



Orca Energy Group Inc. Announces Completion of Its Q1 2021 Interim Filings

TORTOLA, British Virgin Islands, May 18, 2021 (GLOBE NEWSWIRE) -- Orca Energy Group Inc. ("**Orca**" or the "**Company**" and includes its subsidiaries and affiliates) (TSX-V: ORC.A, ORC.B) today announces that it has filed its condensed consolidated interim financial statements and management's discussion and analysis for the three month period ended March 31, 2021 ("**Q1 2021**") with the Canadian securities regulatory authorities. All amounts are in United States dollars ("**\$**") unless otherwise stated.

- Revenue increased 5% for Q1 2021 to \$18.6 million compared to the same prior year period. The increase was primarily a result of increased sales to industrial customers. Gas deliveries for the quarter increased by 4% compared to the same prior year period. The increase in gross sales volume was primarily due to the increase in gas deliveries to industrial customers as a result of expansion of the Company's customer base.
- Net income attributable to shareholders decreased 69% for Q1 2021 to \$4.0 million compared to the same prior year period, primarily a result of the decrease in the reversal of loss allowances related to the lower collection of arrears from Tanzanian Electric Supply Company Limited ("**TANESCO**") compared to Q1 2020.
- Net cash flows used in operating activities for Q1 2021 were \$0.8 million compared to net cash flows from operating activities of \$0.8 million in Q1 2020, a decrease of \$1.6 million. The decrease was primarily a result of the lower collection of TANESCO arrears being offset by an increase in trade and other receivables from Q4 2019 to Q1 2020.
- Adjusted funds flow from operations for Q1 2021 increased by 13% to \$8.6 million compared to the same prior year period, primarily a result of the increase in revenue.
- Capital expenditures decreased by 53% for Q1 2021 to \$0.2 million compared to the same prior year period. The capital expenditures in Q1 2021 were primarily for well workover planning and design. The capital expenditures in Q1 2020 primarily relate to the flowline decoupling construction. The Company is currently installing compression to allow production volumes to be sustained at approximately 102 million standard cubic feet per day ("**MMcfd**") through the Songas infrastructure. This provides the possibility to expand production capabilities to 172 MMcfd by also utilizing the National Natural Gas Infrastructure ("**NNGI**"). The value of the contract for compression is \$38 million of which \$24.7 million was incurred prior to 2021 with forecasted expenditures of \$9.5 million for 2021, upon delivery and inspection of the equipment, and \$3.8 million for 2022 following installation and testing. The project is currently on budget and on schedule for completion in Q2 2022.
- The Company exited the period in a strong financial position with \$47.4 million in working capital (December 31, 2020: \$74.2 million), cash and cash equivalents of \$68.0 million (December 31, 2020: \$104.2 million) and long-term debt of \$54.2 million (December 31, 2020: \$54.2 million). The decrease in working capital and cash and cash equivalents was primarily related to the substantial issuer bid completed in January 2021 ("**2021 SIB**").
- As at March 31, 2021 the current receivable from TANESCO was \$ nil (December 31, 2020: \$ nil). TANESCO's long-term trade receivable as at March 31, 2021 was \$26.8 million with a provision of \$26.8 million compared to \$27.6 million (provision of \$27.6 million) as at December 31, 2020. Subsequent to March 31, 2021 the Company invoiced TANESCO \$0.4 million for April 2021 gas deliveries and TANESCO paid the Company \$2.6 million for Q2 2021 gas deliveries and \$5.0 million for the take or pay invoice for the 2015-2016 contract year. In accordance with the Portfolio Gas Sales Agreement, the take or pay gas for the 2015-2016 contract year was to be taken by June 30, 2021, however the Company has agreed with TANESCO to extend the time period to take the gas until June 30, 2022.
- On February 23, 2021 the Company declared a dividend of CDN\$0.10 per share on each of its Class A common voting shares ("**Class A Shares**") and Class B subordinate voting shares ("**Class B Shares**") for a total of \$1.6 million to the holders of record as of March 31, 2021 which was paid on April 15, 2021.
- On January 22, 2021 the Company announced the final results of the 2021 SIB whereby the Company repurchased and cancelled 6,153,846 Class B Shares at a price of CDN\$6.50 per Class B Share representing an aggregate purchase price of CDN\$40.0 million and 25.2% of the total number of the Company's issued and outstanding Class B Shares and 23.5% of the total number of the Company's issued and outstanding shares.

Jay Lyons, Interim Chief Executive Officer, commented:

"We are pleased to report a solid set of Q1 results, which include an increase in revenue reflecting our growing customer base and continuing role in helping to meet Tanzania's growing power needs. Operationally, we remain on track and within budget with the installation of compression equipment, designed to ensure the Company can maintain production volumes at 102 MMcfd, with the potential to increase by a further 70 MMcfd. With a tight control on costs, we maintain a strong balance sheet, enabling us to not only continue investing in the creation of value from the world class Songo Songo gas field, but also making appropriate returns to our shareholders. We look forward to continuing to keep our stakeholders apprised of our progress as we move forward."

Financial and Operating Highlights for the Three Months ended March 31, 2021

	Three Months ended March 31		% Change Q1/21 vs Q1/20
(Expressed in \$'000 unless indicated otherwise)	2021	2020	
OPERATING			
Daily average gas delivered and sold (MMcfd)	58.7	56.3	4%
Industrial	14.0	12.2	15%
Power	44.7	44.1	1%
Average price (\$/mcf)			
Industrial	7.32	7.47	(2)%
Power	3.40	3.46	(2)%
Weighted average	4.33	4.33	0%
Operating netback (\$/mcf)¹	2.37	2.39	(1)%

FINANCIAL

Revenue	18,631	17,715	5%
Net income attributable to shareholders	3,963	12,645	(69)%
per share – basic and diluted (\$)	0.19	0.39	(51)%
Net cash flows (used in) from operating activities	(794)	827	n/m
per share – basic and diluted (\$)	(0.04)	0.03	n/m
Adjusted funds flow from operations¹	8,587	7,569	13%
per share – basic and diluted (\$)	0.40	0.23	74%
Capital expenditures	232	489	(53)%
Weighted average Class A and Class B shares ('000)	21,352	32,702	(35)%

	March 31, 2021	As at December 31, 2020	% Change
Working capital (including cash)	47,378	74,236	(36)%
Cash and cash equivalents	68,046	104,190	(35)%
Long-term loan	54,246	54,246	0%
Outstanding shares ('000)			
Class A	1,750	1,750	0%
Class B	18,234	24,388	(25)%
Total shares outstanding	19,984	26,138	(24)%

¹ Operating netback and adjusted funds flow from operations are non-GAAP financial measures. See non-GAAP Measures.

The complete Audited Consolidated Financial Statements and Notes and Management's Discussion & Analysis may be found on the Company's website at www.orcaenergygroup.com or on the Company's profile on SEDAR at www.sedar.com.

Orca Energy Group Inc.

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

Neither the TSX Venture Exchange nor its Regulation Service Provider (as that term is defined in the policies of the TSX Venture Exchange) accepts responsibility for the adequacy or accuracy of this release.

Abbreviations

Mcf	thousand cubic feet
MMcfd	million standard cubic feet per day

Non-GAAP Measures

The Company evaluates its performance using a number of non-GAAP ("generally accepted accounting principles") measures. These non-GAAP measures are not standardized and therefore may not be comparable to similar measurements of other entities.

- Adjusted funds flow from operations represents net cash flows from operating activities less interest expense and reversal of loss allowances related to the collection of TANESCO arrears and a previously disputed Songas Limited ("Songas") operatorship receivable before changes in non-cash working capital. Management uses this as a performance measure that represents the Company's ability to generate sufficient cash flow to fund capital expenditures and/or service debt.

\$'000	Three Months ended March 31	
	2021	2020
Net cash flows (used in) from operating activities	(794)	827
Interest expense	(1,409)	(2,226)
Reversal of loss allowance – TANESCO arrears	(789)	(10,113)
Changes in non-cash working capital	11,579	19,081
Adjusted funds flow from operations	8,587	7,569

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

FORWARD LOOKING INFORMATION – This news release contains forward-looking statements or information (collectively, "forward-looking statements") within the meaning of applicable securities legislation. All statements, other than statements of historical fact included in this news release, which address activities, events or developments that Orca expects or anticipates to occur in the future, are forward-looking statements. Forward-looking statements often contain terms such as may, will, should, anticipate, expect, continue, estimate, believe, project, forecast, plan, intend, target, outlook, focus, could and similar words suggesting future outcomes or statements regarding an outlook. More particularly, this news release contains, without limitation, forward-looking statements pertaining to the following: current and potential production capacity through the Songas infrastructure; the Company's ability to expand production volumes and capabilities through the Songas infrastructure, including through the utilization of the NNGI; the Company's expectations regarding timing for the completion of installation of compression on the Songas infrastructure; the expected expenditures required to complete the installation of the compression on the Songas infrastructure and Tanzania's increasing need for power. As a consequence, actual results may differ materially from those anticipated in the forward-looking statements. Although management believes that the expectations reflected in the forward-looking statements are reasonable, it cannot guarantee future results, levels of activity, performance or achievement since such expectations are inherently subject to significant business, economic, operational, competitive, political and social uncertainties and contingencies.

These forward-looking statements involve substantial known and unknown risks and uncertainties, certain of which are beyond the Company's control, and many factors could cause the Company's actual results to differ materially from those expressed or implied in any forward-looking statements made by the Company, including, but not limited to, reduced global economic activity as a result of the COVID-19 pandemic, including lower demand for natural gas and a reduction in the price of natural gas; the potential impact of the COVID-19 pandemic on the health of the Company's employees, contractors, suppliers, customers and other partners and the risk that the Company and/or such persons are or may be restricted or prevented (as a result of quarantines, closures or otherwise) from conducting business activities for undetermined periods of time; the impact of actions taken by governments to reduce the spread of COVID-19, including declaring states of emergency, imposing quarantines, border closures, temporary business closures for companies and industries deemed non-essential, significant travel restrictions and mandated social distancing, and the effect on the Company's operations, access to customers and suppliers, availability of employees and other resources; risk that contract counterparties are unable to perform contractual obligations; failure to receive payments from TANESCO; risk that the potential financial solutions to resolve the TANESCO arrears are not implemented by the Tanzanian government; the potential negative effect on the Company's rights under the Company's production sharing agreement ("PSA") and other agreements relating to its business in Tanzania as a result of the Petroleum Act, passed in 2015 (the "Act"), and other recently enacted and future legislation, as well as the risk that such legislation will create additional costs and time connected with the Company's business in Tanzania; risks regarding the uncertainty around evolution of Tanzanian legislation; risk that the Company will not be successful in appealing claims made by the Tanzanian Revenue Authority and may be required to pay additional taxes and penalties; the impact of general economic conditions in the areas in which the Company operates; civil unrest; the susceptibility of the areas in which the Company operates to outbreaks of disease; industry conditions; lack of availability of qualified personnel or management; fluctuations in commodity prices, foreign exchange rates and/or interest rates; stock market volatility; competition for, among other things, capital, drilling equipment and skilled personnel; failure to obtain required equipment for drilling; delays in drilling plans; failure to obtain expected results from drilling of wells; changes in laws and regulations including the adoption of new environmental laws and regulations, impact of new local content regulations and changes in how they are interpreted and enforced; imprecision in reserve estimates; the production and growth potential of the Company's assets; obtaining required approvals from regulatory authorities; failure to install compression on the Songas infrastructure on the timeline anticipated; failure to increase production volumes and capabilities through the Songas infrastructure; risk that the expenditures to

increase production volumes and capabilities through the Songas infrastructure is higher than anticipated; and unanticipated changes to legislation and the effect on the Company's operations, including, but not limited to, the Act and the Natural Gas Pricing Regulation made under Sections 165 and 258(l) of the Act. 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, that the Company is able to complete the installation of compression on the Songas infrastructure on the timeline and at the cost anticipated; that the Company is able to increase production volumes and capabilities through the Songas infrastructure; that the Company will be able to negotiate Additional Gas sales contracts; the ability of the Company to complete developments and increase its production capacity; the actual costs to complete the Company's development program are in line with estimates; the TPDC, the Ministry of Energy and Mines and the Company are able to agree on commercial terms for future incremental gas sales and the Company can expand Songo Songo development beyond the existing Songas infrastructure and supply gas to the NNGI; that there will continue to be no restrictions on the movement of cash from Mauritius, Jersey or Tanzania; the impact of the COVID-19 pandemic on the demand for and price of natural gas, volatility in financial markets, disruptions to global supply chains and the Company's business, operations, access to customers and suppliers, availability of employees to carry out day-to-day operations, and other resources; 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 requirements as needed; that the Company will have adequate funding to continue operations; that the Company will successfully negotiate agreements; receipt of required regulatory approvals; the ability of the Company to increase production at a consistent rate; infrastructure capacity; commodity prices will not further deteriorate significantly; the ability of the Company to obtain equipment and services in a timely manner to carry out exploration, development and exploitation activities; future capital expenditures; availability of skilled labour; timing and amount of capital expenditures; uninterrupted access to infrastructure; the impact of increasing competition; conditions in general economic and financial markets; effects of regulation by governmental agencies; that the Company's appeal of various tax assessments will be successful; current or, where applicable, proposed industry conditions, laws and regulations will continue in effect or as anticipated as described herein; and other matters.

The forward-looking statements contained in this news release are made as of the date hereof and the Company undertakes no obligation to update publicly or revise any forward-looking statements or information, whether as a result of new information, future events or otherwise, unless so required by applicable securities laws.

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