

PRESS RELEASE

ORCA ENERGY GROUP INC.

Orca Energy Group Inc. Announces Update on Negotiations with the United Republic of Tanzania and Tanzania Petroleum Development Corporation

For Immediate Release

TORTOLA, BRITISH VIRGIN ISLANDS – July 29, 2024: Orca Energy Group Inc. ("**Orca**" or the "**Company**" and includes its subsidiaries and affiliates) (TSX-V: ORC.A, ORC.B) announces an update that its 100% wholly-owned subsidiary PanAfrican Energy Tanzania Limited ("**PAET**") has failed to reach a commercial resolution of the outstanding gas sales contract negotiations and license extension with Tanzania Petroleum Development Corporation ("**TPDC**"), a petroleum corporation owned and controlled by the United Republic of Tanzania ("**Tanzania**"), and the Government of the United Republic of Tanzania ("**Government of Tanzania**") under the (i) the Production Sharing Agreement between the Government of Tanzania, TPDC, and PAET dated October 11, 2001 (the "**PSA**"), and (ii) the terms and conditions set forth in the Gas Agreement between the Government of Tanzania, TPDC, Songas Limited ("**Songas**") and PAET dated October 11, 2001 (the "**GA**"). All amounts set forth herein are in United States dollars ("**\$**") unless otherwise stated.

Update on Negotiations

On April 14, 2023, PAET formally requested TPDC to apply for an extension of the Songo Songo Development License (the "**License**"), which as of the date of this news release TPDC has not done.

In 2001, TPDC assigned to Songas the exclusive right to explore for and develop "Protected Gas" (as defined below) from certain specified blocks within the Field (the "**Discovery Blocks**"). Under the terms of the GA, Protected Gas ceases on July 31, 2024, with all gas produced from the Songo Songo field after that date being treated as "Additional Gas" (as defined below) which PAET enjoys the exclusive right to develop and sell (jointly with TPDC) on commercial terms.

On April 15, 2024, contrary to the terms of the GA and PSA and in violation of PAEM and PAET's legitimate expectations, the Permanent Secretary of the Minister of Energy of Tanzania wrote to TPDC, copying PAET and Songas, directing TPDC to "*ensure that Protected Gas continue to be produced to the end of the Development Licence on 10th October 2026*". Consistent with that instruction, TPDC has taken the position that Protected Gas should continue and despite the parties' contractual agreement that Protected Gas would end on July 31, 2024.

On July 26, 2024, TPDC sent several letters to PAET and Songas in which it clearly indicated that it will continue to treat any natural gas produced from the Discovery Blocks after July 31, 2024 as Protected Gas, including its stated intention to extend the transfer and assignment to Songas of the right to explore for and develop Protected Gas. PAET has confirmed that it will not consent to such an amendment.

The Company is actively engaged with its legal counsel, Boies Schiller Flexner LLP, Gowling WLG, and Burnet, Duckworth & Palmer LLP, on its various legal remedies if the stakeholders fail to reach a commercial resolution by July 31, 2024.

Updated Guidance

Operations

- Following high levels of rainfall in Tanzania, the country has witnessed a short-term spike in hydropower generation, which has impacted demand for natural gas. Low demand downstream due to ongoing testing of the third turbine at the Julius Nyerere Hydro Dam has also impacted natural gas demand. This has led to lower than anticipated natural gas production levels from the Songo Songo gas field from April 1, 2024 to date.
- In light of this, Orca is lowering its forecast average Additional Gas sales for 2024 from the range of 80-90 MMcfd to 70-80 MMcfd for the full year. This revised forecast assumes the Protected Gas regime ends on July 31, 2024 and all gas from August 1, 2024 is Additional Gas.
- Vendor shipments for equipment relating to the SS-7 well intervention continue to progress. Social unrest in Kenya caused a minor delay to the shipments, but the expected start date for the intervention is now early Q3 2024. Proceeding with this project assumes the TANESCO Power Gas Sales Agreement (“PGSA”) is signed and extended from July 31, 2024 to October 10, 2026.
- Discussions are also ongoing with the Tanzania Electricity Supply Company Limited (“**TANESCO**”) to extend the Portfolio Gas Supply Agreement (“**PGSA**”) between PAET, the Tanzania Petroleum Development Corporation (“**TPDC**”) and TANESCO. The existing PGSA expires on July 31, 2024. TANESCO has confirmed its intent to extend the PGSA to October 2026, however, the timing of formal execution of the PGSA extension is still unknown. We are hopeful the extension to the contract will be executed before this date.
- Total forecast capital spend for 2024 is \$22 million comprising the SS-7 well intervention (\$16.8 million), production logging testing (\$1.2 million), and \$3.2 million on flowline replacement.

Financial

- As at June 30 2024, Orca's working capital was \$68.6 million and cash and cash equivalents was \$97.2 million.
- As at June 30, 2024, the current receivable from TANESCO was \$6.3 million (December 31, 2022: \$5.9 million). The TANESCO long-term receivable as at June 30, 2024 and as at December 31, 2023 was \$22.0 million with a provision of \$22.0 million. Subsequent to June 30, 2024, the Company is expected to invoice TANESCO \$3.5 million for July 2024 gas deliveries; TANESCO has paid the Company \$4.0 million to date.
- The Company will review all discretionary costs during the current budget process to conserve cash as an interim measure.

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 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 license offshore Tanzania. The PSA defines the gas produced from the Field as "Protected Gas" and "Additional Gas". The Protected Gas is owned by TPDC and is sold under the GA (until July 31, 2024) to Songas and Tanzania Portland Cement PLC. Protected Gas production ceases following July 31, 2024. 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 Field in excess of Protected Gas.

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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: forecast average Additional Gas sales for 2024; expected start date for the SS-7 well intervention; total forecast capital spending for 2024; and expectations regarding the execution of the PGSA. 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, results of negotiation, results from arbitration, amount of damages or costs incurred by the Company relating to negotiations and/or arbitration, 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: uncertainties involving the negotiation of new commercial terms under the GA and PSA and necessary requirements; various uncertainties involved in the extension of the License and execution of material contracts expiring on July 31, 2024; negative effect on the Company's rights under the PSA and other agreements relating to its business in Tanzania; changes in laws and regulations; impact of local content regulations and variances in the interpretation and enforcement of such regulations; uncertainty regarding results through negotiations and/or exercise of legally available remedies; failure to successfully negotiate agreements, including new commercial terms under the GA and PSA; risks of non-payment by recipients of natural gas supplied by the Company; changes in national and local government legislation, taxation, controls, or regulations and/or changes in the administration of laws, policies, and practices, expropriation or nationalization of property and political or economic developments in Tanzania; lack of certainty with respect to foreign legal systems, corruption, and other factors that are inconsistent with the rule of law; risk of loss due to acts of war, terrorism, sabotage and civil disturbances; timing of receipt of, or failure to comply with, necessary permits and approvals; and potential damage to the Company's reputation due to the actual or perceived occurrence of any number of events, including negative publicity with respect to the Company's dealings with the Government of Tanzania, TPDC and TANESCO, whether true or not. 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 Company's relationship with TPDC and the Government of Tanzania; the current status of negotiations in respect of the GA and PSA; accurate assessment by the Company of the merits of its rights and obligations in relation to TPDC and the Government of Tanzania and other stakeholders in the Songo Songo gas field; receipt of required regulatory approvals; the Company's ability to maintain strong commercial relationships with the Government of Tanzania and other state and parastatal organizations and other stakeholders in the Songo Songo gas field; 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 of this news release 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.