-9; risk that the Company will be required to pay additional taxes and penalties; the impact of general economic conditions in the areas in which the Company operates; civil unrest; industry conditions; changes in laws and regulations including the adoption of new environmental laws and regulations and changes in how they are interpreted and enforced; increased competition; the lack of availability of qualified personnel or management; fluctuations in commodity prices, foreign exchange or interest rates; stock market volatility; competition for, among other things, capital, drilling equipment and skilled personnel; failure to obtain required equipment for drilling; delays in drilling plans; failure to obtain expected results from drilling of wells; effect of changes to the PSA on the Company; changes in laws; imprecision in reserve estimates; the production and growth potential of the Company's assets; obtaining required approvals of regulatory authorities; risks associated with negotiating with foreign governments; inability to satisfy debt obligations and conditions; failure to successfully negotiate agreements; and risk that the Company will not be able to fulfil its contractual obligations. In addition there are risks and uncertainties associated with oil and gas operations, therefore the Company's actual results, performance or achievement could differ materially from those expressed in, or implied by, these forward-looking statements and, accordingly, no assurances can be given that any of the events anticipated by these forward-looking statements will transpire or occur, or if any of them do so, what benefits the Company will derive therefrom. Readers are cautioned that the foregoing list of factors is not exhaustive.

Such forward-looking statements are based on certain assumptions made by the Company in light of its experience and perception of historical trends, current conditions and expected future developments, as well as other factors the Company believes are appropriate in the circumstances, including, but not limited to, that the NNGIP is completed; the TPDC, the MEM and the Company are able to agree on commercial terms for future incremental gas sales and the Company can expand Songo Songo development beyond the existing Songas infrastructure and supply gas to the NNGIP; the Development Programme will be completed within the timing anticipated; the actual costs to complete the Development Programme are in line with estimates; that there will continue to be no restrictions on the movement of cash from Mauritius or Tanzania; that the Company will have sufficient cash flow, debt or equity sources or other financial resources required to fund its capital and operating expenditures and requirements as needed; that the Company will have adequate funding to continue operations; that the Company will successfully negotiate agreements; receipt of required regulatory approvals; the ability of the Company to increase production at a consistent rate; infrastructure capacity; commodity prices will not further deteriorate significantly; the ability of the Company to obtain equipment and services in a timely manner to carry out exploration, development and exploitation activities; future capital expenditures; availability of skilled labour; timing and amount of capital expenditures; uninterrupted access to infrastructure; the impact of increasing competition; conditions in general economic and financial markets; effects of regulation by governmental agencies; that the Company's appeal of various tax assessments will be successful; that the enactment of the Act in Tanzania will not impair the Company's rights under the PSA to develop and market natural gas in Tanzania; current or, where applicable, proposed industry conditions, laws and regulations will continue in effect or as anticipated as described herein; and other matters.

The forward-looking statements contained in this MD&A are made as of the date hereof and the Company undertakes no obligation to update publicly or revise any forward-looking statements or information, whether as a result of new information, future events or otherwise, unless so required by applicable securities laws.

## NON-GAAP MEASURES

THE COMPANY EVALUATES ITS PERFORMANCE USING A NUMBER OF NON-GAAP (GENERALLY ACCEPTED ACCOUNTING PRINCIPLES) MEASURES. THESE NON-GAAP MEASURES ARE NOT STANDARDISED AND THEREFORE MAY NOT BE COMPARABLE TO SIMILAR MEASUREMENTS OF OTHER ENTITIES.

- FUNDS FLOW FROM OPERATING ACTIVITIES IS A TERM THAT REPRESENTS CASH FLOW FROM OPERATIONS BEFORE WORKING CAPITAL CHANGES. IT IS A KEY MEASURE AS IT DEMONSTRATES THE COMPANY'S ABILITY TO GENERATE CASH NECESSARY TO ACHIEVE GROWTH THROUGH CAPITAL INVESTMENTS.
- OPERATING NETBACKS REPRESENT THE PROFIT MARGIN ASSOCIATED WITH THE PRODUCTION AND SALE OF ADDITIONAL GAS AND IS CALCULATED AS REVENUES LESS PROCESSING AND TRANSPORTATION TARIFFS, GOVERNMENT PARASTATAL'S REVENUE SHARE, OPERATING AND DISTRIBUTION COSTS FOR ONE THOUSAND STANDARD CUBIC FEET OF ADDITIONAL GAS. THIS IS A KEY MEASURE AS IT DEMONSTRATES THE PROFIT GENERATED FROM EACH UNIT OF PRODUCTION, AND IS WIDELY USED BY THE INVESTMENT COMMUNITY.
- FUNDS FLOW FROM OPERATING ACTIVITIES PER SHARE IS CALCULATED ON THE BASIS OF THE FUNDS FLOW FROM OPERATING ACTIVITIES DIVIDED BY THE WEIGHTED AVERAGE NUMBER OF SHARES.
- CASH FLOW FROM OPERATING ACTIVITIES PER SHARE IS CALCULATED AS CASH FLOW FROM OPERATIONS DIVIDED BY THE WEIGHTED AVERAGE NUMBER OF SHARES.

ADDITIONAL INFORMATION REGARDING ORCA EXPLORATION IS AVAILABLE UNDER THE COMPANY'S PROFILE ON SEDAR AT [www.sedar.com](http://www.sedar.com).

## NATURE OF OPERATIONS

The Company's principal operating asset is its interest in a PSA with TPDC and the Government of Tanzania in the United Republic of Tanzania. This PSA covers the exploration, development, production and marketing of certain gas from the Songo Songo Block offshore Tanzania.

The PSA defines gas from the Songo Songo field as "Protected Gas" and "Additional Gas". The "Protected Gas" is owned by TPDC and is sold under a 20-year agreement (until July 2024) to Songas ("Gas Agreement"). Songas is the owner of the infrastructure that enables the gas to be processed and delivered to Dar es Salaam, which includes a gas processing plant on Songo Songo Island.

Songas utilizes the Protected Gas as feedstock for its gas turbine electricity generators for onward sale to customers. The Company receives no revenue for the Protected Gas delivered to Songas and operates the field and gas processing plant on a 'no gain no loss' basis.

Under the PSA, the Company has the right to produce and market all gas in the Songo Songo Block in excess of the Protected Gas requirements ("Additional Gas").

TANESCO is a parastatal organization which is wholly-owned by the Government of Tanzania, with oversight by the Ministry of Energy and Minerals ("MEM"). TANESCO is responsible for the generation, transmission and distribution of electricity throughout Tanzania. Natural gas has become an integral component of TANESCO's power generation fuel mix as a more reliable source of supply over seasonal hydro power and a more cost effective alternative to liquid fuels. The Company currently supplies gas directly to TANESCO by way of the PGSA and indirectly through the supply of Protected Gas and Additional Gas to Songas which in turn generates and sells power to TANESCO. The state utility is the Company's largest customer and the gas supplied by the Company to TANESCO today fires approximately 45% of the electrical power generated in Tanzania.

In addition to gas supplied to Songas and TANESCO for the generation of power, the Company has developed and supplies an industrial gas market in the Dar es Salaam area consisting of some 38 industrial customers.

### Consolidation

The companies which are 100% owned that are being consolidated are:

<b>COMPANY</b>	<b>INCORPORATED</b>
Orca Exploration Group Inc.	British Virgin Islands
Orca Exploration Italy Inc.	British Virgin Islands
Orca Exploration Italy Onshore Inc.	British Virgin Islands
PAE PanAfrican Energy Corporation	Mauritius
PanAfrican Energy Tanzania Limited ("PAET")	Jersey
Orca Exploration UK Services Limited	United Kingdom

## BUSINESS RISKS

See "Business Risks" in MD&A for the year-ended 31 December 2015 for a complete discussion of business risks of the Company.

### Financing

The ability of the Company to meet its financing obligations or to arrange financing in the future will if necessary depend in part upon the prevailing capital market conditions as well as the business performance of the Company. There can be no assurance that the Company would be successful in its efforts to meet its current commitments or arrange additional financing on terms satisfactory to the Company. If additional financing is raised by the issuance of shares from treasury of the Company, control of the Company may change and shareholders may suffer additional dilution.

From time to time the Company may enter into transactions to acquire assets or the shares of other companies. These transactions may be financed partially or wholly with debt, which may temporarily increase the Company's debt levels above industry standards.

### Collectability of receivables

The Company evaluates the collectability of its receivables on the basis of payment history, frequency and predictability, as well as Management's assessment of the customer's willingness and ability to pay. Both Songas and the Company have been impacted by TANESCO's inability to pay.

At 31 March 2016, TANESCO owed the Company US\$77.2 million excluding interest (of which arrears were US\$69.9 million) compared to US\$69.7 million (including arrears of US\$61.9 million) as at 31 December 2015. During the quarter, the Company received a total of US\$3.6 million (Q4 2015: US\$4.5 million) from TANESCO against sales invoices totaling US\$10.9 million (Q4 2015: US\$11.7 million). Current TANESCO receivables as at 31 March 2016 amounted to US\$7.3 million (Q4 2015 US\$7.8 million). Since the quarter end, TANESCO has paid the Company US\$2.5 million, and as at the date of this report the total TANESCO receivable is US\$77.3 million (of which US\$69.9 million has been provided for). The amounts owed do not include interest billed to TANESCO.

Amounts collected with respect to the long-term receivable in the future will be reflected in earnings when payment is received. Notwithstanding this provision, the Company and TANESCO continue to operate in accordance with the terms of the PGSA whereby natural gas continues to be delivered by the Company and TANESCO is invoiced pursuant to the terms of the PGSA. This provision against the TANESCO net long-term receivable will not prejudice the Company's rights to payment in full or its ability to pursue collection in accordance with the terms of the agreement with TANESCO.

In December 2015, TANESCO agreed to a payment plan with the Company and TPDC to make ongoing payments for current deliveries and begin paying down arrears in March 2016 ("Payment Plan"). During Q1, TANESCO defaulted on the Payment Plan and, pursuant to the terms of the PGSA, on 25 April 2016 the Company and TPDC issued a joint notice informing TANESCO that if TANESCO failed to pay the arrears as against the Payment Plan within ten days, then the supply of gas would be suspended. In response to this notice, TANESCO, TPDC and Government of Tanzania representatives have engaged with the Company with the goal of resolving the TANESCO non-payment issues and to avoid suspension of deliveries. Based on discussions held on 17 May 2016, the Company and TPDC have agreed to continue to supply gas provided sufficient regular payments are made to cover current deliveries and discussions continue with TANESCO and Government of Tanzania officials on how to resolve the arrears. The Company has reserved the right to implement the suspension should either of the previously mentioned conditions not be met.

As at 31 March 2016, Songas owed the Company US\$20.7 million (Q4 2015: US\$19.0 million), whilst the Company owed Songas US\$2.5 million (Q4 2015: US\$2.6 million); there was no contractual right to offset these amounts. Amounts due to Songas primarily relate to pipeline tariff charges of US\$0.9 million (Q4 2015: US\$1.1 million), whereas the amounts due to the Company are mainly for capital expenditures of US\$11.8 million (Q4 2014: US\$11.2 million), sales of gas of US\$1.9 million (Q4 2015: US\$2.2 million) and for the operation of the gas plant of US\$7.0 million (Q4 2015: US\$5.6 million). The operation of the gas plant is conducted at cost and the charges are billed to Songas on a flow through basis on a "no profit, no loss" basis.

As at 31 March 2016 the net amount owed by Songas to the Company was US\$18.2 million (Q4 2015: US\$16.4 million). The deterioration in the outstanding balances is a consequence of the increase in the operatorship balance and the Songas share of well workover costs. The Company considers the doubtful debt provision of US\$9.8 million is at an appropriate level recognizing the pending settlement of the remaining overdue operatorship charges and the Songas share of the well workover costs. Any significant amounts not agreed to will be pursued through the mechanisms provided in the agreements with Songas.

The "Tax Recoverable" figure carried on the balance sheet arises from the revenue sharing mechanism within the PSA which entitles the Company to recover from TPDC, by way of a deduction from TPDC's Profit Gas share, an amount "the adjustment factor" equal to the actual income taxes payable by the Company. Recovery, by offset against TPDC's share of revenue is dependent on payment of income taxes relating to prior period adjustment factors as they are assessed.

### **Access to Songas processing and transportation**

Whilst the Company operates the Songo Songo gas processing plant, Songas is the owner of plant and pipeline system which transports natural gas from Songo Songo to Dar es Salaam. The Company's ability to deliver gas to its customers in Dar es Salaam is dependent upon it having access to the Songas infrastructure. Although there are agreements with Songas to allow the Company to process and transport gas, there is no assurance that these rights could not be challenged or curtailed by Songas. The inability to access Songas plant and processing facilities would materially impair the Company's ability to realise revenue from natural gas sales.

As a result of the Songo Songo gas plant re-rating that occurred in 2011 pursuant to the Re-Rating Agreement, the capacity of the Songas gas processing plant was increased to a maximum of 110 MMcfd (restricted to 102 MMcfd because of pipeline and pressure requirements). The Re-Rating Agreement expired in 2013 and no new agreement is currently in place. Without the Re-Rating Agreement, the gas plant capacity may be de-rated to 70 MMcfd (the capacity originally agreed to), which would result in a material reduction in the Company's sales volumes of Additional Gas.

### **The Petroleum Act, 2016**

In July 2015 the Tanzania Parliament passed The Petroleum Act, 2015, which was passed into law by Presidential decree on 4 August 2015. The Act repeals earlier legislation, provides a regulatory framework over mid-stream and downstream gas activity and as well consolidates and puts in place a single, effective and comprehensive legal framework for regulating the oil and gas industry in the country. The Act also provides for the creation of an upstream regulator, the Petroleum Upstream Regulatory Authority ("PURA"). The mid and downstream petroleum as well as gas activities are proposed to be regulated by the current authority, the Energy and Water Utilities Regulatory Authority ("EWURA").

The Act also confers upon on TPDC, the status of the National Oil Company, mandated with the task of managing the country's commercial interest in the petroleum operations as well as mid and downstream natural gas activities. The Act vests TPDC with exclusive rights in the entire petroleum upstream value chain and the natural gas mid and downstream value chain. However, the exclusive rights of the National Oil Company do not extend to mid and downstream petroleum supply operations.

The Act does provide grandfathering provisions upholding the rights of the Company under the PSA as it was signed prior to passing of the Act. However, it is still unclear how the provisions of the Act will be interpreted and implemented regarding upstream and downstream activities.

### **Amended and Restated Gas Agreement**

Terms of the original Gas Agreement were modified by the ARGA which was initialed by all parties but not signed. The ARGA provides clarification of the Protected Gas volumes and removes all terms dealing with the security of the Protected Gas and contract terms dealing with the consequences of any insufficiency are dealt with in a new Insufficiency Agreement ("IA"). The IA specifies terms under which Songas may demand cash security in order to keep it whole in the event of a Protected Gas insufficiency. Should the IA be signed, it will govern the basis for determining security. Under the provisional terms of the IA, when it is calculated that funding is required, the Company is required to fund an escrow account at a rate of US\$2.00/MMbtu on all Industrial Additional Gas sales out of its and TPDC's share of revenue, and TANESCO is required to contribute the same amount on Additional Gas sales to the Power sector. The funds provide security for Songas in the event of an insufficiency of Protected Gas. The Company is actively monitoring the reservoir and, supported by the report of its independent engineers, does not anticipate that a liability will occur in this respect. As at the date of this report, the ARGA has only been initialed. Although the ARGA is unsigned, the parties have and continue to conduct themselves, in certain respects, as though the ARGA is in effect. Management does not foresee at this time a material risk with the conduct of the Company's business with an unsigned ARGA.

### **Additional Gas**

The Company has the right under the terms of the PSA to market volumes of Additional Gas subject to satisfying the requirements to deliver Protected Gas to Songas.

There is a risk that Songas could interfere in the Company's ability to produce, transport and sell volumes of Additional Gas if the Company's obligations to Songas under the Gas Agreement are not met. In particular, Songas has the right in specific circumstances to request reasonable security on all Additional Gas sales.

With the passing of the Act TPDC was given significant rights over upstream and downstream operations in the country and is the sole aggregator of natural gas in the country. The Act recognises the rights of the Company pursuant to the PSA. Some clauses in the Act conflict with the Company's rights under the PSA to directly market Additional Gas and there is a risk that this prior right will not continue to be recognised and that the Company's ability to maximize revenue on Additional Gas sales may be impaired by the requirement to sell gas to TPDC as aggregator.

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## CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

The preparation of the Company's unaudited condensed consolidated interim financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenue and expenses during the period. Actual results could differ materially from these estimates. In preparing these unaudited condensed consolidated interim financial statements, the significant judgements made by the management in applying the Company's accounting policies and the key sources of estimation uncertainty were the same as those applied to the consolidated financial statements as at and for the year ended 31 December 2015. See "Critical Accounting Estimates and Judgements" in the MDA for the year ended 31 December 2015 for a complete discussion.

### **Collectability of receivables**

Management reviews the accounts receivable aging and payment history on a weekly basis. Accounts which are in excess of 60-days in arrears are identified as potential doubtful accounts. When sustained arrears performance is exhibited over a quarter, together with an assessment by management of the customer's willingness and ability to pay, an account is deemed "doubtful" and a provision against that account is made for the reporting period based on an assessment of that amount of arrears which are unlikely to be paid in the immediate future.

TANESCO is, and has been, experiencing financial difficulties since 2011. These have been caused by a combination of dependence on high cost liquid fuel power generation following droughts in Tanzania, a government mandate to provide additional power stations and inadequate consumer tariffs to cover operational costs.

Prior to 2016 the Company had reached an understanding with TANESCO that it would only continue to supply gas if TANESCO remained reasonably current with payments for current gas deliveries. Excess payments received over and above the current balances would be applied to the arrears balance. TANESCO payments have continued to be irregular but were sufficient to cover current gas deliveries until the third quarter of 2015, since that time the level of payments received has not been sufficient to cover current gas deliveries. During the quarter, the Company received a total of US\$3.6 million (Q4 2015: US\$4.5 million) from TANESCO against sales totaling US\$10.9 million (Q4 2015: US\$11.7 million).

Management has reviewed the current position with TANESCO and feels that the current policy to reclassify all amounts receivable from TANESCO in excess of 60 days, and in arrears, as a long-term receivable is still appropriate. This decision takes into consideration the results of discussions and meetings since issuing the joint notice to suspend gas supply on 25 April 2016, the payments made by TANESCO since 31 March 2016 to cover current deliveries and the commitment of representatives of the Government of Tanzania to participate in meaningful discussions to resolve the TANESCO arrears.

## Results for the three months ended 31 March 2016

### SUMMARY

During the quarter ended 31 March 2016 the Company successfully completed the drilling of well SS-12. This completed all work-over and drilling activities planned under the Offshore Programme. Based on preliminary evaluation, the Company anticipates that production capabilities will increase by approximately 35 MMcfd once the SS-12 production platform is completed and the well is tied into the NNGIP infrastructure. Total capital expenditures during the quarter were US\$14.0 million (Q1 2015: US\$1.1 million).

The Company's gross sales revenue for the quarter increased by 1% to US\$19.4 million (Q1 2015: US\$19.2 million). However, the Company's operating revenue increased 47% to US\$14.1 million in the first quarter of 2016 (Q1 2015: US\$9.6 million). The increase is primarily a result of the capital expenditures from the recently completed Offshore Programme increasing the pool of recoverable costs which entitled the Company to a greater share of net revenue and a corresponding reduction in Profit Gas attributable to TPDC.

The Company's net loss for the quarter was US\$5.7 million (Q1 2015: 1.7 million) primarily as a result of the increase in the provision on the TANESCO long-term receivable of US\$8.0 million (Q1 2015: \$nil). Payments from TANESCO continue to be irregular and not sufficient to cover current period gas deliveries.

The Company finished the quarter in a stable financial position with US\$56.4 million of working capital (31 December 2015: US\$32.5 million). This reflects the final drawdown of US\$40 million on the IFC financing facility bringing total long-term debt at 31 March 2016 to US\$58.4 (31 December 2015: US\$18.6 million).

### OPERATING VOLUMES

The total volume of Protected Gas and Additional Gas delivered and sold for the quarter ended 31 March 2016 was 7,558 MMcf (Q1 2015: 7,931 MMcf) or 83.1 MMcfd (Q1 2015: 88.1 MMcfd), net of approximately 0.3 MMcfd (Q1 2015: 0.1 MMcfd) consumed locally for fuel gas.

The Additional Gas sales volumes for the quarter year were 4,213 MMcf (Q1 2015: 4,419 MMcf) or average daily volumes of 46.3 MMcfd (Q1 2015: 49.1 MMcfd). This represents a decrease in average daily volumes of 5% over the prior year quarter.

The decrease in Additional Gas volumes year over year is primarily the result of unscheduled maintenance at the Ubungo power generation plants during March. This directly impacts the level of Additional Gas volumes as the Songas Additional Gas volumes are 19.5% of the total Ubungo plants consumption.

The Company's sales volumes were split between the Industrial and Power sectors as detailed in the table below:

	THREE MONTHS ENDED 31 MARCH	
	2016	2015
<b>Gross sales volume (MMcf)</b>		
Industrial sector	972	925
Power sector	3,241	3,494
<b>Total volumes</b>	<b>4,213</b>	4,419
<b>Gross average daily sales volume (MMcfd)</b>		
Industrial sector	10.7	10.3
Power sector	35.6	38.8
<b>Total daily sales volume</b>	<b>46.3</b>	49.1

### Industrial sector

Industrial sales volume increased by 5% to 972 MMcf (10.7 MMcfd) from 925 MMcf (10.3 MMcfd) in the prior year quarter. The increase is primarily the result of increased consumptions by an edible oil company and a cement company during the first two months of 2016.

### Power sector

Power sector sales volumes decreased by 7% to 3,241 MMcf (35.6 MMcfd), compared to 3,494 MMcf (38.8 MMcfd) in the prior year quarter. The decrease in production is primarily a result of maintenance shut downs at Songas power generation plants.

## SONGO SONGO DELIVERABILITY

As at 31 March 2016, the Company had a field productive capacity of approximately 155 MMcfd, with the expansion of production volumes limited to 102 MMcfd by the available Songas infrastructure. The increase in field productive capacity was due to successful workovers on wells SS-5, SS-7 and SS-9 completed during the second half of 2015. Well SS-3 is currently suspended; it is the Company's intention to undertake workovers on SS-3 and SS-4 wells in the future. During the quarter, the Company completed drilling well SS-12 adding a further 35 MMcfd to the field productive capacity. The SS-12 well cannot be produced until the construction of a platform and flowline to tie the well into the NNGIP infrastructure.

## COMMODITY PRICES

The commodity prices achieved in the different sectors during the quarter are shown in the table below:

<i>US\$/mcf</i>	THREE MONTHS ENDED 31 MARCH	
	2016	2015
<b>Average sales price</b>		
Industrial sector <sup>(1)</sup>	8.15	7.54
Power sector	3.55	3.49
<b>Weighted average price</b>	<b>4.61</b>	4.34

### Industrial sector

The average gas price achieved during the quarter was US\$8.15/mcf an increase of 8% from US\$7.54/mcf in Q1 2015. This is a consequence of several factors: (i) the impact of the annual contractual increase in the floor price, which protects the Company from further decline in the world energy markets; (ii) a change in the sales mix with an increase in the level of sales to the customers at the lower discount rate and (iii) a step change in the gas prices to a cement company with effect from January 2016.

### Power sector

The average gas price achieved during the quarter was US\$3.55/mcf an increase of 2% from US\$3.49/mcf in Q1 2015. The increase is a result of the annual indexation rise of 2% each July under contractual arrangements.

## OPERATING REVENUE

Under the terms of the PSA, the Company is responsible for invoicing, collecting and allocating the revenue from Additional Gas sales.

The Company is able to recover all costs incurred on the exploration, development and operations of the project up to a maximum of 75% of the Net Revenue ("Cost Gas") prior to the distribution of Profit Gas. Any costs not recovered in any period are carried forward for recovery out of future revenues. Once the Cost Gas has been recovered, TPDC is able to recover any pre-approved marketing costs.

The Additional Gas sales volumes for the quarter and Q1 2015 were below 50 MMcfd and, as a consequence, the Company was only entitled to a 40% share of Profit Gas revenue for the year as opposed to a 55% share (net of Cost Gas recoveries from revenue). See "Principal Terms of the Tanzanian PSA and Related Agreements."

The Company was allocated a total of 75% of Net Revenue in the quarter (Q1 2015: 33%): The increase in the allocation of net revenue is a consequence of the Company being at maximum costs recovery following the Offshore Programme which was completed in the current quarter.

US\$'000	THREE MONTHS ENDED 31 MARCH	
	2016	2015
Gross sales revenue	19,437	19,178
Gross tariff for processing plant and pipeline infrastructure	(2,856)	(3,161)
Gross revenue after tariff ("net revenues")	<b>16,581</b>	16,017
<i>Analysed as to:</i>		
Company Cost Gas	12,436	5,332
Company Profit Gas	1,658	4,274
Company operating revenue	14,094	9,606
TPDC share of revenue	2,487	6,411
	<b>16,581</b>	16,017

The Company's total revenues for the quarter ended 31 March 2016 amounted to US\$15.8 million, after adjusting the Company's operating revenues of US\$14.1 million by:

- i) adding US\$2 million for income tax for the quarter. The Company is liable for income tax in Tanzania, but the income tax is recoverable out of TPDC's Profit Gas when the tax is payable. To account for this, revenue is adjusted to include the current income tax charge grossed up at 30%; and,
- ii) subtracting US\$0.3 million for deferred Additional Profits Tax charged in the quarter, this tax is considered a royalty and is presented as a reduction in revenue.

Revenue presented on the Condensed Consolidated Interim Financial Statements

Statement of Comprehensive Loss may be reconciled to the operating revenue as follows:

<i>US\$'000</i>	THREE MONTHS ENDED 31 MARCH	
	2016	2015
Industrial sector	7,925	6,971
Power sector	11,512	12,207
<b>Gross sales revenue</b>	<b>19,437</b>	19,178
Processing and transportation tariff	(2,856)	(3,161)
Net revenue	16,581	16,017
TPDC share of revenue	(2,487)	(6,411)
<b>Company operating revenue</b>	<b>14,094</b>	9,606
Additional Profits Tax charge	(308)	(885)
Current income tax adjustment	2,024	999
<b>Revenue</b>	<b>15,810</b>	9,720

The Company's gross sales revenue increased 1% to US\$19.4 million (Q1 2015: US\$19.2 million) resulting from a combination of a 6% increase in the weighted average sales price and a 5% reduction in sales volumes.

The Company's operating revenue increased 47% to US\$14.1 million in the first quarter of 2016 compared with US\$9.6 million in Q1 2015. The increase is primarily due to the capital expenditures related to the recently completed Offshore Programme. The capital development program commenced in the third quarter of 2015 and was completed in the first quarter of 2016. The expenditures substantially increased the pool of recoverable costs. This entitled the Company to 75% of net revenue as Cost Gas in the quarter and the corresponding reduction in Profit Gas also reduced the Profit Gas attributable to TPDC by 61%.

A reduction of US\$0.6 million or 65% in the APT charge for the year is a result of the fall in the effective rate from 20.7% to 18.6% compounded by a fall of 61% in the Company's share of Profit Gas to US\$1.7 million (Q1 2015: US\$4.3 million) on which it is based. The drop in Profit Gas is a direct result of capital expenditure increasing Cost Gas.

## PROCESSING AND TRANSPORTATION TARIFF

The Company effectively pays a tariff of US\$0.30/mcf for sales between 70 MMcfd and 90 MMcfd and US\$0.40/mcf for volumes above 90 MMcfd in addition to the regulated tariff of US\$0.59/mcf payable to Songas. The charge for the quarter was US\$2.9 million (Q1 2015: US\$3.2 million). The reduction in the tariff for the quarter is the result of lower volumes during the respective periods.

## PRODUCTION AND DISTRIBUTION EXPENSES

Well maintenance costs are allocated between Protected Gas and Additional Gas in proportion to their respective sales during the period. The total cost of maintenance for the quarter was US\$0.2 million (Q1 2015: US\$0.2 million). Amounts allocated for Additional Gas for the quarter were US\$0.1 million (Q1 2015: US\$0.1 million).

Other field and operating costs include an apportionment of the annual PSA licence costs, regulatory fees, insurance, some costs associated with the evaluation of the reserves, and the cost of personnel which are not recoverable from Songas.

Distribution costs represent the direct cost of maintaining the ring main distribution pipeline and pressure reduction station (security, insurance and personnel). Ring main distribution costs were US\$0.7 million for the quarter (Q1 2015: US\$0.5 million). The production and distribution costs are detailed in the table below:

<i>US\$'000</i>	THREE MONTHS ENDED 31 MARCH	
	2016	2015
Share of well maintenance	128	100
Other field and operating costs	308	763
	436	863
Ringmain distribution costs	684	493
<b>Production and distribution expenses</b>	<b>1,120</b>	1,356

## OPERATING NETBACKS

The netback per mcf before general and administrative costs, overhead, tax and APT is detailed in the table below:

<i>US\$/mcf</i>	THREE MONTHS ENDED 31 MARCH	
	2016	2015
Gas price – Industrial	8.15	7.54
Gas price – Power	3.55	3.49
<b>Weighted average price for gas</b>	<b>4.61</b>	4.34
Tariff	(0.68)	(0.72)
TPDC share of revenue	(0.59)	(1.45)
<b>Net selling price</b>	<b>3.34</b>	2.17
Well maintenance and other operating costs	(0.10)	(0.20)
Ring main distribution costs	(0.16)	(0.11)
<b>Operating netback</b>	<b>3.08</b>	1.86

The operating netback increased by 66% from US\$1.86/mcf in Q1 2015 to US\$3.08/mcf in Q1 2016. The primary reason for the increase was the 61% decrease in TPDC share of revenue as a consequence of an increase in the Cost Gas recovered, mainly as a result of the workover and drilling programme. In addition, there was a 6% increase in the weighted average sales from US\$4.34/mcf in Q1 2015 to US\$4.61/mcf in Q1 2016. The overall production and distribution cost averaged US\$0.26/mcf compared to US\$0.31 in Q1 2015. The decrease was primarily a result of the reduced level of required maintenance activities as a result of the successful workovers completed in Q4 2015 as part of the Offshore Programme.

## GENERAL AND ADMINISTRATIVE EXPENSES

General and administrative expenses are detailed in the table below:

<i>US\$'000</i>	THREE MONTHS ENDED 31 MARCH	
	2016	2015
Employee and related costs	1,949	1,484
Stock based compensation	2,858	1,129
Office costs	692	723
Marketing and business development costs	82	11
Reporting, regulatory and corporate	465	750
<b>General and administrative expenses</b>	<b>6,046</b>	4,097

General and administrative expenses include the costs of running the natural gas distribution business in Tanzania which is recoverable as Cost Gas and is relatively fixed in nature. Excluding stock based compensation, general and administrative expenses averaged US\$1.06 million (Q1 2015: US\$0.99 million) per month during the quarter.

## STOCK-BASED COMPENSATION

The breakdown of the costs incurred in relation to stock based compensation is detailed in the table below:

<i>US\$'000</i>	THREE MONTHS ENDED 31 MARCH	
	2016	2015
Stock appreciation rights ("SARs")	2,097	763
Restricted stock units ("RSUs")	761	366
<b>Stock-based compensation</b>	<b>2,858</b>	1,129

No stock options were outstanding as at 31 March 2016 or 31 December 2015. No options were granted during the quarter (Q1 2015: nil).

As at 31 March 2016 a total of 3,040,000 SARs were outstanding compared to 3,100,000 as at 31 December 2015 with a total of 60,000 SARs with an exercise price of CDN\$2.30 having been exercised during the quarter. A total of 239,361 RSUs were granted during the quarter and remain outstanding at 31 March 2016 (Q4 2015: nil). The newly granted RSUs vested on the date of grant have an exercise price of CDN\$ nil and have a five year term.

As SARs and RSUs are settled in cash, they are re-valued at each reporting date using the Black-Scholes option pricing model with the resulting liability being recognised in trade and other payables. In the valuation of stock appreciation rights and restricted stock units at the reporting date, the following assumptions have been made: a risk free rate of interest of 1.5%; stock volatility of 51.4% to 54.1; 0% dividend yield; 5% forfeiture; and a closing price of CDN\$4.14 per Class B share.

As at 31 March 2016, a total accrued liability of US\$4.4 million (Q4 2015: US\$1.6 million) has been recognised in relation to SARs and RSUs. The Company recognised a charge of US\$2.9 million (Q1 2015: US\$1.1 million) for the quarter.

## NET FINANCE EXPENSE

The movement in net finance expense is detailed in the table below:

<i>US\$'000</i>	THREE MONTHS ENDED 31 MARCH	
	2016	2015
Finance income	49	4
Interest expense	(1,005)	-
Net foreign exchange loss	(28)	(1,831)
Provision for doubtful accounts	(7,986)	-
Finance expense	(9,019)	(1,831)
<b>Net finance expense</b>	<b>(8,970)</b>	(1,827)

During the quarter, the Company billed TANESCO US\$0.9 million (Q1 2015: US\$0.7 million) of interest for late payments. The interest income is not recorded in the financial statements because it does not meet the revenue recognition criteria with respect to assurance of collectability. The Company is pursuing collection and amounts will be recognised in earnings when collected. The US\$ 8.0 million (Q1 2015: US\$ nil) current provision for doubtful accounts relates to overdue TANESCO receivables.

The total amount of interest paid in the quarter was US\$0.2 million (Q1 2015: US\$ nil). The interest relates to the long term loan with the IFC and is payable quarterly in arrears.

The foreign exchange loss reflects the impact of movements in the value of the Tanzanian shilling against the US dollar during the period on outstanding customer/supplier balances and bank accounts in Tanzanian shillings.

## TANESCO

At 31 March 2016, TANESCO owed the Company US\$77.2 million excluding interest (of which arrears were US\$69.9 million) compared to US\$69.7 million (including arrears of US\$61.9 million) as at 31 December 2015. During the quarter, the Company received a total of US\$3.6 million (Q4 2015: US\$4.5 million) from TANESCO against sales invoices totaling US\$10.9 million (Q4 2015: US\$11.7 million). Current TANESCO receivables as at 31 March 2016 amounted to US\$7.3 million (Q4 2015 US\$7.8 million). Since the quarter end, TANESCO has paid the Company US\$2.5 million, and as at the date of this report the total TANESCO receivable is US\$77.3 million (of which US\$69.9 million has been provided for). The amounts owed do not include interest billed to TANESCO.

Management concluded that the continued recognition of TANESCO revenue is appropriate. In arriving at this conclusion management has taken account of:

- Recent discussions with the World Bank, the IMF and IFC during which the Company found strong support for funding to be directed at TANESCO, supported by a recent announcement from the IMF stating the need to address TANESCO debt.
- TANESCO, according to the World Bank, is now making a small profit. With the seasonal increase in available hydro power and new gas to power facilities coming on line later this year, the need for expensive liquid fuel will significantly reduce.
- Most recently, TPDC has co-signed with the Company a commitment from TANESCO establishing a payment plan going forward. This plan was agreed between the Company and TANESCO at the beginning of December 2015, and countersigned by TPDC in January 2016. TANESCO has fallen behind the agreed schedule of payments, but with TPDC signing the agreement and supporting the Company, the Company has a much stronger legal position to pursue collection of arrears.
- The joint notice to suspend gas supplies issued on 25 April 2016 took into account the payment commitments made by TANESCO in December 2015 and the fact that the commitments were not being met. Based on discussions held on 17 May 2016, the Company and TPDC have agreed to continue to supply gas provided sufficient regular payments are made to cover current deliveries and discussions continue with TANESCO and Government of Tanzania representatives on how to resolve the arrears.

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## TAXATION

### **Income Tax**

Under the terms of the PSA with TPDC and the Government of Tanzania, the Company is liable for income tax in Tanzania at the corporate tax rate of 30%. However, the PSA provides a mechanism by which income tax payable is recovered from TPDC by reducing TPDC's share of Profit Gas and increasing the allocation to the Company. This is reflected in the accounts by increasing the Company's share of revenue by an amount equivalent to income taxes payable.

As at 31 March 2016, there were temporary differences between the carrying value of the assets and liabilities for financial reporting purposes and the amounts used for taxation purposes under the Income Tax Act 2004. Applying the 30% Tanzanian tax rate, the Company has recognised a deferred tax liability of US\$10.2 million (Q4 2015: US\$9.3 million). During the quarter there was a deferred tax charge of US\$0.9 million compared with a recovery of US\$0.7 million in Q1 2015. The deferred tax has no impact on cash flow until it becomes a current income tax, at which point the tax is paid and recovered from TPDC's share of Profit Gas.

### **Additional Profits Tax**

Under the terms of the PSA, in the event that all costs have been recovered with an annual return of 25% plus the percentage change in the United States Industrial Goods Producer Price Index ("PPI"), an Additional Profits Tax is payable.

The timing and the effective rate of APT depends on the realised value of Profit Gas which in turns depends of the level of expenditure. The Company provides for APT by forecasting annually the total APT payable as a proportion of the forecast Profit Gas over the term of the PSA. The forecast takes into account the timing of future development capital spending.

The Company provides for deferred APT by forecasting the total APT payable as a proportion of the forecast Profit Gas over the term of the PSA. The effective APT rate of 18.6% (Q1 2015: 20.7%) has been applied to Profit Gas of US\$1.7 million (Q1 2015: US\$4.3 million). Accordingly, US\$0.3 million (Q1 2015: US\$0.9 million) has been netted off revenue for the three months ended 31 March 2016.

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## DEPLETION AND DEPRECIATION

Natural gas properties are depleted using the unit of production method based on the production for the period as a percentage of the total future production from the Songo Songo proven reserves. As at 31 December 2015 the proven reserves estimated to have been produced over the term of the PSA licence, as evaluated by the independent reservoir engineers, McDaniel & Associates Consultants Ltd., were 368 Bcf (2014: 450 Bcf). A depletion expense of US\$2.4 million has been recorded for the quarter (Q1 2015: US\$3.2 million); the reduction compared to Q1 2015 is the result of 23% decrease in the average depletion rate to US\$0.56/mcf (Q1 2015: US\$0.73/mcf). The decrease in the depletion rate is the consequence of the successful completion of the Offshore Programme at a lower level of expenditure than planned which in turn reduced expected future development costs from what had been originally forecast at the end of 2014.

Non-natural gas properties are depreciated as follows:

Leasehold improvements:	Over remaining life of the lease
Computer equipment:	3 years
Vehicles:	3 years
Fixtures and fittings:	3 years

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## CARRYING AMOUNT OF ASSETS

Capitalised costs are periodically assessed to determine whether it is likely that such costs will be recovered in the future. To the extent that these capitalised costs are unlikely to be recovered in the future, they are impaired and recorded in earnings.

## FUNDS FLOW FROM OPERATING ACTIVITIES

Funds flow from operating activities before working capital changes was US\$9.9 million for the quarter (Q1 2015: US\$3.7 million) and is detailed in the table below:

US\$'000	THREE MONTHS ENDED 31 MARCH	
	2016	2015
<b>Funds flow from operating activities</b>	<b>9,853</b>	3,712
Working capital adjustments <sup>(1)</sup>	<b>(11,007)</b>	3,663
<b>Net cash flows (used in) from operating activities</b>	<b>(1,154)</b>	7,375
Net cash used in investing activities	<b>(19,062)</b>	(1,139)
Net cash from financing activities	<b>38,746</b>	–
Increase in cash	<b>18,530</b>	6,236
Effect of change in foreign exchange on cash	<b>(27)</b>	(1,655)
<b>Net increase in cash</b>	<b>18,503</b>	4,581

(1) See Condensed Consolidated Interim Statement of Cash Flows

The increase in funds flow from operating activities before working capital changes is primarily the consequence of the 47% increase in the Company operating revenue to US\$14.1 million in the first quarter of 2016 compared with US\$9.6 million in Q1 2015. The increase is primarily due to the capital expenditure related to the Offshore Programme. The Offshore Programme commenced in the third quarter of 2015 and was completed in the first quarter of 2016. The expenditures substantially increased the pool of recoverable costs. This entitled the Company to 75% of net revenue as Cost Gas in the quarter and the corresponding reduction in Profit Gas also reduced the Profit Gas attributable to TPDC by 61%. The use of cash flow from operating activities of US\$1.2 million (Q1 2015: US\$7.4 million positive net cash flow) was a result of the increase in trade and other receivables, primarily related to TANESCO.

## CAPITAL EXPENDITURES

During the quarter the Company incurred US\$14.0 million (Q1 2015: US\$1.1 million) in capital expenditures relating to the drilling of well SS-12, improvement of Songo Songo infrastructure, and purchase of other equipment. The 2016 capital expenditures are net of recharges of US\$0.5 million to Songas for its share of costs on wells SS-5 and SS-9 following the completion of the Offshore Programme.

US\$'000	THREE MONTHS ENDED 31 MARCH	
	2016	2015
Geological and geophysical and well drilling	<b>13,639</b>	984
Pipelines and infrastructure	<b>356</b>	155
Other equipment	<b>2</b>	–
	<b>13,997</b>	1,139

## WORKING CAPITAL

Working capital as at 31 March 2016 was US\$56.3 million (31 December 2015: US\$32.5 million) and is detailed in the table below:

US\$'000	AS AT	
	31 MARCH 2016	31 DECEMBER 2015
Cash	<b>72,300</b>	53,797
Trade and other receivables	<b>25,799</b>	25,391
TANESCO	7,313	7,831
Songas	1,933	2,178
Industrial customers	6,104	6,894
Songas gas plant operations	6,994	5,631
Songas well workover programme	11,745	11,209
Other receivables	1,666	1,604
Provision for doubtful accounts	(9,956)	(9,956)
Tax recoverable	<b>4,656</b>	4,519
Prepayments	<b>983</b>	1,118
	<b>103,738</b>	84,825
Trade and other payables	<b>44,546</b>	49,531
TPDC	28,523	28,208
Songas	939	1,071
Other trade payables	5,786	11,234
Deferred income	667	667
Accrued liabilities	8,631	8,351
Tax payable	<b>2,852</b>	2,773
<b>Working capital <sup>(1)</sup></b>	<b>56,340</b>	32,521

Notes:

(1) Working capital as at 31 March 2016 includes a TANESCO receivable (excluding interest) of US\$7.3 million (31 December 2015: US\$7.8 million). Management has recorded a provision for doubtful accounts against the long-term receivables in excess of 60 days totaling US\$69.9 million (31 December 2015: US\$61.9 million). The total of long and short-term TANESCO receivables, including interest, as at 31 March 2016 was US\$85.2 million. The financial statements do not recognise the interest receivable from TANESCO as it does not meet IAS 18 income recognition criteria. The Company is however actively pursuing the collection of all the receivables and the interest that has been charged to TANESCO.

Working capital as at 31 March 2016 increased by 73% over 31 December 2015, primarily as a result of having drawn down the balance of the loan from the IFC and the reclassification of a further US\$8.0 million of TANESCO receivables as long-term. Other significant points are:

- There are no restrictions on the movement of cash from Mauritius or Tanzania, and currently the majority of cash is outside of Tanzania. As at the date of this report, approximately 80% of the Company's cash was held outside of Tanzania.
- Since the quarter end the Company has received US\$2.5 million from TANESCO and US\$4.2 million from Songas.
- Of the US\$6.1 million relating to other trade debtors US\$4.7 million had been received as at the date of this report.

The balance of US\$28.2 million payable to TPDC represents the remaining balance of its share of revenue as at 31 March 2016.

## LONG TERM LOAN

On 29 October 2015, the Company entered into an agreement with the IFC, a member of the World Bank Group, to provide financing of up to US\$60 million for the Company's operating subsidiary, PAET.

The term of the Loan is 10-years, with no required repayment of principal for the first seven years, followed by a three-year amortization period. The Company may voluntarily prepay all or part of the Loan but must simultaneously pay any accrued base interest costs related to the principal amount being prepaid. If any portion of the Loan is prepaid prior to the fourth anniversary of the first drawdown, the Company would be required to pay the accrued base interest as if the prepaid portion of the Loan had remained outstanding for the full four years. The Loan is an unsecured subordinated obligation of PAET and is guaranteed by the Company to a maximum of US\$30 million. The guarantee may only be called upon by IFC at maturity in 2025 and, subject to IFC and receipt of all required regulatory approvals, the Company may issue shares in fulfillment of all or part of the guarantee obligation in 2025.

Base interest on the Loan is payable quarterly at 10% per annum on a 'pay-if-you-can-basis' using a formula to calculate the net cash available for such payments as at any given interest payment date. In addition, an annual variable participatory interest equating to 7% of the cash flow of PAET net of capital expenditures is payable in respect of any given year, commencing with 2016. Such participatory interest survives the repayment and/or maturity of the Loan until 15 October 2026. No provision has been made for the three months ended 31 March 2016 as the projection of current cash flow less capital expenditures for 2016 is a negative amount. Dividends and distributions from PAET to the Company are restricted at any time that amounts of unpaid interest, principal or participating interest are outstanding.

The Company has drawn the US\$60 million Loan facility in full, with an initial drawdown of US\$20 million on 14 December 2015 followed by an additional draw down of US\$40 million on 9 February 2016. The Offshore Programme was completed on 11 February 2016.

## SHAREHOLDERS' EQUITY AND OUTSTANDING SHARE DATA

There were 34,856,432 shares outstanding as at 31 March 2016 as detailed in the table below:

<i>Number of shares ('000)</i>	AS AT	
	<b>31 MARCH 2016</b>	31 DECEMBER 2015
<b>Shares outstanding</b>		
Class A shares	<b>1,751</b>	1,751
Class B shares	<b>33,106</b>	33,106
Class A and Class B shares outstanding	<b>34,857</b>	34,857
<b>Convertible securities</b>		
Options	–	–
Fully diluted Class A and Class B shares	<b>34,857</b>	34,857
<b>Weighted average</b>		
Class A and Class B shares	<b>34,857</b>	34,887
<b>Convertible securities</b>		
Options	–	–
<b>Weighted average diluted Class A and Class B shares</b>	<b>34,857</b>	34,887

As at the date of this report, there were a total of 1,750,517 Class A common voting shares ("Class A shares") and 33,105,915 Class B subordinated voting shares ("Class B shares") outstanding.

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## RELATED PARTY TRANSACTIONS

One of the non-executive Directors is a partner at a law firm that provides legal advice to the Company and its subsidiaries. During the quarter, the Company incurred US\$0.05 million (Q1 2015: US\$0.05 million) to this firm for services provided. The transactions with this related party were made at the exchange amount.

One Officer, acting as an Executive Vice-President, provided services to the Company through a consulting agreement with a personnel services company. During the quarter, the Company incurred US\$0.01 million (Q1 2015: US\$0.1 million) to this firm for services provided.

As at 31 March 2016 the Company has a total of US\$0.05 million (Q1 2015: US\$ nil) recorded in trade and other payables in relation to the related parties.

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## CONTRACTUAL OBLIGATIONS AND COMMITTED CAPITAL INVESTMENT

### **Protected Gas**

Under the terms of the original Gas Agreement for the Songo Songo project ("Gas Agreement"), in the event that there is a shortfall/insufficiency in Protected Gas as a consequence of the sale of Additional Gas, the Company is liable to pay the difference between the price of Protected Gas (US\$0.55/MMbtu escalated) and the price of an alternative feedstock multiplied by the volumes of Protected Gas up to a maximum of the volume of Additional Gas sold (148.3 Bcf as at 31 March 2016). The Company did not have a shortfall during the reporting period and does not anticipate a shortfall arising during the term of the Protected Gas delivery obligation to July 2024.

### **Re-Rating Agreement**

In 2011, the Company signed a re-rating agreement with TANESCO and Songas (the "Re-Rating Agreement") to increase the gas processing capacity to a maximum of 110 MMcfd (the pipeline and pressure requirements at the Ubungo power plant restrict the infrastructure capacity to a maximum of 102 MMcfd). Under the terms of the Re-Rating Agreement, the Company effectively pays an additional tariff of US\$0.30/mcf for sales between 70 MMcfd and 90 MMcfd and US\$0.40/mcf for volumes above 90 MMcfd in addition to the tariff of US\$0.59/mcf payable to Songas as set by the energy regulator, EWURA. The Re-Rating agreement expired in 2013. Since 2013 production has continued within the higher rated limit and, given the Government's interest in pursuing further development and increasing gas production, the Company expects this to continue. However, there are no assurances that this will occur.

Under the terms of this agreement, the Company agreed to indemnify Songas for damage to its facilities caused by the re-rating, up to a maximum of US\$15 million, but only to the extent that this was not already covered by indemnities from TANESCO's or Songas' insurance policies.

## Capital Commitments

### Italy

The Company has an agreement to farm in on the Central Adriatic B.R268.RG Permit offshore Italy. The farm-in commits the Company to fund 30% of the Elsa-2 appraisal well up to a maximum of US\$11.5 million to earn a 15% working interest in the permit. Thereafter, the Company will fund all future costs relating to the well and the permit in proportion to its participating interest. The Company has also agreed to pay fifteen per cent (15%) of the back costs in relation to the well up to a maximum of US\$0.5 million. Changes in Italian environmental legislation in late 2015 have resulted in the development of this permit being postponed indefinitely. As at the date of this report, the Company has no further capital commitments in Italy.

### Tanzania

There are no contractual commitments for exploration or development drilling or other field development either in the PSA or otherwise agreed which would give rise to significant capital expenditure at Songo Songo. Any significant additional capital expenditure in Tanzania is discretionary.

Given the completion of the Offshore component of Phase I of the Development Programme in February 2016, which has restored field deliverability and provides sufficient natural gas production to fill the Songas plant and pipeline to capacity for the greater portion of the remaining life of the production licence, the Company does not expect to commit to further significant capital expenditures until: (i) agreeing commercial terms with TPDC for the supply of gas to the NNGIP regarding the sale of incremental gas volumes from Songo Songo; and/or (ii) TANESCO arrears have been substantially reduced, guaranteed or other arrangements for payment made which are satisfactory to the Company; and/or (iii) the establishment of payment guarantees with the World Bank or other multi-lateral lending agencies to secure future receipts under any new sales contracts with Government entities.

When conditions are deemed appropriate and there is justification to further improve the reliability/capacity of field deliverability, the Company may contemplate undertaking the remaining part or all of the Phase I Development Programme. The additional costs are estimated to be approximately US\$30 million. There is no assurance that financing will be available and on acceptable commercial terms to complete Phase I.

## CONTINGENCIES

### Petroleum Act, 2015

During the third quarter of 2015, The Petroleum Act, 2015 was passed into law. The Act repeals earlier legislation, provides a regulatory framework over upstream, mid-stream and downstream gas activity, and consolidates and puts in place a comprehensive legal framework for regulating the oil and gas industry in the country. The Act also provides for the creation of an upstream regulator, the Petroleum Upstream Regulatory (PURA). The mid and downstream oil and gas activities are proposed to be regulated by the current authority, the Energy and Water Utilities Regulatory Authority (EWURA). The bill also confers upon on TPDC, the status of the National Oil Company, mandated with the task of managing the country's commercial interest in petroleum operations as well as mid and downstream natural gas activities. The bill vests TPDC with exclusive rights in the entire petroleum upstream value chain and the natural gas mid and downstream value chain. However, the exclusive rights of TPDC do not extend to mid and downstream petroleum supply operations. The Company is uncertain regarding the potential impact on its business in Tanzania. The Act does provide grandfathering provisions upholding the rights of the Company under their PSA as it was signed prior to passing of the Act. However, it is still unclear how the provisions of the Act will be interpreted and implemented regarding upstream and downstream activities.

## Cost recovery

TPDC conducted an audit of the historic Cost Pool and in 2011 disputed approximately US\$34 million of costs that had been recovered from the Cost Pool from 2002 through to 2009. In 2014 TPDC and the Company agreed to remove approximately US\$1.0 million from the Cost Pool and TPDC agreed that US\$9.4 million was no longer in dispute. There have been no further developments during 2015 or the first quarter of 2016. Under the dispute mechanism outlined in the PSA, TPDC are to appoint an independent specialist to assist the parties in reaching agreement on costs that are still subject to dispute. At the time of writing this report no such specialist has been appointed. If the matter is not resolved to the Company's satisfaction, the Company intends to proceed to arbitration via the International Centre for Settlement of Investment Disputes ("ICSID") pursuant to the terms of the PSA.

## Taxation

Area	Period	Tax dispute Reason for dispute	Disputed amount US\$' million		
			Principal	Interest	Total
PAYE	2008-10	Pay-As-You-Earn ("PAYE") withholding tax on taxable income of employees on grossed up equivalent of staff salaries, which are contractually stated as net.	0.3	-	0.3 <sup>(1)</sup>
WHT	2005-10	WHT on services by non-resident persons performed outside of Tanzania.	1.1	0.7	1.8 <sup>(2)</sup>
Income Tax	2008-13	Deductibility of capital expenditures and expenses (2009), additional income tax (2008, 2010, 2011), and foreign exchange rate application (2013).	5.2	1.3	6.5 <sup>(3)</sup>
VAT	2008-10	Output VAT on imported services and SSI Operatorship services.	2.7	2.9	5.6 <sup>(4)</sup>
			9.3	4.9	14.2

(1) During 2015, PAET appealed the Tax Revenue Appeals Board ("TRAB") ruling that PAET is liable to pay PAYE on grossed up equivalent of staff salaries. PAET is awaiting appeal date to be set up with the Tax Revenue Appeals Tribunal ("TRAT");

(2) 2005-2009 (US\$1.7 million): During 2015, TRAT ruled in favor of PAET. TRA filed a notice of appeal with the Court of Appeal and subsequent to the end of Q1 2016, the Court of Appeal ruled in favor of PAET.

2010 (US\$0.1 million): TRAB was awaiting the ruling on the (2005-2009) case before making a decision on this dispute. Given the favorable ruling by the Court of Appeal, the Company expects a favorable decision.

(3) (a) 2009 (US\$1.8 million): During the year, TRAB has ruled against PAET with respect to the deductibility of capital expenditures and expenses. PAET appealed to TRAT and is awaiting hearing date to be scheduled;

(b) 2008, 2010-2011 (US\$4.5 million): During the year, PAET filed objections against TRA assessments with respect to additional tax and is awaiting a response;

(c) 2013 (US\$ 0.2 million): During the year, PAET filed objections to TRA assessment with respect to foreign exchange rate application and is awaiting a response.

(4) In 2014, PAET filed an objection to TRA's claims and is awaiting a response.

Management, with the advice from its legal counsel, has reviewed the Company's position on the above objections and appeals and has concluded that no provision is required with regard to the above matters.

## NEW ACCOUNTING POLICIES

On May 28 2014, the IASB issued IFRS 15, "Revenue from Contracts with Customers," which replaces IAS 18 "Revenue," IAS 11 "Construction Contracts," and related interpretations. The new standard is effective for annual periods beginning on or after January 1, 2017, with early adoption permitted. The Company intends to adopt IFRS 15 on the finalized adoption date and is currently evaluating the impact of adopting the standard on its consolidated financial statements.

On July 24, 2014, the IASB issued the complete IFRS 9, "Financial Instruments" to replace IAS 39, "Financial Instruments: Recognition and Measurement". IFRS 9 is effective for years beginning on or after January 1, 2018 and must be applied retrospectively with some exemptions. Early adoption is permitted if IFRS 9 is adopted in its entirety at the beginning of a fiscal period. The Company is currently evaluating the impact of adopting IFRS 9 on its consolidated financial statements.

On January 13, 2016, the IASB issued IFRS 16, "Leases", which replaces IAS 17 "Leases". The new standard introduces a single recognition and measurement model for leases, which would require the recognition of assets and liabilities for most leases with a term of more than twelve months. The new standard is effective for annual periods beginning on or after January 1, 2019. Early adoption is permitted for entities that apply IFRS 15 "Revenue from Contracts with Customers" at or before the initial adoption date of January 1, 2018. The Corporation intends to adopt IFRS 16 in its financial statements for the annual period beginning on January 1, 2019. The extent of the impact of the adoption of the standard has not yet been determined.

### **Financial instrument classification and measurement**

The Company classifies the fair value of financial instruments according to the following hierarchy based on the amount of observable inputs used to value the instrument:

Level 1 – Quoted prices are available in active markets for identical assets or liabilities as of the reporting date. Active markets are those in which transactions occur in sufficient frequency and volume to provide pricing information on an ongoing basis.

Level 2 – Pricing inputs are other than quoted prices in active markets included in Level 1. Prices in Level 2 are either directly or indirectly observable as of the reporting date. Level 2 valuations are based on inputs, including expected interest rate, share prices, and volatility factors, which can be substantially observed or corroborated in the marketplace.

Level 3 – Valuation in this level are those with inputs for the asset or liabilities that are not based on observable market data.

## SUMMARY QUARTERLY RESULTS OUTSTANDING

The following is a summary of the results for the Company for the last eight quarters:

	2016	2015				2014		
<i>Figures in US\$'000 except where otherwise stated</i>	Q1	Q4	Q3	Q2	Q1	Q4	Q3	Q2
<b>Financials</b>						restated	restated	restated
Revenue	<b>15,810</b>	15,872	15,943	12,553	9,720	9,645	14,631	18,854
Net (loss) income	<b>(5,638)</b>	(6,468)	6,112	3,566	(1,677)	(46,381)	4	6,137
Earnings (loss) per share - basic and diluted (US\$)	<b>(0.16)</b>	(0.19)	0.18	(1.30)	(0.05)	(1.32)	-	0.17
Funds flow from operating activities	<b>9,853</b>	8,508	9,462	4,889	3,712	8,733	6,641	11,651
Funds flow per share - basic and diluted (US\$)	<b>0.28</b>	0.24	0.27	0.14	0.11	0.25	0.19	0.33
Cash flows from (used in) operating activities	<b>(1,154)</b>	5,450	(2,693)	(2,844)	7,375	(2,235)	24,077	7,255
Cash flows per share - basic and diluted (US\$)	<b>(0.03)</b>	0.16	(0.09)	(0.08)	0.21	(0.06)	0.69	0.21
Operating netback (US\$/mcf)	<b>3.08</b>	3.03	2.65	2.68	1.86	1.69	2.12	2.92
Working capital	<b>56,340</b>	32,521	39,660	38,067	34,870	34,148	42,001	30,399
Long-term loan	<b>58,350</b>	18,599	-	-	-	-	-	-
Shareholders' equity	<b>72,482</b>	78,154	84,476	78,480	74,944	76,635	123,004	123,019
<b>Capital expenditures</b>								
Geological and geophysical and well drilling	<b>13,639</b>	23,099	7,578	4,135	984	522	273	9
Pipeline and infrastructure	<b>356</b>	1,382	547	275	155	193	12	(270)
Other equipment	<b>2</b>	59	150	47	-	3	39	48
<b>Operating</b>								
Additional Gas sold – industrial (MMcf)	<b>972</b>	1,089	1,137	1,015	925	1,084	1,304	1,046
Additional Gas sold – power (MMcf)	<b>3,241</b>	3,483	3,127	3,041	3,494	3,377	3,935	3,503
Average price per mcf – industrial (US\$)	<b>8.15</b>	7.62	7.67	7.45	7.54	8.24	8.85	9.27
Average price per mcf – power (US\$)	<b>3.55</b>	3.56	3.62	3.47	3.49	3.49	3.6	3.65

## PRIOR EIGHT QUARTERS

The Company's revenue for the last two years has fluctuated between quarters due to several factors including seasonal issues such as the availability of hydro power, scheduled and unscheduled maintenance by customers resulting in reduced demand, declining well production capacity, a drop in world HFO prices and increased competition for supply of gas within Tanzania.

The drop in sales in Q4 2014 saw the Company's share of Profit Gas drop from 55% to 40% (see "Principal Terms of the Tanzanian PSA and Related Agreements") as the volumes of Additional Gas sold were below 50 MMcfd, where it has remained for the last five quarters. The increase in revenue from Q2 2015 is directly related to the capital expenditure programme which has permitted the Company to take a significantly increased share of revenue as Cost Gas, with the underlying sales volumes remaining fairly static from Q2 2015 to Q1 2016.

Changes in net income over the last two years have been dominated by TANESCO. In Q4 2014 the Company recorded a US\$52.2 million doubtful debts provision against TANESCO arrears. In Q4 2015 and Q1 2016 additional doubtful debt provisions of US\$9.8 million and US\$8.0 million respectively were provided against increased TANESCO arrears. Other significant factors affecting the results were:

- The collapse of the Tanzanian Shilling led to a Q4 2014 exchange loss of US\$4.8 million and a further loss of US\$1.8 million in Q1 2015.
- In Q3 2014 the Company took a charge of US\$4.2 million for stock based compensation, with a total charge of US\$3.5 million for the year.
- In Q4 2014 the Company wrote off US\$5.1 million relating to site survey costs for an exploration well which it no longer plans to drill.
- In Q1 2016 the Company took a charge of US\$2.8 million for stock based compensation as a consequence of the share price closing as CDN\$4.14 compared to CDN\$2.75 at the end of Q4 2015 together with the issuance of new Restrictive Stock Units.

Changes in cash flow from (used in) operations between quarters were primarily a result of when TANESCO receivables were collected. In Q3 2014, large payments were received as a result of World Bank funds received by the Government of Tanzania to assist in settling TANESCO arrears and TANESCO making several additional payments towards arrears.

The decrease in working capital from Q3 2015 to Q4 2015 was a consequence of the increase in creditors associated with the workover and drilling programme together with the additional bad debt provision against TANESCO, both of which were offset by the initial draw down of US\$18.6 million from the IFC (net of expenses). The second draw down from the IFC of US\$40 million in Q1 2016 has offset the decrease in working capital associated with the completion of the workover and drilling programme from Q4 2015 to Q1 2016.

Capital expenditure for the last four quarters Q2 2015 to Q1 2016 has amounted to US\$51.3 million compared to US\$2.0 million from Q2 2014 to Q1 2015. The 2015 workover and drilling programme commenced in Q3 2015 with some preliminary expenditure in Q2 2015 and was completed in Q1 2016.

The level of Industrial volumes decreased by 3% in the four quarters ending Q1 2016 to an average of 1,053 MMcf from an average of 1,090 MMcf for the four quarters ending Q1 2015. The decline is mainly a consequence of unscheduled maintenance work by a number of customers. Overall for the past eight quarters, the level of industrial sales has remained static.

The level of Power volumes decreased by 10% in the four quarters ending Q1 2016 to an average of 3,223 MMcf from an average of 3,572 MMcf for the four quarters ending Q1 2015, the decline is mainly the consequence of the decision by TANESCO not to renew a contract with an emergency power plant and the increased competition for supply of gas within Tanzania.

ORCA EXPLORATION GROUP INC.

FINANCIAL  
STATEMENTS  
& NOTES

NOTIFICATION OF CONDENSED UNAUDITED  
CONSOLIDATED INTERIM FINANCIAL STATEMENTS

In accordance with National Instrument 51-102 released by the Canadian Securities Administrators, the Company discloses that its auditors have not reviewed the condensed unaudited consolidated interim financial statements for the three months ended 31 March 2016

## Condensed Consolidated Interim Statements of Comprehensive Loss (unaudited)

ORCA EXPLORATION GROUP INC. <i>US\$'000</i>	NOTE	THREE MONTHS ENDED 31 MARCH	
		2016	2015
<b>Revenue</b>	6, 7	<b>15,810</b>	9,720
Production and distribution		<b>(1,120)</b>	(1,356)
<b>Net production revenue</b>		<b>14,690</b>	8,364
<b>Operating Expenses</b>			
General and administrative		<b>(6,046)</b>	(4,097)
Depletion		<b>(2,362)</b>	(3,227)
<b>Operating income</b>		<b>6,282</b>	1,040
Net finance expense	8	<b>(8,970)</b>	(1,827)
<b>Loss before tax</b>		<b>(2,688)</b>	(787)
Income tax - current	9	<b>(2,024)</b>	(1,589)
Income tax - (deferred) recovery	9	<b>(926)</b>	699
<b>Net loss</b>		<b>(5,638)</b>	(1,677)
Foreign currency translation loss from foreign operations		<b>(33)</b>	(14)
<b>Comprehensive loss</b>		<b>(5,671)</b>	(1,691)
<b>Loss per share (US\$)</b>			
Basic and diluted	15	<b>(0.16)</b>	(0.05)
<b>Weighted average shares outstanding (millions)</b>			
Basic and diluted	15	<b>34.9</b>	34.9

See accompanying notes to the unaudited condensed consolidated interim financial statements.

# Condensed Consolidated Interim Statements of Financial Position (unaudited)

ORCA EXPLORATION GROUP INC.

AS AT

US\$'000

NOTE

31 MARCH 2016

31 DECEMBER 2015

**Assets****Current assets**

Cash and cash equivalents		<b>72,300</b>	53,797
Trade and other receivables	11	<b>25,799</b>	25,391
Tax recoverable	9	<b>4,656</b>	4,519
Prepayments		<b>983</b>	1,118
		<b>103,738</b>	84,825

**Non-current assets**

Long-term trade receivable	11	<b>589</b>	584
Property, plant and equipment	12	<b>115,763</b>	104,274
		<b>116,352</b>	104,858
		<b>220,090</b>	189,683

**Equity and liabilities****Current liabilities**

Trade and other payables	13	<b>44,546</b>	49,531
Tax payable		<b>2,852</b>	2,773
		<b>47,398</b>	52,304

**Non-current liabilities**

Deferred income taxes	9	<b>10,238</b>	9,312
Long-term loan	14	<b>58,350</b>	18,599
Deferred Additional Profits Tax	10	<b>31,622</b>	31,314
		<b>100,210</b>	59,225

**Total liabilities**

		<b>147,608</b>	111,529
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**Equity**

Capital stock	15	<b>85,488</b>	85,488
Contributed surplus		<b>6,347</b>	6,347
Accumulated other comprehensive loss		<b>(120)</b>	(86)
Accumulated loss		<b>(19,233)</b>	(13,595)
		<b>72,482</b>	78,154

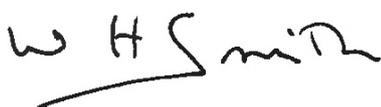
**Total equity and liabilities**

		<b>220,090</b>	189,683
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See accompanying notes to the condensed unaudited consolidated interim financial statements.

Nature of Operations (Note 1); Contractual obligations and committed capital investment (Note 18); Contingencies (Note 19).

The condensed unaudited consolidated interim financial statements were approved by the Board of Directors on 19 May 2016.



Director



Director

## Condensed Consolidated Interim Statements of Cash Flows (unaudited)

ORCA EXPLORATION GROUP INC.

THREE MONTHS ENDED 31 MARCH

US\$'000

NOTE

2016

2015

### Operating activities

<b>Net loss</b>		<b>(5,638)</b>	(1,677)
Adjustment for:			
Depletion and depreciation	12	<b>2,508</b>	3,354
Provision for doubtful debts	8	<b>7,986</b>	–
Stock-based compensation	15	<b>2,795</b>	1,129
Deferred income taxes (recovery)	9	<b>926</b>	(699)
Deferred Additional Profits Tax	9	<b>308</b>	885
Interest expense	8	<b>1,005</b>	–
Unrealised (gain) loss on foreign exchange		<b>(37)</b>	720
<b>Funds flow from operating activities</b>		<b>9,853</b>	3,712
(Increase) decrease in trade and other receivables		<b>(8,367)</b>	27,670
(Increase) decrease in tax recoverable		<b>(137)</b>	501
Decrease (increase) in prepayments		<b>135</b>	(280)
Decrease in trade and other payables		<b>(2,712)</b>	(24,290)
Increase in tax payable		<b>79</b>	50
(Increase) decrease in long-term receivable		<b>(5)</b>	12
<b>Net cash flows from operating activities</b>		<b>(1,154)</b>	7,375
<b>Investing activities</b>			
Property, plant and equipment expenditures	12	<b>(13,997)</b>	(1,139)
Change in working capital related to investing activities		<b>(5,065)</b>	–
<b>Net cash used in investing activities</b>		<b>(19,062)</b>	(1,139)
<b>Financing activities</b>			
Interest paid	8	<b>(1,005)</b>	–
Increase in long-term loan	14	<b>39,751</b>	–
<b>Net cash flow from financing activities</b>		<b>38,746</b>	–
Increase in cash		<b>18,530</b>	6,236
Cash and cash equivalents at the beginning of the period		<b>53,797</b>	57,659
Effect of change in foreign exchange on cash		<b>(27)</b>	(1,655)
<b>Cash and cash equivalents at the end of the period</b>		<b>72,300</b>	62,240

See accompanying notes to the unaudited condensed consolidated interim financial statements.

## Condensed Consolidated Interim Statements of Shareholders Equity (unaudited)

ORCA EXPLORATION GROUP INC.

<i>US\$'000</i>	Capital stock	Contributed surplus	Cumulative translation adjustment	Accumulated loss	Total
Note 15					
<b>Balance as at 1 January 2016</b>	85,488	6,347	(86)	(13,595)	78,154
Foreign currency translation adjustment on foreign operations	–	–	(34)	–	(34)
Net loss	–	–	–	(5,638)	(5,638)
<b>Balance as at 31 March 2016</b>	<b>85,488</b>	<b>6,347</b>	<b>(120)</b>	<b>(19,233)</b>	<b>72,482</b>

<i>US\$'000</i>	Capital stock	Contributed surplus	Cumulative translation adjustment	Accumulated loss	Total
Note 15					
Balance as at 1 January 2015	85,637	6,356	(230)	(15,128)	76,635
Foreign currency translation adjustment on foreign operations	–	–	(14)	–	(14)
Net loss	–	–	–	(1,677)	(1,677)
Balance as at 31 March 2015	85,637	6,356	(244)	(16,805)	74,944

See accompanying notes to the unaudited condensed consolidated interim financial statements.

# Notes to the Condensed Consolidated Interim Financial Statements (unaudited)

## General Information

Orca Exploration Group Inc. was incorporated on 28 April 2004 under the laws of the British Virgin Islands. The Company produces and sells natural gas to the power and industrial sectors in Tanzania.

The condensed consolidated interim financial statements of the Company as at and for the three months ended 31 March 2016 comprise accounts of the Company and all its wholly owned subsidiaries (collectively, the "Company" or "Orca Exploration") and were authorised for issue in accordance with a resolution of the directors on 19 May 2016.

## 1

### NATURE OF OPERATIONS

The Company's principal operating asset is its interest in a Production Sharing Agreement ("PSA") with the Tanzania Petroleum Development Corporation ("TPDC") and the Government of Tanzania ("GoT") in the United Republic of Tanzania. This PSA covers the production and marketing of certain gas from the Songo Songo Block offshore Tanzania.

The PSA defines gas in the Songo Songo field as "Protected Gas" and "Additional Gas". The "Protected Gas" is owned by TPDC and is sold under a 20-year agreement until July 2024 ("Gas Agreement") to Songas Limited ("Songas"). Songas is the owner of the infrastructure that enables the gas to be delivered to Dar es Salaam, which includes a gas processing plant on Songo Songo Island.

Songas utilizes the Protected Gas as feedstock for its gas turbine electricity generators for onward sale to customers. The Company receives no revenue for the Protected Gas delivered to Songas and operates the field and gas processing plant on a 'no gain no loss' basis.

Under the PSA, the Company has the right to produce and market all gas in the Songo Songo Block in excess of the Protected Gas requirements ("Additional Gas").

The Tanzania Electric Supply Company Limited ("TANESCO") is a parastatal organization which is wholly-owned by the GoT, with oversight by the Ministry of Energy and Minerals ("MEM"). TANESCO is responsible for the generation, transmission and distribution of electricity throughout Tanzania. The Company currently supplies gas directly to TANESCO by way of a Portfolio Gas Supply Agreement ("PGSA") and indirectly through the supply of Protected Gas and Additional Gas to Songas which in turn generates and sells power to TANESCO. The state utility is the Company's largest customer.

In addition to gas supplied to Songas and TANESCO for the generation of power, the Company has developed and supplies an industrial gas market in the Dar es Salaam area consisting of some 38 industrial customers.

## 2

## BASIS OF PREPARATION

These consolidated financial statements have been prepared on a historical cost basis and have been prepared using the accrual basis of accounting. The consolidated financial statements are presented in US dollars ("US\$").

### Statement of Compliance

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") issued by the International Accounting Standards Board ("IASB").

### Basis of consolidation

#### Subsidiaries

The condensed consolidated interim financial statements include the accounts of Orca Exploration Group Inc. and all its wholly owned subsidiaries (collectively, the "Company"). Subsidiaries are those enterprises controlled by the Company. The following companies have been consolidated within the Orca Exploration financial statements:

Subsidiary	Registered	Holding	Functional currency
Orca Exploration Group Inc.	British Virgin Islands	Parent Company	US dollar
Orca Exploration Italy Inc.	British Virgin Islands	100%	Euro
Orca Exploration Italy Onshore Inc.	British Virgin Islands	100%	Euro
PAE PanAfrican Energy Corporation	Mauritius	100%	US dollar
PanAfrican Energy Tanzania Limited	Jersey	100%	US dollar
Orca Exploration UK Services Limited	United Kingdom	100%	British pound

### Transactions eliminated upon consolidation

Inter-company balances and transactions, and any unrealised gains or losses arising from inter-company transactions, are eliminated in preparing the consolidated financial statements.

### Foreign currency

#### i) Foreign currency transactions

Transactions in foreign currencies are recorded at the rate of exchange prevailing at the date of the transaction. Monetary assets and liabilities in foreign currencies are translated at period-end rates. Non-monetary items are translated at historic rates, unless such items are carried at market value, in which case they are translated using the exchange rates that existed when the values were determined. Any resulting exchange rate differences are recognized in earnings.

#### ii) Foreign currency translation

Orca Exploration Italy Inc. and Orca Exploration Italy Onshore Inc. have the Euro and Orca UK Services has British pound sterling as their functional currencies. The assets and liabilities of these companies are translated into US dollars at the period-end exchange rate. The income and expenses of the companies are translated into US dollars at the average exchange rate for the period. Translation gains and losses are included in other comprehensive income.

## 3

## SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Company's accounting policies are set forth in Note 3 to the audited financial statements for the year ended 31 December 2015. There have been no changes in accounting policies for the three-month period ended 31 March 2016 and these policies have been applied consistently to all periods presented in these condensed consolidated interim financial statements.

### Revenue recognition, production sharing agreements and royalties

Pursuant to the terms of the PSA, the Company has exclusive rights to (i) to carry on Exploration Operations in the Songo Songo Gas Field; (ii) to carry on Development Operations in the Songo Songo Gas Field and (iii) jointly with TPDC, to sell or otherwise dispose of Additional Gas.

The Company recognises revenue related to Additional Gas sales from the sale of gas to all customers, including both TANESCO and Songas, when title passes to the customer at fiscal gas meters which are installed at the respective customers' plant gates in Dar es Salaam. Under the terms of the PSA, the Company pays both its share and TPDC's share of operating, administrative and capital costs. The Company recovers all reasonably incurred operating, administrative and capital costs including the parastatal's share of these costs from future revenues over several years ("Cost Gas"). TPDC's share of operating and administrative costs, are recorded in operating and general and administrative costs when incurred and capital costs are recorded in 'property, plant and equipment'. All recoveries are recorded as Cost Gas in the year of recovery.

The Company has a gas sales contract under which the customer is required to take, or pay for, a minimum quantity of gas. In the event that the customer has paid for gas that was not delivered, the additional income received by the Company is carried on the balance sheet as "deferred income". If the customer consumes volumes in excess of the minimum, it will be charged at the current rate, but may receive a credit for volumes paid but not delivered. At the end of each reporting period the Company reassesses the volumes for which the customer may receive credit, any remaining balance is credited to income.

In any given year, the Company is entitled to recover as Cost Gas up to 75% of the net revenue (gross revenue less processing and pipeline tariffs). Any net revenue in excess of the Cost Gas ("Profit Gas") is shared between the Company and TPDC in accordance with the terms of the PSA. Under the PSA the Company's share of Profit Gas is further increased by the amount necessary to fully pay and discharge any liability for taxes on income. Revenue represents the Company's share of Profit Gas and Cost Gas during the period.

Since 2011 TANESCO has experienced financial difficulties due to its dependence on high cost power generation based on liquid fuels following draughts in Tanzania. Whilst the Company has received assurances from the Government of Tanzania that it was arranging financing for TANESCO, the receivables continued to build.

Prior to 2016, the Company had reached an understanding with TANESCO that it would only continue to supply gas if TANESCO remained reasonably current with payments for current gas deliveries. Excess payments received over and above the current balances would be applied to the arrears balance. TANESCO payments have continued to be irregular but were sufficient to cover current gas deliveries until the third quarter of 2015, since that time the level of payments received has not been sufficient to cover current gas deliveries. During the quarter, the Company received a total of US\$3.6 million (Q4 2015: US\$4.5 million) from TANESCO against sales totaling US\$10.9 million (Q4 2015: US\$11.7 million).

Management has reviewed the current position with TANESCO and feels that the current policy to reclassify all amounts receivable from TANESCO in excess of 60 days, and in arrears, as a long-term receivable is still appropriate. For Q1 2016, the Company has classified an additional US\$8.0 million, the arrears in excess of 60 days, as a long-term receivable and has recorded a full provision against this (see Note 11). The current total provision is US\$69.9 million (2015: US\$61.9 million).

## Financial instruments

All financial instruments are initially recognized at fair value on the consolidated statement of financial position. The Company has classified each financial instrument into one of the following categories: (i) fair value through the statement of comprehensive income (loss), (ii) loans and receivables, and (iii) other financial liabilities. Subsequent measurement of financial instruments is based on their classification.

Financial assets and liabilities are recognized when the Company becomes a party to the contractual provisions of the instrument. Financial assets are derecognized when the rights to receive cash flows from the assets have expired or have been transferred and the Company has transferred substantially all risks and rewards of ownership. Financial assets and liabilities are offset and the net amount is reported on the statement of financial position when there is a legally enforceable right to offset the recognized amounts and there is an intention to settle on a net basis, or realize the asset and settle the liability simultaneously.

### Initial recognition

At initial recognition, the Company classifies its financial instruments in the following categories depending on the purpose for which the instruments were acquired:

**i) Financial assets and liabilities at fair value through statement of comprehensive loss:**

A financial asset or liability classified in this category is recognized at each period at fair value with gains and losses from revaluation being recognized in net income. A financial asset or liability is classified in this category if acquired principally for the purpose of selling or repurchasing in the short-term. Derivatives are also included in this category unless they are designated as hedges.

**i) Loans and receivables:**

Loans and receivables are initially measured at fair value plus directly attributable transaction costs and are subsequently recorded at amortized cost using the effective interest method.

Long-term receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Long-term receivables are initially recognized at fair value based on the discounted cash flows. The discount rate is based on the credit quality and term of the financial instrument. The financial instrument is subsequently valued at amortized costs by accreting the instrument over the expected life of the assets. The accretion associated with instrument valued at amortized cost is reported on the statement of comprehensive loss each reporting period.

The fair value of the Company's trade and other receivables approximates their carrying values due to the short-term nature of these instruments.

**ii) Other financial liabilities:**

Trade and other payables and the long-term loan are classified as other financial liabilities and are initially measured at fair value less directly attributable transaction costs and are subsequently recorded at amortized cost using the effective interest method. The fair value of trade and other payables approximates the carrying amounts due to the short-term nature of these instruments. The fair value of the long-term loan approximates its carrying value as there has been no significant change in interest rates since the Company finalized the loan. The loan interest rate is fixed at 10%.

### **New accounting standards and interpretations**

On May 28 2014, the IASB issued IFRS 15, "Revenue from Contracts with Customers," which replaces IAS 18 "Revenue," IAS 11 "Construction Contracts," and related interpretations. The new standard is effective for annual periods beginning on or after January 1, 2017, with early adoption permitted. The Company intends to adopt IFRS 15 on the finalised adoption date and is currently evaluating the impact of adopting the standard on its consolidated financial statements.

On July 24, 2014, the IASB issued the complete IFRS 9, "Financial Instruments" to replace IAS 39, "Financial Instruments: Recognition and Measurement". IFRS 9 is effective for years beginning on or after January 1, 2018 and must be applied retrospectively with some exemptions. Early adoption is permitted if IFRS 9 is adopted in its entirety at the beginning of a fiscal period. The Company is currently evaluating the impact of adopting IFRS 9 on its consolidated financial statements.

On January 13, 2016, the IASB issued IFRS 16, "Leases", which replaces IAS 17 "Leases". The new standard introduces a single recognition and measurement model for leases, which would require the recognition of assets and liabilities for most leases with a term of more than twelve months. The new standard is effective for annual periods beginning on or after January 1, 2019. Early adoption is permitted for entities that apply IFRS 15 "Revenue from Contracts with Customers" at or before the initial adoption date of January 1, 2018. The Company intends to adopt IFRS 16 in its financial statements for the annual period beginning on January 1, 2019. The extent of the impact of the adoption of the standard has not yet been determined.

## **4**

### **USE OF ESTIMATES AND JUDGEMENTS**

The preparation of these condensed consolidated interim financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenue and expenses during the period. Actual results could differ materially from these estimates. In preparing these condensed consolidated interim financial statements, the significant judgements made by the management in applying the Company's accounting policies and the key sources of estimation uncertainty were the same as those applied to the consolidated financial statements as at and for the year ended 31 December 2015.

See Note 4 of the audited financial statements for the year ended 31 December 2015 for a full discussion.

#### **A. Collectability of receivables**

Management performs impairment tests each period on the Company's current and long-term receivables.

Accounts which are in excess of 60-days in arrears are identified as potential doubtful accounts. When sustained arrears performance is exhibited over a quarter, together with an assessment by Management of the customer's willingness and ability to pay, an account is deemed "doubtful" and a provision against that account is made in the reporting period based on an assessment of that amount of arrears which are unlikely to be paid in the immediate future.

Notwithstanding the previous reclassification of TANESCO arrears as a long-term receivable and the subsequent provision against same (see Note 11), the Company and TANESCO continue to operate in accordance with the terms of the PGSA and in accordance with the understanding between the Company and TANESCO whereby natural gas continues to be delivered by the Company and TANESCO pays for current deliveries on a current basis with payments to be applied firstly against current deliveries and any excess amounts applied to accumulated arrears.

## 5

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## RISK MANAGEMENT

The Company, by its activities in oil and gas exploration, development and production, is exposed to the risk associated with the unpredictable nature of the financial markets as well as political risk associated with conducting operations in an emerging market. The Company seeks to manage its exposure to these risks wherever possible.

### A. Credit risk

Credit risk is the risk of financial loss to the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Company's receivables from TANESCO and Songas. The carrying amount of accounts receivable and the long-term receivable represents the maximum credit exposure. As of 31 March 2016 and 31 December 2015, other than the provisions against the long-term TANESCO receivable and gas plant operations charges/capital expenditure receivables due from Songas, the Company does not have an allowance for doubtful accounts against any other receivables nor was it required to write-off any receivables (see Note 12).

All of the Company's production is currently derived in Tanzania. The sales are made to the Power sector and the Industrial sector. In relation to sales to the Power sector, the Company has a contract with Songas for the supply of gas to the Ubungo power plant and a contract with TANESCO to supply approximately 37 MMcfd of gas. The contracts with Songas and TANESCO accounted for 59% of the Company's operating revenue during the quarter and US\$79.1 million of the short and long-term receivables prior to provision for the quarter ended 31 March 2016.

TANESCO has continued to experience financial difficulties during the first quarter of 2016, which has resulted in the continuation of irregular and inconsistent payments for gas deliveries. As a result, management has placed a provision for doubtful debts against the entire amount of arrears due from TANESCO in the amount of US\$69.9 million as at 31 March 2016 (31 December 2015: US\$61.9 million).

Sales to the Industrial sector, currently 38 customers, are subject to an internal credit review to minimize the risk of non-payment.

The Company manages the credit exposure related to cash and cash equivalents by selecting counterparties based on credit ratings and monitoring all investments to ensure a stable return, avoiding complex investment vehicles with higher risk such as asset backed commercial paper. The Company's cash resources are placed with reputable financial institutions with no history of default.

### B. Liquidity risk

Liquidity risk is the risk that the Company will not have sufficient funds to meet its liabilities. Cash forecasts identifying liquidity requirements of the Company are produced on a regular basis. These are reviewed to ensure sufficient funds exist to finance the Company's current operational and investment cash flow requirements. The Company has US\$44.5 million of financial liabilities with regards to trade and other payables of which US\$43.6 million is due within one to three months, nil is due within three to six months, and US\$0.9 million is due within six to twelve months (see Note 13). As at 31 March 2016 the Company had a current tax liability of US\$2.8 million.

At the end of the quarter a significant proportion of the current liabilities relate to TPDC. The amounts due to TPDC represent its share of Profit Gas; however, given the difficulties in collecting from TANESCO, the Company has been settling and intends to continue to settle these amounts on a pro rata basis in accordance with amounts received from TANESCO (see Note 11).

## 6

## SEGMENT INFORMATION

The Company has one reportable industry segment which is international exploration, development and production of petroleum and natural gas. The Company currently has producing and exploration assets in Tanzania and had exploration and appraisal interests in Italy (see Note 18).

US\$'000	THREE MONTHS ENDED 31 MARCH					
	2016			2015		
	Italy	Tanzania	Total	Italy	Tanzania	Total
External revenue	–	15,810	15,810	–	9,720	9,720
Segment loss	(57)	(5,581)	(5,638)	–	(1,677)	(1,677)
Non-cash charge <sup>(1)</sup>	–	7,986	7,986	–	–	–
Depletion & depreciation	–	2,508	2,508	–	3,354	3,354

US\$'000	AS AT					
	31 MARCH 2016			31 DECEMBER 2015		
	Italy	Tanzania	Total	Italy	Tanzania	Total
Capital additions	–	13,997	13,997	–	38,411	38,411
Total assets	1,642	218,448	220,090	1,621	188,062	189,683
Total liabilities	94	147,514	147,608	131	111,398	111,529

(1) Non-cash charge represent amounts provided for doubtful accounts receivable from TANESCO.

## 7

## REVENUE

US\$'000	THREE MONTHS ENDED 31 MARCH	
	2016	2015
Industrial sector	7,925	6,971
Power sector	11,512	12,207
Gross sales revenue	19,437	19,178
Processing and transportation tariff	(2,856)	(3,161)
Net revenue	16,581	16,017
TPDC share of revenue	(2,487)	(6,411)
Company operating revenue	14,094	9,606
Additional Profits Tax charge	(308)	(885)
Current income tax adjustment	2,024	999
Revenue	15,810	9,720

The Company's total revenues for the quarter ended 31 march 2016 amounted to US\$15.8 million after adjusting the Company's operating revenue of US\$14.1 million by:

- i) adding US\$2.0 million for income tax for the quarter. The Company is liable for income tax in Tanzania, but the income tax is recoverable out of TPDC's Profit Gas when the tax is payable. To account for this, revenue is adjusted to include the current income tax charge grossed up at 30% (see Note 9); and,
- ii) subtracting US\$0.3 million for deferred Additional Profits Tax charged for the quarter – this tax is considered a royalty and is presented as a reduction in revenue.

## 8

## NET FINANCE EXPENSE

<i>US\$'000</i>	THREE MONTHS ENDED 31 MARCH	
	2016	2015
Finance income	49	4
Interest expense	(1,005)	-
Net foreign exchange loss	(28)	(1,831)
Provision for doubtful accounts	(7,986)	-
Finance expense	(9,019)	(1,831)
Net finance expense	<b>(8,970)</b>	(1,827)

During the quarter, the Company billed TANESCO US\$0.9 million (Q1 2015: US\$0.7 million) of interest for late payments. The interest income is not recorded in the financial statements because it does not meet the revenue recognition criteria with respect to assurance of collectability. The Company is pursuing collection and amounts will be recognised in earnings when collected. The provision for doubtful accounts includes US\$8.0 million (Q1 2015: US\$ nil) for overdue TANESCO receivables. The total amount of interest paid in the quarter was US\$0.2 million (Q1 2015: US\$ nil). The interest relates to the long term loan with the IFC and is payable quarterly in arrears.

## 9

## INCOME TAX

The tax charge is as follows:

<i>US\$'000</i>	THREE MONTHS ENDED 31 MARCH	
	2016	2015
Current tax	2,024	1,589
Deferred tax expense (recovery)	926	(699)
	<b>2,950</b>	890

Provisional tax payments totaling US\$1.9 million (Q1 2015: US\$1.5 million) were made in respect of the current year. These are presented as a reduction in tax payable on the statement of financial position.

<i>US\$'000</i>	THREE MONTHS ENDED 31 MARCH	
	2016	2015
Loss before tax	(2,688)	(787)
Provision for income tax calculated at the statutory rate of 30%	(806)	(236)
Add the tax effect of non-deductible income tax items:		
Administrative and operating expenses	242	439
Foreign exchange (gain) loss	(15)	136
Stock-based compensation	857	339
TANESCO interest not recognized as interest income (Note 8)	244	167
Unrecognized tax asset (Note 8)	2,396	–
Other permanent differences	32	45
	<b>2,950</b>	890

As at 31 March 2016, the provision for doubtful debt from TANESCO has resulted in a US\$ 20.0 million (2015: US\$18.6 million) unrecognised deferred tax asset. If this amount was ultimately not recovered, the Company would also be entitled to a US\$11.9 million recovery of Value Added Tax.

A deferred tax asset of US\$2.2 million (2015: US\$2.2 million) in respect of Longastrino Italy exploration and evaluation costs has not been recognised because it is not probable that there will be future profits against which this can be utilised.

The deferred income tax liability includes the following temporary differences:

<i>US\$'000</i>	AS AT	
	31 MARCH 2016	31 DECEMBER 2015
Differences between tax base and carrying value of property, plant and equipment	(18,959)	(18,185)
Tax recoverable from TPDC	(3,447)	(3,442)
Provision for doubtful debt	2,987	2,987
Deferred Additional Profits Tax	9,487	9,394
Unrealised exchange losses/other provisions	(306)	(66)
	<b>(10,238)</b>	(9,312)

#### Tax recoverable

The Company has a tax recoverable balance of US\$4.6 million (Q4 2015: US\$4.5 million). This arises from the revenue sharing mechanism within the PSA, which entitles the Company to recover from TPDC, by way of a deduction from TPDC's Profit Gas share, an amount equal to the actual income taxes payable by the Company. The recovery, by deduction from TPDC's share of revenue, is dependent upon payment of income taxes relating to prior period adjustment factors as they are assessed.

<i>US\$'000</i>	AS AT	
	31 MARCH 2016	31 DECEMBER 2015
Tax recoverable	<b>4,656</b>	4,519

## 10

### ADDITIONAL PROFITS TAX

Under the terms of the PSA, in the event that all costs have been recovered with an annual cash return from the PSA of 25% plus the percentage change in the United States Industrial Goods Producer Price Index ("PPI"), an Additional Profits Tax ("APT") is payable.

The Company provides for deferred APT by forecasting the total APT payable as a proportion of the forecast Profit Gas over the term of the PSA. The effective APT rate of 18.6% (Q1 2015: 20.7%) has been applied to Profit Gas of US\$1.7 million (Q1 2015: US\$4.3 million). Accordingly, US\$0.3 million (Q1 2015: US\$0.9 million) has been netted off revenue for the three months ended 31 March 2016.



In December 2015, TANESCO agreed to a payment plan with the Company and TPDC to make ongoing payments for current deliveries and begin paying down arrears in March 2016 ("Payment Plan"). During Q1, TANESCO defaulted on the Payment Plan and, pursuant to the terms of the PGSA, on 25 April 2016 the Company and TPDC issued a joint notice informing TANESCO that if TANESCO failed to pay the arrears as against the Payment Plan within ten days, then the supply of gas would be suspended. In response to this notice, TANESCO, TPDC and Government of Tanzania representatives have engaged with the Company with the goal of resolving the TANESCO non-payment issues and to avoid suspension of deliveries. Based on discussions held on 17 May 2016, the Company and TPDC have agreed to continue to supply gas provided sufficient regular payments are made to cover current deliveries and discussions continue with TANESCO and Government of Tanzania officials on how to resolve the arrears. The Company has reserved the right to implement the suspension should either of the previously mentioned conditions not be met.

Management has reviewed the current position with TANESCO and feels that the current policy to reclassify all amounts receivable from TANESCO in excess of 60 days, and in arrears, as a long-term receivable is still appropriate. For Q1 2016 the Company has classified US\$8.0 million, the arrears in excess of 60 days, as a long-term receivable and has recorded a full provision against this (see Note 8). The current total provision is US\$69.9 million (Q4 2015: US\$61.9 million).

#### Long-term trade receivables

<i>US\$'000</i>	AS AT	
	31 MARCH 2016	31 DECEMBER 2015
TANESCO receivable	69,908	61,922
Provision for doubtful debts	(69,908)	(61,922)
Net TANESCO receivable	–	–
VAT bond	344	332
Lease deposit	245	252
Long-term receivables	589	584

#### Songas

As at 31 March 2016, Songas owed the Company US\$20.7 million (Q4 2015: US\$19.0 million), whilst the Company owed Songas US\$2.5 million (Q4 2015: US\$2.6 million); there was no contractual right to offset these amounts. Amounts due to Songas primarily relate to pipeline tariff charges of US\$0.9 million (Q4 2015: US\$1.1 million), whereas the amounts due to the Company are mainly for capital expenditures of US\$11.8 million (Q4 2015: US\$11.2 million), sales of gas of US\$1.9 million (Q4 2015: US\$2.2 million) and for the operation of the gas plant of US\$7.0 million (Q4 2015: US\$5.6 million). The operation of the gas plant is conducted at cost and the charges are billed to Songas on a flow through basis on a "no profit, no loss" basis.

As at 31 March 2016 the net amount owed by Songas to the Company was US\$18.2 million (Q4 2015: US\$16.3 million). The deterioration in the outstanding balances is a consequence of the increase in the operatorship balance and the Songas share of well workover costs. The Company considers the doubtful debt provision of US\$9.8 million is at an appropriate level recognizing the pending settlement of the remaining overdue operatorship charges and the Songas share of the well workover costs. Any significant amounts not agreed to will be pursued through the mechanisms provided in the agreements with Songas.

All amounts due to and from Songas have been summarized in the net Songas balance (see Note 13).

## 12

## PROPERTY, PLANT AND EQUIPMENT

<i>US\$'000</i>	Oil and natural gas interests	Leasehold improvements	Computer equipment	Vehicles	Fixtures & fittings	Total
<b>Costs</b>						
As at 1 January 2016	178,808	699	1,341	297	1,125	182,270
Additions	13,995	–	2	–	–	13,997
<b>As at 31 March 2016</b>	<b>192,803</b>	<b>699</b>	<b>1,343</b>	<b>297</b>	<b>1,125</b>	<b>196,267</b>
<b>Accumulated depletion and depreciation</b>						
As at 1 January 2016	75,389	345	1,168	168	926	77,996
Depletion and depreciation	2,362	73	36	15	22	2,508
<b>As at 31 March 2016</b>	<b>77,751</b>	<b>418</b>	<b>1,204</b>	<b>183</b>	<b>948</b>	<b>80,504</b>
<b>Net book values</b>						
<b>As at 31 March 2016</b>	<b>115,052</b>	<b>281</b>	<b>139</b>	<b>114</b>	<b>177</b>	<b>115,763</b>
As at 31 December 2015	103,419	354	173	129	199	104,274

In determining the depletion charge, it is estimated that future development costs of US\$89.8 million will be required to bring the total proved reserves to production. During the quarter the Company recorded depreciation of US\$0.1 million (Q1 2015: US\$0.1 million) in general and administrative expenses.

## 13

## TRADE AND OTHER PAYABLES

<i>US\$'000</i>	AS AT	
	31 MARCH 2016	31 DECEMBER 2015
Songas <sup>(1)</sup>	939	1,071
Other trade payables	5,786	11,234
Trade payables	6,725	12,305
TPDC share of Profit Gas	28,523	28,208
Deferred income	667	667
Accrued liabilities	8,631	8,351
	<b>44,546</b>	49,531

(1) A summary of all Songas balances is presented below, including the opening position, movements during the year and details of post year-end settlements made in cash by the Company and by Songas (see Note 11).

<i>US\$'000</i>	1 January 2016	Year to date transactions	Gross balance 31 March 2016	Post quarter end payments and receipts	Outstanding as at the date of this report
Pipeline tariff – payable	(1,071)	132	(939)	939	–
Gas sales – receivable	2,178	(245)	1,933	(1,933)	–
Gas plant operation receivable	5,631	1,363	6,994	(2,255)	4,739
Workover programme	11,209	536	11,745	–	11,745
Other payable	(1,546)	–	(1,546)	–	(1,546)
Net balances	16,401	1,786	<b>18,187</b>	(3,249)	14,938

## 14

## LONG-TERM LOAN

On 29 October 2015, the Company entered into a loan agreement ("Loan") with the International Finance Corporation ("IFC"), a member of the World Bank Group, for a US\$60 million investment in the Company's operating subsidiary, PanAfrican Energy Tanzania Limited ("PAET").

The term of the Loan is 10-years, with no repayment of principal for the first seven years, followed by a three-year amortization period. The Company may voluntarily prepay all or part of the Loan but must simultaneously pay any accrued base interest costs related to the principal amount being prepaid. If any portion of the Loan is prepaid prior to the fourth anniversary of the first drawdown, the Company would be required to pay the accrued base interest as if the prepaid portion of the Loan had remained outstanding for the full four years. The Loan is an unsecured subordinated obligation of PAET and is guaranteed by the Company to a maximum of US\$30 million. The guarantee may only be called upon by IFC at maturity in 2025 and, subject to IFC approval and receipt of all required regulatory approvals, the Company may issue shares in fulfillment of all or part of the guarantee obligation in 2025.

Base interest on the Loan is payable quarterly at 10% per annum on a 'pay-if-you-can-basis' using a formula to calculate the net cash available for such payments as at any given interest payment date. In addition, an annual variable participatory interest equating to 7% of the cash flow of PAET net of capital expenditures is payable in respect of any given year, commencing with 2016. Such participatory interest will continue until 15 October 2026 regardless whether the Loan is repaid prior to its contractual maturity date. No provision has been made for the three months ended 31 March 2016 as the projection of current cash flow less capital expenditures for 2016 is a negative amount. Dividends and distributions from PAET to the Company are restricted at any time that any amounts of unpaid interest, principal or participating interest are outstanding. The Company has drawn the US\$60 million Loan facility in full, with an initial drawdown of US\$20 million on 14 December 2015 followed by an additional draw down of US\$40 million on 9 February 2016.

<i>US\$'000</i>	AS AT	
	<b>31 MARCH 2016</b>	31 DECEMBER 2015
Total IFC facility	<b>60,000</b>	60,000
Loan drawdown	<b>60,000</b>	20,000
Financing costs	<b>(1,650)</b>	(1,401)
	<b>58,350</b>	18,599

## 15

## CAPITAL STOCK

Authorised

50,000,000 Class A common shares	No par value
100,000,000 Class B subordinate voting shares	No par value
100,000,000 First preference shares	No par value

The Class A and Class B shares rank pari passu in respect of dividends and repayment of capital in the event of winding-up. Class A shares carry twenty (20) votes per share and Class B shares carry one vote per share. The Class A shares are convertible at the option of the holder at any time into Class B shares on a one-for-one basis. The Class B shares are convertible into Class A shares on a one-for-one basis in the event that a take-over bid is made to purchase Class A shares which must, by reason of a stock exchange or legal requirements, be made to all or substantially all of the holders of Class A shares and which is not concurrently made to holders of Class B shares.

Changes in the capital stock of the Company were as follows:

Number of shares	2016		
	Authorised (000)	Issued (000)	Amount (US\$'000)
<b>Class A</b>			
As at 1 January 2016 and 31 March 2016	<b>50,000</b>	<b>1,751</b>	<b>983</b>
<b>Class B</b>			
As at 1 January 2016	100,000	33,106	84,505
Normal course issuer bid repurchases	–	–	–
As at 31 March 2016	<b>100,000</b>	<b>33,106</b>	<b>84,505</b>
<b>First preference</b>			
As at 1 January 2016 and 31 March 2016	100,000	–	–
Total Class A, Class B and first preference	<b>250,000</b>	<b>34,857</b>	<b>85,488</b>

All of the issued capital stock is fully paid.

Stock Appreciation Rights ("SARs")	SARs (000)	Exercise Price (CDN\$)
Outstanding as at 1 January 2016	3,100	2.12 to 3.25
Expired	(60)	2.30
Outstanding as at 31 March 2016	<b>3,040</b>	<b>2.12 to 3.25</b>

The weighted average remaining life and weighted average exercise prices of SARs at 31 March 2016 were as follows:

Exercise Price (CDN\$)	Number outstanding as at 31 March 2016 (000)	Weighted average remaining contractual life (years)	Number exercisable as at 31 March 2016 (000)	Weighted average exercise price (CDN\$)
2.12 to 2.30	2,020	2.71	852	2.27
2.35 to 2.70	530	1.61	530	2.48
3.02 to 3.25	490	4.54	–	3.06
<b>2.12 to 3.25</b>	<b>3,040</b>	<b>3.06</b>	<b>1,382</b>	<b>2.44</b>

<b>Restricted Stock Units ("RSUs")</b>	<b>RSUs (000)</b>	<b>Exercise Price (CDN\$)</b>
Outstanding as at 1 January 2016	–	–
Granted <sup>(i)</sup>	239	0.001
Outstanding as at 31 March 2016	<b>239</b>	<b>0.001</b>

(i) A total of 239,361 RSUs were granted during the quarter and remain outstanding at 31 March 2016. The newly granted RSUs vested on the date of grant have an exercise price of CDN\$ nil and have a five-year term.

As SARs and RSUs are settled in cash, they are re-valued at each reporting date using the Black-Scholes option pricing model with the resulting liability being recognized in trade and other payables. In the valuation of stock appreciation rights and restricted stock units at the reporting date, the following assumptions have been made: a risk free rate of interest of 1.5%, stock volatility of 51.4% to 54.1%; 0% dividend yield; 5% forfeiture; a closing stock price of CDN\$4.14 per share.

<i>US\$'000</i>	<b>AS AT</b>	
	<b>31 MARCH 2016</b>	31 DECEMBER 2015
SARs	<b>3,605</b>	1,572
RSUs	<b>762</b>	–
	<b>4,367</b>	1,572

As at 31 March 2016, a total accrued liability of US\$4.4 million (Q4 2015: US\$1.6 million) has been recognised in relation to SARs and RSUs which is included in other payables. The Company recognised a charge of US\$2.9 million for the quarter (Q1 2015: US\$1.1 million) in general and administrative expenses.

The increase in the charge for the quarter was the result of a 51% increase in the share price to CDN\$4.14 in the quarter (Q4 2015 CDN\$2.75) together with the issue of 239,361 RSUs in the quarter.

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### EARNINGS PER SHARE

<i>('000)</i>	<b>THREE MONTHS ENDED 31 MARCH</b>	
	<b>2016</b>	2015
<b>Outstanding shares</b>		
Weighted average number of Class A and Class B shares	<b>34,856</b>	34,915
Weighted average diluted number of Class A and Class B shares	<b>34,856</b>	34,915

The calculation of basic loss per share is based on a net loss for the quarter of US\$5.6 million (Q1 2015: loss US\$1.7 million) and a weighted average number of Class A and Class B shares outstanding during the period of 34,856,432 (Q1 2015: 34,915,610).

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### RELATED PARTY TRANSACTIONS

One of the non-executive Directors is a partner at a law firm that provides legal advice to the Company and its subsidiaries. During the quarter, the Company incurred US\$0.05 million (Q1 2015: US\$0.05 million) to this firm for services provided. The transactions with this related party were made at the exchange amount.

One officer, acting as an Executive Vice-President, provided services to the Company through a consulting agreement with a personnel services company. During the quarter, the Company incurred US\$0.01 million (Q1 2015: US\$0.1 million) to this firm for services provided.

As at 31 March 2016 the Company has a total of US\$0.05 million (Q1 2015: US\$ nil) recorded in trade and other payables in relation to the related parties.

**18****CONTRACTUAL OBLIGATIONS  
& COMMITTED CAPITAL INVESTMENTS****Protected Gas**

Under the terms of the Gas Agreement for the Songo Songo project, in the event that there is a shortfall/insufficiency in Protected Gas as a consequence of the sale of Additional Gas, then the Company is liable to pay the difference between the price of Protected Gas (US\$0.55/MMbtu escalated) and the price of an alternative feedstock multiplied by the volumes of Protected Gas up to a maximum of the volume of Additional Gas sold (148.3 Bcf as at 31 March 2016). The Company did not have a shortfall during the reporting period and does not anticipate a shortfall arising during the term of the Protected Gas delivery obligation to July 2024.

Terms of the Gas Agreement were modified by the Amended and Restated Gas Agreement ("ARGA") which was initiated by all parties but remains unsigned. The unsigned ARGA provides clarification of the Protected Gas volumes and removes all terms dealing with the security of the Protected Gas and contract terms dealing with the consequences of any insufficiency are dealt with in a new Insufficiency Agreement ("IA"). The IA specifies terms under which Songas may demand cash security in order to keep it whole in the event of a Protected Gas insufficiency. Should the IA be signed, it will govern the basis for determining security. Under the provisional terms of the IA, when it is calculated that funding is required, the Company is required to fund an escrow account at a rate of US\$2.00/MMbtu on all Industrial Additional Gas sales out of its and TPDC's share of revenue, and TANESCO shall contribute the same amount on Additional Gas sales to the Power sector. The funds provide security for Songas in the event of an insufficiency of Protected Gas. The Company is actively monitoring the reservoir and, supported by the report of its independent engineers, does not anticipate that a liability will occur in this respect. Although the ARGA remains unsigned, the parties have and continue to conduct themselves, in certain respects, as though the ARGA is in effect.

**Re-Rating Agreement**

In 2011, the Company signed a re-rating agreement with TANESCO and Songas (the "Re-Rating Agreement") to increase the gas processing capacity to a maximum of 110 MMcfd (the pipeline and pressure requirements at the Ubungo power plant restrict the infrastructure capacity to a maximum of 102 MMcfd). Under the terms of the Re-Rating Agreement, the Company effectively pays an additional tariff of US\$0.30/mcf for sales between 70 MMcfd and 90 MMcfd and US\$0.40/mcf for volumes above 90 MMcfd in addition to the tariff of US\$0.59/mcf payable to Songas as set by the energy regulator, EWURA. The Re-Rating agreement expired in 2013. Since 2013 production has continued within the higher rated limit and the Company expects this to continue. There are no assurances that the ability to produce at the higher rating will continue.

Under the terms of this agreement, the Company agreed to indemnify Songas for damage to its facilities caused by the re-rating, up to a maximum of US\$15.0 million, but only to the extent that this was not already covered by indemnities from TANESCO's or Songas' insurance policies.

## Capital Commitments

### *Italy*

The Company has an agreement to farm in on Central Adriatic B.R268.RG Permit offshore Italy. The farm-in commits the Company to fund 30% of an appraisal well up to a maximum of US\$11.5 million to earn a 15% working interest in the permit. Thereafter, the Company will fund all future costs relating to the well and the permit in proportion to its participating interest. The Company has also agreed to pay fifteen per cent (15%) of the back costs in relation to the well up to a maximum of US\$0.5 million. Changes in Italian environmental legislation in late 2015 have resulted in the development of this permit being postponed indefinitely. As at the date of this report, the Company has no further capital commitments in Italy.

### *Tanzania*

There are no contractual commitments for exploration or development drilling or other field development either in the PSA or otherwise agreed which would give rise to significant capital expenditure at Songo Songo. Any significant additional capital expenditure in Tanzania is discretionary.

Given the completion of the Offshore component of Phase I of the Development Programme in February 2016, which has improved field deliverability and provides sufficient natural gas production to fill the Songas plant and pipeline to capacity for the greater portion of the remaining life of the production licence, the Company does not expect to commit to further significant capital expenditures until: (i) agreeing commercial terms with TPDC for the supply of gas to the NNGIP regarding the sale of incremental gas volumes from Songo Songo; and/or (ii) TANESCO arrears have been substantially reduced, guaranteed or other arrangements for payment made that are satisfactory to the Company; and/or (iii) the establishment of payment guarantees with the World Bank or other multi-lateral lending agencies to secure future receipts under any new sales contracts with Government entities.

When the required conditions are met, and in so doing justify further improving the reliability/capacity of field deliverability, the Company would contemplate undertaking the remaining part of the Phase I Development Programme. The additional costs are estimated to be approximately US\$30 million. There is no assurance that financing will be available and on acceptable commercial terms to complete Phase I.

## 19

## CONTINGENCIES

## Taxation

Area	Period	Tax dispute Reason for dispute	Disputed amount US\$' million		
			Principal	Interest	Total
PAYE	2008-10	Pay-As-You-Earn ("PAYE") withholding tax on taxable income of employees on grossed up equivalent of staff salaries, which are contractually stated as net.	0.3	–	0.3 <sup>(1)</sup>
WHT	2005-10	WHT on services by non-resident persons performed outside of Tanzania.	1.1	0.7	1.8 <sup>(2)</sup>
Income Tax	2008-13	Deductibility of capital expenditures and expenses (2009), additional income tax (2008, 2010, 2011), and foreign exchange rate application (2013).	5.2	1.3	6.5 <sup>(3)</sup>
VAT	2008-10	Output VAT on imported services and SSI Operatorship services.	2.7	2.9	5.6 <sup>(4)</sup>
			9.3	4.9	14.2

(1) During 2015, PAET appealed the Tax Revenue Appeals Board ("TRAB") ruling that PAET is liable to pay PAYE on grossed up equivalent of staff salaries. PAET is awaiting appeal date to be set up with the Tax Revenue Appeals Tribunal ("TRAT");

(2) 2005-2009 (US\$1.7 million): During 2015, TRAT ruled in favor of PAET. TRA filed a notice of appeal with the Court of Appeal and subsequent to the end of Q1 2016, the Court of Appeal ruled in favor of PAET.

2010 (US\$0.1 million): TRAB was awaiting the ruling on the (2005-2009) case before making a decision on this dispute. Given the favorable ruling by the Court of Appeal, the Company expects a favorable decision.

(3) (a) 2009 (US\$1.8 million): During the year, TRAB has ruled against PAET with respect to the deductibility of capital expenditures and expenses. PAET appealed to TRAT and is awaiting hearing date to be scheduled;

(b) 2008, 2010-2011 (US\$4.5 million): During the year, PAET filed objections against TRA assessments with respect to additional tax and is awaiting a response;

(c) 2013 (US\$ 0.2 million): During the year, PAET filed objections to TRA assessment with respect to foreign exchange rate application and is awaiting a response.

(4) In 2014, PAET filed an objection to TRA's claims and is awaiting a response.

Management, with the advice from its legal counsels, has reviewed the Company's position on the above objections and appeals and has concluded that no provision is required with regard to the above matters.

# Corporate Information

## Board of Directors

W. David Lyons Chairman and Chief Executive Officer Queensway Gibraltar	David W. Ross Non-Executive Director Calgary, Alberta Canada	William H. Smith Non-Executive Director Calgary, Alberta Canada	Glenn D. Gradeen Non-Executive Director Calgary, Alberta Canada
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## Officers

W. David Lyons Chairman and Chief Executive Officer Queensway Gibraltar	Blaine Karst Chief Financial Officer Calgary, Alberta Canada	Stephen Huckerby Chief Accounting Officer St. Peters, Jersey Channel Islands	David K. Roberts Vice President of Operations Kansas City, Missouri United States of America
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Chief Executive Officer  
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## Transfer Agent

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Calgary, Canada





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