

## NEWS RELEASE

### **ORCA EXPLORATION GROUP INC. ANNOUNCES COMPLETION OF ITS Q1 2020 INTERIM FILINGS, POSTPONEMENT OF THE ANNUAL GENERAL MEETING AND FILING EXTENSION OF EXECUTIVE COMPENSATION DISCLOSURE**

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#### ***For Immediate Release***

**TORTOLA, BRITISH VIRGIN ISLANDS** – May 21, 2020: Orca Exploration Group Inc. ("**Orca**" or "**the Company**" and includes its subsidiaries and affiliates) (TSX-V: ORC.A, ORC.B) today announces it has filed its condensed consolidated interim financial statements and management's discussion and analysis for the three month period ended March 31, 2020 with the Canadian securities regulatory authorities. All amounts are in United States dollars unless otherwise stated.

- Revenue for Q1 2020 decreased by 11% to \$17.7 million compared to the same prior year period. The decrease is primarily a result of decreased sales to the Tanzanian Electric Supply Company Limited ("**TANESCO**") under the Portfolio Gas Supply Agreement and a smaller current income tax adjustment due to lower revenues. Gas deliveries for the quarter decreased by 8% compared to the same prior year period. The decrease in gross sales volume was primarily due to the increase in hydro power generated due to higher than normal rainfall during the past six months which decreased sales of natural gas to TANESCO and Songas Limited ("**Songas**"). This was partially offset by an increase in sales to the Tanzanian Petroleum Development Corporation ("**TPDC**") through the National Natural Gas Infrastructure ("**NNGI**").
- Net income attributable to shareholders increased 356% to \$12.6 million for Q1 2020 over the comparable prior year period. The increase is primarily due to the increase in finance income related to the collection of \$10.1 million of TANESCO long-term arrears.
- Net cash flows from operating activities for Q1 2020 decreased by 94% to \$0.8 million from \$13.2 million in Q1 2019. The decrease is primarily a result of the payment of the current portion of the Additional Profits Tax liability of \$11.9 million to the Government of Tanzania.
- Adjusted funds flow from operations <sup>(1)</sup> for Q1 2020 decreased by 16% to \$7.6 million compared to the same prior year period. The decrease was primarily related to a large receivable from TPDC as at March 31, 2020, a majority of which was settled subsequent to the end of Q1 2020.
- Capital expenditures decreased by 55% to \$0.5 million for Q1 2020 compared to \$1.1 million for Q1 2019. The capital expenditures in Q1 2020 primarily relate to the flowline decoupling construction. The capital expenditures in Q1 2019 primarily relate to the refrigeration project for the Songas Infrastructure.
- As at March 31, 2020 the Company is in a stable financial position with \$82.9 million in working capital (December 31, 2019: \$107.0 million), cash and short-term investments of \$98.1 million (December 31, 2019: \$138.7 million) and long-term debt of \$54.1 million (December 31, 2019: \$54.1 million). The decrease in working capital and cash and short-term investments was primarily related to the substantial issuer bid ("**SIB**") completed in March 2020.
- As at March 31, 2020 the current receivable from TANESCO was \$ nil (December 31, 2019: \$ nil). TANESCO's long-term trade receivable as at March 31, 2020 was \$37.3 million with a provision of \$37.3 million compared to \$47.5 million (provision of \$47.5 million) as at December 31, 2019. Subsequent to March 31, 2020 the Company has invoiced TANESCO \$1.6 million for April 2020 gas deliveries and TANESCO has paid the Company \$6.2 million.
- On February 25, 2020 the Company declared a dividend of CDN\$0.06 per share on each of its Class A common voting shares ("**Class A Shares**") and Class B subordinate voting shares ("**Class B Shares**") for a total of \$1.2 million to the holders of record as of March 31, 2020, which was paid on April 30, 2020.
- On March 12, 2020 the Company announced the final results of the SIB where it took up and paid for 7,692,297 Class B Shares at CDN\$6.50 per Class B Share. The aggregate purchase of Class B Shares totaled CDN\$50.0 million representing 23.6% of the Company's issued and outstanding Class B Shares and 22.4% of the total number of the Company's issued and outstanding shares.

<sup>(1)</sup> Operating netback and adjusted funds flow from operations are non-GAAP financial measures. See Non-GAAP Measures.

- On April 7, 2020 the Company announced its intention to amend the normal course issuer bid (“NCIB”) for purchase of its Class B Shares initiated in June 2019. Additional purchases made pursuant to the NCIB will not exceed 700,000 Class B Shares (subject to a maximum aggregate purchase limit of CDN\$3.9 million representing not more than 5% of the issued and outstanding Class B Shares as at June 14, 2019 (33,505,915 Class B Shares) less 933,028 Class B Shares already purchased under the NCIB. The NCIB will be in effect until June 14, 2020. The Company has purchased 375,600 Class B Shares under the NCIB since April 14, 2020.

## Financial and Operating Highlights for the Three Months Ended March 31, 2020

<i>(Expressed in \$'000 unless indicated otherwise)</i>	THREE MONTHS ENDED MARCH 31		% CHANGE
	2020	2019	Q1/20 vs Q1/19
<b>OPERATING</b>			
Daily average gas delivered and sold (MMcfd)	56.3	61.3	(8)%
Industrial	12.2	11.6	5%
Power	44.1	49.7	(11)%
Average price (\$/mcf)			
Industrial	7.47	7.97	(6)%
Power	3.46	3.43	1%
Weighted average	4.33	4.29	1%
Operating netback (\$/mcf) <sup>(1)</sup>	2.39	2.48	(4)%
<b>FINANCIAL</b>			
Revenue	17,715	19,936	(11)%
Net income attributable to shareholders	12,645	2,775	356%
per share - basic and diluted (\$)	0.39	0.08	388%
Net cash flows from operating activities	827	13,240	(94)%
per share - basic and diluted (\$)	0.03	0.38	(92)%
Adjusted funds flow from operations <sup>(1)</sup>	7,569	9,063	(16)%
per share - basic and diluted (\$)	0.23	0.26	(12)%
Capital expenditures	489	1,092	(55)%
	<b>AS AT</b>		
	<b>MARCH 31, 2020</b>	<b>DECEMBER 31, 2019</b>	<b>% CHANGE</b>
Working capital (including cash)	82,884	106,972	(23)%
Cash and cash equivalents	71,588	93,899	(24)%
Investments in short-term bonds	26,482	44,756	(41)%
Long-term loan	54,107	54,057	0%
Outstanding shares ('000)			
Class A	1,750	1,750	0%
Class B	24,865	32,557	(24)%
Total shares outstanding	26,615	34,307	(22)%
Weighted average Class A and Class B Shares ('000)	32,702	34,931	(6)%

(1) Adjusted funds flow from operations and operating netback are non-GAAP financial measures which may not be comparable to other companies. Please refer to non-GAAP financial measures below. Certain prior year amounts for adjusted funds flow from operations have been reclassified to conform with the current year presentation.

### Abbreviations

Mcf	thousand standard cubic feet
MMcfd	million standard cubic feet per day

Nigel Friend, Chief Executive Officer, commented:

*“Despite the pandemic, Tanzania remains heavily reliant on the stable supply of natural gas, to ensure not only its electricity generation but also its industrial output as the country seeks to minimise the economic fallout of the virus. Orca remains focused on the welfare of its people and those working with us, so continue to adhere to all of the necessary safety precautions and to maintaining the significant social distancing measures that we have introduced to our operations. We are committed to ensuring not only the safety of employees, but also that there is no disruption to gas production operations at this critical time for Tanzania. To date, this has been successful, and we remain extremely vigilant.”*

The complete Interim Consolidated Financial Statements and Notes and Management's Discussion & Analysis may be found on the Company's website [www.orcaexploration.com](http://www.orcaexploration.com) or on the Company's profile on SEDAR at [www.sedar.com](http://www.sedar.com).

## Annual General Meeting & Executive Compensation Disclosure

Orca is also announcing the expected timing of holding its annual general meeting of shareholders in 2020 (the "AGM") and the filing of its executive compensation disclosure due to the COVID-19 pandemic.

Orca expects to hold its AGM prior to the end of December, 2020 at a time when COVID-19 travel restrictions have been relaxed.

Orca is relying on the blanket relief provided by the TSX Venture Exchange, the Canadian Securities Administrators and Alberta Securities Commission Blanket Order 51-518 - *Temporary Exemptions from Certain Requirements to File or Send Securityholder Materials* with respect to its obligation to file a statement of executive compensation within 180 days of Orca's year end, as set out in section 9.3.1(2.2) of National Instrument 51-102 – *Continuous Disclosure Obligations*, and will include such statement of executive compensation in the information circular to be mailed to securityholders and filed on SEDAR in connection with its AGM.

The Company confirms that its annual financial statements, related management's discussion and analysis and certifications for the year ended December 31, 2019 were filed on April 28, 2020, copies of which are available on SEDAR at [www.sedar.com](http://www.sedar.com).

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

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

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*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.

<i>\$'000</i>	<b>THREE MONTHS ENDED MARCH 31</b>	
	<b>2020</b>	2019
<b>Net cash flows from operating activities</b>	<b>827</b>	13,240
Interest expense	<b>(2,226)</b>	(2,405)
Finance income – collection of TANESCO arrears	<b>(10,113)</b>	-
Changes in non-cash working capital	<b>19,081</b>	(1,772)
<b>Adjusted funds flow from operations</b>	<b>7,569</b>	9,063

- Operating netbacks represent the profit margin associated with the production and sale of gas and is calculated as revenues less processing and transportation tariffs, TPDC's revenue share, operating and distribution costs per one thousand standard cubic feet of Additional Gas. This is a key measure as it demonstrates the profit generated from each unit of production.
- Adjusted funds flow from operations per share is calculated on the basis of the adjusted funds flow from operations divided by the weighted average number of shares, similar to the calculation of earnings per share.
- Net cash flows from operating activities per share is calculated as net cash flows from operating activities divided by the weighted average number of shares, similar to the calculation of earnings per share.

## FORWARD LOOKING INFORMATION

This press release contains forward-looking statements or information (collectively, “**forward-looking statements**”) within the meaning of applicable securities legislation. More particularly, this press release contains, without limitation, forward-looking statements pertaining to the following: the commitment to ensuring uninterrupted gas production operations; expectations and assumptions concerning the Company's ability to complete the filing of its annual general meeting information circular on the timeline expected; and the Company's ability to hold the annual general meeting as expected. 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, reduced global economic activity as a result of the COVID-19 pandemic, including lower demand for natural gas and a reduction in the price of natural gas; the potential impact of the COVID-19 pandemic on the health of the Company's employees, contractors, suppliers, customers and other partners and the risk that the Company and/or such persons are or may be restricted or prevented (as a result of quarantines, closures or otherwise) from conducting business activities for undetermined periods of time; the impact of actions taken by Governments to reduce the spread of COVID-19, including declaring states of emergency, imposing quarantines, border closures, temporary business closures for companies and industries deemed non-essential, significant travel restrictions and mandated social distancing, and the effect on the Company's operations, access to customers and suppliers, availability of employees and other resources; risk that contract counterparties are unable to perform contractual obligations; the impact of general economic conditions in the areas in which the Company operates; civil unrest; the susceptibility of the areas in which the Company operates to outbreaks of disease; industry conditions; lack of availability of qualified personnel or management; fluctuations in commodity prices, foreign exchange rates and/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; changes in laws and regulations including the adoption of new environmental laws and regulations; impact of new local content regulations and changes in how they are interpreted and enforced; imprecision in reserve estimates; obtaining required approvals from regulatory authorities; risks associated with negotiating with foreign governments; and unanticipated changes to legislation and the effect on the Company's operations. 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, the impact of the COVID-19 pandemic on the demand for and price of natural gas, volatility in financial markets, disruptions to global supply chains and the Company's business, operations, access to customers and suppliers, availability of employees to carry out day-to-day operations, and other resources; commodity prices will not further deteriorate significantly; availability of skilled labour; conditions in general economic and financial markets; and other matters.

The forward-looking statements contained in this news release 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.