

**NEWS RELEASE**

**Orca exploration group inc.  
Announces preliminary financial results for 2019  
and independent reserves evaluation for 2019**

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**For Immediate Release**

**TORTOLA, BRITISH VIRGIN ISLANDS** – February 25, 2020 – Orca Exploration Group Inc. ("Orca" or the "Company" and includes its subsidiaries and affiliates) (TSX-V: ORC.A, ORC.B) announces its preliminary unaudited financial results for 2019 and its Independent Reserves Evaluation as at December 31, 2019. This update should be read in conjunction with the update provided in our news release issued on January 24, 2020. All currency amounts in this news release are in United States Dollars (\$) unless otherwise stated.

**FINANCIAL HIGHLIGHTS**

For the year ended December 31, 2019, the Company's:

- Revenue increased 48.1% to \$85.6 million compared to \$57.8 million in the year ended December 31, 2018 and for Q4 2019 increased 71.9% to \$23.2 million compared to \$13.5 million in Q4 2018.
- Net income attributable to shareholders increased 85.0% to \$24.6 million compared to \$13.3 million in the year ended December 31, 2018 and for Q4 2019 increased by 335.7% to \$12.2 million compared to \$2.8 million in Q4 2018.
- Net cash flows from operating activities increased by 20.8% to \$34.8 million compared to \$28.8 million in the year ended December 31, 2018 and for Q4 2019 increased 24.4% to \$5.1 million compared to \$4.1 million in Q4 2018.
- Adjusted funds flow from operations<sup>1</sup> increased 122.3% to \$42.9 million compared to \$19.3 million in the year ended December 31, 2018 and for Q4 2019 increased 107.8% to \$13.3 million compared to \$6.4 million in Q4 2018.
- Working capital increased 28.7% to \$108.4 million at December 31, 2019 compared to \$84.2 million at December 31, 2018.

For the year to date in 2020, the Company's:

- Cash and short-term investments totaled \$141.6 million on February 21, 2020 compared to \$138.7 million at December 31, 2019.
- January 2020 sales volume was 59.5 million standard cubic feet per day ("MMcfd") compared to the fourth quarter average for 2019 of 70.8 MMcfd. The decrease in sales volume in January 2020 was primarily a result of an increase in hydro power generation as recent rainfall totals have been significantly above the long-term average reducing the requirement for gas power generation.
- Subsequent to December 31, 2019 the Company received \$9.0 million from the electricity utility, the Tanzanian Electricity Supply Company, and has invoiced \$2.0 million for gas deliveries in January 2020.

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<sup>1</sup> *Adjusted funds flow from operations is a non-GAAP financial measure. See Non-GAAP Measures below.*

The financial highlights noted above relating to revenue, net income, net cash flows from operating activities, adjusted funds flow from operations, working capital and cash and short-term investments, sales volumes and TANESCO invoices and receipts are management estimates only, have been reviewed by our Audit Committee but have not been reviewed or audited by our auditors or approved by our Board of Directors. These estimates are subject to a number of cautionary statements, assumptions, contingencies and risks as set forth in this news release. In addition, see "Forward-looking Information" for a statement of principal assumptions and risks that may apply. As such, these estimates may change upon the completion of the audited financial statements for the year ended December 31, 2019. Such changes could be material.

## INDEPENDENT RESERVES EVALUATION

The Company's conventional natural gas reserves as at December 31, 2019 for the period to the end of the term of the production sharing agreement (the "**Songo Songo PSA**") with the Tanzanian Petroleum Development Corporation (the "**TPDC**"), which currently expires upon the expiry of the TPDC's Songo Songo licence in respect of the Songo Songo Block (the "**Songo Songo Licence**") in October 2026, have been evaluated by independent petroleum engineering consultants McDaniel & Associates Consultants Ltd. ("**McDaniel**") in accordance with the definitions, standards and procedures contained in the Canadian Oil and Gas Evaluation Handbook ("**COGE Handbook**") and National Instrument 51-101 – *Standards of Disclosure for Oil and Gas Activities* ("**NI 51-101**"). The preparation date of the independent reserves evaluation prepared by McDaniel (the "**McDaniel Report**") is February 20, 2020 with effective date of December 31, 2019.

All the Company's reserves are located in Tanzania. Reserves included herein are stated on a Company gross reserves basis unless noted otherwise. Company gross reserves are the total of the Company's working interest share in reserves before deduction of royalties owned by others and without including any royalty interests of the Company, and are based on the Company's 92.07 percent ownership interest in the reserves following the transaction with Swala Oil & Gas (Tanzania) plc ("**Swala**") described in Note 3 to the tables below.

The Company's Reserves Committee and Board of Directors have reviewed and approved the McDaniel Report. Additional reserves information required under NI 51-101 are included in Orca's reports relating to reserves data and other oil and gas information under NI 51-101 which are filed on its profile on SEDAR at [www.sedar.com](http://www.sedar.com). The following discussion is subject to a number of cautionary statements, assumptions, contingencies and risks as set forth in this news release.

For the year ended December 31, 2019, the Company's total proved conventional natural gas reserves decreased 10% to 234 billion standard cubic feet ("**Bcf**") at December 31, 2019 compared to 261 Bcf at December 31, 2018. Total proved plus probable reserves ("**2P**") conventional natural gas reserves at December 31, 2019 decreased 9% to 265 Bcf compared to 293 Bcf at December 31, 2018. The Company's Additional Gas production for the year ended December 31, 2019 was 21 Bcf. The net present value of the estimated future cash flows from the 2P reserves at December 31, 2019 using a 10% discount rate decreased by 4% to \$282.6 million compared to \$294.4 million at December 31, 2018. The reserves and estimated future cash flows are based on forecasted Additional Gas<sup>2</sup> sales volumes of 79.4 MMcfd for 2020 compared to actual results of 63.1 MMcfd for 2019.

The following tables outline the Company's conventional natural gas reserves as at December 31, 2019 and the net present value of future net revenue attributable to such reserves as evaluated in the

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<sup>2</sup> Additional Gas is defined within the Nature of Operations document, a summary of which is included as part of Orca's annual Management Discussion & Analysis available on its SEDAR profile on [www.sedar.com](http://www.sedar.com).

McDaniel Report utilising forecast price and cost assumptions to the end of the Songo Songo Licence period in October 2026.

	Company Gross Reserves			Company Net Reserves		
	Light and Medium Crude Oil	Natural Gas Liquids	Conventional Natural Gas	Light and Medium Crude Oil	Natural Gas Liquids	Conventional Natural Gas
	<i>Mbbl</i>	<i>Mbbl</i>	<i>MMcf</i>	<i>Mbbl</i>	<i>Mbbl</i>	<i>MMcf</i>
<b>Proved</b>						
Developed Producing	-	-	234,428	-	-	144,523
Developed Non-Producing	-	-	-	-	-	-
Undeveloped	-	-	-	-	-	-
<b>Total Proved</b>	-	-	234,428	-	-	144,523
<b>Probable</b>	-	-	30,846	-	-	17,239
<b>Total Proved plus Probable</b>	-	-	265,274	-	-	161,762

	Net present value of future net revenues					Unit Value
	Before/After Future Income Tax Expenses Discounted at					Before/After Tax at 10%
	0%	5%	10%	15%	20%	\$/Mcf
<i>(\$'000)</i>						
<b>Proved</b>						
Developing Producing	341,070	281,993	237,057	202,267	174,895	1.64
Developed Non-Producing	-	-	-	-	-	-
Undeveloped	-	-	-	-	-	-
<b>Total Proved</b>	341,070	281,993	237,057	202,267	174,895	1.64
Probable	64,706	53,888	45,501	38,898	33,626	2.64
<b>Total Proved plus Probable</b>	405,776	335,881	282,558	241,165	208,521	1.75

Notes:

1. During the third quarter of 2015, The Petroleum Act, 2015, (the "Act") was passed into law by Presidential decree. The Act repeals earlier legislation, provides a regulatory framework over upstream, 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. 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. The Act also confers upon on the 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 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 the Production Sharing Agreement as it was signed prior to the 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.
2. On October 7, 2016, the Government of Tanzania issued the Petroleum (Natural Gas Pricing) Regulation ("**Natural Gas Pricing Regulation**") made under Sections 165 and 258 (I) of the Act. Article 260 (3) preserves the Company's pre-existing right with TPDC to market and sell Additional Gas together or independently on terms and conditions (including prices) negotiated with third party natural gas customers. The impact of the Natural Gas Pricing Regulation cannot be determined at this time.
  3. On January 16, 2018 Orca sold (the "**Swala Transaction**") 7.933 percent of the Class A common shares (7,933 Class A common shares) of its wholly owned subsidiary PAE PanAfrican Energy Corporation ("**PAEM**"), a Mauritius registered Company and sole shareholder of PanAfrican Energy Tanzania Limited ("**PAET**") a Jersey registered Company, to a wholly owned subsidiary of Swala. The Songo Songo PSA is held by PAET. While Swala has no management or control of PAEM and no shareholding in, or management or control of PAET, the McDaniel Report was prepared based on Orca's ownership of 92.07 percent of PAET's gross reserves.
  4. "Company Gross Reserves" are the total of the Company's working interest share in reserves before deduction of royalties owned by others and without including any royalty interests of the Company.
  5. "Company Net Reserves" are the total of the Company's working interest share in reserves after deducting the amounts attributable to royalties and Profit Gas owned by others (as defined in the PSA), plus the Company's royalty interests in such reserves.
  6. Company Gross and Net Reserves are based on the Company's 92.07 percent ownership interest in the reserves following the Swala Transaction.

McDaniel employed the following gas sales, pricing and inflation rate assumptions as of December 31, 2019 in estimating the Company's reserves data using forecast prices and costs. The Company received an average conventional natural gas price of \$4.38/Million cubic feet ("**Mcf**") in 2019 and \$4.02/Mcf net of the Songas tariff.

Year	Songo Songo gas prices			Annual inflation %
	Brent crude \$/bbl	Proved \$/Mcf	Proved plus probable \$/Mcf	
2020	67.00	4.02	4.04	2%
2021	67.83	4.06	4.09	2%
2022	69.19	4.18	4.21	2%
2023	70.57	4.30	4.37	2%
2024	71.98	4.32	4.46	2%
2025	73.42	4.31	4.53	2%
2026	74.89	4.44	4.73	2%

Note:

1. *Brent price forecast based on the McDaniel January 1, 2020 price forecast.*

The price of gas for the Industrial sector is based on a formula related to discounts to heavy fuel oil prices and includes caps and floors. This has been reflected in the above pricing.

### **Orca Exploration Group Inc.**

Orca is an international public company engaged in natural gas development and supply in Tanzania through its subsidiary PanAfrican Energy Tanzania Limited. Orca trades on the TSX Venture Exchange under the trading symbols ORC.A and ORC.B.

For further information please contact:

**Nigel Friend, CEO**  
[nfriend@orcaexploration.com](mailto:nfriend@orcaexploration.com)

**Blaine Karst, CFO**  
 bkarst@orcaexploration.com

**For media enquiries:**

Celicourt (PR)  
 Mark Antelme  
 Jimmy Lea  
 Jemima Lowe  
[Orca@celicourt.uk](mailto:Orca@celicourt.uk)  
 +44 20 8434 2643

*Neither the TSX Venture Exchange nor its Regulation Service Provider (as that term is defined in the policies of the TSX Venture Exchange) accepts responsibility for the adequacy or accuracy of this release.*

**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 standardized and therefore may not be comparable to similar measurements of other entities.

**Adjusted funds flow from operations** represents net cash flows from operating activities less interest expense and before changes in non-cash working capital. Management uses this as a performance measure that represents the company's ability to generate sufficient cash flow to fund capital expenditures and/or service debt.

\$'000	THREE MONTHS ENDED DECEMBER 31		YEAR ENDED DECEMBER 31	
	2019	2018	2019	2018
<b>Net cash flow from operating activities</b>	<b>5,051</b>	4,085	<b>34,768</b>	28,752
Base interest expense	<b>(1,481)</b>	(1,591)	<b>(6,164)</b>	(6,249)
Participatory interest expense	<b>(120)</b>	(342)	<b>(2,071)</b>	(4,745)
Finance income re TANESCO arrears and VAT recovered	<b>(7,546)</b>	(1,359)	<b>(11,044)</b>	(16,227)
Changes in non-cash working capital	<b>17,354</b>	5,605	<b>27,422</b>	17,724
<b>Adjusted funds flow from operations</b>	<b>13,258</b>	6,398	<b>42,911</b>	19,255

**Forward Looking Information**

*Certain information regarding Orca set forth in this news release contains forward-looking information and statements as defined under applicable securities laws (the "forward-looking statements" or "statements") that involve substantial known and unknown risks and uncertainties. The use of any of the words "plan", "expect", "prospective", "project", "intend", "believe", "should", "anticipate", "estimate" or other similar words, or statements that certain events or conditions "may" or "will" occur are intended to identify forward-looking statements. These statements are only predictions and actual events or results may differ materially. Although the Company's 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, competitive, political and social uncertainties and contingencies. Many factors could cause Orca's actual results to differ materially from those expressed or implied in any forward-looking statements made by, or on behalf of, Orca.*

*In particular, statements relating to "reserves" are deemed to be forward-looking statements, as they involve the implied assessment, based on certain estimates and assumptions that the resources described exist in the quantities predicted or estimated, and that the resources described can be profitably produced in the future. Additional forward-looking statements in this news release include statements regarding:*

- *expectations regarding demand for natural gas and the implications of increasing demand; and*
- *expectations regarding 2020 sales of Additional Gas and associated cash flows.*

*These forward-looking statements are subject to numerous risks and uncertainties, including but not limited to risks and uncertainties regarding or associated with:*

- *drilling wells, including the costs of drilling and whether development drilling results in commercially productive quantities of oil and gas;*
- *the terms of Orca's future petroleum contracts, including potential obligations to drill wells and declare discoveries in order to retain Orca's exploration and production rights;*
- *Orca's local operational dependence and focus of its existing contracts;*
- *Orca's future control over its licence areas and facilities, including its status as operator thereof, and the timing and extent of costs in association therewith;*
- *estimations of reserves and the present value of future net revenues derived from them;*
- *Orca's dependency on its management and technical team;*
- *Orca's business plan including the additional capital required to execute on it;*
- *commercializing Orca's interests in any hydrocarbons produced from future licence areas;*
- *Orca's ability to access appropriate equipment and infrastructure in a timely manner;*
- *the exploration and production of oil and natural gas, including but not limited to drilling and other operational and environmental risks and hazards;*
- *severe weather including but not limited to tropical storms and hurricanes;*
- *disagreements with TPDC regarding certain of Orca's rights and responsibilities under the Songo Songo PSA;*
- *the geographic location of Orca's current and future licences in Africa and factors generally associated with foreign operations or arising from factors specifically affecting the areas in which Orca operates or may operate;*
- *the political and economic circumstances in the countries in which Orca operates;*
- *technological development;*
- *activism against oil and exploration and development;*
- *limitations on insurance coverage;*
- *Orca's operations in a litigious environment;*
- *global populism;*
- *Orca's future capitalization which may include additional indebtedness;*
- *acquisitions and the integration of any target entity or business into Orca's current business;*
- *cybersecurity and data breaches;*
- *disease;*
- *share price volatility and dilution;*
- *Orca's controlling shareholder and its control over key decision making as a result of its control of a majority of the voting rights attached to Orca's issued and outstanding securities;*
- *Orca's status as a holding company that's ability to declare and pay dividends and purchase its own securities is dependent upon the receipt of funds from Orca's subsidiaries by way of dividends, fees, interest, loans or otherwise;*
- *the impact of general economic conditions, including global and local oil and gas prices;*
- *industry conditions including changes in laws and regulations, and changes in how they are interpreted and enforced;*
- *competition;*
- *lack of availability of qualified personnel;*
- *risks related to obtaining required approvals of regulatory authorities;*
- *risks associated with negotiating with governments and other counterparties;*
- *fluctuations in foreign exchange or interest rates;*
- *risks associated with obtaining an extension to the Songo Songo PSA and related licence or successfully renegotiating them;*
- *changes in income tax laws or tax rates;*
- *ability to access sufficient capital from internal and external sources;*
- *associated with the failure of counterparties to perform under the terms of their contracts, including collectability of Orca's receivables from such parties;*

and other factors, many of which are beyond the control of the Company. Readers are cautioned that the foregoing list of factors is not exhaustive.

Although the forward-looking statements contained in this news release are based upon assumptions which management believes to be reasonable, Orca cannot assure investors that actual results will be consistent with these forward-looking statements. Readers are cautioned not to place undue reliance on forward-looking statements included in this news release, as there can be no assurance that the plans, intentions or expectations upon which the forward-looking statements are based will occur. By their nature, forward-looking statements involve numerous assumptions, known and unknown risks and uncertainties that contribute to the possibility that the predictions, forecasts, projections and other forward-looking statements will not occur. With respect to forward-looking statements contained in this news release, Orca has made assumptions regarding, among other things: continued and timely development of infrastructure in areas of new production; obtaining an extension to the Songo Songo PSA and related licence on terms acceptable to Orca; accuracy of estimates of Orca's resource volumes; availability of skilled labour; availability of transactions to facilitate Orca's growth strategy; growth of demand and consumption of natural gas in Tanzania and throughout Africa; timing and amount of capital expenditures; the impact of increasing competition; conditions in general economic and financial markets; effects of regulation by governmental agencies; receipt of partner, regulatory and community approvals; future operating costs; effects of regulation by governmental agencies; that Orca will have sufficient cash flow or equity sources or other financial resources required to fund its capital and operating expenditures and requirements as needed including pursuant to its growth strategy; that Orca's conduct and results of operations will be consistent with its expectations; current or, where applicable, proposed industry conditions, laws and regulations will continue in effect or as anticipated as described herein; and other matters. There are a number of assumptions associated with the development of the evaluated areas, including continued performance of existing wells, future drilling programs and performance from new wells, the growth of infrastructure, well density per section, and recovery factors and development necessary involves known and unknown risks and uncertainties, including those risks identified in this news release. Orca believes the material factors, expectations and assumptions reflected in the forward-looking information are reasonable but no assurance can be given that these factors, expectations and assumptions will prove to be correct.

Management has included the above summary of assumptions and risks related to forward-looking information provided in this news release in order to provide investors with a more complete perspective on Orca's current and future operations and such information may not be appropriate for other purposes. Orca's actual results, performance or achievement could differ materially from those expressed in, or implied by, these forward-looking statements and, accordingly, no assurance can be given that any of the events anticipated by the forward-looking statements will transpire or occur, or if any of them do, what benefits Orca will derive. These forward-looking statements are made as of the date of this news release and Orca disclaims any intent or obligation to update publicly any forward-looking statements, whether as a result of new information, future events or results or otherwise, other than as required by applicable securities laws. The forward-looking statements contained in this news release are expressly qualified by this cautionary statement.

**OIL AND GAS ADVISORY:** The Company's conventional natural gas reserves as at December 31, 2019 disclosed herein were evaluated by McDaniel in accordance with the definitions, standards and procedures contained in the COGE Handbook and NI 51-101. The McDaniel Report had an effective date of December 31, 2019.

**Additional reserves information required under NI 51-101 are included in Orca's reports relating to reserves data and other oil and gas information under NI 51-101, which are filed on its profile on SEDAR at [www.sedar.com](http://www.sedar.com).**

This news release contains estimates of the net present value of Orca's future net revenue from the Company's reserves. The net present value of future net revenue attributable to the Company's reserves is stated without provision for interest costs and out of country general and corporate administrative costs, but after providing for estimated royalties, production costs, development costs, other income, future capital expenditures, and well abandonment costs for only those wells assigned reserves by McDaniel. It should not be assumed that the undiscounted or discounted net present value of future net revenue attributable to the Company's reserves estimated by McDaniel represent the fair market value of those reserves. Such amounts do not represent the fair market value of the Company's reserves. The recovery and reserve estimates of the Company's conventional natural gas reserves provided herein are estimates only and there is no guarantee that the estimated reserves will be recovered. Actual reserves may be greater than or less than the estimates provided herein.