PRESS RELEASE

ORCA ENERGY GROUP INC.
ANNOUNCES COMPLETION OF Q2 2023 INTERIM FILINGS

For Immediate Release

TORTOLA, BRITISH VIRGIN ISLANDS – August 16, 2023: Orca Energy Group Inc. ("**Orca**" or the "**Company**" and includes its subsidiaries and affiliates) (TSX-V: ORC.A, ORC.B) today announces that it has filed its condensed consolidated interim financial statements and management's discussion and analysis ("**MD&A**") for the three and six month periods ended June 30, 2023 ("**Q2 2023**") with the Canadian securities regulatory authorities. All amounts are in United States dollars ("**$**") unless otherwise stated. Any terms not defined herein have the meanings given to such terms in the Q2 2023 MD&A.

Jay Lyons, Chief Executive Officer, commented:

"We have had an active first half of the year, with the Company delivering a robust financial and operational performance.

We continue to assess the potential to carry out a number of projects later this year and into 2024. These workstreams will enable development of additional reserves to meet increasing demand. However, capital allocation towards these initiatives will need to be weighed against the existing timeline remaining on the license period and are subject to the necessary approvals. As such, we formally requested TPDC initiate the process to work towards a license extension. As evidenced by the Group's significant investment in Tanzania to date, we are a forward looking organization and want to keep supporting Tanzania's economic and industrial growth by realizing further value from the Songo Songo Gas Field for the benefit of all stakeholders. We await a formal response from TPDC and look forward to actively engaging with the Government of Tanzania and TPDC to progress this matter.

However, and although acquisition has now commenced, delays continue to hamper the progress of the 3D seismic project. This is largely due to poor performance of the contractor and lack of equipment reliability. As a result, the Company is now reviewing its options regarding the way forward for this project."

Highlights

- Revenue decreased by 1% for Q2 2023 and increased by 5% for the six months ended June 30, 2023 compared to the same prior year periods. The decrease for Q2 2023 is primarily a result of higher TPDC share of revenue as an outcome of decreased capital expenditures and lower Cost Gas revenue. The increase for the six months ended June 30, 2023 is primarily a result of increased sales to the power sector and higher current income tax adjustment partially offset by a higher TPDC share of revenue.
- Gross conventional natural gas production was in line with forecasts and averaged 120.6 MMcfd (total) for Q2 2023, of which 84.2 MMcfd was Additional Gas. Gas deliveries decreased by 2% for Q2 2023 and increased by 12% for the six months ended June 30, 2023 compared to the same prior year periods. The decrease for Q2 2023 was primarily due to increased planned maintenance of the wells and compression facilities as well as increased hydro production following the onset of the wet season. The increase for the six months ended June 30, 2023 was primarily due to increased gas sales to TPDC through the NNGI.
- We now anticipate our average gas sales to be in the range of 90.0 to 95.0 MMcfd during 2023, compared to 2022 sales of 86.8 MMcfd.
- Net income attributable to shareholders decreased by 59% for Q2 2023 and by 55% for the six months ended June 30, 2023 compared to the same prior year periods, primarily as a result of the increased depletion expense.
- Net cash flows from operating activities decreased by 43% for Q2 2023 and by 28% for the six months ended June 30, 2023 compared to the same prior year periods. This was primarily a result of changes in non-cash working capital adjustments.
- Capital expenditures decreased by 58% for Q2 2023 and by 82% for the six months ended June 30, 2023 compared to the same prior year periods. The capital expenditures in Q1 and Q2 2023 primarily related to the 3D seismic acquisition program. The capital expenditures in Q1 and Q2 2022 primarily related to well workover program.
- The Songo Songo 3D seismic project moved towards completion of mobilization for acquisition at the end of Q2. The progress of the contractor has been slow with delays due to technical challenges associated with the remote location, exacerbated by challenging weather and supply issues. As a result, the company is evaluating the options for delivering this project.
- We commenced detailed planning work to carry out a number of projects in late 2023 and 2024. These include an intervention to restore production on the SS-7 well (from the non-producing southern compartment of the field) and installation of a common inlet manifold to optimize production performance of the well gathering system. We have also commenced front end engineering for installing further compression to support production field compartments where pressure is declining. Additionally, procurement of long lead items is ongoing. This will provide the option for drilling an infill development well to access additional reserves in the proven southern compartment of the field. All capital allocation decisions will be based upon prudent economic evaluations and returns given the timeline of the existing license period through to September 2026. Execution of projects will be subject to the necessary stakeholder and government approvals.

- The Company exited the period in a strong financial position with $71.3 million in working capital (December 31, 2022: $61.6 million) cash and cash equivalents of $102.9 million (December 31, 2022: $96.3 million) and long-term debt of $34.9 million (December 31, 2022: $39.8 million). The decrease in long-term debt is related to payment of $5.0 million in April 2023, representing the second semi-annual repayment of the Company's long-term debt.
- During Q2 2023, the PGSA with TANESCO, which was due to expire on June 30, 2023, was extended to a new expiry date of July 31, 2024. As part of the extension, the maximum daily quantity of gas to be sold was increased from 16.0 MMcfd to 26.0 MMcfd. Discussions with TANESCO will now focus on a further extension of this contract to the end of the current period of the development license in October 2026 to meet expected gas demand and to allow the Company to effectively deploy near term capital.
- As at June 30, 2023 the current receivable from TANESCO was $3.6 million (December 31, 2022: $3.7 million). During Q2 2023 TANESCO paid the Company $6.5 million against the 2020 take or pay invoice and $3.3 million against the 2021 take or pay invoice. The TANESCO long-term receivable as at June 30, 2023 and as at December 31, 2022 was $22.0 million with a provision of $22.0 million. Subsequent to June 30, 2023 the Company has invoiced TANESCO $1.1 million for July 2023 gas deliveries and TANESCO has paid the Company $3.3 million. Additionally, subsequent to June 30, 2023 TANESCO paid the Company $3.4 million against the 2021 take or pay invoice and TANESCO have now settled the final outstanding principal take or pay invoice (related interest balances remain outstanding).
- On February 24, 2023, the Company declared dividends of CDN$0.10 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 $1.5 million to the holders of record as of March 31, 2023 paid on April 14, 2023.
- On May 17, 2023, the Company declared dividends of CDN$0.10 per share on each of its Class A Shares and Class B Shares for a total of $1.5 million to the holders of record as of June 30, 2023 payable on July 14, 2023.
- During Q2 the Company formally requested to TPDC to initiate the process of license extension, in accordance with the terms of the PSA. The Company awaits a formal response from TPDC on this and continues to actively engage with the Government of Tanzania to progress this matter.
- On August 8, 2022, the Company issued a redemption notice to Swala Oil & Gas (Tanzania) plc ("**Swala TZ**"), requesting that Swala TZ redeem 20% of the outstanding Swala TZ convertible preference shares ("**Preference Shares**") by August 23, 2022, which were issued to the Company in accordance with the investment agreement dated December 29, 2017 (the "**Investment Agreement**"), between the Company, the Company's subsidiary PAE PanAfrican Energy Corporation ("**PAEM**") and Swala's TZ subsidiary, Swala (PAEM) Limited ("**Swala UK**"). Swala TZ responded to the Company's redemption notice and is disputing its obligation to redeem the Preference Shares. On January 31, 2023, the Company issued a further redemption notice to Swala TZ, requesting that Swala TZ redeem a further 20% of the outstanding Preference Shares by February 15, 2023. As at August 16, 2023, the redemption notice requests of the Company remain outstanding. The Company has submitted a notice of claim to the Tanzanian liquidators.
- On August 5, 2022, the Fair Competition Commission of the United Republic of Tanzania ("**FCC**") issued Provisional Findings with respect an investigation the FCC initiated against Orca, PAEM, PanAfrican Energy Tanzania Limited ("**PAET**") and Swala UK and Swala TZ in response to a letter Swala TZ sent the FCC on March 31, 2022. In the Provisional Findings, the FCC claimed that Orca's sale of investment shares held in PAEM to Swala UK pursuant to the Investment Agreement amounted to a notifiable merger whose non-notification infringed the provisions of the Fair Competition Act, 2003 and the Fair Competition Rules, 2018. In September 2022, the Company responded to the FCC's Provisional Findings submitting that the transactions did not amount to a prohibited merger and that, if the transactions were notifiable, it was Swala UK who had the obligation to notify the authorities of the merger and not Orca, PAEM and PAET. On November 11, 2022, the FCC issued another letter to Orca, PAEM and PAET requesting a settlement plan to be submitted to the FCC. The Company is optimistic that there is no merit to the allegations of the FCC against the Company.
- On April 3, 2023, Swala TZ announced that a meeting of its creditors held on March 31, 2023, resolved that Swala TZ be placed into liquidation. Also, on March 31, 2023, Apex Corporate Trustees (UK) Limited appointed representatives of Grant Thornton UK LLP as administrators of Swala UK. Subsequent to June 30, 2023, the Company has repurchased the 7.9% shares in PAEM held by Swala UK, for $7.5 million.

Financial and Operating Highlights for the Three and Six Months Ended June 30, 2023

	Three months ended June 30		% Change	Six months ended June 30		% Change
(Expressed in $'000 unless indicated otherwise)	2023	2022	Q2/23 vs Q2/22	2023	2022	Ytd/23 vs Ytd/22
OPERATING						
Daily average gas delivered and sold *(MMcfd)*	**84.2**	85.6	(2)%	**89.5**	79.6	12%
Industrial	**13.9**	14.1	(1)%	**13.7**	14.0	(2)%
Power	**70.3**	71.5	(2)%	**75.8**	65.6	16%
Average price *($/mcf)*						
Industrial	**8.63**	8.43	2%	**8.50**	8.57	(1)%
Power	**3.66**	3.61	1%	**3.65**	3.57	2%
Weighted average	**4.48**	4.41	2%	**4.39**	4.45	(1)%
Operating netback *($/mcf)*[1]	**2.52**	2.52	0%	**2.43**	2.87	(15)%

FINANCIAL						
Revenue	**28,006**	28,223	(1)%	**58,413**	55,675	5%
Net income attributable to shareholders	**2,716**	6,567	(59)%	**6,223**	13,958	(55)%
per share – basic and diluted *($)*	**0.14**	0.33	(58)%	**0.31**	0.70	(56)%
Net cash flows from operating activities	**16,160**	28,601	(43)%	**23,632**	32,678	(28)%
per share – basic and diluted *($)*[1]	**0.81**	1.43	(43)%	**1.19**	1.64	(27)%
Capital expenditures[1]	**1,405**	3,306	(58)%	**3,110**	17,569	(82)%
Weighted average Class A and Class B Shares[1] *('000)*	**19,842**	19,938	0%	**19,849**	19,941	0%

	June 30, 2023	As at December 31, 2022	% Change
Working capital (including cash)[1]	**71,259**	61,553	16%
Cash and cash equivalents	**102,872**	96,321	7%
Long-term loan	**34,887**	39,762	(12)%
Outstanding shares *('000)*			
Class A	**1,750**	1,750	0%
Class B	**18,092**	18,126	0%
Total shares outstanding	**19,842**	19,876	0%

[1] See Non-GAAP Financial Measures and Ratios.

The complete Condensed Consolidated Interim Financial Statements and Notes and Management's Discussion & Analysis for the three and six months ended June 30, 2023 may be found on the Company's website at www.orcaenergygroup.com or on the Company's profile on SEDAR at www.sedar.com.

Orca Energy Group Inc.

Orca Energy Group Inc. 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.B and ORC.A.

The principal asset of Orca is its indirect interest in the Production Sharing Agreement ("**PSA**") with TPDC and the Government of Tanzania in the United Republic of Tanzania. This PSA covers the production and marketing of certain conventional natural gas from the Songo Songo licence offshore Tanzania. The PSA defines the gas produced from the Songo Songo gas field as "Protected Gas" and "Additional Gas". The Protected Gas is owned by TPDC and is sold under a 20-year gas agreement (until July 31, 2024) to Songas and Tanzania Portland Cement PLC. 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. Additional Gas is all gas that is produced from the Songo Songo gas field in excess of Protected Gas.

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Abbreviations

mcf	thousand cubic feet
MMcf	million standard cubic feet
MMcfd	million standard cubic feet per day

Non-GAAP Financial Measures and Ratios

In this press release, the Company has disclosed the following non-GAAP financial measures, non-GAAP ratios and supplementary financial measures: capital expenditures, operating netback, operating netback per mcf, working capital, net cash flows from operating activities per share and weighted average Class A and Class B Shares.

These non-GAAP financial measures and ratios disclosed in this press release do not have any standardized meaning under IFRS and may not be comparable to similar financial measures disclosed by other issuers. These non-GAAP financial measures and ratios should not, therefore, be considered in isolation or as a substitute for, or superior to, measures and ratios of Company's financial performance defined or determined in accordance with IFRS. These non-GAAP financial measures and ratios are calculated on a consistent basis from period to period.

Non-GAAP Financial Measures

Capital expenditures

Capital expenditures is a useful measure as it provides an indication of our investment activities. The most directly comparable financial measure is net cash used in investing activities. A reconciliation to the most directly comparable financial measure is as follows:

	Three Months ended June 30		Six Months ended June 30	
$'000	2023	2022	2023	2022
Pipelines, well workovers and infrastructure	**1,305**	3,293	**2,999**	17,307
Other capital expenditures	**100**	13	**111**	262
Capital expenditures	**1,405**	3,306	**3,110**	17,569
Change in non-cash working capital	**461**	5,292	**253**	(1,795)
Net cash used by investing activities	**1,866**	8,598	**3,363**	15,774

Operating netback

Operating netback is calculated as revenue less processing and transportation tariffs, TPDC's revenue share, and operating and distribution costs. The operating netback summarizes all costs that are associated with bringing the gas from the Songo Songo gas field to the market and is a measure of profitability. A reconciliation to the most directly comparable financial measure is as follows:

	Three Months ended June 30		Six Months ended June 30	
$'000	2023	2022	2023	2022
Revenue	**28,006**	28,223	**58,413**	55,675
Production, distribution and transportation expenses	**(4,354)**	(4,843)	**(9,489)**	(8,377)
Net Production Revenue	**23,652**	23,380	**48,924**	47,298
Less current income tax adjustment (recorded in revenue)	**(4,276)**	(3,829)	**(9,513)**	(5,988)
Operating netback	**19,376**	19,551	**39,411**	41,310
Sales volumes MMcf	**7,665**	7,788	**16,197**	14,413
Netback $/mcf	**2.52**	2.52	**2.43**	2.87

Non-GAAP Ratios

Operating netback per mcf

Operating netback per mcf represents the profit margin associated with the production and sale of Additional Gas and is calculated by taking the operating netback and dividing it by the volume of Additional Gas delivered and sold. This is a key measure as it demonstrates the profit generated from each unit of production.

Supplementary Financial Measures

Working capital

Working capital is defined as current assets less current liabilities, as reported in the Company's Consolidated Statements of Financial Position. It is an important measure as it indicates the Company's ability to meet its financial obligations as they fall due.

Net cash flows from operating activities 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. Net cash flow from operations is an important measure as it indicates the cash generated from the operations that is available to fund ongoing capital commitments.

Weighted average Class A and Class B Shares

In calculating the weighted average number of shares outstanding during any period the Company takes the opening balance multiplied by the number of days until the balance changes. It then takes the new balance and multiplies that by the number of days until the next change, or until the period end. The resulting multiples of shares and days are then aggregated and the total is divided by the total number of days in the period.

Forward-Looking Information

This press release contains forward-looking statements or information (collectively, **"forward-looking statements"**) within the meaning of applicable securities legislation. All statements, other than statements of historical fact included in this press release, which address activities, events or developments that Orca expects or anticipates to occur in the future, are forward-looking statements. Forward-looking statements often contain terms such as may, will, should, anticipate, expect, continue, estimate, believe, project, forecast, plan, intend, target, outlook, focus, could and similar words suggesting future outcomes or statements regarding an outlook. More particularly, this press release contains, without limitation, forward-looking statements pertaining to the following: anticipated average gas sales for 2023; the Company's expectations regarding the timing and costs associated with the 3D seismic acquisition and processing program, including the Company's plans to evaluate options to deliver the project; the Company's commencement of detailed planning work and expectations to carry out a number of projects in late 2023 and 2024; the Company's expectation that procurement of long lead items will provide an option for drilling an infill development well to access additional reserves; the Company's expectation that all capital allocation decisions will be based upon prudent economic evaluations and returns; the Company's expectation that discussions with TANESCO will focus on a further contract extension to October 2026 to meet expected gas demand and deploy near term capital; the Company's expectation to continue to actively engage with the GoT to progress the license extension; and the Company's assessment of the merits of the FCC claim. Although management believes that the expectations reflected in the forward-looking statements are reasonable, it cannot guarantee future results, levels of activity, access to resources and infrastructure, 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: the Company's average gas sales are lower than anticipated; failure to complete the 3D seismic acquisition and processing program on the timeline or at the cost anticipated; the Company's anticipated projects to be completed in late 2023 and 2024 are delayed; that procurement of long lead items will not result in accessing additional reserves; that not all capital allocation decisions will be based upon prudent economic evaluations and returns; a contract extension with TANESCO to October 2026 will not result in the Company meeting expected gas demand and deploy near term capital; incorrect assessment by the Company of the merits of the FCC claim; risk of a lack of access to Songas processing and transportation facilities; risk that the Company may be unable to complete additional field development to support the Songo Songo production profile through the life of the license; risks associated with the Company's ability to complete sales of Additional Gas; negative effect on the Company's rights under the PSA and other agreements relating to its business in Tanzania as a result of recently enacted legislation, as well as the risk that such legislation will create additional costs and time connected with the Company's business in Tanzania; 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; changes in laws and regulations including the adoption of new environmental laws and regulations, impact of local content regulations and variances in the interpretation and enforcement of such regulations; 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, oil and gas field services and skilled personnel; failure to obtain required equipment for field development; effect of changes to the PSA on the Company as a result of the implementation of new government policies for the oil and gas industry; imprecision in reserve estimates; incorrect forecasts in production and growth potential of the Company's assets; obtaining required approvals of regulatory authorities; risks associated with negotiating with foreign governments; failure to successfully negotiate agreements; risk that the Company will not be able to fulfill its contractual obligations; risk that trade and other receivables may not be paid by the Company's customers when due; inability to satisfy debt conditions of financing; changes to the Company's debt and interest payments and capital expenditure forecasts; the risk that the Company's Tanzanian operations will not provide near term revenue earnings; and such additional risks listed under "Business Risks" in the Company's MD&A for the year ended December 31, 2022. 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.

Future shareholder returns, including but not limited to the payment of dividends or other distributions to shareholders, if any, and the level thereof is uncertain. Any decision to pay further distributions on the Class A Shares and Class B Shares (including the actual amount, the declaration date, the record date and the payment date in connection therewith) will be subject to the discretion of the Board of Directors of the Company and may depend on a variety of factors, including, without limitation the Company's business performance, financial condition, financial requirements, growth plans, expected capital requirements and other conditions existing at such future time including, without limitation, contractual restrictions and compliance with applicable laws. There can be no assurance that the Company will pay any distributions in the future.

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 Company's average gas sales are in line with forecasts; the timeline and costs to complete the Company's 3D seismic acquisition and processing program, are in line with estimates; commencing detailed planning work will lead to carrying out a number of projects in late 2023 and 2024; that procurement of long lead items will result in an option for drilling an infill development well to access additional reserves; all capital allocation decisions will be based upon prudent economic evaluations and returns; a contract extension with TANESCO to October 2026 will result in the Company meeting expected gas demand and deploy near term capital; correct assessment of the merits of the FCC claim by the Company; the Company's ability to obtain revenue earnings from its operations; 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; that the Company will successfully negotiate agreements; receipt of required regulatory approvals; the ability of the Company to increase production as required to meet demand; infrastructure capacity; commodity prices will not 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; current or, where applicable, proposed industry conditions, laws and regulations will continue in effect or as anticipated as described herein; the effect of any new environmental and climate-change related regulations will not negatively impact the Company; the Company's ability to maintain strong commercial relationships with the GoT and other state and parastatal organizations; the current and future administration in Tanzania continues to honor the terms of the PSA and the Company's other principal agreements; and other matters.

The forward-looking statements contained in this press 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.