ORCA

Orca Energy Group Inc.

2024 Q3 Interim Report

Reliably providing domestic natural gas to support Tanzania's growth

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Management's Discussion & Analysis

THIS MANAGEMENT'S DISCUSSION & ANALYSIS ("MD&A") OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS FOR THE THREE AND NINE MONTHS ENDED SEPTEMBER 30, 2024 SHOULD BE READ IN CONJUNCTION WITH THE UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS AND NOTES FOR THE THREE AND NINE MONTHS ENDED SEPTEMBER 30, 2024 AND THE AUDITED CONSOLIDATED FINANCIAL STATEMENTS AND NOTES TOGETHER WITH THE MD&A FOR THE YEAR ENDED DECEMBER 31, 2023. THIS MD&A IS BASED ON THE INFORMATION AVAILABLE ON NOVEMBER 13, 2024. ALL AMOUNTS ARE REPORTED IN US DOLLARS ("$") UNLESS OTHERWISE NOTED.

THIS MD&A CONTAINS NON-GAAP FINANCIAL MEASURES AND RATIOS AND FORWARD-LOOKING INFORMATION. READERS ARE CAUTIONED THAT THIS MD&A SHOULD BE READ IN CONJUNCTION WITH THE DISCLOSURE BELOW UNDER THE HEADINGS "NON-GAAP FINANCIAL MEASURES AND RATIOS", "FORWARD-LOOKING STATEMENTS" AND "GLOSSARY" INCLUDED AT THE END OF THIS MD&A.

Nature of Operations

The principal asset of Orca Energy Group Inc. ("Orca" or the "Company") is its indirect interest in the Songo Songo gas field, as set out in the Production Sharing Agreement ("PSA") between PanAfrican Energy Tanzania Limited ("PAET"), the Tanzanian Petroleum Development Corporation ("TPDC") and the Government of Tanzania ("GoT") in the United Republic of Tanzania. PAET is the Company's wholly owned subsidiary operating in Tanzania. The PSA covers the production and marketing of natural gas from the Songo Songo gas field offshore of Tanzania. The PSA defines the gas produced from the Songo Songo gas field as "Protected Gas" and "Additional Gas". The gas agreement ("Gas Agreement") deals further with the parties' entitlement to Protected Gas and Additional Gas. Under the Gas Agreement, Protected Gas was owned by TPDC and was sold to Songas Limited ("Songas") and Tanzania Portland Cement PLC ("TPCPLC"). Songas is the owner of the infrastructure that enables the gas to be treated and delivered to Dar es Salaam, which includes a gas processing plant on Songo Songo Island (collectively, the "Songas Infrastructure"). After July 31, 2024 Protected Gas ceased and all production from the Songo Songo gas field constitutes Additional Gas which PAET is entitled to sell on commercial terms.

The Tanzanian Electric Supply Company Limited ("TANESCO") is a parastatal organization wholly owned by the GoT with oversight by the Ministry of Energy ("MoE"). TANESCO is responsible for the majority of electricity generation, transmission and distribution 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 hydropower as well as a more cost-effective and lower carbon dioxide intensive alternative to liquid fuels. The Company and TPDC as joint sellers currently supply Additional Gas directly to TANESCO by way of the Portfolio Gas Supply Agreement ("PGSA"). The Company also supplies Additional Gas to TPDC through a long-term gas sales agreement ("LTGSA") utilizing the National Natural Gas Infrastructure ("NNGI"). The PGSA was extended on July 30, 2024. The PGSA and the LTGSA expire on October 10, 2026.

In addition to supplying gas to TPDC and TANESCO, the Company has developed 50 contracts to supply gas to Dar es Salaam's industrial market, and sells compressed natural gas to domestic, suitably converted vehicles in Dar es Salaam.

Financial and Operating Highlights for the Three and Nine Months Ended September 30, 2024

(Expressed in $'000 unless indicated otherwise)	Three Months ended September 30 **2024**	Three Months ended September 30 2023	% Change Q3/24 vs Q3/23	Nine Months ended September 30 **2024**	Nine Months ended September 30 2023	% Change Ytd/24 vs Ytd/23
OPERATING						
Daily average gas delivered and sold *(MMcfd)*	**75.9**	82.9	(8)%	**70.9**	87.3	(19)%
Industrial	**17.7**	14.2	25%	**14.8**	13.9	6%
Power	**58.2**	68.7	(15)%	**56.1**	73.4	(24)%
Daily average gas delivered and sold and revenue recognized *(MMcfd)*	**66.4**	82.9	(20)%	**67.8**	87.3	(22)%
Industrial	**17.7**	14.2	25%	**14.8**	13.9	6%
Power	**48.7**	68.7	(29)%	**53.0**	73.4	(28)%
Average price *($/mcf)*						
Industrial	**8.71**	8.93	(2)%	**8.94**	8.65	3%
Power	**3.89**	3.71	5%	**3.87**	3.67	5%
Weighted average	**5.18**	4.60	13%	**4.98**	4.46	12%
Operating netback *($/mcf)*[1]	**2.98**	2.38	25%	**2.97**	2.42	23%
FINANCIAL						
Revenue	**24,787**	27,374	(9)%	**74,738**	85,787	(13)%
Net income attributable to shareholders	**2,086**	256	715%	**4,243**	7,452	(43)%
per share – basic and diluted *($)*	**0.10**	0.01	900%	**0.21**	0.38	(45)%
Net cash flows from operating activities	**10,255**	14,995	(32)%	**20,832**	38,627	(46)%
per share – basic and diluted *($)*	**0.52**	0.76	(32)%	**1.05**	1.95	(46)%
Capital expenditures[1]	**9,354**	2,928	219%	**12,736**	6,038	111%
Weighted average Class A and Class B shares[1] *('000)*	**19,770**	19,842	(0)%	**19,781**	19,847	(0)%

	September 30, 2024	As at December 31, 2023	% Change
Working capital (including cash)[1]	**67,065**	67,323	(0)%
Cash and cash equivalents	**101,740**	101,566	0%
Long-term loan	**25,113**	29,961	(16)%
Outstanding shares *('000)*			
Class A	**1,750**	1,750	0%
Class B	**18,022**	18,051	0%
Total shares outstanding	**19,772**	19,801	0%

1 Please refer to the Non-GAAP Financial Measures and Ratios section of the MD&A for additional information.

Management's Discussion & Analysis cont.

Financial and Operating Highlights for Q3 2024

- Revenue decreased for Q3 2024 by 9% and by 13% for the nine months ended September 30, 2024 compared to the same prior year periods. Certain volumes were supplied as Protected Gas prior to July 31, 2024. After the termination of Protected Gas after July 31, 2024, those volumes were instead to be supplied as Additional Gas. These volumes, which were delivered to Songas in August 2024 and September 2024 and for which the Company did not receive compensation, do not meet the definition of revenue under International Financial Reporting Standard 15 ("IFRS 15") and have not been recognized in revenue in Q3 2024. These unrecognized gross revenues include 80.5% of sales to Songas in the amount of $3.6 million. In addition, partial sales to TPCPLC in the amount of $1.0 million have not been recognized in revenue in Q3 2024 as they do not meet the definition of revenue under IFRS 15.
- On October 30, 2024, PAET, a wholly-owned subsidiary of the Company, was advised by Songas that the Interim Power Purchase Agreement ("PPA") between TANESCO and Songas, would expire on October 31, 2024, and that it is unknown if a new PPA would be entered into. At midnight on October 31, 2024 Songas shut down the Songas Power Plant. In the event that a new PPA is not entered into, there is a risk that the Songas Power Plant will be shut down indefinitely. This would adversely impact demand for production volumes from the Songo Songo gas field.
- 2024 production guidance of average Additional Gas sales is now forecast to be in the range of 65-68 MMcfd (100% conventional natural gas). This range incorporates the exclusion of all volumes previously forecast to be supplied to Songas for November 2024 and December 2024, and certain volumes lifted but disputed by TPCPLC as a consequence of the position taken by TPDC and the GoT in relation to the cessation of Protected Gas. Operations at Songo Songo gas field continue to operate as normal.
- On April 15, 2024, contrary to the terms of the Gas Agreement and PSA and in violation of Pan African Energy Corporation (Mauritius) ("PAEM") and PAET's expectations, the Permanent Secretary of MoE wrote to TPDC, copying PAET and Songas, directing TPDC to "ensure that Protected Gas continues 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 despite the parties' contractual agreement that Protected Gas ceased after July 31, 2024.
- Gas deliveries decreased by 8% for Q3 2024 and by 19% for the nine months ended September 30, 2024 compared to the same prior year periods. During the first nine months of 2024, Tanzania's Julius Nyerere Hydropower Project ("JNHPP") commenced commercial operations, with progressive commissioning of 5 turbines allowing peak output of over 700 MW. Combined with the early onset of the wet season and rainfall well above seasonal averages for the period, hydro power generation has been a primary factor in reduced gas liftings for the power sector.
- PAET and TPCPLC have agreed the terms of the Supplementary Gas Agreement ("SGA") from August 1, 2024 to sell volumes as Additional Gas, which, prior to August 1, 2024, were supplied as Protected Gas. On July 23, 2024 TPDC rejected the entering into of the SGA and as a result the agreement has not been executed. The sole basis for TPDC's rejection was its assertion that Protected Gas continued after July 31, 2024. On July 25, 2024, PAET escalated the matter to the MoE under article 4.3(b) of the PSA. On August 5, 2024, in a letter received by PAET, the MoE rejected the terms of the SGA, and the MoE demanded that PAET propose suitable wording for an "interim arrangement" to extend the provision of Protected Gas. The letter further stated that if PAET fails to do so, the other parties will seek "alternative means" to operate the Songo Songo gas field.
- PAET has continued to ship gas to TPCPLC during August, September and October 2024. PAET has not been able to invoice TPCPLC for the volumes intended to be shipped under the SGA, and has invoiced all volumes lifted as Additional Gas under the existing gas agreement which was established in 2008 and remains in place. Total invoiced amounts for August and September 2024 were $5.4 million. TPCPLC indicated that it will pay $4.2 million, and the Company has recognized corresponding amount as revenue. There is a risk that the balance remaining of the invoice will be disputed and remain unpaid and therefore not recognized as revenue.
- Following cessation of Protected Gas after July 31, 2024, despite the absence of an executed contract to do so, Songas continued to lift gas volumes in August and September 2024, at an average rate of 17.8 MMcfd. On September 23, 2024, the Company was notified by Songas that it acknowledges it had lifted this volume, but due to TPDC's refusal to approve a Gas Sales Agreement for this Additional Gas, they would elect to pay for only 19.5% of such volumes. This accords with the payment arrangements for Complex Additional Gas. Payment was made on this basis by Songas on October 10, 2024, in the amount equivalent to USD $410,000, representing 19.5% of the total invoiced amount of USD $2.1 million.
- 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 report TPDC has not done. TPDC is contractually required to make this application promptly upon a request by the Company. There are currently no certainties on the timing, nature and extent of any such extensions. Until such extension has been finalized, a high degree to uncertainty exists with respect to the extent of the Company's operating activities subsequent to October 2026.
- On August 7, 2024, PAET and PAEM issued a notice of dispute ("Notice of Dispute") in respect of an investment treaty claim against the GoT for breach of the Agreement on Promotion and Reciprocal Protection of Investment between the Government of the Republic of Mauritius and the GoT ("BIT"), and a contractual dispute against the GoT and TPDC, for breaches of the: (i) PSA, and (ii) the Gas Agreement. Initial meetings with both the Advisory and Coordinating Committees were held during the week of October 14, 2024 without any resolution on the key issues in dispute. The matters have now been referred to the relevant entity's chief executive officers in accordance with the dispute resolution process. These meetings have been proposed for December 2024. Further updates on this matter will be made as appropriate.
- Net income attributable to shareholders increased by 715% for Q3 2024 and decreased by 43% for the nine months ended September 30, 2024 compared to the same prior year periods. The decrease for the nine months ended September 30, 2024 primarily is a result of the decreased revenue and higher net foreign exchange loss due to the devaluation of the Tanzanian shilling and exchange conversions which was partially offset by a lower depletion expense.

Financial and Operating Highlights for Q3 2024 cont.

- Net cash flows from operating activities decreased by 32% for Q3 2024 and by 46% for the nine months ended September 30, 2024 compared to the same prior year periods mainly as a result of the decreased revenue.
- Capital expenditures increased by 219% for Q3 2024 and by 111% for the nine months ended September 30, 2024 compared to the same prior year periods. The capital expenditures in Q1, Q2 and Q3 2024 primarily relate to the costs of the SS-7 well workover program. The capital expenditures in Q1, Q2 and Q3 2023 primarily related to the 3D seismic acquisition program.
- The Company completed a production and saturation logging program in three wells: SS-3, SS-10 and SS-5. Initial results indicate that the wells and field are performing in line with expectations, with final interpretation of results continuing in order to update longer term reservoir management plans. The total expected program cost increased to $2.2 million from $1.3 million.
- The workover program on SS-7 is continuing. Although critical equipment failures on the part of a major service provider have caused program delays, the objective of the work remains to restore the mechanical integrity of the well to shutoff water production in order to restart production from the southern compartment of the gas field. On conclusion of the intervention, SS-7 is forecast to return to production in November 2024. The total expected project cost has increased to $23.5 million from $16.6 million, primarily as a result of vendor equipment failures, logistical delays and weather delays during both the mobilization from Mombasa to Songo Songo Island and positioning the barges and jack up platform on the offshore well.
- The Company exited the period with $67.1 million in working capital (December 31, 2023: $67.3 million), cash and cash equivalents of $101.7 million (December 31, 2023: $101.6 million) and long-term debt of $25.1 million (December 31, 2023: $30.0 million). The decrease in long-term debt is related to a repayment of principal of $5.0 million in April 2024, representing the fourth semi-annual repayment of the Company's long-term debt. Cash held in hard currencies (USD, Euro, GBP, CDN) is $93.2 million (December 31, 2023: $60.4 million).
- As at September 30, 2024, the current receivable from TANESCO was $8.1 million (December 31, 2023: $5.9 million). The TANESCO long-term receivable as at September 30, 2024 and as at December 31, 2023 was $22.0 million with a provision of $22.0 million. Subsequent to September 30, 2024, the Company has invoiced TANESCO $4.2 million for October 2024 gas deliveries and TANESCO has paid the Company $4.2 million to date.
- In Q4 2023, the Company terminated the contract with the contractor responsible for the 3D seismic acquisition program on the basis that the contractor had failed to meet its obligations under the contract by not fully mobilising to progress the project more than a year after it was scheduled to do so; and that, as a result of mission critical assets being recalled by suppliers, and with no prospect of securing replacement assets, the contractor had suspended its operations without the right to do so and with no realistic plan offered to complete the project. On March 20, 2024 PAET received a summons from the Tanzanian High Court (Commercial Division) to file a written statement of defence against a claim made by the contractor for losses arising from PAET's termination of the contract on October 25, 2023. The contractor seeks to claim $30.0 million for losses incurred plus legal costs, interest and general damages. The Company in consultation with its legal advisors believes that the claim lacks merits and the Company in Q2 2024 lodged its own counterclaim for specific damages in the amount of $5.5 million and general damages in the amount of $25.8 million. The case commenced in the Tanzanian Commercial Court in August 2024 and is ongoing.

Operating Volumes

The average gross daily sales volume decreased by 8% for Q3 2024 and by 19% for the nine months ended September 30, 2024 over the comparable prior year periods. Earlier in 2024 the JNHPP commenced commercial operations, with progressive commissioning of 5 turbines allowing peak output of over 700 MW. Combined with the early onset of the wet season and rainfall well above seasonal averages for the period, hydro power generation has been a primary factor in reduced gas liftings for the power sector.

The Company's gross sales volumes, including the volumes for which revenue was not recognized, were split between the industrial and power sectors as detailed in the table below:

	Three Months ended September 30		Nine Months ended September 30	
	2024	2023	**2024**	2023
Gross sales volume *(MMcf)*				
Industrial sector	**1,626**	1,301	**4,069**	3,777
Power sector	**5,353**	6,323	**15,383**	20,044
Total volumes	**6,979**	7,624	**19,452**	23,821
Gross daily sales volume average *(MMcfd)*				
Industrial sector	**17.7**	14.2	**14.8**	13.9
Power sector	**58.2**	68.7	**56.1**	73.4
Gross daily sales volume average total	**75.9**	82.9	**70.9**	87.3

Management's Discussion & Analysis cont.

Operating Volumes cont.

Industrial Sector

Industrial sector gross daily sales volumes increased by 25% for Q3 2024 and by 6% for the nine months ended September 30, 2024 over the comparable prior year periods. The increases were a result of increased consumption by industrial customers due to a higher demand for services and products.

Power Sector

Power sector gross daily sales volumes decreased by 15% for Q3 2024 and by 24% for the nine months ended September 30, 2024 over the comparable prior year periods. Although the deliverability from the currently producing wells and reservoir compartments in the Songo Songo gas field is declining over time, the inauguration of the JNHPP and the early onset of the wet season in 2024 leading to increased availability of hydro power caused significantly lower lifting from power customers earlier in 2024.

Power sector gross sales volumes in Q3 2024 include volumes lifted by Songas in August and September 2024 averaging 17.7 MMcfd from August 1, 2024 to September 30, 2024. Songas elected to pay for 19.5% of these volumes referring to the lack of approval of the Additional Gas contract by TPDC. The remaining 80.5% of these volumes are not recognized in revenue at this time. Table below presents operating volumes corresponding to the revenue that has been recognized.

Operating volumes where revenue is recognized

	Three Months ended September 30		Nine Months ended September 30	
	2024	2023	**2024**	2023
Gross sales volume *(MMcf) where revenue is recognized*				
Industrial sector	**1,626**	1,301	**4,069**	3,777
Power sector	**4,482**	6,323	**14,512**	20,044
Total volumes *where revenue is recognized*	**6,108**	7,624	**18,581**	23,821
Gross daily sales volume average *(MMcfd) where revenue is recognized*				
Industrial sector	**17.7**	14.2	**14.8**	13.9
Power sector	**48.7**	68.7	**53.0**	73.4
Gross daily sales volume average total *where revenue is recognized*	**66.4**	82.9	**67.8**	87.3

Protected Gas Volumes

Protected Gas volumes for Q3 2024 decreased by 80% to 771 MMcf (8.4 MMcfd) compared to 3,856 MMcf (41.9 MMcfd) for Q3 2023 and by 34% to 7,008 MMcf (25.6 MMcfd) for the nine months ended September 30, 2024 compared to 10,573 MMcf (38.7 MMcfd) for the nine months ended September 30, 2023. The Company received no revenue for Protected Gas volumes; however the volumes were required to calculate total gas produced from the reservoir and the allocation of certain production, distribution and transportation expenses between Protected Gas and Additional Gas.

Protected Gas ceased after July 31, 2024, whereafter all gas from the Songo Songo field is now classified as Additional Gas. It is our belief that PAET is fully entitled to compensation at a commercial rate for all volumes of gas lifted by Songas and TPCPLC starting on August 1, 2024. Gas has continued to flow post August 1, 2024, and there is a risk that PAET will not receive payment or payment may form part of a contract dispute. With respect to the dispute resolution process regarding Protected Gas, initial meetings with both the Advisory and Coordinating Committees were held during the week of October 14, 2024 without any resolution. The matters have now been referred to the relevant entity's chief executive officers in accordance with the dispute resolution process. These meetings have been proposed for December 2024. Further updates on this matter will be made as appropriate.

Commodity Prices

The commodity prices achieved in the different sectors during the respective periods are detailed in the table below:

	Three Months ended September 30		Nine Months ended September 30	
$/mcf	**2024**	2023	**2024**	2023
Average sales price				
Industrial sector	**8.71**	8.93	**8.94**	8.65
Power sector	**3.89**	3.71	**3.87**	3.67
Weighted average price	**5.18**	4.60	**4.98**	4.46

Commodity Prices cont.

Industrial Sector

The average sales price for the industrial sector decreased by 2% for Q3 2024 and increased by 3% for the nine months ended September 30, 2024 over the comparable prior year periods.

During Q3 2024, the Company invoiced TPCPLC $4.4 million (net of value added tax ("VAT") and production taxes) for August 2024 and September 2024 liftings of Additional Gas volumes. As a consequence of the position taken by TPDC, PAET was unable to invoice TPCPLC for volumes anticipated to have been supplied under the SGA. The SGA had been agreed to by TPCPLC and was due to commence on August 1, 2024, but TPDC refused to approve the agreement. Therefore, PAET has invoiced all volumes lifted as Additional Gas at prices under the existing Gas Sales Agreement which was established in 2008 and remains in place. Total invoiced amounts for August 2024 and September 2024 were $5.4 million. TPCPLC has indicated that it will pay $4.2 million, and the Company has recognized corresponding amount as revenue. There is a risk that the remaining balance will not be paid or recognized as revenue.

Power Sector

The average sales price for the power sector increased by 5% for Q3 2024 and for the nine months ended September 30, 2024 compared to the same prior year periods. The average power sector sales price varies depending on whether gas is delivered and sold through the NNGI or the Songas Infrastructure. Sales through the NNGI are to TPDC and do not include processing and transportation tariffs which are included in gas delivered through the Songas Infrastructure.

During Q3 2024, the Company invoiced Songas $4.5 million (net of VAT and production taxes) for August 2024 and September 2024 liftings of Additional Gas volumes. On September 23, 2024, the Company was notified by Songas that it acknowledges it had lifted this volume, but due to TPDC's refusal to approve a gas sales agreement for this Additional Gas, they would elect to pay only 19.5% of such volumes. The Company recognized the payment of 19.5% (i.e. $0.9 million) of the August 2024 and September 2024 sales to Songas in revenue; $3.6 million of August 2024 and September 2024 sales remain unrecognized in revenue as of the date of this report. Including these volumes in the power sector average sales price calculation would result in a Q3 2024 price of $3.26/mcf and for the year to September 2024, a price of $3.65/mcf.

Including the volumes not recognized as revenue in the weighted average sales price calculation would result in a Q3 2024 price of $4.31/mcf and for the year to September 2024, a price of $4.68/mcf.

Revenue

Under the terms of the PSA the Company is responsible for invoicing, collecting and allocating the revenue from Additional Gas sales (see "Principal Terms of the PSA and Related Agreements" of the Company's MD&A for the year ended December 31, 2023).

The Company is entitled to recover all costs incurred on the exploration, development and operations of the project ("Cost Gas revenue") up to a maximum of 75% of the net field revenue (gross field revenue less the tariff for processing and pipeline infrastructure) prior to allocating the remaining net field revenue between TPDC and the Company ("Profit Gas revenue"). Any costs not recovered in a period are carried forward for recovery out of future revenues. Once the Cost Gas revenue has been recovered, TPDC is able to recover any pre-approved marketing costs. Currently there are no pre-approved marketing costs for TPDC.

The Company is liable for income tax in Tanzania, but under the terms of the PSA, TPDC's share of revenue is reduced by the current tax payable grossed up at 30% ("income tax adjustment"). Revenue as presented on the Company's Condensed Consolidated Interim Statements of Comprehensive Income (Unaudited) is calculated by adjusting the Company's operating revenue by the income tax adjustment.

The reconciliation of gross field revenue to Company operating revenue and revenue is detailed below:

	Three Months ended September 30		Nine Months ended September 30	
$'000	**2024**	2023	**2024**	2023
Industrial sector	**14,165**	11,614	**36,381**	32,666
Power sector	**17,455**	23,479	**56,218**	73,536
Gross field revenue	**31,620**	35,093	**92,599**	106,202
TPDC share of revenue	**(6,871)**	(11,837)	**(22,617)**	(34,046)
Company operating revenue	**24,749**	23,256	**69,982**	72,156
Current income tax adjustment	**38**	4,118	**4,756**	13,631
	24,787	27,374	**74,738**	85,787

Revenue decreased by 9% for Q3 2024 and by 13% for the nine months ended September 30, 2024 over the comparable prior year periods.

Volumes supplied as Protected Gas prior to July 31, 2024, which were delivered to Songas in August 2024 and September 2024 (and as such constitutes Additional Gas for which PAET is entitled to payment) and for which PAET did not receive compensation, do not meet the definition of revenue under IFRS 15 and have not been recognized in revenue in Q3 2024. These unrecognized revenues include 80.5% of sales to Songas in the amount of $3.6 million. In addition, sales to TPCPLC in the amount of $1.0 million have not been recognized in revenue in Q3 2024 as they do not meet the definition of revenue under IRFS 15.

Management's Discussion & Analysis cont.

Revenue cont.

The average Additional Gas sales volumes for the quarters ended September 30, 2024 and September 30, 2023 as well as for the quarters ended June 30, 2024, March 31, 2024, June 30, 2023 and March 31, 2023 were above 50 MMcfd which entitled the Company to a 55% share of Profit Gas revenue. The Company was allocated a total of 77% of the Additional Gas net field revenue for Q3 2024 (Q3 2023: 63%) and a total of 73% of the Additional Gas net field revenue for the nine months ended September 30, 2024 (nine months ended September 30, 2023: 65%).

Production, Distribution and Transportation Expenses

The production, distribution and transportation costs are detailed in the table below:

	Three Months ended September 30		Nine Months ended September 30	
$'000	**2024**	2023	**2024**	2023
Operating costs	**2,484**	1,057	**4,252**	3,069
Tariff for processing and pipeline infrastructure	**3,178**	3,266	**8,623**	9,210
Ring-main distribution costs	**904**	809	**1,850**	2,342
	6,566	5,132	**14,725**	14,621

Operating costs include well maintenance costs, PSA license costs, regulatory fees, insurance, certain costs associated with evaluation of the reserves and the costs of personnel not recoverable from Songas. Operating costs increased by 135% for Q3 2024 and by 39% for the nine months ended September 30, 2024 compared to the same prior year periods, primarily as a result of the production and saturation logging program in Q3 2024, partially offset by decreased insurance costs. The amount paid under the tariff for processing and pipeline infrastructure decreased by 3% for Q3 2024 and by 6% for the nine months ended September 30, 2024 compared to the same prior year periods, primarily as a result of decreased gas volumes processed and delivered through the Songas Infrastructure. Ring-main distribution costs increased by 12% for Q3 2024 and decreased by 21% for the nine months ended September 30, 2024 compared to the same prior year periods. The decrease for the nine months ended September 30, 2024 compared to the same prior year period is a result of higher compressor maintenance costs incurred in 2023.

Operating Netback

The operating netback per mcf before general and administrative expenses, tax and Additional Profits Tax ("APT") is detailed in the table below (see "Non-GAAP Financial Measures and Ratios"):

	Three Months ended September 30		Nine Months ended September 30	
$/mcf	**2024**	2023	**2024**	2023
Weighted average price for gas	**5.18**	4.60	**4.98**	4.46
TPDC Profit Gas entitlement	**(1.12)**	(1.55)	**(1.22)**	(1.43)
Production, distribution and transportation expenses	**(1.08)**	(0.67)	**(0.79)**	(0.61)
Operating netback	**2.98**	2.38	**2.97**	2.42

The operating netback increased by 25% for Q3 2024 and by 23% for the nine months ended September 30, 2024 over the comparable prior year periods. The increases are mainly a result of higher weighted average price for natural gas and lower TPDC Profit Gas revenue entitlements as an outcome of increased capital expenditures and lower Cost Gas revenue recoveries by the Company.

Songas has invoiced PAET for the production and transportation tariff consistent with all gas volumes shipped to Songas during August 2024 and September 2024 as being Additional Gas. This amount has been fully accounted for and paid by PAET in accordance with the terms of the current agreements and forms part of the operating netback calculation above.

General and Administrative Expenses

General and administrative expenses are split between the Company's head office and Tanzania. A significant percentage of administration expenses relate to office and management costs that support our operations in Tanzania and are cost recoverable under the PSA.

	Three Months ended September 30		Nine Months ended September 30	
$'000	**2024**	2023	**2024**	2023
Tanzania	**2,183**	1,845	**6,553**	5,835
Corporate	**2,213**	2,757	**7,097**	6,523
	4,396	4,602	**13,650**	12,358

General and administrative expenses are detailed in the tables below:

	Three Months ended September 30		Nine Months ended September 30	
$'000	**2024**	2023	**2024**	2023
Employee and related costs	**2,293**	2,683	**7,215**	7,133
Office costs	**1,196**	834	**3,284**	2,750
ESG, marketing and business development costs	**107**	149	**170**	257
Reporting, regulatory and corporate	**800**	936	**2,981**	2,218
	4,396	4,602	**13,650**	12,358

General and administrative expenses averaged $1.5 million per month during Q3 2024 (Q3 2023: $1.5 million) and $1.5 million per month for the nine months ended September 30, 2024 (nine months ended September 30, 2023: $1.4 million). The 19% increase in the office costs for the nine months ended September 30, 2024 over the comparable prior year period was primarily a result of higher costs related to legal services in Tanzania. Environmental, social and governance ("ESG") and marketing and business development costs have not significantly changed for Q3 2024 and for the nine months ended September 30, 2024 over the comparable prior year periods. The 34% increase in reporting, regulatory and corporate costs for the nine months ended September 30, 2024 over the comparable prior year period was due to an increase in costs related to professional services, mainly legal services.

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 proved reserves. The average depletion rate for the quarter and the nine months ended September 30, 2024 was $1.10/mcf compared to $1.13/mcf for the comparable prior year periods.

	Three Months ended September 30		Nine Months ended September 30	
$'000	**2024**	2023	**2024**	2023
Oil and natural gas interests	**7,689**	8,580	**21,431**	26,805
Office and other	**58**	33	**150**	85
Right-of-use assets	**77**	60	**232**	199
	7,824	8,673	**21,813**	27,089

The depletion for natural gas interests decreased by 10% for Q3 2024 and by 20% for the nine months ended September 30, 2024 over the comparable prior year periods. The decreases were primarily the result of decreased gas produced and sold. There is a risk that the current depletion rates may require adjusting to effect potential loss in value due to potential dispute outcomes.

Management's Discussion & Analysis cont.

Finance Income and Expense

Finance income is detailed in the table below:

	Three Months ended September 30		Nine Months ended September 30	
$'000	**2024**	2023	**2024**	2023
Interest income	**1,068**	422	**2,798**	1,140
	1,068	422	**2,798**	1,140

Finance expense is detailed in the table below:

	Three Months ended September 30		Nine Months ended September 30	
$'000	**2024**	2023	**2024**	2023
Base interest expense	**947**	1,213	**2,980**	3,758
Participation interest expense	**440**	697	**1,136**	2,268
Lease interest expense	**12**	1	**38**	5
Interest expense	**1,399**	1,911	**4,154**	6,031
Net foreign exchange loss	**1,339**	3,189	**8,758**	4,475
Indirect tax expense	**332**	295	**975**	975
Long-term receivable write off	**–**	–	**–**	2,205
	3,070	5,395	**13,887**	13,686

Base interest expense and participation interest expense relate to the long-term loan ("Loan") from the International Finance Corporation ("IFC") to PAET. Base interest on the Loan is payable quarterly in arrears 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. The participation interest expense is paid annually in arrears. It equates to 6.4% of PAET's net cash flows from operating activities less the net cash flows used in investing activities for the year. Such participation interest will continue to accrue until October 15, 2026 regardless of whether the Loan is repaid prior to its contractual maturity date. The decrease in participation interest expense is primarily a result of the decrease in PAET's net cash flows from operating activities net of net cash used in investing activities.

Net foreign exchange losses are the result of transactions in foreign currencies recorded at the rate of exchange prevailing on the date of such transactions and include both realized and unrealized revaluation gains and losses. Specifically, unrealized revaluation gains or losses represent temporary changes in the fair value of cash balances denominated in Tanzanian shillings. Following a prolonged period of weakness in the value of the Tanzanian shilling versus the US dollar, these movements are now considered permanent in nature and recognized as realized exchange losses. 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.

The indirect tax is for VAT associated with invoices to TANESCO for interest on late payments. The long-term receivable write off in 2023 is related to VAT on workovers that had been paid and reclassified as a long-term receivable in 2017 (see "Long-term Receivables" in this MD&A).

Reversal of Loss Allowance for Receivables

	Three Months ended September 30		Nine Months ended September 30	
$'000	**2024**	2023	**2024**	2023
Reversal of loss allowance	**–**	(519)	**–**	(2,014)
	–	(519)	**–**	(2,014)

There were no loss allowance or reversal of loss allowance recorded in Q3 2024 and for the nine months ended September 30, 2024. The reversal of loss allowance of $0.5 million in Q3 2023 and $2.0 million for the nine months ended September 30, 2023 is associated with the indirect taxation related to the TANESCO 2020 and 2021 take or pay invoices which were paid in Q2 and Q3 2023 and had been previously not recognized.

Additional Profits Tax

	Three Months ended September 30		Nine Months ended September 30	
$'000	**2024**	2023	**2024**	2023
APT	**1,704**	2,175	**5,413**	6,409

Under the terms of the PSA, APT is payable when the Company has recovered its costs plus a specified return out of Cost Gas revenue and Profit Gas revenue. As a result: (i) no APT is payable until the Company recovers its costs out of Additional Gas revenue plus an annual operating return under the PSA of 25% plus the percentage change in the United States Industrial Goods Producer Price Index ("PPI"); and (ii) the maximum APT rate is 55% of the Company's Profit Gas revenue when costs have been recovered with an annual return of 35% plus the percentage change in PPI.

The timing and the effective rate of APT depends on the realized value of Profit Gas revenue which in turn depends on the level of expenditure. The Company provides for APT by annually forecasting the total APT payable in the future as a proportion of the forecast Profit Gas revenue over the term of the PSA. The forecast takes into account the timing of future development capital spending. As at September 30, 2024, the current portion of APT payable was $6.9 million (December 31, 2023: $16.0 million) with a long-term APT payable of $6.0 million (December 31, 2023: $7.5 million). APT of $16.0 million was paid in Q1 2024 based on the 2023 results (Q1 2023: $13.1 million paid based on 2022 results).

The effective APT rate of 20.3% (Q3 2023: 15.6%) has been applied to Profit Gas revenue of $8.4 million for Q3 2024 (Q3 2023: $13.8 million) and $26.8 million for the nine months ended September 30, 2024 (nine months ended September 30, 2023: $40.9 million). Accordingly, $1.7 million for Q3 2024 (Q3 2023: $2.2 million) and $5.4 million for the nine months ended September 30, 2024 (nine months ended September 30, 2023: $6.4 million) of APT has been recorded in the Company's Consolidated Interim Statements of Comprehensive Income (Unaudited).

Working Capital

Working capital as at September 30, 2024 was $67.1 million (December 31, 2023: $67.3 million) and is detailed in the table below (see also "Non-GAAP Financial Measures and Ratios"):

	As at			
$'000	**September 30, 2024**		December 31, 2023	
Cash and cash equivalents		**101,740**		101,566
Trade and other receivables				
Songas	**2,784**		8,146	
TPDC	**5,869**		3,841	
TANESCO	**8,067**		5,851	
Industrial customers and other receivables	**18,882**		16,176	
Loss allowance	**(1,177)**	**34,425**	(1,177)	32,837
Prepayments		**793**		1,637
		136,958		136,040
Trade and other liabilities				
TPDC share of Profit Gas revenue[1]	**23,449**		17,199	
Songas	**3,225**		2,981	
Deferred income – take or pay contracts	**943**		1,144	
Other trade payables and accrued liabilities	**20,601**		17,083	
Current portion of long-term loan	**10,000**		10,000	
Current portion of APT	**6,922**	**65,140**	15,984	64,391
Tax payable		**4,753**		4,326
		69,893		68,717
Working capital		**67,065**		67,323

1 The balance of $23.4 million payable to TPDC is the liability for TPDC's share of Profit Gas revenue, primarily related to unpaid gas deliveries to TANESCO. The majority of the settlement of this liability is dependent on receipt of payment from TANESCO for arrears. For their allocation of Profit Gas revenue, the Company paid TPDC $2.4 million in February 2024, $3.8 million in April 2024, $5.1 million in July 2024, $2.6 million in October 2024 and $1.9 million in November 2024.

Management's Discussion & Analysis cont.

Working Capital cont.

Financial Instruments

Current financial instruments of the Company include cash and cash equivalents, trade and other receivables, trade and other liabilities and tax payable. The carrying values of the financial instruments approximate fair values due to their relatively short periods to maturity. The risks associated with the Company's financial instruments are primarily attributed to the inherent riskiness of the Tanzanian cash holdings and the ability to exchange Tanzanian shillings for hard currencies, and the risk that trade and other receivables may not be paid when due. The Company mitigates these risks by (i) holding, when possible, the majority of its cash (other than Tanzanian shillings) outside of Tanzania in reputable international financial institutions primarily in Jersey and Mauritius which reduces the Company's exposure to geo-political risks; (ii) monitoring and reviewing the trade and other receivables on a regular basis to determine if allowances are required for overdue amounts or action is required to restrict deliveries on past due accounts to reduce exposure on outstanding receivables; and (iii) seeking payments from its customers, when possible, in US dollars. As of September 30, 2024, over 90% of receipts from domestic customers are denominated in Tanzanian shillings. There are no restrictions on the movement of cash from Jersey, Mauritius or Tanzania.

Financial assets and liabilities are recognized when the Company becomes a party to the contractual provisions of the instrument. Financial assets cease to be recognized 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.

Working Capital Requirements

The Company expects to have sufficient cash flow from operating activities to maintain adequate working capital to cover both short-term and long-term obligations for 2024, including forecasted debt and interest payments ($5.9 million) and capital expenditure ($16.5 million). The Company has not incurred any material losses from debtors in 2023 and Q1, Q2 and Q3 2024. The Company maintains adequate US dollars and other hard currencies on hand to ensure it can meet all its foreign denominated capital expenditure obligations and deal with possible fluctuations in liquidity from operational problems and US dollar liquidity issues in Tanzania. The global growth slowdown has seen an increased decline in foreign exchange reserves in Tanzania, which led to decreased availability of US dollars in Tanzania and impaired the Company's ability to convert Tanzanian shillings directly to US dollars in 2023 and Q1, Q2 and Q3 2024 . There is a risk that the Company may not be able to convert Tanzanian shillings to hard currencies, such as US dollars, in the future as and when required. It is not known when the foreign exchange reserve deficiency in Tanzania will be remedied, however the Company has noted greater availability of Euros earlier in 2024 and US dollars subsequent to end of Q3 2024.

On April 15, 2024, contrary to the terms of the Gas Agreement and PSA and in violation of PAEM and PAET's legitimate expectations, the Permanent Secretary of the MoE 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 despite the parties' contractual agreement that Protected Gas would cease after July 31, 2024. It is our belief that PAET is entitled to payment at a commercial rate for all volumes of gas lifted by Songas and TPCPLC starting on August 1, 2024. Gas has continued to be lifted post August 1, 2024.

During Q3 2024, the Company invoiced Songas $5.6 million (including VAT and production taxes) for August 2024 and September 2024 liftings of Additional Gas volumes which are uncontracted. Songas, referring to the lack of approval of the Additional Gas contract by TPDC, elected to pay for 19.5% of the total invoiced amount. During Q3 2024, the Company invoiced TPCPLC $5.4 million (including VAT and production taxes) for August 2024 and September 2024 liftings of Additional Gas volumes under the existing gas agreement which was established in 2008 and remains in place. TPCPLC has indicated that it will pay $4.2 million, and the Company has recognized corresponding amount as revenue. There is a risk that the remaining amount will not be paid or recognized as revenue. This may adversely impact the Company's ability to finance its capital requirements.

On October 30, 2024, PAET was advised by Songas that the Interim PPA between TANESCO and Songas, would expire on October 31, 2024, and that it is unknown if a new PPA would be entered into. At midnight on October 31, 2024 the Interim PPA expired and Songas shut down the Songas Power Plant. In the event that a new PPA is not entered into, there is a risk that the Songas Power Plant will be shut down indefinitely. This would adversely impact demand for production volumes from the Songo Songo field and may adversely impact the Company's ability to finance its capital requirements.

TANESCO Receivable

As at September 30, 2024, the current receivable from TANESCO was $8.1 million (December 31, 2023: $5.9 million). During Q3 2024, the Company invoiced TANESCO $11.7 million for gas deliveries (Q3 2023: $3.4 million) and received $9.9 million in payments for current receivables (Q3 2023: $6.9 million). These amounts are inclusive of VAT. Based on the consistent payments from TANESCO, the Company recognized all amounts invoiced for gas deliveries in Q3 2024 and Q3 2023 as revenue.

The TANESCO long-term receivable as at September 30, 2024 and December 31, 2023 was $22.0 million with a provision of $22.0 million. Subsequent to September 30, 2024 the Company has invoiced TANESCO $4.2 million for October 2024 gas deliveries and TANESCO has paid the Company $4.2 million.

Capital Expenditures

The capital expenditures (see "Non-GAAP Financial Measures and Ratios") in Q1, Q2 and Q3 2024 primarily related to the well workover program. The capital expenditures in Q1, Q2 and Q3 2023 primarily related to the 3D seismic acquisition program.

	Three Months ended September 30		Nine Months ended September 30	
$'000	**2024**	2023	**2024**	2023
Pipelines and infrastructure	**9,286**	2,918	**12,364**	5,917
Other capital expenditures	**68**	10	**372**	121
	9,354	2,928	**12,736**	6,038

Capital Requirements

Except as described below, 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 with respect to the Songo Songo gas field. Any additional significant capital expenditure in Tanzania is discretionary.

The workover program on SS-7 is continuing. Although critical equipment failures on the part of a major service provider have caused program delays, the objective of the work remains to restore the mechanical integrity of the well to shutoff water production in order to restart production from the southern compartment of the gas field. On conclusion of the intervention, SS-7 is forecast to return to production in November 2024. The total expected project cost has increased to $23.5 million from $16.6 million, primarily as a result of vendor equipment failures, logistical delays and weather delays during both the mobilization from Mombasa to Songo Songo Island and positioning the barges and jack up platform on the offshore well.

The Company completed a production and saturation logging program in three wells, SS-3, SS-10 and SS-5. Initial results indicate that the wells and field are performing in line with expectations, with final interpretation of results continuing in order to update longer term reservoir management plans. The total expected program cost increased to $2.2 million from $1.3 million.

Further logging will take place in conjunction with the SS-7 well intervention expected in Q4 2024. Given the time remaining on the existing licence, lack of progress on the licence extension application, and ongoing and potential disputes regarding Protected Gas, all capital projects, other than the SS-7 intervention, and maintenance are currently on hold. Notwithstanding the Notice of Dispute in respect of an investment treaty claim under the BIT and the contractual dispute against the GoT and TPDC for breaches of the PSA and the Gas Agreement, we are proceeding with SS-7.

Long-term Receivables

	As at	
$'000	**September 30, 2024**	December 31, 2023
Lease deposit	**10**	10
	10	10

The following table details the amounts receivable from TANESCO, including amounts that do not meet revenue recognition criteria and therefore are not recorded in the consolidated financial statements:

	As at	
$'000	**September 30, 2024**	December 31,2023
Total amounts invoiced to TANESCO	**98,417**	89,809
Trade receivable – TANESCO	**(8,067)**	(5,851)
Unrecognized amounts not meeting revenue recognition criteria[1]	**(68,332)**	(61,940)
Loss allowance	**(22,018)**	(22,018)
	-	-

1 The amount includes invoices for interest on late payments from TANESCO.

Management's Discussion & Analysis cont.

Long-term Loan

In 2015 PAET obtained the Loan with the IFC, a member of the World Bank Group, for $60 million. The Loan was fully drawn down in 2016.

The Loan is to be paid out through six semi-annual payments of $5.0 million starting October 15, 2022, for which the initial payment was paid by the Company subsequent to October 15, 2022, and one final payment of $25.2 million will be due on October 15, 2025. 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. The Loan is an unsecured subordinated obligation of PAET and was guaranteed by the Company to a maximum of $30.0 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, at its discretion, may issue shares in fulfillment of all or part of its guarantee obligation in 2025. Pursuant to the sale of a non-controlling interest in PAEM, the parent company of PAET, in 2018, the Company agreed with the IFC to reduce the outstanding amount of the Loan by the percentage interest sold of 7.933% ($4.8 million) before the fourth anniversary of the first drawdown. PAET made this payment on October 16, 2019.

Dividends and distributions from PAET to PAEM are restricted at any time whenever amounts of interest, principal or participating interest are due and outstanding. All amounts under the Loan have been paid when due.

Outstanding Shares

The Class A Shares are convertible at any time at the option of the holder into Class B Shares on a one-for-one basis. Subject to the terms and conditions of conversion specified in the memorandum of association and articles of association of the Company, the Class B Shares are convertible into Class A Shares on a one-for-one basis if an offer is made to purchase Class A Shares that: (i) must, by reason of applicable securities legislation or the requirements of a stock exchange on which the Class A Shares are listed, be made to all or substantially all of the holders of Class A Shares; and (ii) are not made concurrently with an offer to purchase Class B Shares that is identical to the offer to purchase Class A Shares and that has no condition attached other than the right not to take up and pay for shares tendered if no shares are purchased pursuant to the offer for Class A Shares. The conversion right does not come into effect under certain events specified in the memorandum of association of the Company, including, without limitation, the prior delivery to the Company's transfer agent and to the Secretary of the Company of a certificate signed by one or more shareholders owning more than 50% of the then outstanding Class A Shares.

On November 1, 2023, the Company announced a normal course issuer bid ("2023 NCIB") to commence on November 6, 2023 to purchase Class B Shares through the facilities of the TSXV and alternative trading systems in Canada. As at September 30, 2024 and November 13, 2024 the Company has repurchased for cancellation 70,200 Class B Shares at a weighted average price of CDN$4.38 pursuant to the 2023 NCIB. 1,749,895 Class A Shares and 18,022,114 Class B Shares were outstanding as at September 30, 2024 and November 13, 2024. See "Normal Course Issuer Bid and Dividends" in this MD&A.

Cash Flow Summary

	Three Months ended September 30		Nine Months ended September 30	
$'000	**2024**	2023	**2024**	2023
Operating activities				
Net income	**2,086**	256	**4,243**	7,452
Non-cash adjustments	**8,642**	12,120	**23,339**	32,425
Interest expense	**1,399**	1,911	**4,154**	6,031
Changes in non-cash working capital[1]	**(1,872)**	708	**(10,904)**	(7,281)
Net cash flows from operating activities	**10,255**	14,995	**20,832**	38,627
Net cash used in investing activities	**(3,732)**	(3,222)	**(7,216)**	(6,585)
Net cash used in financing activities	**(2,357)**	(10,111)	**(15,558)**	(23,833)
Increase/(decrease) in cash	**4,166**	1,662	**(1,942)**	8,209

1 See Condensed Consolidated Interim Statements of Cash Flows.

The Company's net income increased by 715% for Q3 2024 and decreased by 43% for the nine months ended September 30, 2024 over the comparable prior year periods. The decrease for the nine months ended September 30, 2024 over the comparable prior year period primarily is a result of the decreased revenue and higher net foreign exchange loss due to the devaluation of the Tanzanian shilling and exchange conversions which was partially offset by a lower depletion expense. The Company's net cash flows from operating activities decreased by 32% for Q3 2024 and by 46% for the nine months ended September 30, 2024 over the comparable prior year periods. The decrease for the nine months ended September 30, 2024 over the comparable prior year period mainly is a result of the decreased revenue. The increase in net cash used in investing activities for Q3 2024 and for the nine months ended September 30, 2024 over the comparable prior year periods was mainly a result of higher expenditure in relation to the costs of the well workover program. The decrease in net cash used in financing activities for Q3 2024 and for the nine months ended September 30, 2024 over the comparable prior year periods was mainly an outcome of the distribution to non-controlling interest shareholder in Q3 2023 as well as lower interest payments in Q1, Q2 and 2024 as a result of repayments of two instalments of the Loan in Q4 2023 and Q2 2024.

Related Party Transactions

The Chair of the Company's Board of Directors is counsel at Burnet, Duckworth & Palmer LLP, a law firm that provides legal advice to the Company and its subsidiaries. Fees for services provided by this firm totalled $0.2 million during the quarter ended September 30, 2024 (Q3 2023: $0.1 million) and $0.7 million for the nine months ended September 30, 2024 (nine months ended September 30, 2023: $0.5 million). As at September 30, 2024 the Company had a total of $0.6 million (December 31, 2023: $0.6 million) recorded in trade and other payables in relation to related parties.

Normal Course Issuer Bid and Dividends

On July 5, 2022 the Company announced a normal course issuer bid ("2022 NCIB") to purchase Class B Shares through the facilities of the TSXV and alternative trading systems in Canada. Purchases pursuant to the 2022 NCIB were made by Research Capital Corporation ("Research Capital") on behalf of the Company and were not to exceed 500,000 Class B Shares, representing approximately 2.75% of the total outstanding Class B Shares as of July 4, 2022. The 2022 NCIB was in effect from July 11, 2022 until July 11, 2023. An aggregate of 81,000 Class B Shares were repurchased and cancelled by the Company pursuant to the 2022 NCIB at a weighted average price per Class B Shares of CDN$4.89.

On November 1, 2023 the Company announced the 2023 NCIB to purchase Class B Shares through the facilities of the TSXV and alternative trading systems in Canada. Purchases pursuant to the 2023 NCIB will be made by Research Capital on behalf of the Company and will not exceed 500,000 Class B Shares, representing approximately 2.76% of the total outstanding Class B Shares as of October 31, 2023. The 2023 NCIB was in effect from November 6, 2023 until November 5, 2024. Purchases of Class B Shares were made by Research Capital based on the parameters prescribed by the TSXV and applicable securities laws. The acquisition price of Class B Shares under the 2023 NCIB was not to exceed the market price of the Class B Shares at the time of acquisition and the funds available to acquire the Class B Shares were to come from the Company's working capital and cash flow. All Class B Shares purchased under the 2023 NCIB were to be cancelled. As at November 5, 2024, being the last day of the 2023 NCIB, the Company had repurchased for cancellation 70,200 Class B Shares at a weighted average price of CDN$4.38 pursuant to the 2023 NCIB.

Shareholders may obtain a copy of the notice regarding the 2022 NCIB and 2023 NCIB filed with the TSXV from the Company without charge.

Dividend Summary

Declaration date	Record date	Payment date	Amount per share (CDN$)
November 12, 2024	December 31, 2024	January 14, 2025	0.10
August 21, 2024	September 30, 2024	October 14, 2024	0.10
May 15, 2024	June 28, 2024	July 12, 2024	0.10
February 1, 2024	March 29, 2024	April 12, 2024	0.10
November 15, 2023	December 29, 2023	January 12, 2024	0.10
August 16, 2023	September 29, 2023	October 13, 2023	0.10
May 17, 2023	June 30, 2023	July 14, 2023	0.10
February 24, 2023	March 31, 2023	April 14, 2023	0.10

Consolidation

The companies which are being consolidated for the purposes of this MD&A are:

Company	Incorporated	Holding
Orca Energy Group Inc.	British Virgin Islands	Parent Company
Orca Exploration UK Services Limited	United Kingdom	100%
PAE PanAfrican Energy Corporation	Mauritius	100%
PanAfrican Energy Tanzania Limited	Jersey	100%

Management's Discussion & Analysis cont.

Non-Controlling Interest

The Company sold 7.933% (7,933 Class A common shares) of PAEM to a wholly owned subsidiary of Swala Oil & Gas (Tanzania) plc ("Swala TZ"), Swala (PAEM) Limited ("Swala UK"), in 2018 for $15.4 million cash and $4.0 million of Swala TZ's preference phares ("Preference Shares") pursuant to a share purchase agreement. The Preference Shares entitled the Company to a 10% per annum distribution payable 15 days after each quarter end commencing from the closing date, January 16, 2018. Payment of the quarterly distributions was at the discretion of Swala TZ based on funds available, however, the liability accrued if any amount was unpaid when due. For any distributable amount remaining unpaid at December 31, 2021, the Company may demand settlement and Swala TZ was obligated to comply by transferring and returning the Class A common shares of PAEM sold to Swala TZ. The aggregate value of these shares will equal the amount of the outstanding distributions.

On April 3, 2023, Swala TZ announced that its creditors resolved that Swala UK be placed into liquidation at a creditors' meeting held on March 31, 2023. On March 31, 2023, Apex Corporate Trustees (UK) Limited appointed representatives of Grant Thornton UK LLP as administrators of Swala UK. On July 21, 2023, the Company repurchased the 7.933% shares in PAEM held by Swala UK for $7.5 million and the non-controlling interest was therefore eliminated in 2023.

Contingencies

Taxation

Amounts in $' millions					As at September 30, 2024	As at December 31, 2023
Area	Period	Reason for dispute	Principal	Interest	**Total**	Total
Income Tax	2008-09, 2011-20	Deductibility of capital expenditures and expenses (2012, 2015 and 2016), additional income tax (2008, 2011 and 2012), foreign exchange rate application (2013 to 2015, 2018 to 2020), underestimation of tax due (2014, 2016 and 2020) and methodology of grossing up of income taxes paid (2015 to 2017).	19.3	13.5	**32.8**	34.1
Tax on Repatriated Income	2012-21	Applicability of withholding tax on repatriated income (2012 to 2021)	18.8	4.7	**23.5**	24.4
VAT	2012-20	VAT already paid (2012 to 2014), VAT on imported services (2015 and 2016), interest on VAT decreasing adjustments (2017) and input VAT on services (2017 to 2020).	0.2	1.3	**1.5**	1.5
			38.3	19.5	**57.8**	60.0

During 2022, following the expiry of the statutory deadline for the Tanzania Revenue Authority ("TRA") to respond to the Company's objections, the Company filed notices of intention to appeal to the Tanzania Revenue Appeals Board ("TRAB") against the corporate income tax assessments for the years of 2012 to 2016, tax on repatriated income for the years of 2012 to 2014, and VAT for the years of 2015 to 2016. In May 2023, the TRA issued final corporate income tax assessments for the years of 2012 to 2016 agreeing to drop certain claims with respect to previously assessed corporate income tax for the years of income of 2012 and 2016. These claims are no longer represented in the table above.

In Q4 2023, during the TRAB hearing of the appeals against the notice of assessment for tax on repatriated income for the years of 2012 to 2014 ($13.3 million), the TRA was allowed to file a preliminary objection. In Q1 2024, the parties filed their written submissions and are now awaiting TRAB's decision.

In Q2 2023, the Company filed statements of appeal at the TRAB against the TRA's notices of assessment in respect of the corporation income tax for the years of 2012 to 2016. The matters are to be heard by the TRAB on November 27, 2024.

In Q4 2022, the TRA issued seven assessments for tax on repatriated income ($10.2 million) for the years of 2015 to 2021. The Company objected to the assessments on the grounds of the assessments lacking merit; additionally, the assessments for the years of 2015 and 2016 were time-barred. In Q1 2023, the Company received TRA's proposals to settle the objections. In Q2 2023, the Company responded to the proposals. In Q3 2023, following TRA's failure to issue a final determination on the objections within the statutory time limit, the Company filed notices of intention to appeal and in Q4 2023, the Company filed statements of appeal at the TRAB. In Q1 2024 and subsequent to March 31, 2024, the parties filed their respective final written submissions and are awaiting TRAB's decision.

In Q4 2022, the TRA issued six assessments for income tax and for ensuing interest on deemed delayed payments ($0.5 million) for the years of 2018 to 2020. The Company objected to the assessments on the grounds of incorrect disallowance of expenses and use of exchange rates. In Q1 2023, the Company received TRA's proposals to settle the objections. In Q2 2023, the Company responded to the proposals. In Q3 2023, following TRA's failure to issue a final determination on the objections within the statutory time limit, the Company filed notices of intention to appeal and in Q4 2023, the Company filed statements of appeal at the TRAB. In Q1 2024, the appeals came for a hearing at the TRAB and the parties are now awaiting TRAB's decision.

Contingencies cont.

Taxation cont.

In Q4 2022, the TRA issued an assessment for VAT ($0.1 million) for the years of 2019 and 2020. The Company objected to the assessment on the grounds that the TRA incorrectly disallowed input VAT on certain services. In Q1 2023, the Company received TRA's proposals to settle the objections. In Q2 2023, the Company responded to the proposals. In Q3 2023, following TRA's failure to issue a final determination on the objections within the statutory time limit, the Company filed notices of intention to appeal and in Q1 2024, the Company filed statements of appeal at the TRAB. In Q1 2024, the appeals came for a hearing at the TRAB and the parties are now awaiting TRAB's decision.

In Q3 2023, the Tax Revenue Appeals Tribunal ("TRAT") pronounced its judgment on the corporate income tax appeal for the year 2011 ($1.4 million) in favor of the TRA. The Company filed a Notice of Intention to Appeal at the Court of Appeal of Tanzania ("CAT"). In Q4 2023, the Company filed a Memorandum of Appeal and is awaiting a hearing date.

In Q3 2024, the Company withdrew its application for the CAT to review its judgement on the corporate income tax for the year of 2009 ($1.5 million). The matter is now marked withdrawn. Parties will now negotiate on the implementation of CAT's judgement of 2018 in favour of TRA. At an earlier judgement, TRAB, while ruled in favour of the TRA, also allowed the Company to utilise the depreciation allowance, which was the issue in dispute, in subsequent years. The Company had already made full provision in the accounts of the amount in dispute.

Management, with advice from its legal counsel, has reviewed the Company's position on the objections and appeals related to the disputed amounts and has concluded that no further provision is required. However, if the TRA reassesses the Company's tax returns for open taxation years on a similar basis, the Company may be required to make future deposits to object such assessments.

The process of appealing assessments issued by TRA start by initially filing an appeal with TRA. If this is not successful, claims can be taken to higher authorities, starting with the TRAB, followed by an appeal to the TRAT and finally to the CAT. See Note 21 of the audited consolidated financial statements for the year ended December 31, 2023 for a full discussion.

In 2016, the TRA introduced significant changes in relation to the income tax treatment of the extractive sector with separate new chapters in Part V of the Income Tax Act 2004 ("ITA, 2004") for mining and for petroleum to be effective commencing in 2018. Further changes were subsequently made by the Written Laws (Miscellaneous Amendments) Act, 2017 ("WLMAA, 2017") and in particular section 36(a)(ii) of the WLMAA, 2017. The WLMAA, 2017 amended sections 65M and 65N of the ITA, 2004 to exclude cost oil/cost gas from inclusion in both income and expenditure. The Company continues to review the tax effects of the changes as there are a number of uncertainties and ambiguities as to the interpretation and application of certain provisions of the WLMAA, 2017. In the absence of guidance on these matters, the Company has used what it believes are reasonable interpretations and assumptions in applying the WLMAA, 2017 for purposes of determining its tax liabilities and the results of operations, which may change as it receives additional clarification and implementation guidance. The Company does not expect a significant impact from the changes as it is able to recover taxes payable from the TPDC Profit Gas revenue entitlement under the terms of the PSA.

Quarterly Results Summary

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

	2024			2023				2022
Figures in $'000 except where otherwise stated	**Q3**	Q2	Q1	Q4	Q3	Q2	Q1	Q4
Revenue	**24,787**	25,014	24,937	24,448	27,374	28,006	30,407	31,877
Net income/(loss) attributable to shareholders	**2,086**	1,188	969	(438)	256	3,282	3,507	2,325
Earnings per share								
– basic and diluted ($)	**0.10**	0.06	0.05	(0.02)	0.01	0.18	0.19	0.12
Net cash flows from/(used in) operating activities	**10,255**	16,747	(6,170)	9,858	14,995	16,160	7,472	15,438
Capital expenditures	**9,354**	1,912	1,470	2,065	2,928	1,405	1,705	3,615

Revenue decreased in Q1 2023 as a result of a decrease in sales to the industrial sector. Revenue decreased in Q2 2023 as a result of a further decrease in sales to both the industrial sector and the power sector partially offset by a decreased TPDC share of revenue. Revenue decreased in Q3 2023 as a result of an increased TPDC share of revenue. Revenue decreased in Q4 2023 as a result of a decrease in sales to the industrial sector, an increase in TPDC share of revenue and a lower current income tax adjustment. Revenue increased in Q1 2024 as a result of an increase in sales to the industrial sector and decreased TPDC share of revenue, partially offset by a decrease in sales to the power sector and a lower current income tax adjustment. Revenue increased in Q2 2024 as a result of a decrease of TPDC share of revenue and a higher current income tax adjustment, partially offset by a decrease in sales to the power and industrial sectors. Revenue decreased in Q3 2024 primarily as a result of a lower current income tax adjustment and the revenues from gas deliveries to Songas and TPCPLC in August and September not meeting revenue recognition criteria under IFRS 15.

Management's Discussion & Analysis cont.

Quarterly Results Summary cont.

Net income attributable to shareholders was affected by several factors, other than changes in revenue, including:

- the increase in Q1 2023 was a result of a higher deferred tax recovery;
- the decrease in Q2 2023 was a result of higher general and administrative and finance expenses;
- the decrease in Q3 2023 was a result of lower reversal of loss allowance for receivables, an expense in relation to the Long Term Retention Plan and a higher foreign exchange loss;
- the decrease in Q4 2023 was a result of a higher depletion expense;
- the increase in Q1 2024 was a result of a lower depletion expense, partially offset by a reversal of allowance in the previous quarter;
- the increase in Q2 2024 was a result of a lower depletion expense, higher deferred income tax recovery and a lower APT expense, partially offset by a higher finance expense; and
- the increase in Q3 2024 was a result of lower G&A and finance expenses.

In addition to the factors impacting net income attributable to shareholders, net cash flows from operating activities were primarily affected by the timing and amount of payments received from TANESCO. The decrease in Q1 2023 was primarily a result of the changes in the non-cash working capital, namely the decreases in tax payable and trade and other payables. Similarly, the increase in Q2 2023 was primarily a result of the changes in the non-cash working capital, namely the decrease in trade and other receivables. The decrease in Q3 2023 was primarily a result of the changes in the non-cash working capital, namely the decrease in trade and other payables. The decrease in Q4 2023 was primarily a result of the changes in the non-cash working capital, namely the increase in trade and other receivables. The decrease in Q1 2024 was primarily a result of the annual 2023 current liability associated with APT paid in Q1 2024. The increase in Q2 2024 was primarily a result of the changes in the non-cash working capital, namely the decrease in trade and other receivables. The decrease in Q3 2024 was primarily a result of the increase in trade and other receivables.

Capital expenditures in Q4 2022 and Q1, Q2 and Q3 2023 were mainly related to the 3D seismic acquisition program. Capital expenditures in Q4 2023 and Q1, Q2 and Q3 2024 were mainly related to well workover planning and mobilisation activities.

Non-GAAP Financial Measures and Ratios

In this MD&A, 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 MD&A 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.

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 from (used in) investing activities. A reconciliation to the most directly comparable financial measure is as follows:

	Three Months ended September 30		Nine Months ended September 30	
$'000	**2024**	2023	**2024**	2023
Pipelines, well workovers and infrastructure	**9,286**	2,918	**12,364**	5,917
Other capital expenditures	**68**	10	**372**	121
Capital expenditures	**9,354**	2,928	**12,736**	6,038
Change in non-cash working capital	**(5,622)**	294	**(5,520)**	547
Net cash used by investing activities	**3,732**	3,222	**7,216**	6,585

Non-GAAP Financial Measures and Ratios cont.

Operating netback

Operating netback is calculated as revenue less processing and transportation tariffs, TPDC's revenue share, and operating and distribution costs (see "Operating Netback" in this MD&A). 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 September 30		Nine Months ended September 30	
$'000	**2024**	2023	**2024**	2023
Revenue	**24,787**	27,374	**74,738**	85,787
Production, distribution and transportation expenses	**(6,566)**	(5,132)	**(14,725)**	(14,621)
Net Production Revenue	**18,221**	22,242	**60,013**	71,166
Less current income tax adjustment (recorded in revenue)	**(38)**	(4,118)	**(4,756)**	(13,631)
Operating netback	**18,183**	18,124	**55,257**	57,535
Sales volumes MMcf *where revenue is recognized*	**6,108**	7,624	**18,581**	23,821
Netback $/mcf	**2.98**	2.38	**2.97**	2.42

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.

Songas has invoiced PAET for the production and transportation tariff consistent with all gas volumes shipped to Songas during August and September 2024 as being Additional Gas. This amount has been fully accounted for and paid by PAET in accordance with the terms of the current agreements and forms part of the operating netback calculation above.

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.

Use of Estimates and Judgments

The preparation of consolidated financial statements in conformity with IFRS requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. The reader is referred to the Company's December 31, 2023 audited consolidated financial statements for a description of estimates and judgments.

Management's Discussion & Analysis cont.

Business Risks

For the purposes of this "Business Risks" section, unless context requires otherwise, "we", "us", "our" and "the Company" refers to Orca Energy Group Inc. and its subsidiaries and affiliates.

License extension

The principal asset of the Company is its indirect interest in the Songo Songo gas field under the PSA between PAET, TPDC and GoT. The PSA covers the production and marketing of natural gas from the Songo Songo gas field. The Company has the right to conduct petroleum operations on certain specified blocks within the Songo Songo gas field, market and sell all Additional Gas produced and share the net revenue with TPDC for a term of the development license of 25 years, expiring in October 2026. Under the PSA, the Company may submit a request to TPDC to apply for an extension of the License, and TPDC has a contractual obligation to seek an extension at PAET's request. TPDC is required to make this application promptly upon a request by the Company. Upon receipt of this application, the MoE will in consultation with the PURA, consider such request on its own merit and respond accordingly, subject to the licence holder not being in default and approval of the Tanzanian Cabinet.

On April 14, 2023, PAET formally requested TPDC to apply for an extension of the License, which as of the date of this report TPDC has not done. On August 7, 2024, PAET and PAEM, issued the Notice of Dispute in respect of an investment treaty claim under the BIT against the GoT for breach of the BIT, alongside notifying a contractual dispute against the GoT and TPDC for breaches of the PSA and the Gas Agreement, for damages in excess of $1.2 billion. Initial meetings with both the Advisory and Coordinating Committees were held during the week of October 14, 2024 without any resolution on the key issues in dispute. The matters have now been referred to the relevant entity's chief executive officers in accordance with the dispute resolution process. These meetings have been proposed for December 2024.

Given the conduct of TPDC and the Government of Tanzania to date, there is no certainty that the License will be extended, and if there is an extension of the License the terms that will be granted under the License. The Company cannot predict the timing for when the License will be extended, if it is extended, or the costs associated with seeking such extension. Failure to extend the License could result in negative publicity and adversely affect the price of our Shares. In addition, efforts to extend the License distract management and other personnel from their primary responsibilities.

Should the License not be extended beyond October 10, 2026, the Company's estimated proved reserves will continue to decline to zero on October 10, 2026.

Outcome of the Notice of Dispute

On August 7, 2024, PAET and PAEM, issued the Notice of Dispute in respect of an investment treaty claim under the BIT against the GoT for breach of the BIT, alongside notifying a contractual dispute against the GoT and TPDC for breaches of the PSA and the Gas Agreement, for damages in excess of $1.2 billion. Initial meetings with both the Advisory and Coordinating Committees were held during the week of October 14, 2024 without any resolution on the key issues in dispute. The matters have now been referred to the relevant entity's chief executive officers in accordance with the dispute resolution process. These meetings have been proposed for December 2024.

The Company cannot predict the outcome of proceedings relating to the Notice of Dispute with certainty, the costs associated with proceedings related to the Notice of Dispute, and possible awards of damages relating to the Notice of Dispute. Further the Company cannot predict if we are unsuccessful in the proceedings relating to the Notice of Dispute, the effect it will have on our business, and whether this will have a material adverse effect on the Company's business and operations. The Notice of Dispute proceedings could result in negative publicity and adversely affect the price of our Shares. In addition, the Notice of Dispute proceedings distract management and other personnel from their primary responsibilities.

Outcome of the Litigation with Seismic Contractor

In Q4 2023, the Company terminated the contract with the contractor responsible for the 3D seismic acquisition program on the basis that the contractor had failed to meet its obligations under the contract by not fully mobilising to progress the project more than a year after it was scheduled to do so; and that, as a result of mission critical assets being recalled by suppliers, and with no prospect of securing replacement assets, the contractor had suspended its operations without the right to do so and with no realistic plan offered to complete the project. On March 20, 2024 PAET received a summons from the Tanzanian High Court (Commercial Division) to file a written statement of defense against a claim made by the contractor for losses arising from PAET's termination of the contract on October 25, 2023. The contractor seeks to claim $30.0 million for losses incurred plus legal costs, interest and general damages. The Company in consultation with its legal advisors believes that the claim lacks merits and the Company in Q2 2024 lodged its own counterclaim for specific damages in the amount of $5.5 million and general damages in the amount of $25.8 million. The case is due to commence in the Tanzanian Commercial Court in Q4 2024.

The Company cannot predict the outcome of proceedings with certainty, the costs associated with proceedings, and possible awards of damages relating to the proceedings. Further the Company cannot predict if we are unsuccessful in the proceedings, the effect it will have on our business, and whether this will have a material adverse effect on the Company's business and operations. Legal proceedings could result in a substantial liability and/or negative publicity about us and adversely affect the price of our Shares. In addition, legal proceedings distract management and other personnel from their primary responsibilities.

Songas power plant shutdown

On October 30, 2024, PAET was advised by Songas that the Interim PPA between TANESCO and Songas, would expire on October 31, 2024, and that it is unknown if a new PPA would be entered into. At midnight on October 31, 2024 the Interim PPA expired and Songas shut down the Songas Power Plant. In the event that a new PPA is not entered into, there is a risk that the Songas Power Plant will be shut down indefinitely. This would adversely impact demand for production volumes from the Songo Songo gas field and may adversely impact the Company's ability to finance its capital requirements.

There can be no assurances that a new PPA will be entered into or that the Songas Power Plant will be reopened.

Business Risks cont.

We have had, and continue to have, disagreements with TPDC regarding certain of our rights and responsibilities under the PSA

All of our proved reserves are located onshore and offshore Tanzania. The PSA and other material contracts to which we are a party cover the field, activities and commercial arrangements that form the basis of our current operations in Tanzania. Pursuant to these petroleum contracts, most significant decisions, including our plans for development and annual work programs, must be submitted to TPDC for comment. We have previously had, and continue to have, disagreements with TPDC and the GoT regarding Protected Gas. Our belief is Protected Gas ceased after July 31, 2024, and that TPDC has taken the position that Protected Gas should continue despite the parties' contractual agreement that Protected Gas ceased after July 31, 2024.

There can be no assurance that all of these disagreements will be resolved in our favour or that future disagreements will not arise in Tanzania.

Our uncertainty in respect of payment by counterparts for Additional Gas

The PSA defines the gas produced from the Songo Songo gas field as "Protected Gas" and "Additional Gas". Until its cessation, Protected Gas was owned by TPDC and was sold under the Gas Agreement to Songas and TPCPLC. Protected Gas ceased after July 31, 2024, whereafter all gas from the Songo Songo field is now classified as Additional Gas. It is our belief that PAET will be entitled to compensation at a commercial rate for all volumes of gas lifted by Songas and TPCPLC starting on August 1, 2024. Uncontracted gas has continued to flow post August 1, 2024, and there is a risk that PAET will not receive payment, or payment may form part of a contract dispute. There can be no assurance that PAET will receive all or any payment in respect of the uncontracted gas being supplied starting August 1, 2024.

Our asset concentration, operational dependence and the local focus of our existing contracts may have a material impact on our ability to operate profitably

Our Tanzanian operations are anticipated to be our sole source of our near-term revenue earnings. Due to our asset concentration, the success of our operations is dependent on positive commercial relationships with a small number of organizations (including states and parastatal organizations) and certainty with respect to our rights and obligations arising from those relationships. Given our belief that Protected Gas ceased after July 31, 2024 under the Gas Agreement, and that TPDC has taken the position that Protected Gas should continue despite the parties' contractual agreement that Protected Gas ceased after July 31, 2024, our ongoing relationship with TPDC is uncertain.

Furthermore, due to our asset concentration and operational dependence, damage to our reputation within the jurisdictions in which we currently or may in the future operate due to the actual or perceived occurrence of any number of events, such as environmental incidents, could negatively impact us. Reputation loss may result in negative publicity and diminished or adversarial stakeholder relationships, which could lead to increased challenges in developing and maintaining community relations, decreased investor confidence, and would likely impede our overall ability to advance our projects, thereby having a material adverse impact on financial performance, cash flows and growth prospects.

The inability of one or more third parties who contract with us to meet their obligations to us may adversely affect our financial results

We may be liable for certain unascertainable costs if third parties who contract with us are unable to meet their contractual commitments.

In Tanzania, we are dependent on TPDC for access and operation of the National Natural Gas Infrastructure ("NNGI") and to Songas for access to the Songas Facilities. If access is limited by either party being unable (or unwilling) to meet their contractual obligations, this would impact our ability to meet our contractual delivery of Additional Gas. See "Our inability to access appropriate equipment and infrastructure in a timely manner may hinder our access to oil and natural gas markets or delay our oil and natural gas production."

In addition, we contract with third parties to conduct drilling and related services on our producing assets and development projects. Such third parties may not perform the services they provide us with on schedule or within budget. Furthermore, the drilling equipment, facilities and infrastructure owned and operated by the third parties we contract with is complex and subject to malfunction and breakdown. Any malfunctions or breakdowns may be outside our control and result in delays, which could be substantial. Any delays in our activities caused by equipment, facility or equipment malfunction or breakdown could materially increase our costs and cause an adverse effect on our business, financial position and results of operations.

In Tanzania, our principal exposure to credit risk will be through receivables resulting from the sale of Additional Gas. The inability or failure of our significant customers or counterparties to meet their obligations to us or their insolvency or liquidation may adversely affect our financial results. This includes our ability to meet our interest and principal repayment obligations under the Loan. The Company is unable to predict sudden changes in the creditworthiness of our customers. Even if we do accurately predict sudden changes, our ability to negate the risk may be limited and we could incur significant financial losses. See "Risks associated with the collectability of receivables could adversely affect our business".

Our inability to access appropriate equipment and infrastructure in a timely manner may hinder our access to oil and natural gas markets or delay our oil and natural gas production

Our ability to market our oil and natural gas production will depend substantially on the availability and capacity of processing facilities and other infrastructure, owned and operated by third parties. Our failure to obtain access to such facilities on acceptable terms could materially harm our business. We may be required to shut in production due to the absence of a market or because access to processing facilities may be limited or unavailable. If that were to occur, then we would be unable to realize revenue from those wells until alternative arrangements were made to deliver the production to market, which could cause a material adverse effect on our financial condition and results of operations. In addition, the shutting in of wells can lead to mechanical problems when attempting to bring production back on-line, and this results in decreased production and increased remediation costs.

Additionally, the future exploitation and sale of natural gas will be subject to the availability of commercial processing facilities and marketing of these products, which will in turn be dependent upon the contracting, financing, construction and operating of infrastructure by ourselves or third parties, the relationships and agreements related to which can, at times, be uncertain.

Management's Discussion & Analysis cont.

Business Risks cont.

Our estimated proved reserves are based on many assumptions that may turn out to be inaccurate. Any significant inaccuracies in these reserve estimates or underlying assumptions will materially affect the quantities and present value of our reserves

The process of estimating oil and natural gas reserves is technically complex and imprecise. It requires interpretations of available technical data and many assumptions, including those relating to current and future economic conditions and commodity prices. Any significant inaccuracies in these interpretations or assumptions could materially affect the estimated quantities and present value of reserves shown in the annual reserves report. See SEDAR+ at www.sedarplus.ca. or our website to review our National Instrument 51-101 Standards of Disclosure for Oil and Gas Activities for information about our estimated natural gas reserves and the present value of our net revenues as of December 31, 2023.

To prepare our estimates, we must predict production rates and the timing of development expenditure. We must also analyze available geological, geophysical, production and engineering data. The process also requires economic assumptions about factors such as commodity prices, drilling and operating expenses, capital expenditure, taxes and availability of funds.

Actual future production, oil and natural gas prices, revenues, taxes, development expenditure, operating expenses and quantities of recoverable oil and natural gas reserves will vary from our estimates. Any significant variance could materially affect the estimated quantities and present value of reserves. In addition, we may adjust estimates of our reserves to reflect production history, results of exploration and development, prevailing oil and natural gas prices and other factors, many of which are beyond our control.

The present value of future net revenues from our proved reserves will not necessarily be the same as the current market value of our estimated natural gas reserves

You should not assume that the present value of future net revenues from our proved reserves is the current market value of our estimated oil and natural gas reserves. In accordance with the requirements of the Canadian Securities Administrators, we have based the estimated net present value of future net revenue attributable to our reserves utilizing forecast price and cost assumptions. Actual future net revenues from our oil and natural gas assets will be affected by factors such as:

- changes to the contractual terms and production sharing arrangements;
- actual prices we receive for oil and natural gas;
- actual cost of development and production expenditure;
- derivative transactions;
- demand from customers;
- the amount and timing of actual production; and
- changes in governmental regulations or taxation.

The timing of both our production and expenses incurred in connection with the development and production of oil and natural gas assets will affect the timing and amount of actual future net revenues from proved reserves, and thus their actual present value. In addition, the discount factors we use when calculating discounted future net revenues may not be the most appropriate discount factors based on interest rates in effect from time to time and risks associated with us or the oil and gas industry in general. Actual future prices and costs may differ materially from those used in the present value estimates included in our estimated reserves. Oil and natural gas prices have recently experienced significant volatility.

We are subject to drilling and other operational and environmental risks and hazards

The oil and natural gas industry involves a variety of business, operational and environmental risks, including, but not limited to:

- fires, blowouts, spills, cratering and explosions;
- mechanical and equipment problems, including unforeseen engineering complications;
- uncontrolled flows or leaks of oil, well fluids, natural gas, brine, toxic gas or other pollutants or hazardous materials;
- gas flaring operations;
- marine hazards with respect to offshore operations;
- formations with abnormal pressures;
- pollution, environmental risks, and geological problems; and
- adverse weather conditions and natural or man-made disasters.

Any of these events could result in loss of human life, significant damage to property, environmental or natural resource damage, impairment, delay or cessation of our operations, lower production rates, adverse publicity, substantial losses and civil or criminal liability. We expect to maintain insurance against some, but not all, of these risks and losses; however, there can be no assurance that such insurance will be adequate to cover any losses or exposure for liability and the occurrence of any of these events, whether or not covered by insurance, could have a material adverse effect on our financial position and results of operations. Furthermore, the costs and risks associated with these events cannot be readily estimated or accounted for and we cannot predict whether any insurance we obtain will be sufficient or continue to be available at a reasonable cost or at all.

Business Risks cont.

Our operations may be adversely affected by political, social and economic circumstances in the country in which we operate

We operate, and may in the future operate, in foreign jurisdictions that may be considered politically and/or economically unstable. We are also subject to foreign laws and regulations that themselves may change in response to shifting political and economic circumstances. Through our operations in foreign jurisdictions, we may become subject to risks that are materially different than those present in markets with better established and more mature hydrocarbon industries. Such risks include (but are not necessarily limited to):

- the renegotiation, cancellation or forced modification of existing contracts and product sharing agreements;
- expropriation, whether direct or indirect, including by confiscatory tax regimes or other regulatory actions, or nationalization of property;
- lack of certainty with respect to intellectual property;
- changes in laws or policies or increasing legal and regulatory requirements of particular countries, such as those relating to taxation, royalties, imports, exports, duties, currency, in-country beneficiation or other claims by government entities, including retroactive claims and/or changes in the administration of laws, policies and practices;
- uncertain political, legislative and economic environments, war, terrorism, sabotage and civil disturbances, territorial disputes and insurrection;
- lack of certainty with respect to foreign legal systems, corruption and other factors that are inconsistent with the rule of law;
- counterfeiting;
- exchange controls;
- delays or inability to obtain or maintain necessary government permits or to operate in accordance with such permits or regulatory requirements;
- currency fluctuations;
- restrictions on the ability of local operating companies to sell products for foreign currency, and on the ability of such companies to hold foreign currencies in offshore bank accounts;
- import and export regulations, including restrictions on the export of hydrocarbons;
- restrictions on the repatriation of earnings and various other foreign exchange restrictions;
- reliance on advisors and consultants in foreign jurisdictions in connection with regulatory, permitting or other governmental requirements; and
- increased financing costs.

Our operations in these areas also increase our exposure to risks of war, local economic conditions, political disruption, civil disturbance, expropriation, piracy, tribal conflicts and governmental policies that may:

- disrupt our operations;
- require us to incur greater security costs;
- restrict the movement of funds or limit repatriation of profits;
- lead to international sanctions from overseas governments; or
- limit access to markets for periods of time.

The regions in which we operate, and may in the future operate, have experienced political instability in the past or are currently experiencing instability. Disruptions may occur in the future, and losses caused by these disruptions and not covered by insurance may occur. Consequently, our exploration, development and production activities may be substantially affected by factors which could have a material adverse effect on our results of operations and financial condition.

Participants in the oil and gas industry are subject to numerous laws, regulations, and other legislative instruments that can affect the cost, manner or feasibility of doing business

Exploration and production activities in the oil and gas industry are subject to local laws and regulations. We may be required to make large expenditures to comply with governmental laws and regulations, particularly in respect of the following matters:

- licenses for drilling operations;
- tax increases, including retroactive claims;
- unitization of oil accumulations;
- local content requirements (including the mandatory use of local partners and vendors; See “We face various risks associated with global populism”); and
- safety, health and environmental requirements, liabilities and obligations, including those related to remediation, investigation or permitting.

Management's Discussion & Analysis cont.

Business Risks cont.

Participants in the oil and gas industry are subject to numerous laws, regulations, and other legislative instruments that can affect the cost, manner or feasibility of doing business cont.

Under these and other laws, regulations and the terms of our material contracts, we could be liable for personal injuries, property, environmental and other types of damages. Failure to comply with these laws, regulations and certain of our contractual obligations may also result in the suspension or termination of our operations and subject us to administrative, civil and criminal penalties. Moreover, these laws and regulations could change, or their interpretations could change, in ways that could substantially increase our costs. These risks may be higher in the developing countries in which we conduct, and may in the future conduct, the majority of our operations, where there could be a lack of clarity or lack of consistency in the application of these laws, regulations and the interpretation of contractual obligations, if any. Any resulting liabilities, penalties, suspensions or terminations could have a material adverse effect on our financial condition and results of operations. See "We are subject to numerous health, safety and environmental laws and regulations which may result in material liabilities and costs".

We may be exposed to liabilities under anti-money laundering and/or anti-corruption laws, and any determination that we violated such laws could have a material adverse effect on our business

We are subject to laws that prohibit improper payments or offers of payments to foreign government officials and political parties for the purpose of obtaining or retaining business or otherwise securing an improper business advantage. We do business, and may do additional business in the future, in countries and regions in which we may face, directly or indirectly, corrupt demands by officials. We face the risk of unauthorized payments or offers of payments by one of our employees, contractors or consultants or accusations by government authorities or local citizens or other organizations that our employees, contractors or consultants have made or offered such payments. Our existing safeguards and any future improvements may prove to be less than effective in preventing such unauthorized payments, and our employees and consultants may engage in conduct for which we might be held responsible. Violations of such laws may result in severe criminal or civil sanctions, and we may be subject to other liabilities, which could negatively affect our business, operating results and financial condition.

In addition, the United States, United Kingdom and Canadian governments may seek to hold us liable for successor liability under their anticorruption laws for violations committed by companies in which we invest in (for example, by way of acquiring equity interests in, participating as a joint venture partner with, acquiring the assets of, or entering into certain commercial transactions with) or that we acquire.

Corruption remains an issue in Tanzania. Tanzania ranked 87 out of 180 countries on the 2023 Transparency International Corruption Index, with a score of 40/100. On the 2019 World Bank's Ease of Doing Business Index, Tanzania ranked 144/190 countries, with a score of 53.63 (the regional average for Sub-Saharan Africa is 51.61). At the end of 2014, there was a significant corruption scandal in Tanzania's energy sector involving a number of senior government officials.

We may incur substantial losses and become subject to liability claims as a result of future oil and natural gas operations, for which we may not have adequate insurance coverage

We intend to maintain insurance against certain risks in the operation of the business we plan to develop and in amounts in which we believe to be reasonable. Such insurance, however, may contain exclusions and limitations on coverage or may not be available at a reasonable cost or at all. For example, we are not insured against political or terrorism risks. We may elect not to obtain insurance if we believe that the cost of available insurance is excessive relative to the risks presented. Losses and liabilities arising from uninsured and underinsured events could materially and adversely affect our business, financial condition and results of operations. Further, even in instances where we maintain adequate insurance coverage, potential delays related to receipt of insurance proceeds as well as delays associated with the repair or rebuilding of damaged facilities could also materially and adversely affect our business, financial condition and results of operations. Furthermore, we cannot predict whether insurance will continue to be available at a reasonable cost or at all.

Risks associated with the collectability of receivables could adversely affect our business

We evaluate the collectability of our receivables on the basis of payment history, frequency and predictability, as well as our assessment of the customer's willingness and ability to pay. We have been impacted by TANESCO's stated inability to pay for past deliveries and to pay down arrears since 2012.

Prior to 2017, TANESCO payments had been inconsistent and resulted in the Company recording provisions for doubtful accounts for amounts outstanding from TANESCO for more than 60 days. Commencing the last quarter of 2016, we began recording revenues for sales to TANESCO based on the expected amount to be collected, which represents a percentage of the amounts invoiced to TANESCO determined by comparison of TANESCO's payment history with the amounts that we invoiced over the previous three years. Since April 1, 2018 we have recorded 100% of the invoices to TANESCO for gas sales given cash receipts from TANESCO have been sufficient to pay for current gas deliveries.

As at September 30, 2024, the current receivable from TANESCO was $8.1 million (December 31, 2023: $5.9 million). The TANESCO long-term receivable as at September 30, 2024 and as at December 31, 2023 was $22.0 million with a provision of $22.0 million. Subsequent to September 30, 2024, the Company has invoiced TANESCO $4.2 million for October 2024 gas deliveries and TANESCO has paid the Company $4.2 million to date. There is a risk that we may not be able to recover all or any of the outstanding TANESCO receivables, or that we may need to suspend gas deliveries or initiate dispute resolution mechanisms to recover the TANESCO receivables. Any inability to collect on the TANESCO receivables and resulting actions by our operating subsidiary in Tanzania, PAET to enforce its rights may materially adversely affect our operations, financial condition or operational results.

Business Risks cont.

We are a holding company and our ability to declare and pay dividends and purchase our Shares is dependent upon the receipt of funds from our subsidiaries by way of dividends, fees, interest, loans or otherwise

We are a holding company, and our subsidiaries and affiliates own all of our assets and conduct all of our operations. Accordingly, our ability to declare and pay dividends and purchase our Shares will be dependent on the generation of cash flow by our subsidiaries and their ability to make such cash available to us, by dividend, debt repayment or otherwise. Our subsidiaries and affiliates may not be able to, or may not be permitted to, make distributions to enable us to make payments in respect of dividends and purchases of Shares. Each subsidiary and affiliate is a distinct legal entity and, under certain circumstances, legal and contractual restrictions may limit our ability to obtain cash from our subsidiaries and affiliates. The Loan and local laws limit the ability of our subsidiaries to pay dividends and distribute funds to the parent companies. If we do not receive distributions from our subsidiaries, we may be unable to pay dividends and purchase our Shares. In addition, the ability of our subsidiaries to make payments to us may be constrained by, among other things: (i) the level of taxation, particularly corporate profits and withholding taxes, in the jurisdictions in which they operate; and (ii) the introduction of foreign exchange and/or currency controls or repatriation restrictions that impact the availability of hard currency to be repatriated If we do not receive distributions from our subsidiaries, we may be unable to pay dividends and purchase our Shares.

Additional Risks

The Company operates internationally in the oil and gas industry and is exposed to various market and operational risks. For full discussion of these risks, please see “Business Risks” in the MD&A for the year ended December 31, 2023 available on SEDAR+ at www.sedarplus.ca. or on the Company’s website.

Forward Looking Statements

This MD&A 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 MD&A, 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 MD&A contains, without limitation, forward looking statements pertaining to the following: the Company’s expectations regarding the demand for natural gas and power supply; anticipated Additional Gas sales for 2024; ongoing negotiation of new commercial terms and discussion of requirements under the Gas Agreement with Songas and TPCPLC; whether TPCPLC will enter into the New GSA; assessment by the Company of the merits of the claims made by the seismic contractor and the counterclaim filed by the Company; the Company’s liabilities pursuant to the claims brought forth by the seismic contract and recoverability of damages claimed by the Company; the planned capital projects including the intervention in the offshore well SS-7 and the anticipated timing, costs and effects of such projects; merit, outcomes, position and timing in respect of the Notice of Dispute; the Company’s expectation that all capital allocation decisions will be based upon prudent economic evaluations and returns; extension of the development license and the Company’s expectation to continue to actively engage with the GoT to progress the license extension; the Company’s expectation that PAET will receive payment in respect of Protected Gas supplied after July 31, 2024; expectations that SS-7 will return to production in November 2024; expectations around entering into a new PPA; expectations in respect of the Songas Power Plant; maintenance of gas sale contract discipline by the Company in accordance with its gas supply agreements; continued accrual of participation interest until the specified date; the receipt of the payment of arrears from TANESCO; forecasts regarding future development capital spending and the anticipated source of funding; the timing and effective rate of the APT payable by the Company; the Company’s expectation that there will be no future restrictions on the movement of cash from Jersey, Mauritius or Tanzania; continued work by the Company with the GoT on alternative development plan for longer term field development; availability of necessary regulatory approvals; the Company’s debt and interest payments; the Company’s expectation that it will maintain adequate working capital to cover the Company’s long-term and short-term obligations; the Company’s expectation that it will be receiving payment for certain Additional Gas that as a result of the dispute between PAET and TPDC as to whether Protected Gas ceased after July 31, 2024, such that all gas produced falls to be treated as Additional Gas; expectations that an indefinite shutdown of the Songas Power Plant will adversely impact demand for production volumes from the Songo Songo gas field; expectation that forecasted Additional Gas will decrease; expectations in respect to the results of the production and saturation logging program; expectations that the PPA will be replaced; the concern that if the Protected Gas is not resolved, the Company will be required to reduce costs and ensure capital expenditure projects on the Songo Songo gas field are in line with contracts and economic returns; expectations that the SGA will be entered into and the terms abided by; the expectations regarding future revenues of the Company; expectations as to the resolution of the Notice of Dispute; the Company’s plans to provide updates on the Notice of Dispute and TPCPLC invoice; expectations that Songas will pay the balance of the invoice in respect to Additional Gas; that the Company does not expect to incur any losses from debtors in 2024; the Company’s expectations that no circumstances will significantly impact the Company’s cash flow or liquidity other than disclosed in this MD&A, as applicable; the Company’s expectations that it will be able to convert Tanzanian shillings into US dollars and other hard currencies during and after the current foreign exchange deficiency; the Company’s expectations regarding supply and demand of natural gas; the Company’s expectation and evaluations on the timing and results of its objections and appeals to the decisions and assessments of the TRA, TRAB and CAT under “Contingencies – Taxation” in this MD&A; whether IFC will demand repayment of the Loan as a result of breach of the Loan’s covenants; the Company’s view that all costs are correctly included in the Cost Pool and the Company’s expectations regarding changes to its tax liabilities and the results of its operations as a result of amendments made to the ITA, 2004, the WLMAA, 2017 and the implementation of further legislation. 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 produced profitably 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, 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.

Management's Discussion & Analysis cont.

Forward Looking Statements cont.

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: risk that PAET will not receive payment or payment may form part of a contract dispute, in respect of uncontracted gas that will continue to flow post August 1, 2024; uncertainties involving the Notice of Dispute; uncertainties involving the SGA; uncertainties involving the completion of the SS-7 workplan; various uncertainties involved in the extension of the Songo Songo License; risk that timing is not as anticipated with respect to SS-7, including timing of return to production; risk that meetings related to the Notice of Dispute are not held on the anticipated timing; risk the PPA will not be replaced; risk of decreased demand for production volumes from the Songo Songo gas field; risk that Orca does not receive payment of TPCPLC invoices; risk the Songas Power Plant will shutdown indefinitely; risk that Songas receivables increases; negative effect on the Company's rights under the PSA and other agreements relating to its business in Tanzania; fluctuations in demand for natural gas and power supply in Tanzania; the Company's average gas sales including the sale of Additional Gas are different than anticipated; uncertainties involving the negotiation of new commercial terms under the Gas Agreement with Songas and TPCPLC and necessary approvals from TPDC; risks in respect to whether TPCPLC will enter into the New GSA; risk that the Company may incur losses and legal expenses as a result of the claims brought forth by the seismic contractor; uncertainties regarding quantum of damages payable by the seismic contractor and/or the Company; risk that the Company may incur losses and legal expenses as a result of the Notice of Dispute; uncertainties regarding quantum of damages payable to the Company in respect of the Notice of Dispute; risk that the budgeted expenditures, timing of the completion and anticipated benefits from the Company's various development programs and studies in 2024 are different than expected; that not all capital allocation decisions will be based upon prudent economic evaluations and returns; inability to extend the development license and inability to maintain gas sale contract discipline; accrual of participation interest is different than expected; failure to receive payment of arrears from TANESCO; changes to the timing and effective rate of the APT payable by the Company; changes to forecasts regarding future development capital spending and source of capital spending; risk of future restrictions on the movement of cash from Jersey, Mauritius or Tanzania; occurrence of circumstance or events which significantly impact the Company's cash flow and liquidity and the Company's ability cover its long-term and short-term obligations or fund planned capital expenditures; incurrence of losses from debtors in 2024; prolonged foreign exchange reserves deficiency in Tanzania; inability to convert Tanzanian shillings into US dollars or other hard currencies as and when required; discontinuation of work by the Company with the GoT on alternative development plan for longer term field development; changes to the Company's debt and interest payments; failure to obtain necessary regulatory approvals; risks regarding the uncertainty around evolution of Tanzanian legislation; risk of unanticipated effects regarding changes to the Company's tax liabilities and its operations as a result of amendments made to the ITA, 2004, the WLMAA, 2017, the implementation of further legislation and the Company's interpretation of the same; 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; risk of pandemic; 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; 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; risks of non-payment by recipients of natural gas supplied by the Company; 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; 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; inaccuracy in reserve estimates; incorrect forecasts in production and growth potential of the Company's assets; inability to obtain 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 fulfil 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; the risk that the Company's Tanzanian operations will not provide near term revenue earnings; the risk that IFC will demand repayment of the Loan as a result of default of the Loan's provisions; risk that any costs in respect of the Cost Pool, are rejected as not being cost recoverable, and the Company being required to retroactively adjust its share of revenue for the period under dispute; and such additional risks listed under "Business Risks" in this report. 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.

Forward Looking Statements cont.

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: increased demand for gas supply; the risk that IFC will demand repayment of the Loan as a result of default of the Loan's provisions; risk that any costs in respect of the Cost Pool, are rejected as not being cost recoverable, and the Company being required to retroactively adjust its share of revenue for the period under dispute Company's average Additional Gas sales are in line with forecasts; successful negotiation and execution of new gas sales contracts under the Gas Agreement; successful implementation of various development and study programs at the budgeted expenditures, including the ongoing intervention in the SS-7 well and production logging program; accurate assessment by the Company of the merits of its claim under the Notice of Dispute; that all capital allocation decisions will be based upon prudent economic evaluations and returns; successful extension of the development license and maintenance of gas sale contract discipline on a go-forward basis pursuant to the Company's gas supply agreements; anticipated award amount payable under the Long Term Retention Plan; accrual of participation interest as expected; that the Company will receive payment of arrears from TANESCO; the Company's relationship with TPDC and the GoT; the current status of negotiations in respect of the SGA, GA and PSA; the current status of actions involved in the Notice of Dispute; accurate assessment by the Company of the merits of its rights and obligations in relation to TPDC and the GoT 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 GoT 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; the Company's relationship with TPCPLC; anticipated operations and timing with respect to SS-7; correct forecast on the timing and effective rate of the APT payable by the Company; that there will continue to be no restrictions on the movement of cash from Mauritius, Jersey 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 debt and interest obligations as needed; the Company does not incur any losses from debtors in 2024; absence of circumstances or events that significant impact the Company's cash flow and liquidity; the Company will continue to be able to convert Tanzanian shillings into US dollars; long term field development will be carried out as planned; continued work by the Company with the GoT on alternative development plan for longer term field development as anticipated; timing and amount of capital expenditures and source of funding are in line with forecasts; the Company's ability to obtain necessary regulatory approvals; the anticipated supply and demand of natural gas are in line with the Company's expectations; accurate assessment by the Company of the merits of claims brought forward by the seismic contractor and the Company's counterclaim; that the amount of damages recoverable by the Company under the Notice of Dispute will be in line with expectations; that the amount of damages recoverable by the Company will be in line with expectations; the Company's interpretation and prediction of the effects regarding changes to the Company's tax liabilities and its operations as a result of amendments made to the ITA, 2004, the WLMAA, 2017 and the implementation of further legislation is accurate in all material respects; the Company's ability to obtain revenue earnings from its 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; availability of skilled labour; 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; 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.

Oil and Gas Advisory

"BOEs" may be misleading, particularly if used in isolation. A BOE conversion ratio of six thousand cubic feet of natural gas to one barrel of oil equivalent (6 Mcf: 1 Bbl) is based on an energy equivalency conversion method primarily applicable at the burner tip and does not represent a value equivalency at the wellhead. As the value ratio between natural gas and crude oil based on the current prices of natural gas and crude oil is significantly different from the energy equivalency of 6:1, utilizing a conversion on a 6:1 basis may be misleading as an indication of value. For certainty, all referenced herein to "production", "gross daily sales", "gas sales" and "Additional Gas sales" are references to conventional natural gas production, conventional natural gas daily sales, conventional natural gas sales and conventional natural gas sales, which are classified as Additional Gas in accordance with the PSA, respectively.

Additional Information

Additional information relating to the Company is available on SEDAR+ at www.sedarplus.ca.

Glossary

mcf	Thousand standard cubic feet
MMcf	Million standard cubic feet
Bcf	Billion standard cubic feet
MMcfd	Million standard cubic feet per day
MMbtu	Million British thermal units
$	United States dollars
CDN$	Canadian dollars

Q3 2024 Interim Financial Statements and Notes

NOTIFICATION OF UNAUDITED CONDENSED 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 unaudited condensed consolidated interim financial statements for the three and nine-month periods ended September 30, 2024.

Condensed Consolidated Interim Statements of Comprehensive Income (Unaudited)

		Three Months ended September 30		Six Months ended September 30	
$'000	Note	**2024**	2023	**2024**	2023
Revenue	6, 7	**24,787**	**27,374**	**74,738**	85,787
Production, distribution and transportation		**6,566**	**5,132**	**14,725**	14,621
Net production revenue		**18,221**	**22,242**	**60,013**	71,166
Operating expenses					
General and administrative		**4,396**	**4,602**	**13,650**	12,358
Stock based compensation (recovery)/expense	14	**-**	**(1)**	**-**	6
Depletion	10	**7,689**	**8,580**	**21,431**	26,805
Reversal of loss allowance for receivables	9	**-**	**(519)**	**-**	(2,014)
Finance income	8	**(1,068)**	**(422)**	**(2,798)**	(1,140)
Finance expense	8	**3,070**	**5,395**	**13,887**	13,686
Income before tax		**4,134**	**4,607**	**13,843**	21,465
Income tax expense – current		**1,218**	**3,962**	**6,903**	12,779
Income tax recovery – deferred		**(874)**	**(1,786)**	**(2,716)**	(5,175)
Additional Profits Tax		**1,704**	**2,175**	**5,413**	6,409
Net income attributable to shareholders		**2,086**	**256**	**4,243**	7,452
Foreign currency translation (loss)/gain from foreign operations		**(10)**	**(31)**	**(10)**	7
Comprehensive income		**2,076**	**225**	**4,233**	7,459
Net income attributable to shareholders per share *($)*					
Basic and diluted	15	**0.10**	0.01	**0.21**	0.38

See accompanying notes to the condensed consolidated interim financial statements.

Condensed Consolidated Interim Statements of Financial Position (Unaudited)

		As at	
$'000	Note	**September 30, 2024**	December 31, 2023
ASSETS			
Current assets			
Cash and cash equivalents		**101,740**	101,566
Trade and other receivables	9	**34,425**	32,837
Prepayments		**793**	1,637
		136,958	136,040
Non-current assets			
Long-term receivables	12	**10**	10
Capital assets	10	**70,254**	79,381
		70,264	79,391
Total assets		**207,222**	215,431
EQUITY AND LIABILITIES			
Current liabilities			
Trade and other payables	11	**48,218**	38,407
Tax payable		**4,753**	4,326
Current portion of long-term loan	13	**10,000**	10,000
Current portion of Additional Profits Tax		**6,922**	15,984
		69,893	68,717
Non-current liabilities			
Deferred income taxes		**17,379**	20,095
Lease liabilities	10	**359**	456
Long-term loan	13	**25,113**	29,961
Additional Profits Tax		**6,015**	7,524
		48,866	58,036
Total liabilities		**118,759**	126,753
SHAREHOLDERS' EQUITY			
Capital stock	14	**46,986**	47,067
Accumulated other comprehensive income		**6**	16
Accumulated income		**41,471**	41,595
		88,463	88,678
Total equity and liabilities		**207,222**	215,431

See accompanying notes to the condensed consolidated interim financial statements.

Nature of operations (Note 1); Contractual obligations (Note 17); Contingencies (Note 18).

Condensed Consolidated Interim Statements of Cash Flows (Unaudited)

		Three Months ended September 30		Nine Months ended September 30	
$'000	Note	**2024**	2023	**2024**	2023
OPERATING ACTIVITIES					
Net Income		**2,086**	256	**4,243**	7,452
Adjustment for:					
Depletion and depreciation	10	**7,824**	8,673	**21,813**	27,089
Indirect tax	8	**332**	295	**975**	975
Stock based compensation (recovery)/expense	14	**-**	(1)	**-**	6
Deferred income tax		**(874)**	(1,786)	**(2,716)**	(5,175)
Additional Profits Tax		**1,704**	2,175	**5,413**	6,409
Unrealized (gain)/loss on foreign exchange		**(344)**	2,764	**(2,146)**	2,880
Interest expense	8	**1,399**	1,911	**4,154**	6,031
Finance income		**-**	-	**-**	241
Change in non-cash working capital	19	**(1,872)**	708	**(10,904)**	(7,281)
Net cash flows from operating activities		**10,255**	14,995	**20,832**	38,627
INVESTING ACTIVITIES					
Capital expenditures	10	**(3,732)**	(3,222)	**(7,216)**	(6,585)
Net cash used in investing activities		**(3,732)**	(3,222)	**(7,216)**	(6,585)
FINANCING ACTIVITIES					
Lease payments		**(14)**	(13)	**(184)**	(166)
Normal course issuer bid	14	**-**	-	**(96)**	(132)
Long-term loan repayment	13	**-**	-	**(5,000)**	(5,000)
Interest paid	8	**(891)**	(1,144)	**(5,894)**	(6,627)
Dividends paid to shareholders	14	**(1,452)**	(1,454)	**(4,384)**	(4,408)
Distribution to non-controlling interest shareholder		**-**	(7,500)	**-**	(7,500)
Net cash used in financing activities		**(2,357)**	(10,111)	**(15,558)**	(23,833)
Increase/(decrease) in cash		**4,166**	1,662	**(1,942)**	8,209
Cash and cash equivalents at the beginning of the period		**97,226**	102,872	**101,566**	96,321
Effect of change in foreign exchange on cash for the period		**348**	(2,796)	**2,116**	(2,792)
Cash and cash equivalents at the end of the period		**101,740**	101,738	**101,740**	101,738

See accompanying notes to the condensed consolidated interim financial statements.

Condensed Consolidated Interim Statements of Changes In Shareholders' Equity (Unaudited)

$'000	Capital Stock	Accumulated other comprehensive income	Accumulated income	Total
Note	*14*		*14*	
Balance as at December 31, 2023	47,067	16	41,595	88,678
Share repurchase	(81)	–	(15)	(96)
Dividends declared	–	–	(4,362)	(4,362)
Foreign currency translation adjustment on foreign operations	–	(10)	10	–
Net income	–	–	4,243	4,243
Balance as at September 30, 2024	**46,986**	**6**	**41,471**	**88,463**

$'000	Capital stock	Accumulated other comprehensive loss	Accumulated income	Non-controlling interest	Total
Note	*14*		*14*	*20*	
Balance as at December 31, 2022	47,257	(272)	42,631	5,670	95,286
Share repurchase	(86)	–	(46)	–	(132)
Dividends declared	–	–	(4,414)	–	(4,414)
Foreign currency translation adjustment on foreign operations	–	7	–	–	7
Net income	–	–	7,452	–	7,452
Balance as at September 30, 2023	47,171	(265)	43,793	–	90,699

See accompanying notes to the condensed consolidated interim financial statements.

Notes to the Condensed Consolidated Interim Financial Statements (Unaudited)

General Information

Orca Energy Group Inc. was incorporated on April 28, 2004 under the laws of the British Virgin Islands with registered offices located at Vistra Corporate Service Centre, Wickhams Cay II, Road Town, Tortola, British Virgin Islands, and VG110. The Company produces and sells natural gas to the power and industrial sectors in Tanzania. The Company maintains central management and control and has established tax residency in the United Kingdom.

The condensed consolidated interim financial statements of the Company as at September 30, 2024 and for the three and nine months ended September 30, 2024 comprise the accounts of the Company and its subsidiaries (collectively, the "Company" or "Orca Energy") and were authorized for issue in accordance with a resolution of the directors on November 13, 2024. The Company is controlled by Shaymar Limited who is the registered holder of 24.8% of the equity and controls 71.6% of the total votes of the Company. The shares are held in a trust that is independently managed for the beneficiaries.

1. Nature of Operations

The Company's principal operating asset is an interest held by a subsidiary, PanAfrican Energy Tanzania Limited ("PAET"), 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 gas agreement ("Gas Agreement") deals further with the parties' entitlements to Protected Gas and Additional Gas. Under the Gas Agreement, the "Protected Gas" was owned by TPDC and was sold to Songas Limited ("Songas") and Tanzania Portland Cement PLC ("TPCPLC"). 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 Infrastructure"). Protected Gas ceased after July 31, 2024 and all production from the Songo Songo gas field constitutes Additional Gas which PAET is entitled to sell on commercial terms.

The Tanzanian Electric Supply Company Limited ("TANESCO") is responsible for the majority of electricity generation, transmission and distribution throughout Tanzania. Natural gas has become an integral component of TANESCO's power generation as a more reliable source of supply over seasonal hydropower as well as a more cost-effective and lower carbon dioxide intensive alternative to liquid fuels. The Company and TPDC as joint sellers currently supply Additional Gas directly to TANESCO by way of the Portfolio Gas Supply Agreement ("PGSA"). The Company also supplies Additional Gas to TPDC through a long-term gas sales agreement ("LTGSA") utilizing the National Natural Gas Infrastructure ("NNGI"). The PGSA was extended on July 30, 2024. The PGSA and the LTGSA expire on October 10, 2026.

In addition to supplying gas to TPDC and TANESCO, the Company has developed 50 contracts to supply gas to Dar es Salaam's industrial market, and sells compressed natural gas to domestic, suitably converted vehicles in Dar es Salaam.

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 report TPDC has not done. There are currently no certainties on the timing, nature and extent of any such extensions. Until such extension has been finalized, a high degree of uncertainty exists with respect to the extent of the Company's operating activities subsequent to October 2026.

On April 15, 2024, contrary to the terms of the Gas Agreement 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 despite the parties' contractual agreement that Protected Gas would end after July 31, 2024. We believe that PAET will be entitled to compensation at a commercial rate for all volumes of gas lifted by Songas and TPCPLC starting on August 1, 2024. Uncontracted gas has continued to flow post August 1, 2024, and there is a risk that PAET will not receive payment or payment may form part of a contract dispute.

On August 7, 2024 PAET and PAEM, issued a notice of dispute in respect of an investment treaty claim under the Agreement on Promotion and Reciprocal Protection of Investment between the Government of the Republic of Mauritius and the GoT (the "BIT") against the GoT for breach of the BIT, alongside notifying a contractual dispute against the GoT and TPDC for breaches of: (i) the PSA, and (ii) the Gas Agreement between the GoT, TPDC, Songas and PAET, for damages in excess of $1.2 billion. Initial meetings with both the Advisory and Coordinating Committees were held during the week of October 14, 2024 without any resolution on the key issues in dispute. The matters have now been referred to the relevant entity's chief executive officers in accordance with the dispute resolution process. These meetings have been proposed for December 2024. Further updates on this matter will be made as appropriate.

Notes to the Condensed Consolidated Interim Financial Statements (Unaudited) cont.

2. Basis of Preparation

Statement of Compliance

The condensed consolidated interim financial statements have been prepared in accordance with International Accounting Standard 34, "Interim Financial Reporting", and do not include all information required for full annual financials and should be read in conjunction with the audited financial statements for the year ended December 31, 2023.

Basis of Measurement

These condensed consolidated interim financial statements have been prepared on a historical cost basis and have been prepared using the accrual basis of accounting. The condensed consolidated financial statements are presented in United States dollars ("$") unless otherwise stated.

Climate change regulations

Risks related to climate change may have an impact on the Company's operations and the Company may be subject to additional disclosure requirements in the future. The International Sustainability Standards Board issued an IFRS Sustainability Disclosure Standard with the objective to develop a global framework for environmental sustainability disclosure. In addition, the Canadian Securities Administrators also issued a proposed National Instrument 51-107 Disclosure of Climate-related Matters which sets forth additional reporting requirements for Canadian reporting issuers. We continue to monitor developments on these reporting requirements and the impact they may have on the Company's financial position and results of operating activities in future periods.

3. Summary of Significant Accounting Policies

The Company's accounting policies are set forth in Note 3 to the audited consolidated financial statements for the year ended December 31, 2023. There have been no changes in accounting policies for the nine month period ended September 30, 2024 and the policies have been applied consistently to all periods presented in the condensed consolidated interim financial statements.

4. Use of Estimates and Judgments

The preparation of the consolidated 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 interim consolidated financial statements, the significant judgments made by management in applying the Company's accounting policies and the key sources of estimation uncertainty were the same as those applied to the audited consolidated financial statements as at and for the year ended December 31, 2023.

See Note 4 of the audited consolidated financial statements for the year ended December 31, 2023 for a full discussion.

5. Risk Management

The Company, by its activities in 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, Songas and TPDC. The carrying amount of accounts receivable and the long-term receivable represents the maximum credit exposure. As at September 30, 2024 and December 31, 2023, loss allowance exists against all of the long-term TANESCO receivable, gas plant operations receivables from Songas, and a receivable of $0.5 million from one industrial customer. No write-off of any receivables occurred in Q1, Q2 and Q3 2024 (see Note 9).

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.

During Q3 2024, the Company invoiced TPCPLC $4.4 million (net of VAT and production taxes) for August and September 2024 liftings of Additional Gas volumes. As a consequence of the position taken by TPDC, PAET was unable to invoice TPCPLC for volumes anticipated to have been supplied under the Supplementary Gas Agreement ("SGA"). The SGA had been agreed to by TPCPLC and was due to commence on August 1, 2024, but TPDC refused to approve the agreement. Therefore, PAET has invoiced all volumes lifted as Additional Gas at prices under the Gas Sales Agreement which was established in 2008. The Company recognized $3.4 million of the total invoiced amounts as revenue; $1.0 million of the total invoiced amounts for August and September sales to TPCPLC remain unrecognized in revenue as of the date of this report. There is a risk that PAET will not receive compensation for the volumes that were lifted after August 1, 2024 and which, notwithstanding the contractual termination of Protected Gas, TPDC asserts should be treated as Protected Gas.

During Q3 2024, the Company invoiced Songas $4.5 million (net of VAT and production taxes) for August and September 2024 liftings of Additional Gas volumes. On September 23, 2024, the Company was notified by Songas that it acknowledges it had lifted this volume, but due to TPDC's refusal to approve a Gas Sales Agreement for this Additional Gas, they would elect to pay only 19.5% of such volumes. The Company recognized the payment of 19.5% of $0.9 million of the August and September sales to Songas in revenue; $3.6 million of August and September sales remain unrecognized in revenue as of the date of this report. There is a risk that PAET will not receive compensation for the volumes, which were lifted after August 1, 2024 and which, notwithstanding the contractual termination of Protected Gas, TPDC asserts should be treated as Protected Gas.

5. Risk Management cont.

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. At September 30, 2024 the Company has working capital, defined as total current assets less total current liabilities, of $67.1 million which is net of $69.9 million of financial liabilities with regards to trade and other liabilities of which $52.8 million is due within one to three months, $6.9 million is due within three to six months, and $10.2 million is due within six to twelve months (see Note 11).

As at September 30, 2024 approximately 34% of the current liabilities relate to TPDC (see Note 11). The amounts due to TPDC represent its share of Profit Gas. In accordance with the terms of the PSA, TPDC is entitled to the payment of its share of Profit Gas on a quarterly basis proportional to the cash receipts during the quarter. A substantial proportion of the TPDC liability is associated with the long-term TANESCO arrears and payments to TPDC are made when cash is received for the arrears.

COVID-19 reduced travel throughout the world. Tourism is a major source of revenue and foreign currency for Tanzania and the decrease in travel combined with global economic slowdown have seen an increasing decline in foreign exchange reserves in Tanzania. During 2023 and Q1, Q2 and Q3 2024, it has been more difficult for the Company to convert Tanzanian shillings directly to US dollars in country, however, as at the date of this report, this has not significantly impacted PAET's ability to meet its US dollar liabilities or obligations. There is a risk that in the future the Company may not be able to convert Tanzanian shillings to US dollars or other hard currencies as and when required to attract capital. It is unknown how long this risk will continue, however the Company has noted the greater availability of Euros earlier in 2024 and US dollars subsequent to end of Q3 2024.

There is a risk that PAET will not receive compensation for the volumes, which were lifted after August 1, 2024, and which, notwithstanding the contractual termination of Protected Gas, TPDC asserts should be treated as Protected Gas. If this is the case, these volumes may not meet the definition of revenue under IFRS 15, so would not be reflected as revenue going forward until the potential dispute is resolved.

There is a risk that the Songas Power Plant remains shutdown indefinitely. This would adversely impact demand for production volumes from the Songo Songo gas field.

6. Segment Information

The Company has one reportable industry segment which is international exploration, development and production of petroleum and natural gas. During 2023 and Q1, Q2 and Q3 2024 the Company's producing assets were entirely located in Tanzania.

7. Revenue

	Three Months ended September 30		Nine Months ended September 30	
$/000	**2024**	2023	**2024**	2023
Industrial sector	**14,165**	11,614	**36,381**	32,666
Power sector	**17,455**	23,479	**56,218**	73,536
Gross field revenue	**31,620**	35,093	**92,599**	106,202
TPDC share of revenue	**(6,871)**	(11,837)	**(22,617)**	(34,046)
Company operating revenue	**24,749**	23,256	**69,982**	72,156
Current income tax adjustment	**38**	4,118	**4,756**	13,631
	24,787	27,374	**74,738**	85,787

The Company recognized 100% of amounts invoiced for deliveries to TANESCO as revenue during the first nine months of 2023 and 2024. During Q3 2024, the Company invoiced TANESCO $11.7 million for gas deliveries (Q3 2023: $3.4 million) and received $9.9 million in payments for current receivables (Q3 2023: $6.9 million). These amounts are inclusive of value added tax ("VAT"). Based on the consistent payments from TANESCO, the Company recognized all amounts invoiced for gas deliveries in Q3 2024 and Q3 2023 as revenue.

Subsequent to September 30, 2024 the Company has invoiced TANESCO $4.2 million for October 2024 gas deliveries and TANESCO has paid the Company $4.2 million.

Notes to the Condensed Consolidated Interim Financial Statements (Unaudited) cont.

7. Revenue cont.

During Q3 2024, the Company invoiced Songas $4.5 million (net of VAT and production taxes) for August and September 2024 liftings of Additional Gas volumes. On September 23, 2024, the Company was notified by Songas that it acknowledges it had lifted this volume, but due to TPDC's refusal to approve a Gas Sales Agreement for this Additional Gas, they would elect to pay only 19.5% of such volumes. The Company recognized the payment of 19.5% of $0.9 million of the August and September 2024 sales to Songas in revenue; $3.6 million of August and September sales remain unrecognized in revenue as of the date of this report.

During Q3 2024, the Company invoiced TPCPLC $4.4 million (net of VAT and production taxes) for August and September 2024 liftings of Additional Gas volumes. As a consequence of the position taken by TPDC, PAET was unable to invoice TPCPLC at prices anticipated to have been in effect under the SGA. The SGA had been agreed to by TPCPLC and was due to commence on August 1, 2024, but TPDC refused to approve the agreement. Therefore, PAET has invoiced all volumes lifted as Additional Gas at prices under the Gas Sales Agreement which was established in 2008. The Company recognized $3.4 million of the total invoiced amounts as revenue; $1.0 million of the total invoiced amounts for August and September 2024 sales to TPCPLC remain unrecognized in revenue as of the date of this report.

8. Finance Income and Expense

Finance Income

	Three Months ended September 30		Nine Months ended September 30	
$'000	**2024**	2023	**2024**	2023
Interest income	**1,068**	422	**2,798**	1,140
	1,068	422	**2,798**	1,140

Finance Expense

	Three Months ended September 30		Nine Months ended September 30	
$'000	**2024**	2023	**2024**	2023
Base interest expense	**947**	1,213	**2,980**	3,758
Participation interest expense	**440**	697	**1,136**	2,268
Lease interest expense	**12**	1	**38**	5
Interest expense	**1,399**	1,911	**4,154**	6,031
Net foreign exchange loss	**1,339**	3,189	**8,758**	4,475
Indirect tax	**332**	295	**975**	975
Long-term receivable write off	**–**	–	**–**	2,205
	3,070	5,395	**13,887**	13,686

Base interest expense and participation interest expense relate to the long-term loan ("Loan") from the International Finance Corporation ("IFC") to PAET. Base interest on the Loan is payable quarterly in arrears 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. The participation interest expense is paid annually in arrears and equates to 6.4% of PAET's net cash flows from operating activities net of net cash flows used in investing activities for the year. Such participation interest will continue to accrue until October 15, 2026 regardless of whether the Loan is repaid prior to its contractual maturity date (see Note 13).

Net foreign exchange loss includes realized and unrealized revaluation gains and losses. The unrealized revaluation gain is mainly due to the reversal of previously recognized unrealized temporary changes in the fair value of cash balances denominated in Tanzanian shillings that are now considered permanent in nature and recognized as realized exchange losses. The indirect tax includes VAT on the invoices to TANESCO for interest on late payments.

9. Current Trade and Other Receivables

$'000	As at **September 30, 2024**	December 31, 2023
Trade receivables		
Songas	**1,059**	2,389
TPDC	**5,869**	3,841
TANESCO	**8,067**	5,851
Industrial customers	**11,883**	11,500
Loss allowance	**(452)**	(452)
	26,426	23,129
Other receivables		
Songas gas plant operations	**1,725**	3,127
Songas well workover program	**–**	2,630
Other	**6,999**	4,676
Loss allowance	**(725)**	(725)
	7,999	9,708
	34,425	32,837

Songas

As at September 30, 2024 Songas owed the Company $2.8 million (December 31, 2023: $8.1 million), while the Company owed Songas $3.2 million (December 31, 2023: $3.0 million). The amounts due to the Company are mainly for sales of gas of $1.1 million (December 31, 2023: $2.4 million) and for the operation of the gas plant of $1.7 million (December 31, 2023: $3.1 million) against which the Company has made a loss allowance of $0.7 million (December 31, 2023: $0.7 million). The amounts due to Songas primarily relate to pipeline tariff charges of $2.7 million (December 31, 2023: $2.3 million). The operation of the gas plant is conducted at cost and the charges are billed to Songas on a flow through basis.

During Q3 2024, the Company invoiced Songas $4.5 million (net of VAT and production taxes) for August and September 2024 liftings of Additional Gas volumes. On September 23, 2024, the Company was notified by Songas that it acknowledges it had lifted this volume, but due to TPDC's refusal to approve a Gas Sales Agreement for this Additional Gas, they would elect to pay only 19.5% of such volumes. The Company recognized the payment of 19.5% of $0.9 million of the August and September sales to Songas in revenue; $3.6 million of August and September 2024 sales remain unrecognized in revenue as of the date of this report.

TPCPLC

During Q3 2024, the Company invoiced TPCPLC $4.4 million (net of VAT and production taxes) for August and September 2024 liftings of Additional Gas volumes. As a consequence of the position taken by TPDC, PAET was unable to invoice TPCPLC at prices anticipated to have been in effect under the SGA. The SGA had been agreed to by TPCPLC and was due to commence on August 1, 2024, but TPDC refused to approve the agreement. Therefore, PAET has invoiced all volumes lifted as Additional Gas at prices under the Gas Sales Agreement which was established in 2008. PAET invoiced $2.6 million for August 2024 and $2.8 for September 2024 deliveries. TPCPLC has indicated that it will pay the total of $4.2 million.

TPDC

The current receivable from TPDC is for gas deliveries through the NNGI pursuant to the signing of the LTGSA. In accordance with the LTGSA, any unpaid, overdue amounts are offset against TPDC profit share.

Reversal of loss allowance for receivables

	Three Months ended September 30		Nine Months ended September 30	
$'000	**2024**	2023	**2024**	2023
Reversal of loss allowance	**–**	(519)	**–**	(2,014)
	–	(519)	**–**	(2,014)

There were no loss allowance or reversal of loss allowance recorded in Q3 2024 and for the nine months ended September 30, 2024. The reversal of loss allowance of $0.5 million in Q3 2023 and $2.0 million for the nine months ended September 30, 2023 is associated with the indirect taxation related to the TANESCO 2020 and 2021 take or pay invoices which were paid in Q2 and Q3 2023 and had been previously not recognized.

Notes to the Condensed Consolidated Interim Financial Statements (Unaudited) cont.

10. Capital Assets

$'000	Natural gas interests	Office and other	Right-of-use	Total
Costs				
As at December 31, 2023	297,027	3,106	1,987	302,120
Additions	12,364	315	57	12,736
Disposals	(202)	–	–	(202)
As at September 30, 2024	**309,189**	**3,421**	**2,044**	**314,654**
Accumulated depletion and depreciation				
As at December 31, 2023	218,681	2,889	1,169	222,739
Additions	21,431	150	232	21,813
Disposals	(152)	–	–	(152)
As at September 30, 2024	**239,960**	**3,039**	**1,401**	**244,400**
Net book values				
As at September 30, 2024	**69,229**	**382**	**643**	**70,254**

In determining the depletion charge the Company takes into account an estimate of future development costs, the capital expenditure required to ensure the Company can produce the required gas volumes to meet its contractual obligations for the remaining life of the license. As at September 30, 2024, the estimated future development costs required to bring the total proved reserves to production were $4.2 million (December 31, 2023: $16.6 million). During the nine months ended September 30, 2024 the Company recorded depreciation of $0.4 million (nine months ended September 30, 2023: $0.3 million) in general and administrative expenses.

The Company has reviewed its position with respect to the potential impact on the Company's financial statements arising from the dispute on the volumes previously supplied as Protected Gas and the Songas shutdown and noted that the value in use of the natural gas assets is sufficient to support the current carrying value. Accordingly, the Company has concluded that no impairment loss is required to be recorded at this stage. This will be reassessed in the year-end financial statements when an updated independent reserves evaluation will be available and there may be greater certainty on the status of supply to Songas.

In the event that volumes, which were up to July 31, 2024 supplied as Protected Gas, continue to be lifted and the Company does not receive compensation for these volumes, the Company may need to adjust the current depletion rates to effect the anticipated loss in value to the end of the licence.

Right-of-use assets

$'000	
As at December 31, 2023	818
Additions	57
Depreciation	(232)
As at September 30, 2024	**643**

Lease liabilities

$'000	
As at December 31, 2023	717
Additions	57
Lease interest expense	38
Lease payments	(184)
As at September 30, 2024	**628**

Right-of-use assets are presented as part of capital assets on the Company's balance sheet. Of the total lease liability of $0.6 million (December 31, 2023: $0.2 million), $0.2 million (December 31, 2023: $0.2 million) is current and is presented in trade and other liabilities.

11. Trade and Other Payables

$'000	As at September 30, 2024	As at December 31, 2023
Songas	**3,225**	2,981
Other trade payables	**3,142**	2,331
Trade payables	**6,367**	5,312
TPDC Profit Gas entitlement, net	**23,449**	17,199
Deferred income – take or pay contracts	**943**	1,144
Accrued liabilities	**17,459**	14,752
	48,218	38,407

TPDC share of Profit Gas

$'000	As at September 30, 2024	As at December 31, 2023
TPDC share of Profit Gas	**30,605**	26,075
Less "Adjustment Factor"	**(7,156)**	(8,876)
TPDC Profit Gas entitlement, net	**23,449**	17,199

Under the PSA revenue sharing mechanism, the Company adjusts TPDC's Profit Gas share by the "Adjustment Factor". The Adjustment Factor is equal to the amount necessary to fully pay and discharge the PAET liability for taxes on income derived from petroleum operations. A significant percentage of the settlement of the $23.4 million liability to TPDC is dependent on receipt of payment from TANESCO for long-term arrears that have been fully allowed for.

12. Long-term Receivables

$'000	As at September 30, 2024	As at December 31, 2023
Amounts invoiced to TANESCO	**98,417**	89,809
Trade receivables – TANESCO	**(8,067)**	(5,851)
Unrecognized amounts not meeting revenue recognition criteria[1]	**(68,332)**	(61,940)
Loss allowance	**(22,018)**	(22,018)
Net TANESCO receivable	**–**	–
Lease deposit	**10**	10
	10	10

1 The amount includes invoices for interest on late payments from TANESCO.

The Company recognized 100% of amounts invoiced for deliveries to TANESCO as revenue during 2023 and Q1, Q2 and Q3 2024.

Notes to the Condensed Consolidated Interim Financial Statements (Unaudited) cont.

13. Long-term Loan

In 2015 PAET took out the Loan with the IFC, a member of the World Bank Group, for $60 million. The Loan was fully drawn down in 2016.

The Loan is to be paid out through six semi-annual payments of $5.0 million starting October 15, 2022 and one final payment of $25.2 million due on October 15, 2025. 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. The Loan is an unsecured subordinated obligation of PAET and was initially guaranteed by the Company to a maximum of $30.0 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, at its discretion, may issue shares in fulfillment of all or part of its guarantee obligation in 2025. Pursuant to the sale of the non-controlling interest in PAEM, the parent company of PAET, in 2018, the Company agreed with the IFC to reduce the outstanding amount of the Loan by the percentage interest sold of 7.933% ($4.8 million) before the fourth anniversary of the first drawdown. PAET made this payment on October 16, 2019.

Dividends and distributions from PAET are restricted if at any time amounts of interest, principal or participating interest are due and outstanding. All amounts due under the Loan have been paid when due.

	As at	
$'000	**September 30, 2024**	December 31, 2023
Loan principal	**35,240**	40,240
Financing costs	**(127)**	(279)
Current portion of long-term loan	**(10,000)**	(10,000)
	25,113	29,961

14. Capital Stock

Authorised

50,000,000	Class A common shares ("Class A Shares")	No par value
100,000,000	Class B subordinate voting shares ("Class B 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 (1) 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

	As at					
	September 30, 2024			December 31, 2023		
Number of shares	**Authorised (000)**	**Issued (000)**	**Amount ($'000)**	Authorised (000)	Issued (000)	Amount ($'000)
Class A Shares	**50,000**	**1,750**	**983**	50,000	1,750	983
Class B Shares	**100,000**	**18,022**	**46,003**	100,000	18,051	46,084
First preference shares	**100,000**	**–**	**–**	100,000	–	–
	250,000	**19,772**	**46,986**	250,000	19,801	47,067

On November 1, 2023 the Company announced a normal course issuer bid ("2023 NCIB") to commence on November 6, 2023 to purchase Class B Shares through the facilities of the TSX Venture Exchange and alternative trading systems in Canada. As at September 30, 2024 the Company has repurchased for cancellation 70,200 Class B Shares at a weighted average price of CDN$4.38 pursuant to the 2023 NCIB. All issued capital stock is fully paid.

14. Capital Stock cont.

Dividend Summary

Declaration date	Record date	Payment date	Amount per share (CDN$)
November 12, 2024	December 31, 2024	January 14, 2025	0.10
August 21, 2024	September 30, 2024	October 14, 2024	0.10
May 15, 2024	June 28, 2024	July 12, 2024	0.10
February 1, 2024	March 29, 2024	April 12, 2024	0.10
November 15, 2023	December 29, 2023	January 12, 2024	0.10
August 16, 2023	September 29, 2023	October 13, 2023	0.10
May 17, 2023	June 30, 2023	July 14, 2023	0.10
February 24, 2023	March 31, 2023	April 14, 2023	0.10

15. Earnings Per Share

	Three Months ended September 30		Nine Months ended September 30	
(000)	**2024**	2023	**2024**	2023
Outstanding shares				
Weighted average number of Class A and Class B Shares, basic	**19,770**	19,842	**19,781**	19,847
Weighted average number of Class A and Class B Shares, diluted	**19,770**	19,842	**19,781**	19,847

The calculation of earnings per share is based on a net income attributable to shareholders for the quarter of $2.1 million (Q3 2023: $0.3 million) and a weighted average number of Class A Shares and Class B Shares outstanding during the quarter ended September 30, 2024 of 19,769,509 (Q3 2023: 19,842,209). The calculation of earnings per share for the nine months ended September 30, 2024 is based on a net income of $4.2 million (nine months ended September 30, 2023: $7.5 million) and a weighted average number of Class A Shares and Class B Shares outstanding for the nine months ended September 30, 2024 of 19,780,566 (nine months ended September 30, 2023: 19,846,509).

16. Related Party Transactions

The Chair of the Company's Board of Directors is counsel at Burnet, Duckworth & Palmer LLP, a law firm that provides legal advice to the Company and its subsidiaries. Fees for services provided by this firm totalled $0.2 million during the quarter ended September 30, 2024 (Q3 2023: $0.1 million) and $0.7 million for the nine months ended September 30, 2024 (nine months ended September 30, 2023: $0.5 million).

As at September 30, 2024 the Company had a total of $0.6 million (December 31, 2023: $0.6 million) recorded in trade and other payables in relation to related parties.

Notes to the Condensed Consolidated Interim Financial Statements (Unaudited) cont.

17. Contractual Obligations

Protected Gas

Under the terms of the Gas Agreement for the Songo Songo project, in the event that there is a 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 ($0.55/MMbtu escalated) and the price of an alternative feedstock in respect of whichever is the lesser of either (i) of the volume of Additional Gas sold which was 340 Bcf as at September 30, 2024 (December 31, 2023: 320 Bcf) or (ii) the insufficiency volume. The Company had been managing its reserves and did not have a shortfall during the reporting period up to and including the end of the Protected Gas delivery obligation, which ceased after July 31, 2024.

Terms of the Gas Agreement were modified by the Amended and Restated Gas Agreement ("ARGA") which was initialed by all parties but remains unsigned. In certain respects, the parties thereto are conducting themselves as though the ARGA is in effect. Management does not foresee a material risk with the conduct of the Company's business with an unsigned ARGA at this time.

On April 15, 2024, contrary to the terms of the Gas Agreement and PSA and in violation of PAEM and PAET's legitimate expectations, the Permanent Secretary of the MoE 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 despite the parties' contractual agreement that Protected Gas would cease after July 31, 2024. It is our belief that PAET is entitled to payment at a commercial rate for all volumes of gas lifted by Songas and TPCPLC starting on August 1, 2024. Gas has continued to be lifted following August 1, 2024. There is a risk that PAET will not receive payments or payments may form part of a contract dispute and this may adversely impact the Company's ability to finance its capital requirements.

On August 7, 2024 PAET and PAEM, issued the Notice of Dispute in respect of an investment treaty claim under the BIT against the GoT for breach of the BIT, alongside notifying a contractual dispute against the GoT and TPDC for breaches of: (i) the PSA, and (ii) the Gas Agreement between the GoT, TPDC, Songas and PAET, for damages in excess of $1.2 billion. Initial meetings with both the Advisory and Coordinating Committees were held during the week of October 14, 2024 without any resolution on the key issues in dispute. The matters have now been referred to the relevant entity's chief executive officers in accordance with the dispute resolution process. These meetings have been proposed for December 2024.

18. Contingencies

Upstream and Downstream Activities

The Petroleum Act, 2015 (the "Petroleum Act") provides TPDC with exclusive rights over the distribution of gas in Tanzania. The Petroleum Act has grandfathering provisions upholding the rights of the Company to develop and market natural gas produced under the PSA as it was signed prior to the Petroleum Act coming into effect in 2015.

On October 7, 2016 the Government of Tanzania issued the Petroleum (Natural Gas Pricing) Regulation made under Sections 165 and 258 (I) of the Petroleum Act. Article 260 (3) of the Petroleum Act 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. To date there has been no impact on the Company as a result of the Natural Gas Pricing Regulation, however, any future impact cannot be determined at this time.

Cost Recovery

TPDC conducted an audit of historical costs (the "Cost Pool") and in 2011 objected approximately $34.0 million of costs that had been recovered from the Cost Pool from 2002 through to 2009. In 2014 a portion of the objected costs were agreed to be cost recoverable from TPDC with $25.4 million remaining as being objected. Under the dispute mechanism outlined in the PSA, parties are to agree the appointment of an independent specialist to assist the parties in reaching agreement on costs that are still subject to queries . In 2014, prior to appointing an independent specialist, TPDC suspended the process. From 2010 to 2015 TPDC rejected a further $16.8 million of costs. In 2016 the Tanzanian Petroleum Upstream Regulatory Authority ("PURA") assumed the role of auditing the PSA Cost Pool from TPDC and for 2016 to 2020 have rejected all costs pertaining to downstream development amounting to $15.0 million and a further $9.5 million of other costs. In 2022 the Company and PURA negotiated a settlement on certain rejections with respect to 2016 to 2018 audits. As a result of this, $2.7 million was credited to the Cost Pool in Q2 2022. In 2023 the Company and PURA negotiated a settlement on certain rejections with respect to 2019 to 2020 audits. As a result of this, $0.7 million was credited to the Cost Pool in Q2 2023. In Q4 2023, the Company credited to the Cost Pool an additional $0.03 million with respect to 2021 audit. To date there remains a total of $66.6 million of costs that have been queried or rejected by TPDC or PURA through the Cost Pool audit process.

During 2019, discussions on the disputed amounts briefly resumed with TPDC. At the time of writing this report no independent specialist has been appointed and neither TPDC nor PURA have issued a formal dispute regarding cost recovery. The Company's view is that all costs have been correctly included in the Cost Pool, however should any of the costs be rejected as not being cost recoverable, the Company would be required to retroactively adjust its share of revenue for the period under dispute.

18. Contingencies cont.

Tax

Amounts in $' millions					As at September 30, 2024	As at December 31, 2023
Area	Period	Reason for dispute	Principal	Interest	**Total**	Total
Income Tax	2008-09, 2011-20	Deductibility of capital expenditures and expenses (2012, 2015 and 2016), additional income tax (2008, 2011 and 2012), foreign exchange rate application (2013 to 2015, 2018 to 2020), underestimation of tax due (2014, 2016 and 2020) and methodology of grossing up of income taxes paid (2015 to 2017).	19.3	13.5	**32.8**	34.1
Tax on Repatriated Income	2012-21	Applicability of withholding tax on repatriated income (2012 to 2021)	18.8	4.7	**23.5**	24.4
VAT	2012-20	VAT already paid (2012 to 2014), VAT on imported services (2015 and 2016), interest on VAT decreasing adjustments (2017) and input VAT on services (2017 to 2020).	0.2	1.3	**1.5**	1.5
			38.3	19.5	**57.8**	60.0

During 2022, following the expiry of the statutory deadline for the Tanzania Revenue Authority ("TRA") to respond to the Company's objections, the Company filed notices of intention to appeal to the Tanzania Revenue Appeals Board ("TRAB") against the corporate income tax assessments for the years of 2012 to 2016, tax on repatriated income for the years of 2012 to 2014, and VAT for the years of 2015 to 2016. In May 2023, the TRA issued final corporate income tax assessments for the years of 2012 to 2016 agreeing to drop certain claims with respect to previously assessed corporate income tax for the years of income of 2012 and 2016. These claims are no longer represented in the table above.

In Q4 2023, during the TRAB hearing of the appeals against the notice of assessment for tax on repatriated income for the years of 2012 to 2014 ($13.3 million), the TRA was allowed to file a preliminary objection. In Q1 2024, the parties filed their written submissions and are now awaiting TRAB's decision.

In Q2 2023, the Company filed statements of appeal at the TRAB against the TRA's notices of assessment in respect of the corporation income tax for the years of 2012 to 2016. The matters are to be heard by TRAB on November 27, 2024.

In Q4 2022, the TRA issued seven assessments for tax on repatriated income ($10.2 million) for the years of 2015 to 2021. The Company objected to the assessments on the grounds of the assessments lacking merit; additionally, the assessments for the years of 2015 and 2016 were time-barred. In Q1 2023, the Company received TRA's proposals to settle the objections. In Q2 2023, the Company responded to the proposals. In Q3 2023, following TRA's failure to issue a final determination on the objections within the statutory time limit, the Company filed notices of intention to appeal and in Q4 2023, the Company filed statements of appeal at the TRAB. In Q1 2024 and subsequent to March 31, 2024, the parties filed their respective final written submissions and are awaiting TRAB's decision.

In Q4 2022, the TRA issued six assessments for income tax and for ensuing interest on deemed delayed payments ($0.5 million) for the years of 2018 to 2020. The Company objected to the assessments on the grounds of incorrect disallowance of expenses and use of exchange rates. In Q1 2023, the Company received TRA's proposals to settle the objections. In Q2 2023, the Company responded to the proposals. In Q3 2023, following TRA's failure to issue a final determination on the objections within the statutory time limit, the Company filed notices of intention to appeal and in Q4 2023, the Company filed statements of appeal at the TRAB. In Q1 2024, the appeals came for a hearing at the TRAB and the parties are now awaiting TRAB's decision.

In Q4 2022, the TRA issued an assessment for VAT ($0.1 million) for the years of 2019 and 2020. The Company objected to the assessment on the grounds that the TRA incorrectly disallowed input VAT on certain services. In Q1 2023, the Company received TRA's proposals to settle the objections. In Q2 2023, the Company responded to the proposals. In Q3 2023, following TRA's failure to issue a final determination on the objections within the statutory time limit, the Company filed notices of intention to appeal and in Q1 2024, the Company filed statements of appeal at the TRAB. In Q1 2024, the appeals came for a hearing at the TRAB and the parties are now awaiting TRAB's decision.

In Q3 2023, the Tax Revenue Appeals Tribunal ("TRAT") pronounced its judgment on the corporate income tax appeal for the year 2011 ($1.4 million) in favor of the TRA. The Company filed a Notice of Intention to Appeal at the Court of Appeal of Tanzania ("CAT"). In Q4 2023, the Company filed a Memorandum of Appeal and is awaiting a hearing date.

Notes to the Condensed Consolidated Interim Financial Statements (Unaudited) cont.

18. Contingencies cont.

Tax cont.

Subsequent to June 30, 2024, the Company withdrew its application for the Court of Appeal of Tanzania ("CAT") to review its judgement on the corporate income tax for the year of 2009 ($1.5 million). The matter is now marked withdrawn. Parties will now negotiate on the implementation of CAT's judgement of 2018 in favour of TRA. At an earlier judgement, TRAB, while ruled in favour of the TRA, also allowed the Company to utilise the depreciation allowance, which was the issue in dispute, in subsequent years. The Company had already made full provision in the accounts of the amount in dispute.

Management, with advice from its legal counsel, has reviewed the Company's position on the objections and appeals related to the disputed amounts and has concluded that no further provision is required. However, if the TRA reassesses the Company's tax returns for open taxation years on a similar basis, the Company may be required to make future deposits to object such assessments.

The process of appealing assessments issued by TRA start by initially filing an appeal with TRA. If this is not successful, claims can be taken to higher authorities, starting with the TRAB, followed by an appeal to the TRAT and finally to the CAT. See Note 21 of the audited consolidated financial statements for the year ended December 31, 2023 for a full discussion.

In 2016 the TRA introduced significant changes in relation to the income tax treatment of the extractive sector with separate new chapters in Part V of the Income Tax Act 2004 ("ITA, 2004") for mining and for petroleum to be effective commencing in 2018. Further changes were subsequently made by the Written Laws (Miscellaneous Amendments) Act, 2017 ("WLMAA, 2017") and in particular section 36(a)(ii) of the WLMAA, 2017. The WLMAA, 2017 amended sections 65M and 65N of the ITA, 2004 to exclude cost oil/cost gas from inclusion in both income and expenditure. The Company continues to review the tax effects of the changes as there are a number of uncertainties and ambiguities as to the interpretation and application of certain provisions of the WLMAA, 2017. In the absence of guidance on these matters, the Company has used what it believes are reasonable interpretations and assumptions in applying the WLMAA, 2017 for purposes of determining its tax liabilities and the results of operations, which may change as it receives additional clarification and implementation guidance. The Company does not expect a significant impact from the changes as it is able to recover taxes payable from the TPDC Profit Gas revenue entitlement under the terms of the PSA.

19. Change in Non-Cash Operating Working Capital

	Three Months ended September 30		Nine Months ended September 30	
$'000	**2024**	2023	**2024**	2023
(Increase)/decrease in trade and other receivables	**(5,268)**	1,378	**(2,555)**	8,328
Decrease in prepayments	**318**	405	**844**	621
Decrease in long-term receivables	**–**	–	**–**	2,205
Increase/(decrease) in trade and other payables	**3,540**	(3,037)	**6,363**	(10,180)
Decrease in APT	**–**	–	**(15,983)**	(13,146)
(Decrease)/increase in tax payable	**(462)**	1,962	**427**	4,891
	(1,872)	708	**(10,904)**	(7,281)

20. Non-Controlling Interest

The Company sold 7.933% (7,933 Class A common shares) of PAEM to a wholly owned subsidiary of Swala Oil & Gas (Tanzania) plc ("Swala TZ"), Swala (PAEM) Limited's ("Swala UK") in 2018 for $15.4 million cash and $4.0 million of Swala TZ's Preference Shares pursuant to a share purchase agreement. The Preference Shares entitled the Company to a 10% per annum distribution payable 15 days after each quarter end commencing from the closing date, January 16, 2018. Payment of the quarterly distributions was at the discretion of Swala TZ based on funds available, however, the liability accrued if any amount was unpaid when due. For any distributable amount remaining unpaid at December 31, 2021, the Company may demand settlement and Swala TZ was obligated to comply by transferring and returning the Class A common shares of PAEM sold to Swala TZ. The aggregate value of these shares will equal the amount of the outstanding distributions.

On April 3, 2023, Swala TZ announced that its creditors resolved that Swala TZ be placed into liquidation at a creditors' meeting held on March 31, 2023. On March 31, 2023, Apex Corporate Trustees (UK) Limited appointed representatives of Grant Thornton UK LLP as administrators of Swala UK. On July 21, 2023, the Company repurchased the 7.933% shares in PAEM held by Swala UK for $7.5 million and the non-controlling interest was therefore eliminated in 2023.

21. Subsequent Events

On October 30, 2024, PAET, a wholly-owned subsidiary of the Company, was advised by Songas that the Interim Power Purchase Agreement ("PPA") between TANESCO and Songas, would expire on October 31, 2024, and that it is unknown if a new PPA would be entered into. At midnight on October 31, 2024 Songas shut down the Songas Power Plant. In the event that a new PPA is not entered into, there is a risk that the Songas Power Plant will be shut down indefinitely. This would adversely impact demand for production volumes from the Songo Songo gas field.

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Lisa Mitchell
Executive Director and
Chief Financial Officer
London, UK

David W. Ross
Chairman and Non-Executive Director
Calgary, Canada

Dr Frannie Léautier
Non-Executive Director
Washington DC, United States

Linda Beal
Non-Executive Director
London, UK

Advisor to the Board and PAET

Lloyd Herrick
Director, PAET
Calgary, Canada

Officers

Jay Lyons
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Lisa Mitchell
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