Orca Energy Group Inc.

2025 Q1 Interim Report

MANAGEMENT'S DISCUSSION & ANALYSIS

THIS MANAGEMENT'S DISCUSSION & ANALYSIS ("MD&A") OF OUR FINANCIAL CONDITION AND RESULTS OF OPERATIONS FOR THE THREE MONTHS ENDED MARCH 31, 2025 SHOULD BE READ IN CONJUNCTION WITH THE UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS AND NOTES FOR THE THREE MONTHS ENDED MARCH 31, 2025 AND THE AUDITED CONSOLIDATED FINANCIAL STATEMENTS AND NOTES TOGETHER WITH THE MD&A FOR THE YEAR ENDED DECEMBER 31, 2024 (the "DECEMBER 31, 2024 ANNUAL MD&A"). THIS MD&A IS BASED ON THE INFORMATION AVAILABLE ON MAY 14, 2025. 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, until July 31, 2024, Protected Gas was owned by TPDC and was sold to Songas Limited ("Songas") and Tanzania Portland Cement PLC ("TPCPLC"). After July 31, 2024, Protected Gas ceased and all production from the Songo Songo gas field constitutes Additional Gas which PAET and TPDC are entitled to sell on commercial terms until the PSA expires in October 2026. 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").

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 originally set to expire on July 31, 2024, but was extended on July 30, 2024. The PGSA and the LTGSA each expire on October 10, 2026.

In addition to supplying gas to TPDC and TANESCO, the Company and TPDC have developed more than 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 Months Ended March 31, 2025

(Expressed in $'000 unless indicated otherwise)	Three Months ended March 31 2025	2024	% Change Q1/25 vs Q1/24
OPERATING			
Daily average gas delivered and sold *(MMcfd)*	**72.0**	74.3	(3)%
Industrial	**19.1**	14.0	36%
Power	**52.9**	60.3	(12)%
Average price *($/mcf)*			
Industrial	**7.98**	8.94	(11)%
Power	**3.92**	3.87	1%
Weighted average	**4.99**	4.82	4%
Operating netback *($/mcf)*[1]	**2.87**	2.79	3%
FINANCIAL			
Revenue	**25,391**	24,937	2%
Net income attributable to shareholders	**102**	969	(89)%
per share – basic and diluted *($)*	**0.01**	0.05	(80)%
Net cash flows from / (used in) operating activities	**20,264**	(6,170)	n/m
per share – basic and diluted *($)*[1]	**1.03**	(0.31)	n/m
Capital expenditures[1]	**548**	1,470	(63)%
Weighted average Class A and Class B shares *('000)*	**19,766**	19,799	0%

	March 31, 2025	As at December 31, 2024	% Change
Working capital (including cash) [1]	**26,796**	21,904	22%
Cash and cash equivalents	**70,183**	90,076	(22)%
Outstanding shares *('000)*			
Class A	**1,750**	1,750	0%
Class B	**18,015**	18,022	0%
Total shares outstanding	**19,765**	19,772	0%

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

Financial and Operating Highlights for Q1 2025

- Revenue for Q1 2025 increased by 2% compared to the same prior year period, primarily as a result of a higher current income tax adjustment.
- To date the Songas Power Plant remains shutdown.
- Gas delivered and sold decreased by 3% for Q1 2025 compared to the same prior year period. In 2024, Tanzania's Julius Nyerere Hydropower Project ("JNHPP") commenced commercial operations, with progressive commissioning of each of its 9 turbines allowing a potential peak output of over 2,115 MW. Although the JNHPP's power generation is currently constrained pending ongoing development of the electricity distribution network, the increased hydro power generation it has delivered, combined with the Songas Power Plant shutdown, have been the primary factors in reduced gas liftings for the power sector.
- On April 14, 2023, PAET formally requested TPDC apply for an extension of the Songo Songo Development License (the "License"). TPDC is contractually required to make this application promptly upon a request by the Company. In November 2024, TPDC submitted the application for the extension of the License to the MOE, however, being uneconomic, the Company informed TPDC that it did not agree with the terms as submitted. Having declined to address PAET's concerns itself, TPDC has refused to rescind and resubmit the application and has advised PAET to raise any issues directly to the MoE. The Company's Counsel subsequently submitted a letter to the MoE, requesting an urgent meeting to address the issues, and to date a response has not been received to such letter. There are currently no certainties on the timing, nature and extent of any extension of the License. Until an 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, when the License is set to expire.
- On April 15, 2024, contrary to the terms of the Gas Agreement and the 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 took the position that Protected Gas should continue despite the parties' contractual agreement that Protected Gas ceased after July 31, 2024.
- In February 2025, PAET, TPDC and TPCPLC agreed to the terms of the Supplementary Gas Agreement ("SGA") to sell volumes after July 31, 2024 as Additional Gas, which, prior to August 1, 2024, were supplied as Protected Gas. In Q1 2025, TPCPLC fully paid the Company $10.4 million of the receivable previously outstanding as at December 31, 2024.
- 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 been further referred to the relevant entity's chief executive officers and working groups in accordance with the dispute resolution process. Discussions continued with meetings held in January and March 2025 without resolution. The Company's Counsel subsequently submitted a letter to the MoE, requesting an urgent meeting to address the issues, to date we haven't had a response to the letter.
- In February 2025, the Company received a judgment (the "Judgment") from the Tanzanian High Court (Commercial Division) (the "Court") for a claim brought by a contractor against PAET. The claim was brought by the contractor for losses arising from PAET's termination of a contract relating to the Company's 3D seismic acquisition program. The contract was signed in 2022 and works were due to be completed by the end of 2022; however, work only commenced in 2023 and was never completed. Pursuant to the Judgment, the Court ordered specific and general damages in the aggregate of $23.1 million, plus legal costs and interest at a rate of 7% per annum be paid by PAET to the contractor. PAET respectfully disagrees with the Judgment and has initiated the appeal process. PAET was required to post security for the full amount of the Judgment until the appeal is resolved. The Company has recognised the resulting liability in 2024 based on the Judgment applied. The Company has initiated the appeal process, and if successful in that process, a reversal would be recognized in earnings at that time.
- Net income attributable to shareholders decreased by 89% for Q1 2025 compared to the same prior year period, primarily as a result of higher depletion and general and administrative expenses.
- Net cash flows from operating activities increased to $20.3 million in Q1 2025 compared to net cash flows used in operating activities of $6.2 million for the same prior year period, primarily a result of the higher payment of the 2023 current liability associated with APT in Q1 2024 and the TPCPLC settlement of its 2024 year end receivable as well as other changes in non-cash working capital.
- Capital expenditures decreased by 63% for Q1 2025 compared to the same prior year period. The capital expenditures in Q1 2025 primarily related to the costs of flowlines replacements on SS-5 and SS-9 wells, deferred from 2024 at the request of the GoT. The capital expenditures in Q1 2024 primarily related to the costs of the planned SS-7 well workover program.
- The Company exited Q1 2025 with $26.8 million in working capital (December 31, 2024: $21.9 million) and cash and cash equivalents of $70.2 million (December 31, 2024: $90.1 million). Cash held in hard currencies (USD, Euro, GBP, CDN) was $64.8 million, as at March 31, 2025 (December 31, 2024: $87.1 million).
- In February 2025, the Company fully prepaid the $60 million investment (the "Loan") made by International Finance Corporation ("IFC") in PAET, pursuant to a loan agreement dated October 29, 2015 between the IFC, PAET and the Company (the "Loan Agreement"). To effect the foregoing prepayment, the Company paid to IFC $30.6 million, representing the aggregate outstanding principal of the Loan together with all accrued interest thereon and all other amounts owing in connection with the Loan as of February 21, 2025. As of the date hereof, the annual variable participating interest granted by PAET to IFC under the terms of the Loan Agreement remains outstanding.
- As at March 31, 2025, the current receivable from TANESCO was $12.5 million (December 31, 2024: $12.7 million). The TANESCO long-term receivable as at March 31, 2025 and as at December 31, 2024 was $22.0 million and has been fully provided for. Subsequent to March 31, 2025, the Company has invoiced TANESCO $5.4 million for April 2025 gas deliveries and TANESCO has paid the Company $5.7 million to date.

- On April 15, 2025 PAET signed a settlement agreement with TPDC and TANESCO ("Settlement Agreement"), for TANESCO to pay PAET and TPDC $52.0 million for unpaid amounts owing by TANESCO for deliveries of natural gas from the Songo Songo gas field. The Settlement Agreement requires TANESCO to pay the Tanzanian Shilling equivalent of $52.0 million, comprised of the $33.7 million principal amount and $18.3 million representing a portion of the default interest owed by TANESCO. It was agreed that the remaining balance of the default interest owing by TANESCO would be waived if TANESCO pays the settlement amount when required and in full while remaining current on amounts owed. TANESCO must pay the settlement amount to PAET via weekly instalments and meet monthly total payment amounts, commencing in April 2025 and ending in October 2025. Payments on account of the settlement amount will be allocated between PAET and TPDC in accordance with the PSA. Pursuant to the PSA, and assuming payment in full of the settlement amount, the Company expects to retain approximately $29.4 million of the settlement amount with TPDC retaining the balance. To date, TANESCO has paid $10.0 million due under the Settlement Agreement.

Operating Volumes

The average gross daily sales volume decreased by 3% for Q1 2025 over the comparable prior year period. In 2024, the JNHPP commenced commercial operations, with progressive commissioning of each of its 9 turbines allowing a potential peak output of over 2,115 MW. Although the dam's power generation is currently constrained pending ongoing development of the electricity distribution network, the increased hydro power generation it has delivered, combined with the Songas Power Plant shutdown have been the primary factors in reduced gas liftings for the power sector.

The Company's gross sales volumes were split between the industrial and power sectors as detailed in the table below:

	Three Months ended March 31	
	2025	2024
Gross sales volume *(MMcf)*		
Industrial sector	**1,723**	1,272
Power sector	**4,764**	5,492
Total volumes	**6,487**	6,764
Gross daily sales volume average *(MMcfd)*		
Industrial sector	**19.1**	14.0
Power sector	**52.9**	60.3
Gross daily sales volume average total	**72.0**	74.3

Industrial Sector

Industrial sector gross daily sales volumes increased by 36% for Q1 2025 over the comparable prior year period. The increase was a result of increased consumption by industrial customers due to a higher demand for services and products as well as the end of the Protected Gas regime in Q3 2024, which resulted in higher deliveries of Additional Gas to TPCPLC from August 2024 onward.

Power Sector

Power sector gross daily sales volumes decreased by 12% for Q1 2025 over the comparable prior year period. The decrease was a result of deliverability from the currently producing wells and reservoir compartments in the Songo Songo gas field declining over time, the inauguration of the JNHPP in 2024 that led to increased availability of hydro power causing significantly lower lifting from power customers, in conjunction with the Songas Power Plant shutdown impacting demand in Q4 2024 and onwards.

Protected Gas Volumes

Protected Gas ceased after July 31, 2024, whereafter all gas from the Songo Songo gas 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 starting on August 1, 2024. Gas continued to flow to Songas following August 1, 2024 to October 31, 2024 and there is a risk that PAET will not receive full payment or payment may form part of a contract dispute.

Commodity Prices

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

$/mcf	Three Months ended March 31 2025	2024
Average sales price		
Industrial sector	**7.98**	8.94
Power sector	**3.92**	3.87
Weighted average price	**4.99**	4.82

Industrial Sector

The average sales price for the industrial sector decreased by 11% for Q1 2025 over the comparable prior year period. In Q1 2025, the SGA has been retroactively approved and TPCPLC became eligible for lower pricing with an effective date of August 1, 2024.

Power Sector

The average sales price for the power sector increased by 1% for Q1 2025 over the comparable prior year period. 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.

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” in the December 31, 2024 Annual MD&A for a summary of the terms of the PSA).

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 Consolidated Statements of Comprehensive Income is calculated by adjusting the Company’s operating revenue by the income tax adjustment.

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

$’000	Three Months ended March 31 2025	2024
Industrial sector	**13,742**	11,367
Power sector	**18,652**	21,250
Gross field revenue	**32,394**	32,617
TPDC share of revenue	**(9,541)**	(9,406)
Company operating revenue	**22,853**	23,211
Current income tax adjustment	**2,538**	1,726
	25,391	24,937

Revenue increased by 2% for Q1 2025 over the comparable prior year period. The increase is primarily a result of a higher current income tax adjustment, partially offset by the decrease in the gross field revenue.

The average Additional Gas sales volumes for the quarters ended March 31, 2025 and March 31, 2024 were above 50 MMcfd which entitled the Company to a 55% share of Profit Gas revenue. The Company was allocated a total of 68% of the Additional Gas net field revenue for Q1 2025 (Q1 2024: 68%). Revenue was recognised for all Additional Gas sales volumes for the quarters ended March 31, 2025 and March 31, 2024.

Production, Distribution and Transportation Expenses

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

	Three Months ended March 31	
$'000	2025	2024
Operating costs	**771**	825
Tariff for processing and pipeline infrastructure	**2,770**	2,932
Ring-main distribution costs	**662**	553
	4,203	4,310

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 decreased by 7% for Q1 2025 compared to the same prior year period, primarily as a result of the increased production logging costs in Q1 2024. The amount paid under the tariff for processing and pipeline infrastructure decreased by 6% for Q1 2025 compared to the same prior year period. The decrease was a result of decreased gas volumes processed and delivered through the Songas Infrastructure. Ring-main distribution costs increased by 20% for Q1 2025 compared to the same prior year periods. The increase was a result of higher consumption of spares and chemicals in Q1 2025.

Operating Netbacks

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 March 31	
$/mcf	2025	2024
Weighted average price for gas	**4.99**	4.82
TPDC Profit Gas revenue entitlement	**(1.47)**	(1.39)
Production, distribution and transportation expenses	**(0.65)**	(0.64)
Operating netback	**2.87**	2.79

The operating netback increased by 3% for Q1 2025 over the comparable prior year period, primarily as a result of higher weighted average price for natural gas.

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 March 31	
$'000	2025	2024
Tanzania	**1,939**	1,988
Corporate	**2,504**	2,312
	4,443	4,300

General and administrative expenses are detailed in the table below:

	Three Months ended March 31	
$'000	2025	2024
Employee and related costs	**2,056**	2,227
Office costs	**1,055**	941
ESG, marketing and business development costs	**78**	24
Reporting, regulatory and corporate	**1,254**	1,108
	4,443	4,300

General and administrative expenses averaged $1.5 million per month during Q1 2025 (Q1 2024: $1.4 million). The 8% decrease in employee and related costs for Q1 2025 over the comparable prior year period was mainly a result of the decrease in subsurface related activities. The 12% increase in office costs for Q1 2025 over the comparable prior year period was primarily a result of increased requirement for legal services in Tanzania. Environmental, social and governance ("ESG") and marketing and business development costs have not significantly changed for Q1 2025 over the comparable prior year period. The 13% increase in reporting, regulatory and corporate costs for Q1 2025 over the comparable prior year period was due to increase in costs related to professional services, mainly legal services.

Long Term Retention Plan

In 2023, the Company introduced the long-term retention award plan ("Long Term Retention Plan") effectively replacing the stock based compensation program previously in place. The total potential award amount payable to eligible participants (employees and directors) under the plan is $4.8 million, with an award payment date of September 30, 2026, subject to certain conditions. This award amount is being recognized on a straight-line basis over the four-year period in general and administrative expenses.

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 ended March 31, 2025 was $1.26/mcf compared to $1.10/mcf for the comparable prior year period.

	Three Months ended March 31	
$'000	2025	2024
Natural gas interests	**8,146**	7,451
Office and other	**59**	34
Right-of-use assets	**77**	77
	8,282	7,562

The depletion charge for natural gas interests increased by 9% for Q1 2025 compared to Q1 2024.

Finance Income and Expense

Finance income is detailed in the table below:

	Three Months ended March 31	
$'000	2025	2024
Interest income	**446**	949
	446	949

Finance expense is detailed in the table below:

	Three Months ended March 31	
$'000	2025	2024
Base interest expense	**551**	1,077
Participation interest expense	**980**	–
Lease interest expense	**9**	14
Interest expense	**1,540**	1,091
Net foreign exchange loss	**2,588**	2,970
Indirect tax	**326**	315
	4,454	4,376

Base interest expense and participation interest expense relate to the Loan from IFC to PAET. Base interest on the Loan was 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.

On February 21, 2025, the Company fully prepaid the $60 million Loan made by the IFC to PAET, pursuant to the Loan Agreement. The Company paid to the IFC $30.6 million, representing the aggregate outstanding principal of the Loan together with all accrued interest thereon and all other amounts owing in connection with the Loan. The annual variable participating interest granted by PAET to the IFC under the terms of the Loan Agreement remains outstanding.

Net foreign exchange loss includes realized and unrealized revaluation gains and losses. The indirect tax includes VAT on the invoices to TANESCO for interest on late payments.

Additional Profits Tax

$'000	Three Months ended March 31 2025	2024
APT	**2,400**	2,183

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 March 31, 2025, the current portion of APT payable was $3.2 million (December 31, 2024: $7.8 million) with a long-term APT payable of $5.1 million (December 31, 2024: $5.9 million). APT of $7.8 million was paid in Q1 2025 based on the 2024 results (Q1 2024: $16.0 million paid based on 2023 results).

The effective APT rate of 20.6% for the quarter (Q1 2024: 20.2%) has been applied to Company Profit Gas revenue of $11.7 million (Q1 2024: $10.8 million). Accordingly, $2.4 million (Q1 2024: $2.2 million) of APT has been recorded in the Condensed Consolidated Interim Statements of Comprehensive Income (Unaudited) for the quarter.

Working Capital

Working capital as at March 31, 2025 was $26.8 million (December 31, 2024: $21.9 million) and is detailed in the table below (see also "Non-GAAP Financial Measures and Ratios"):

	As at			
$'000		March 31, 2025		December 31, 2024
Cash and cash equivalents[1]		**70,183**		90,076
Trade and other receivables				
Songas	**3,094**		2,161	
TPDC	**6,006**		5,592	
TANESCO	**12,543**		12,731	
TPCPLC	**3,848**		10,409	
Industrial customers and other receivables	**12,219**		14,321	
Loss allowance	**(1,177)**	**36,533**	(1,177)	44,037
Prepayments		**1,119**		1,586
		107,835		135,699
Trade and other liabilities				
TPDC share of Profit Gas revenue[2]	**23,361**		16,359	
Songas	**3,628**		2,741	
Deferred income – take or pay contracts	**943**		943	
Other trade payables and accrued liabilities	**39,640**		46,808	
Current portion of long-term loan	**–**		30,122	
Current portion of APT	**3,162**	**70,734**	7,824	105,105
Tax payable		**10,305**		8,998
		81,039		113,795
Working capital		**26,796**		21,904

1 As of the date of this report, $24.7 million of the amount was posted as security for the full amount of the seismic Judgment and will be restricted until the appeal is resolved.

2 The balance of $23.4 million payable to TPDC is the liability for TPDC's share of Profit Gas revenue, primarily relates to unpaid gas deliveries to TANESCO. For their allocation of Profit Gas revenue, the Company paid TPDC $8.7 million in April 2025.

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 March 31, 2025, 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

In February 2025, the Company fully prepaid the $60 million Loan. The Company paid to the IFC $30.6 million, representing the aggregate outstanding principal of the Loan together with all accrued interest thereon and all other amounts owing in connection with the Loan as of February 21, 2025. 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 2025. 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 has given rise to decreased availability of US dollars in Tanzania and impaired the Company's ability to convert Tanzanian shillings directly to US dollars in Q1 2025 and 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, if ever.

TANESCO receivable

As at March 31, 2025, the current receivable from TANESCO was $12.5 million (December 31, 2024: $12.7 million). During Q1 2025, the Company invoiced TANESCO $14.4 million for gas deliveries (Q1 2024: $14.0 million) and received $14.6 million in payments during Q1 2025 (Q1 2024: $9.9 million). These amounts are inclusive of VAT. Based on the consistent payments from TANESCO, the Company recognized all amounts invoiced for gas deliveries in Q1 2025 and Q1 2024 as revenue.

The TANESCO long-term receivable as at March 31, 2025 and December 31, 2024 was $22.0 million which has been fully provided for. Subsequent to March 31, 2025, the Company has invoiced TANESCO $5.4 million for April 2025 gas deliveries, and TANESCO has paid the Company $5.7 million to date.

Capital Expenditures

The capital expenditures (see "Non-GAAP Financial Measures and Ratios") in Q1 2025 primarily related to the flowlines replacement program for SS-5 and SS-9 wells, deferred at the request of the GoT from 2024. The capital expenditures in Q1 2024 primarily related to the initial costs of the well workover program.

	Three Months ended March 31	
$'000	2025	2024
Pipelines, well workover and infrastructure	**548**	1,169
Other capital expenditures	**–**	301
	548	1,470

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.

During 2024, the Company recorded an asset impairment expense of $25.9 million with respect to the SS-7 well workover program which has now concluded. It is not known if further attempts to return the well to production will be pursued in the foreseeable future.

Given the time remaining on the existing License, lack of progress on the License extension application, and ongoing and potential disputes regarding Protected Gas, all capital projects, other than maintenance and those necessary for essential safety are currently on hold.

Long-term Receivables

	As at	
$'000	March 31, 2025	December 31, 2024
Lease deposit	**10**	10
	10	10

The following table details the amounts receivable from TANESCO:

	As at	
$'000	March 31, 2025	December 31, 2024
Total amounts invoiced to TANESCO	**107,157**	105,210
Current trade receivable – TANESCO	**(12,543)**	(12,731)
Unrecognized amounts [1]	**(72,596)**	(70,461)
Loss allowance	**(22,018)**	(22,018)
	–	–

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

On April 15, 2025 PAET signed the Settlement Agreement with TPDC and TANESCO, for TANESCO to pay PAET and TPDC $52.0 million for unpaid amounts owing by TANESCO for deliveries of natural gas from the Songo Songo gas field. The Settlement Agreement requires TANESCO to pay the Tanzanian Shilling equivalent of $52.0 million, comprised of the $33.7 million principal amount and $18.3 million representing a portion of the default interest owed by TANESCO. It was agreed that the remaining balance of the default interest owing by TANESCO would be waived if TANESCO pays the settlement amount when required and in full while remaining current on amounts owed. TANESCO must pay the settlement amount to PAET via weekly instalments and meet monthly total payment amounts, commencing in April 2025 and ending in October 2025. Payments on account of the settlement amount will be allocated between PAET and TPDC in accordance with the PSA. Pursuant to the PSA, and assuming payment in full of the settlement amount, the Company expects to retain approximately $29.4 million of the settlement amount with TPDC retaining the balance. To date, TANESCO has paid $10.0 million due under the Settlement Agreement.

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 was 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 Loan was an unsecured subordinated obligation of PAET. 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 to PAEM were restricted at any time whenever amounts of interest, principal or participating interest are due and outstanding. All amounts under the Loan were paid when due.

On February 21, 2025, the Company fully prepaid the $60 million Loan. To effect the prepayment, the Company paid to the IFC $30.6 million, representing the aggregate outstanding principal of the Loan together with all accrued interest thereon and all other amounts owing in connection with the Loan as of February 21, 2025. The annual variable participating interest granted by PAET to the IFC under the terms of the loan agreement with the IFC remains outstanding.

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 18, 2024, the Company commenced a normal course issuer bid ("2024 NCIB") to purchase Class B Shares through the facilities of the TSX Venture Exchange ("TSXV") and alternative trading systems in Canada. As at March 31, 2025 and as at May 14, 2025 the Company had repurchased for cancellation 7,100 Class B Shares at a weighted average price of CDN$3.17 pursuant to the 2024 NCIB.

1,749,895 Class A Shares and 18,015,014 Class B Shares were outstanding as at March 31, 2025 and as at May 14, 2025. See "Normal Course Issuer Bid and Dividends" in this MD&A.

Cash Flow Summary

	Three Months ended March 31	
$'000	2025	2024
Operating activities		
Net income	**102**	969
Non-cash adjustments	**10,937**	7,469
Interest expense	**1,540**	1,091
Changes in non-cash working capital[1]	**7,685**	(15,699)
Net cash flows from / (used in) operating activities	**20,264**	(6,170)
Net cash used in investing activities	**(7,650)**	(1,385)
Net cash used in financing activities	**(32,773)**	(2,530)
Decrease in cash	**(20,159)**	(10,085)

[1] See Condensed Consolidated Interim Statements of Cash Flows (Unaudited)

The Company's net income decreased by 89% for Q1 2025 over the comparable prior year period primarily as a result of higher depletion and general and administrative expenses. The Company's net cash flows from operating activities increased for Q1 2025 over the comparable prior year period primarily a result of the higher payment of the 2023 current liability associated with APT in Q1 2024 as well as other changes in non-cash working capital. The increase in net cash used in investing activities for Q1 2025 over the comparable prior year period was mainly a result of changes in non-cash working capital related to the SS-7 well workover program. The increase in net cash used in financing activities for Q1 2025 over the comparable prior year period was an outcome of the paying off the loan in February 2025.

Related Party Transactions

The Chair of the Company's Board of Directors is Counsel of 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 for Q1 2025 (Q1 2024: $0.3 million). As at March 31, 2025 the Company had a total of $0.02 million (December 31, 2024: $0.05 million) recorded in trade and other liabilities in relation to related parties.

Normal Course Issuer Bid and Dividends

On November 6, 2023 the Company commenced a normal course issuer bid ("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 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 2.76% 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.

On November 18, 2024 the Company commenced the 2024 NCIB to purchase Class B Shares through the facilities of the TSXV and alternative trading systems in Canada. Purchases pursuant to the 2024 NCIB have been and will be made by Research Capital on behalf of the Company and will not exceed 500,000 Class B Shares, representing approximately 2.77% of the total outstanding Class B Shares as of November 13, 2024. The 2024 NCIB is in effect from November 18, 2024 until the earlier of the purchase of the maximum number of Class B Shares or November 17, 2025. Purchases of Class B Shares under the 2024 NCIB are 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 2024 NCIB will not exceed the market price of the Class B Shares at the time of acquisition and the funds available to acquire the Class B Shares will come from the Company's working capital and cash flow. All Class B Shares purchased under the 2024 NCIB will be cancelled. As at March 31, 2025 and as at May 14, 2025 the Company has repurchased for cancellation 7,100 Class B Shares at a weighted average price of CDN $3.17 pursuant to the 2024 NCIB.

Dividend Summary

Declaration date	Record date	Payment date	Amount per share (*CDN$*)
February 14, 2025	March 31, 2025	April 14, 2025	0.10
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

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[1]	United Kingdom	100%
PAE PanAfrican Energy Corporation	Mauritius	100%
PanAfrican Energy Tanzania Limited	Jersey	100%

[1] Orca Exploration UK Services Limited was dissolved on April 29, 2025.

Contingencies

Taxation

Amounts in $' millions					As at March 31, 2025	As at December 31, 2024
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 income taxes paid (2015 to 2017).	19.7	14.8	**34.5**	37.7
Tax on repatriated income	2012-21	Applicability of withholding tax on repatriated income (2012 to 2021).	19.3	5.6	**24.9**	27.1
VAT	2012-23	VAT already paid (2012 to 2014), VAT on imported services (2015 and 2016), interest on VAT decreasing adjustments (2017), input VAT on services (2017 to 2020) and VAT on income tax and production taxes (2019 to 2023).	11.8	3.8	**15.6**	16.6
			50.8	24.2	**75.0**	81.4

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. As of March 31, 2025, years of income of 2021 to 2024 remain open for audit.

Corporate income tax

In 2024, the Company withdrew its application for the Court of Appeal of Tanzania ("CAT") to review its judgment on the corporate income tax for the year of 2009 ($2.1 million). The matter is now marked withdrawn. Parties will now negotiate on the implementation of CAT's judgment of 2018 in favour of TRA. At an earlier judgment, TRAB, while ruled in favour of the TRA, also allowed the Company to utilize the depreciation allowance, which was the issue in dispute, in subsequent years. The Company had already made provision in the accounts for the amount in dispute.

In Q2 2022, the Tax Revenue Appeals Tribunal ("TRAT") pronounced its judgment on the corporate income tax appeal for the year 2010 ($2.1 million) in favour of the TRA. The Company filed a notice of intention to appeal at the CAT. In Q3 2022, the Company filed a memorandum of appeal. The hearing took place on February 25, 2025 and was adjourned for a later date to allow parties to attempt an out-of-court settlement. The Company had already made provision in the accounts for the amount in dispute.

In Q3 2023, the TRAT pronounced its judgment on the corporate income tax appeal for the year 2011 ($1.5 million) in favour of the TRA. The Company filed a notice of intention to appeal at the CAT. In Q4 2023, the Company filed a memorandum of appeal and is now awaiting a hearing date. On February 24, 2025, the Company approached the TRA with a proposal for an out-of-court settlement and is currently awaiting a response. In Q4 2023, the Company recorded a provision of approximately $0.3 million being the Company's share of the interest assessed.

On January 31, 2025 and February 7, 2025 the Company's appeals against the corporate income tax assessments for the years of 2012 and 2013 ($11.2 million) were heard at TRAB and the parties are now 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 were heard at TRAB and the parties are now awaiting TRAB's decision.

Tax on repatriated income

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 ($14.1 million), the TRA was allowed to file a preliminary objection. In Q1 2024, the parties filed their written submissions. In Q1 2025, TRAB heard the appeals and dismissed the preliminary objection. TRAB hearings of the principal appeals are scheduled for hearing between April 30, 2025 and May 30, 2025.

In Q4 2022, the TRA issued seven assessments for tax on repatriated income ($10.8 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, the parties filed their respective final written submissions and are awaiting TRAB's decision.

VAT

On May 22, 2023, the TRAB pronounced its judgment on the VAT appeal for the years of 2015 and 2016 ($0.2 million) in favour of the Company. A written judgment is still pending. The TRA did not file a notice of intention to appeal at the TRAT by the statutory filing deadline. The Company continues to monitor actions taken by the TRA.

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. The parties filed their written submissions and are now awaiting TRAB's decision.

On November 29, 2024 the TRA issued assessments for VAT ($14.1 million) for the years of 2019 to 2023. The Company objected to the assessments on the ground that the TRA incorrectly imposed VAT on a contractual adjustment made to the TPDC's Profit Gas share and to the regulatory levy charged to customers. On April 15, 2025, the TRA issued a notice of intention to determine the objections. The Company is expected to respond to the notice before May 17, 2025.

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 assesses 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 the TRA starts by initially filing an appeal with the 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.

Accounting Changes

There were no accounting changes in Q1 2025 (see "Accounting Changes" in the December 31, 2024 Annual MD&A for a summary of the accounting changes in 2024).

Quarterly Results Summary

	2025	2024				2023		
Figures in $'000 except where otherwise stated	Q1	Q4	Q3	Q2	Q1	Q4	Q3	Q2
Revenue	**25,391**	36,855	24,787	25,014	24,937	24,448	27,374	28,006
Net income/(loss) attributable to shareholders	**102**	(25,821)	2,086	1,188	969	(438)	256	3,282
Earnings/(loss) per share								
– basic and diluted ($)	**0.01**	(1.31)	0.10	0.07	0.05	(0.02)	0.01	0.17
Net cash flows from/(used in) operating activities	**20,264**	6,254	10,255	16,747	(6,170)	9,858	14,995	16,160
Capital expenditures	**548**	14,869	9,354	1,912	1,470	2,065	2,928	1,405

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 in August and September not meeting revenue recognition criteria under IFRS 15. Revenue increased in Q4 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 industrial sector. Revenue decreased in Q1 2025 as a result of an increase of TPDC share of revenue and a lower current income tax adjustment.

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

- 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;
- the increase in Q3 2024 was a result of lower G&A and finance expenses;
- the decrease in Q4 2024 was a result of recording of (i) asset impairment of $25.9 million with respect to the SS-7 well workover program, and (ii) loss allowance of $21.7 million with respect to ongoing litigation; and
- the increase in Q1 2025 was a result of recording the asset impairment and the loss allowance in Q4 2024, which was partially offset by a lower deferred income tax recovery in Q1 2025.

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 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 decreases in Q3 2024 and Q4 2024 were primarily a result of the increases in trade and other receivables. The increase in Q1 2025 was primarily a result of the decrease in trade and other receivables.

Capital expenditures in Q3 2023 were mainly related to the 3D seismic acquisition program. Capital expenditures in Q4 2023 and Q1, Q2, Q3 and Q4 2024 were mainly related to well workover activities. Capital expenditures in Q1 2025 were mainly related to flowlines replacement 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.

Non-GAAP Financial Measures

Capital expenditures

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

	Three Months ended March 31	
$'000	2025	2024
Pipelines, well workovers and infrastructure	**548**	1,169
Other capital expenditures	**–**	301
Capital expenditures	**548**	1,470
Change in non-cash working capital	**7,102**	(85)
Net cash used by investing activities	**7,650**	1,385

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 March 31	
$'000	2025	2025
Revenue	**25,391**	24,937
Production, distribution and transportation expenses	**(4,203)**	(4,310)
Net Production Revenue	**21,188**	20,627
Less current income tax adjustment (recorded in revenue)	**(2,538)**	(1,726)
Operating netback	**18,650**	18,901
Sales volumes MMcf	**6,487**	6,764
Netback $/mcf	**2.87**	2.79

Non-GAAP Ratios

Operating netback per mcf

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

Supplementary Financial Measures

Working capital

Working capital is defined as current assets less current liabilities, as reported in the Company's Condensed Consolidated Interim Statements of Financial Position (Unaudited). 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, 2024 audited consolidated financial statements for a description of estimates and judgments.

Business Risks

The Company operates internationally in the oil and gas industry and is exposed to various market, legal and operational risks. For a discussion of these risks, please see "Business Risks" in the December 31, 2024 Annual MD&A available on the Company's profile on SEDAR+ at www.sedarplus.ca or on the Company's website.

Principal Terms of the PSA and Related Agreements

For a discussion of the principal terms of the PSA and related agreements, please see "Principal Terms of the PSA and Related Agreements" in the December 31, 2024 Annual MD&A available on the Company's profile 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; assessment by the Company of the merits of the appeal made by the Company pursuant to the Judgment; costs, outcomes and timing in respect to the outcome of the appeal of the Judgment; merit, outcomes, position and timing in respect of the Notice of Dispute; expectations in relation to the Notice of Dispute; extension of the License and the Company's expectation to continue to actively engage with the GoT to progress the License extension; the ability of the Company to continue is operating activities subsequent to October 2026, when the License is set to expire; expectations in respect of the Songas Power Plant; continued accrual of participating interest in respect of the Loan until the specified date; the receipt of the payment of arrears from TANESCO; 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; availability of necessary regulatory approvals; the Company's expectation that it will maintain adequate working capital to cover the Company's long-term and short-term obligations; if any payment is eventually required in respect of the Judgment, that such payment will be cost recoverable under the PSA; that TANESCO will pay such amounts owing under the Settlement Agreement; the amount that PAET is expected to retain in relation to the Settlement Agreement; 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; the expectations regarding future revenues of the Company; the Company's plans to provide updates on the Notice of Dispute; 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 2025; 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; the Company's expectations regarding changes to its tax liabilities 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. 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.

These forward-looking statements involve substantial known and unknown risks and uncertainties, certain of which are beyond the Company's control, and many factors could cause the Company's actual results to differ materially from those expressed or implied in any forward-looking statements made by the Company, including, but not limited to: uncertainties involving the Notice of Dispute and the Judgment; various uncertainties involved in the extension of the License; risk that meetings related to the Notice of Dispute are not held on the anticipated timing; risk the PSA will not be replaced; risk of decreased demand for production volumes from the Songo Songo gas field; risk the Songas Power Plant will shut down indefinitely; 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; risk that the Company may incur losses and legal expenses as a result of the Notice of Dispute and/or appeal of the Judgment; uncertainties regarding quantum of damages payable to the Company in respect of the Notice of Dispute; uncertainties regarding quantum of damages payable by the Company in respect of the appeal of the Judgment; risk that the budgeted expenditures, timing of the completion and anticipated benefits from the Company's various development programs and studies in 2025 are different than expected; risk of damage to the Company's infrastructure assets; that not all capital allocation decisions will be based upon prudent economic evaluations and returns; failure to extend the License on favorable terms or at all; inability to continue the Company's operating activities beyond the expiry of the License; inability to maintain gas sale contract discipline; the accrual of participating interest is different than expected; failure to receive payment of arrears from TANESCO; if any payment is eventually required in respect of the Judgment, that it will not be cost recoverable under the PSA; risk that TANESCO will not pay such amounts owing under the Settlement Agreement; 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 2025; 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 an alternative development plan for longer term field development; 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 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; risk relating to the Company's relationship with the GoT; 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; 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 GoT, 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 or replacement parts 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; the risk that the Company's Tanzanian operations will not provide near term revenue earnings; and such additional risks listed under "Business Risks" in December 31, 2024 Annual MD&A. In addition, there are risks and uncertainties associated with oil and gas operations, therefore the Company's actual results, performance or achievement could differ materially from those expressed in, or implied by, these forward-looking statements and, accordingly, no assurances can be given that any of the events anticipated by these forward-looking statements will transpire or occur, or if any of them do so, what benefits the Company will derive therefrom. Readers are cautioned that the foregoing list of factors is not exhaustive.

Such forward-looking statements are based on certain assumptions made by the Company in light of its experience and perception of historical trends, current conditions and expected future developments, as well as other factors the Company believes are appropriate in the circumstances, including, but not limited to: increased demand for gas supply; successful negotiation and execution of new gas sales contracts under the Gas Agreement; successful negotiation of the License extension, on terms favorable to the Company; successful implementation of various development and study programs at the budgeted expenditures; accurate assessment by the Company of the merits of its claim under the Notice of Dispute and the appeal of the Judgment; that all capital allocation decisions will be based upon prudent economic evaluations and returns; successful 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; that the Company will receive payment of arrears from TANESCO; the Company's relationship with TPDC and the GoT; 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; 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 participation interest obligations as needed; the Company does not incur any losses from debtors in 2025; 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 appeal brought forward by the Company pursuant to the Judgment; that the amount of damages recoverable by the Company under the Notice of Dispute will be in line with expectations; the Company's interpretation and prediction of the effects regarding changes to the Company's tax liabilities 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; 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.

The future acquisition of Class B Shares pursuant the 2024 NCIB, if any, and the level thereof is uncertain. Any decision to acquire Class B Shares will be subject to the discretion of the Board of Directors and may depend on a variety of factors, including, without limitation, the Company's business performance, financial condition, financial requirements, expected capital requirements and other conditions existing at such future time including, without limitation, satisfaction of the solvency tests imposed on the Company under applicable corporate law. There can be no assurance of the number of Class B Shares that the Company will acquire pursuant to the 2024 NCIB, if any, in the future.

The Company's future shareholder distributions, including but not limited to the payment of dividends, if any, and the level thereof is uncertain. Any decision to pay dividends on the Class A Shares and Class B Shares (including the actual amount, the declaration date, the record date and the payment date in connection therewith) will be subject to the discretion of the Board of Directors and may depend on a variety of factors, including, without limitation, the Company's business performance, financial condition, financial requirements, expected capital requirements and other conditions existing at such future time including, without limitation, satisfaction of the solvency tests imposed under applicable corporate law.

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 (6Mcf: 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

Q1 2025 INTERIM FINANCIAL STATEMENTS AND NOTES

NOTIFICATION OF CONDENSED UNAUDITED 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-month period ended March 31, 2025.

CONDENSED CONSOLIDATED INTERIM STATEMENTS OF COMPREHENSIVE INCOME (UNAUDITED)

		Three Months ended March 31	
$'000	Note	2025	2024
Revenue	6, 7	**25,391**	24,937
Production, distribution and transportation		**4,203**	4,310
Net production revenue		**21,188**	20,627
Operating expenses			
General and administrative		**4,443**	4,300
Depletion	10	**8,146**	7,451
Finance income	8	**(446)**	(949)
Finance expense	8	**4,454**	4,376
Income before tax		**4,591**	5,449
Income tax expense – current		**2,807**	2,400
Income tax recovery – deferred		**(718)**	(103)
Additional Profits Tax		**2,400**	2,183
Net income attributable to shareholders		**102**	969
Foreign currency translation gain from foreign operations		**–**	–
Comprehensive income		**102**	969
Net income attributable to shareholders per share *($)*			
Basic and diluted	15	**0.01**	0.05

See accompanying notes to the condensed consolidated interim financial statements.

CONDENSED CONSOLIDATED INTERIM STATEMENTS OF FINANCIAL POSITION (UNAUDITED)

$'000	Note	As at March 31, 2025	As at December 31, 2024
ASSETS			
Current assets			
Cash and cash equivalents		**70,183**	90,076
Trade and other receivables	9	**36,533**	44,037
Prepayments		**1,119**	1,586
		107,835	135,699
Non-current assets			
Long-term receivables	12	**10**	10
Capital assets	10	**42,323**	50,057
		42,333	50,067
Total Assets		**150,168**	185,766
EQUITY AND LIABILITIES			
Current liabilities			
Trade and other liabilities	11	**67,572**	66,851
Tax payable		**10,305**	8,998
Current portion of long-term loan	13	**–**	30,122
Current portion of Additional Profits Tax		**3,162**	7,824
		81,039	113,795
Non-current liabilities			
Deferred income taxes		**3,869**	4,587
Lease liabilities	10	**174**	217
Additional Profits Tax		**5,129**	5,891
		9,172	10,695
Total Liabilities		**90,211**	124,490
SHAREHOLDERS' EQUITY			
Capital stock	14	**46,974**	46,992
Accumulated income		**12,983**	14,284
		59,957	61,276
Total equity and liabilities		**150,168**	185,766

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 March 31	
$'000	Note	2025	2024
OPERATING ACTIVITIES			
Net Income		**102**	969
Adjustment for:			
Depletion and depreciation	10	**8,282**	7,562
Indirect tax	8	**326**	315
Deferred income taxes recovery		**(718)**	(103)
Additional Profits Tax		**2,400**	2,183
Unrealized loss / (gain) on foreign exchange		**647**	(2,488)
Interest expense	8	**1,540**	1,091
Change in non-cash working capital	19	**7,685**	(15,699)
Net cash flows from / (used in) operating activities		**20,264**	(6,170)
INVESTING ACTIVITIES			
Capital expenditures	10	**(7,650)**	(1,385)
Net cash used in investing activities		**(7,650)**	(1,385)
FINANCING ACTIVITIES			
Lease payments		**(15)**	(13)
Normal course issuer bid	14	**(16)**	(8)
Long-term loan repayment	13	**(30,551)**	–
Interest paid	8	**(776)**	(1,028)
Dividends paid to shareholders	14	**(1,415)**	(1,481)
Net cash used in financing activities		**(32,773)**	(2,530)
Decrease in cash		**(20,159)**	(10,085)
Cash and cash equivalents at the beginning of the period		**90,076**	101,566
Effect of change in foreign exchange on cash for the period		**266**	2,455
Cash and cash equivalents at the end of the period		**70,183**	93,936

See accompanying notes to the condensed consolidated interim financial statements.

CONDENSED CONSOLIDATED INTERIM STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY (UNAUDITED)

$'000	Capital Stock	Accumulated income	Total
Note	*14*	*14*	
Balance as at December 31, 2024	46,992	14,284	61,276
Share repurchase	(18)	2	(16)
Dividends declared	–	(1,405)	(1,405)
Net income	–	102	102
Balance as at March 31, 2025	**46,974**	**12,983**	**59,957**

$'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	(6)	–	(2)	(8)
Dividends declared	–	–	(1,450)	(1,450)
Net income	–	–	969	969
Balance as at March 31, 2024	47,061	16	41,112	88,189

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 its registered office located at Vistra Corporate Service Centre, Wickhams Cay II, Road Town, Tortola, British Virgin Islands, 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 March 31, 2025 and for the three months ended March 31, 2025 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 May 14, 2025. 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 following August 1, 2024 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 more than 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"). In November 2024, TPDC submitted the application for the extension of the License to the MoE, however, being uneconomic, the Company informed TPDC that it did not agree with the terms as submitted. Having declined to address PAET's concerns itself, TPDC has advised PAET to raise any issues to the MoE, which results in the Company having to have the submission rescinded and resubmitted. 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 from August 1, 2024 to October 31, 2024. 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 been further referred to the relevant entity's chief executive officers and working groups in accordance with the dispute resolution process. Discussions have since continued with the most recent meetings having been held in March 2025. Our Counsel subsequently submitted a letter to the MoE, requesting an urgent meeting to address the issues, to date we haven't had a response to the letter.

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, 2024.

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, 2024. There have been no changes in accounting policies for the three month period ended March 31, 2025 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, 2024.

See Note 4 of the audited consolidated financial statements for the year ended December 31, 2024 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. See Note 5 of the audited consolidated financial statements for the year ended December 31, 2024 for a full discussion, in addition to the following:

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 March 31, 2025 and December 31, 2024, 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 2025 (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 and Q4 2024, TPCPLC lifted 1,472 MMcf of Additional Gas volumes from August to December 2024. As a consequence of the position taken by TPDC, PAET was initially unable to invoice TPCPLC at prices anticipated to have been in effect under the Supplementary Gas Agreement ("SGA"). In Q1 2025, the SGA has been approved by TPDC with the effective date of August 1, 2024 and TPCPLC has paid the Company the $10.4 million due for the volumes lifted from August to December 2024 fully clearing the receivable outstanding as at December 31, 2024.

During Q3 and Q4 2024, the Company invoiced Songas $9.6 million (including VAT and production taxes) for August, September and October 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 $1.9 million, being 19.5% of the August, September and October 2024 sales to Songas in revenue; these amounts were paid by Songas in Q4 2024. As of the date of this report, $7.7 million of August, September and October 2024 sales representing 80.5% of delivered volumes remain unrecognized. 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.

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 March 31, 2025 the Company has working capital, defined as total current assets less total current liabilities, of $26.8 million which is net of $81.0 million of financial liabilities with regards to trade and other liabilities of which $76.9 million is due within one to three months, $nil is due within three to six months, and $4.1 million is due within six to twelve months (see Note 11).

As at March 31, 2025 approximately 29% 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 2024 and Q1 2025, 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.

There is a risk that PAET will not receive compensation for the volumes, which were lifted by Songas 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 in October 2026 the License will expire, if an extension is not obtained. If a License extension is not forthcoming, various litigation matters discussed in the MD&A may survive the expiry date, which may impact the liquidity post such date.

6. Segment Information

The Company has one reportable industry segment which is international exploration, development and production of petroleum and natural gas. During Q1 2025 and 2024 the Company's producing assets were entirely located in Tanzania, with all of the Company's gas revenue derived solely from customers in Tanzania.

Included in Q1 2025 revenues arising from Tanzania, are revenues of $11.6 million, $7.0 million and $4.9 million which arose from the Company's three largest customers (Q1 2024: $11.3 million, $7.2 million and $2.7 million), who each contributed more than 10% to the Company's Q1 2025 gross field revenue (see Note 7). The largest two customers in Q1 2025 and 2024 are parastatal companies controlled by the Government of Tanzania.

7. Revenue

	Three Months ended March 31	
$'000	2025	2024
Industrial sector	**13,742**	11,367
Power sector	**18,652**	21,250
Gross field revenue	**32,394**	32,617
TPDC share of revenue	**(9,541)**	(9,406)
Company operating revenue	**22,853**	23,211
Current income tax adjustment	**2,538**	1,726
	25,391	24,937

The Company recognized 100% of all gas deliveries to TANESCO as revenue during Q1 2025 and Q1 2024. The Company invoiced TANESCO $14.4 million for gas deliveries (Q1 2024: $14.0 million) and received $14.6 million in payments during Q1 2025 (Q1 2024: $9.9 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 Q1 2025 and Q1 2024 as revenue. Subsequent to March 31, 2025 the Company has invoiced TANESCO $5.4 million for April 2025 gas deliveries and TANESCO has paid the Company $5.7 million to date.

8. Finance Income and Expense

Finance Income

	Three Months ended March 31	
$'000	2025	2024
Interest income	**446**	949
	446	949

Finance Expense

	Three Months ended March 31	
$'000	2025	2024
Base interest expense	**551**	1,077
Participation interest expense	**980**	–
Lease interest expense	**9**	14
Interest expense	**1,540**	1,091
Net foreign exchange loss	**2,588**	2,970
Indirect tax	**326**	315
	4,454	4,376

Base interest expense and participation interest expense relate to the Loan. Base interest on the Loan was 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.

On February 21, 2025, the Company fully prepaid the $60 million Loan made by the IFC to PAET, pursuant to the Loan Agreement. The Company paid to the IFC $30.6 million, representing the aggregate outstanding principal of the Loan together with all accrued interest thereon and all other amounts owing in connection with the Loan. The annual variable participating interest granted by PAET to the IFC under the terms of the Loan Agreement remains outstanding (see Note 13).

Net foreign exchange loss includes realized and unrealized revaluation gains and 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 March 31, 2025	As at December 31, 2024
Trade receivables		
TPCPLC	**3,848**	10,409
TPDC	**6,006**	5,592
TANESCO	**12,543**	12,731
Industrial customers	**7,128**	8,149
Loss allowance	**(452)**	(452)
	29,073	36,429
Other receivables		
Songas gas plant operations	**3,094**	2,161
Other	**5,091**	6,172
Loss allowance	**(725)**	(725)
	7,460	7,608
	36,533	44,037

Songas

As at March 31, 2025 Songas owed the Company $3.1 million (December 31, 2024: $2.2 million), while the Company owed Songas $3.6 million (December 31, 2024: $2.7 million). The amounts due to the Company are for the operation of the gas plant of $3.1 million (December 31, 2024: $2.2 million) against which the Company has made a loss allowance of $0.7 million (December 31, 2024: $0.7 million). The amounts due to Songas primarily relate to pipeline tariff charges of $3.1 million (December 31, 2024: $2.1 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 and Q4 2024, the Company invoiced Songas $9.6 million (including VAT and production taxes) for August, September and October 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 $1.9 million, being 19.5% of the August, September and October 2024 sales to Songas in revenue; these amounts were paid by Songas in Q4 2024. As of the date of this report, $7.7 million of August, September and October 2024 sales representing 80.5% of delivered volumes remain unrecognized.

TPCPLC

During Q3 and Q4 2024, TPCPLC lifted 1,472 MMcf of Additional Gas volumes from August to December 2024. As a consequence of the position taken by TPDC, PAET was initially unable to invoice TPCPLC at prices anticipated to have been in effect under the SGA. In February 2025, the SGA was approved by TPDC with the effective date of August 1, 2024 and TPCPLC paid the Company the $10.4 million due for the volumes lifted from August to December 2024 fully clearing the receivable previously outstanding as at December 31, 2024.

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.

10. Capital Assets

$'000	Natural gas interests	Office and other	Right-of-use	Total
Costs				
As at December 31, 2024	298,202	3,421	2,044	303,667
Additions	548	–	–	548
As at March 31, 2025	**298,750**	**3,421**	**2,044**	**304,215**
Accumulated depletion and depreciation				
As at December 31, 2024	249,035	3,098	1,477	253,610
Additions	8,146	59	77	8,282
As at March 31, 2025	**257,181**	**3,157**	**1,554**	**261,892**
Net book values				
As at March 31, 2025	**41,569**	**264**	**490**	**42,323**

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 March 31, 2025, the estimated future development costs required to bring the total proved reserves to production were $0.9 million (December 31, 2024: $1.4 million). In Q1 2025 the Company recorded depreciation of $0.1 million (Q1 2024: $0.1 million) in general and administrative expenses.

Right-of-use assets

$'000	
As at December 31, 2024	567
Depreciation	(77)
As at March 31, 2025	**490**

Lease liabilities

$'000	
As at December 31, 2024	479
Lease interest expense	9
Lease payments	(15)
As at March 31, 2025	**473**

Right-of-use assets are presented as part of capital assets on the Company's balance sheet. Of the total lease liability of $0.5 million (December 31, 2024: $0.5 million), $0.3 million (December 31, 2024: $0.3 million) is current and is presented in trade and other liabilities.

11. Trade and Other Liabilities

$'000	As at March 31, 2025	 December 31, 2024
Songas	**3,628**	2,741
Other trade payables	**2,732**	9,981
Trade payables	**6,360**	12,722
TPDC Profit Gas entitlement, net	**23,361**	16,359
Deferred income – take or pay contracts	**943**	943
Accrued liabilities	**36,908**	36,827
	67,572	66,851

TPDC share of Profit Gas

$'000	As at March 31, 2025	 December 31, 2024
TPDC share of Profit Gas	**37,116**	29,076
Less "Adjustment Factor"	**(13,755)**	(12,717)
TPDC share of Profit Gas entitlement	**23,361**	16,359

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 $37.1 million liability to TPDC for its share of Profit Gas 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 March 31, 2025	 December 31, 2024
Amounts invoiced to TANESCO	**107,157**	105,210
Current trade receivables – TANESCO	**(12,543)**	(12,731)
Unrecognized amounts[1]	**(72,596)**	(70,461)
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 2024 and Q1 2025.

On April 15, 2025 PAET signed a settlement agreement with TPDC and TANESCO ("Settlement Agreement"), for TANESCO to pay PAET and TPDC $52.0 million for unpaid amounts owing by TANESCO for deliveries of natural gas from the Songo Songo gas field. The parties acknowledged in the Settlement Agreement that these unpaid amounts totalled $104.2 million as of January 9, 2025, comprised of $33.7 million of the principal amount owing and approximately $70.5 million of default interest.

The Settlement Agreement requires TANESCO to pay the Tanzanian Shilling equivalent of $52.0 million, comprised of the $33.7 million principal amount and $18.3 million representing a portion of the default interest owed by TANESCO. It was agreed that the remaining balance of the default interest owing by TANESCO would be waived if TANESCO pays the settlement amount when required and in full and keeps current. TANESCO must pay the settlement amount to PAET via weekly instalments and meet monthly total payments amounts commencing in April 2025 and ending in October 2025. Payments on account of the settlement amount will be allocated between PAET and TPDC in accordance with the PSA. Pursuant to the PSA, and assuming payment in full of the settlement amount, the Company expects to retain approximately $29.4 million of the settlement amount with TPDC retaining the balance. To date, TANESCO has paid $10.0 million due under the Settlement Agreement.

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 was 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 Loan was an unsecured subordinated obligation of PAET. 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 were restricted if at any time amounts of interest, principal or participating interest are due and outstanding. All amounts due under the Loan were paid when due.

On February 21, 2025, the Company fully prepaid the $60 million Loan made by the IFC to PAET, pursuant to the Loan Agreement. The Company paid to the IFC $30.6 million, representing the aggregate outstanding principal of the Loan together with all accrued interest thereon and all other amounts owing in connection with the Loan. The annual variable participating interest granted by PAET to the IFC under the terms of the Loan Agreement remains outstanding.

	As at	
$'000	March 31, 2025	December 31, 2024
Loan principal	–	30,240
Financing costs	–	(118)
Current portion of long-term loan	–	(30,122)
	–	–

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					
	March 31, 2025			December 31, 2024		
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**	**18,015**	**45,991**	100,000	18,022	46,009
First preference shares	**100,000**	**–**	**–**	100,000	–	–
	250,000	**19,765**	**46,974**	250,000	19,772	46,992

On November 15, 2024 the Company announced a normal course issuer bid ("2024 NCIB") to commence on November 18, 2024 to purchase Class B Shares through the facilities of the TSX Venture Exchange and alternative trading systems in Canada. As at March 31, 2025 the Company has repurchased for cancellation 7,100 Class B Shares at a weighted average price of CDN$3.17 pursuant to the 2024 NCIB. All issued capital stock is fully paid.

Dividend summary

Declaration date	Record date	Payment date	Amount per share (CDN$)
February 14, 2025	March 31, 2025	April 14, 2025	0.10
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

15. Earnings Per Share

	Three Months ended March 31	
(000)	**2025**	2024
Outstanding shares		
Weighted average number of Class A and Class B Shares	**19,766**	19,799
Weighted average diluted number of Class A and Class B Shares	**19,766**	19,799

The calculation of earnings per share is based on a net income attributable to shareholders for the quarter of $0.1 million (Q1 2024: $1.0 million) and a weighted average number of Class A Shares and Class B Shares outstanding during the quarter ended March 31, 2025 of 19,766,261 (Q1 2024: 19,799,249).

16. Related Party Transactions

The Chair of the Company's Board of Directors is Counsel of 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 for Q1 2025 (Q1 2024: $0.3 million).

As at March 31, 2025 the Company had a total of $0.02 million (December 31, 2024: $0.05 million) recorded in trade and other liabilities in relation to related parties.

17. Contractual Obligations

Protected Gas

Under the terms of the Gas Agreement for the Songo Songo project, in the event that there is an 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 353 Bcf as at December 31, 2024 (December 31, 2024: 347 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. Subsequent to December 31, 2024, PAET, TPDC and TPCPLC agreed the terms of the SGA to sell volumes as Additional Gas, which, prior to August 1, 2024, were supplied as Protected Gas. In Q1 2025, TPCPLC fully paid the Company $10.4 million of the receivable previously outstanding as at December 31, 2024. There is a risk however that PAET will not receive payments from Songas 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 been further referred to the relevant entity's chief executive officers and working groups in accordance with the dispute resolution process. Discussions have since continued with meetings most recently held in March 2025. Our Counsel subsequently submitted a letter to the MoE, requesting an urgent meeting to address the issues, to date we haven't had a response to the letter.

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. In Q4 2024, the Company further credited to the Cost Pool an additional $0.26 million with respect to 2021 audit. To date there remains a total of $62.5 million (December 31, 2024: $62.5 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.

Taxation

Amounts in $' millions					As at March 31, 2025	As at December 31, 2024
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 income taxes paid (2015 to 2017).	19.7	14.8	**34.5**	37.7
Tax on Repatriated income	2012-21	Applicability of withholding tax on repatriated income (2012 to 2021).	19.3	5.6	**24.9**	27.1
VAT	2012-23	VAT already paid (2012 to 2014), VAT on imported services (2015 and 2016), interest on VAT decreasing adjustments (2017), input VAT on services (2017 to 2020) and VAT on income tax and production taxes (2019 to 2023).	11.8	3.8	**15.6**	16.6
			50.8	24.2	**75.0**	81.4

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. As of March 31, 2025, years of income of 2021 to 2024 remain open for audit.

Corporate income tax

In 2024, the Company withdrew its application for the Court of Appeal of Tanzania ("CAT") to review its judgment on the corporate income tax for the year of 2009 ($2.1 million). The matter is now marked withdrawn. Parties will now negotiate on the implementation of CAT's judgment of 2018 in favour of TRA. At an earlier judgment, TRAB, while ruled in favour of the TRA, also allowed the Company to utilize the depreciation allowance, which was the issue in dispute, in subsequent years. The Company had already made provision in the accounts for the amount in dispute.

In Q2 2022, the Tax Revenue Appeals Tribunal ("TRAT") pronounced its judgment on the corporate income tax appeal for the year 2010 ($2.1 million) in favour of the TRA. The Company filed a notice of intention to appeal at the CAT. In Q3 2022, the Company filed a memorandum of appeal. The hearing took place on February 25, 2025 and was adjourned for a later date to allow parties to attempt an out-of-court settlement. The Company had already made provision in the accounts for the amount in dispute.

In Q3 2023, the TRAT pronounced its judgment on the corporate income tax appeal for the year 2011 ($1.5 million) in favour of the TRA. The Company filed a notice of intention to appeal at the CAT. In Q4 2023, the Company filed a memorandum of appeal and is now awaiting a hearing date. On February 24, 2025, the Company approached the TRA with a proposal for an out-of-court settlement and is currently awaiting a response. In Q4 2023, the Company recorded a provision of approximately $0.3 million being the Company's share of the interest assessed.

On January 31, 2025 and February 7, 2025 the Company's appeals against the corporate income tax assessments for the years of 2012 and 2013 ($11.2 million) were heard at TRAB and the parties are now 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 were heard at TRAB and the parties are now awaiting TRAB's decision.

Tax on repatriated income

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 ($14.1 million), the TRA was allowed to file a preliminary objection. In Q1 2024, the parties filed their written submissions. In Q1 2025, TRAB heard the appeals and dismissed the preliminary objection. TRAB hearings of the principal appeals are scheduled for hearing between April 30, 2025 and May 30, 2025.

In Q4 2022, the TRA issued seven assessments for tax on repatriated income ($10.8 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, the parties filed their respective final written submissions and are awaiting TRAB's decision.

VAT

On May 22, 2023, the TRAB pronounced its judgment on the VAT appeal for the years of 2015 and 2016 ($0.2 million) in favour of the Company. A written judgment is still pending. The TRA did not file a notice of intention to appeal at the TRAT by the statutory filing deadline. The Company continues to monitor actions taken by the TRA.

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. The parties filed their written submissions and are now awaiting TRAB's decision.

On November 29, 2024 the TRA issued assessments for VAT ($14.1 million) for the years of 2019 to 2023. The Company objected to the assessments on the ground that the TRA incorrectly imposed VAT on a contractual adjustment made to the TPDC's Profit Gas share and to the regulatory levy charged to customers. On April 15, 2025, the TRA issued a notice of intention to determine the objections. The Company is expected to respond to the notice before May 17, 2025.

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 assesses 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 the TRA starts by initially filing an appeal with the 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, 2024 for a full discussion.

19. Change in Non-Cash Operating Working Capital

	Three Months ended March 31	
$'000	2025	2024
Decrease / (increase) in trade and other receivables	**6,272**	(4,203)
Decrease in prepayments	**467**	249
Increase in trade and other payables	**7,463**	3,838
Decrease in APT	**(7,824)**	(15,983)
Increase in tax payable	**1,307**	400
	7,685	(15,699)

20. Subsequent Events

On April 15, 2025 PAET signed a settlement agreement with TPDC and TANESCO ("Settlement Agreement"), for TANESCO to pay PAET and TPDC $52.0 million for unpaid amounts owing by TANESCO for deliveries of natural gas from the Songo Songo gas field. The parties acknowledged in the Settlement Agreement that these unpaid amounts totalled $104.2 million as of January 9, 2025, comprised of $33.7 million of the principal amount owing and approximately $70.5 million of default interest.

The Settlement Agreement requires TANESCO to pay the Tanzanian Shilling equivalent of $52.0 million, comprised of the $33.7 million principal amount and $18.3 million representing a portion of the default interest owed by TANESCO. It was agreed that the remaining balance of the default interest owing by TANESCO would be waived if TANESCO pays the settlement amount when required and in full and keeps current. TANESCO must pay the settlement amount to PAET via weekly instalments and meet monthly total payments amounts commencing in April 2025 and ending in October 2025. Payments on account of the settlement amount will be allocated between PAET and TPDC in accordance with the PSA. Pursuant to the PSA, and assuming payment in full of the settlement amount, the Company expects to retain approximately $29.4 million of the settlement amount with TPDC retaining the balance. To date, TANESCO has paid $10.0 million due under the Settlement Agreement.

Notwithstanding the signing of this Settlement Agreement, there will be no change in Company's recognition of receivables or loss allowances, or unrecognised amounts not meeting revenue recognition criteria until such time that PAET receives a significant proportion of the payments due under the Settlement Agreement.

CORPORATE INFORMATION

Board of Directors

Jay Lyons
Executive Director and
Chief Executive Officer
Vancouver, Canada

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
Chief Executive Officer
Vancouver, Canada

Lisa Mitchell
Chief Financial
Officer London, UK

Andrew Hanna
Managing Director,
PAET Surrey, UK

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