

# Orca Exploration announces 2018 Independent Reserves Evaluation

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TORTOLA, April 05, 2019 - TORTOLA, British Virgin Islands April 5, 2019: [Orca Exploration Group Inc.](#) ("Orca" or "the Company") announces its independent Reserves Evaluation for the year ended December 31, 2018. All currency amounts are in United States dollars unless otherwise stated.

## Independent Reserves Evaluation

The Company's conventional natural gas reserves as at December 31, 2018 for the period to the end of its licence in October 2026 were evaluated by independent petroleum engineering consultants McDaniel & Associates Consultants Ltd. ("McDaniel") in accordance with the definitions, standards and procedures contained in the Canadian Oil and Gas Evaluation Handbook ("COGE Handbook") and National Instrument 51-101 &ndash; *Standards of Disclosure for Oil and Gas Activities* ("NI 51-101"). The independent reserves evaluation prepared by McDaniel (the "McDaniel Report") is dated effective December 31, 2018 and all amounts are stated in United States dollars ("US\$") unless otherwise noted. A reserves committee of the Company reviews the qualifications and appointment of the independent reserves evaluator and reviews the procedures for providing information to the evaluators.

All the Company's reserves are located in Tanzania. Reserves included herein are stated on a company gross reserves basis unless noted otherwise. Company gross reserves are the total of the Company's working interest share in reserves before deduction of royalties owned by others and without including any royalty interests of the Company and are based on the Company's 92.08 percent ownership interest in the reserves following the transaction with Swala Oil & Gas (Tanzania) plc ("Swala") described in Note 3 to the tables below. Additional reserves information required under NI 51-101 are included in Orca's reports relating to reserves data and other oil and gas information under NI 51-101, which are available on its profile on SEDAR at [www.sedar.com](http://www.sedar.com).

For the year ended December 31, 2018 Orca's:

- Total proved ("1P") conventional natural gas reserves decreased 15% to 261 Bcf from 307 Bcf in the prior year and total proved plus probable ("2P") conventional natural gas reserves decreased 23% to 293 Bcf from 380 Bcf in the prior year. The decrease is a consequence of 2018 Additional Gas production of 14.6 Bcf, lower anticipated forecasted sales and the reduction in the effective ownership interest in the gross property reserves due to the sale of a 7.9% non-controlling interest in a subsidiary, PAE PanAfrican Energy Corporation ("PAEM") described in Note 3 to the tables below. The net present value of the estimated future cash flows from the 2P reserves at a 10% discount rate ("NPV10") decreased by 10.0% to US\$294.4 million from US\$326.1 million in the previous year. The decrease is predominately the result of recognizing the non-controlling interest in the dividend stream from PAEM in arriving at the present value and the decline in the forecast sales being offset by the removal of the SSN-1 well from the future development costs in the 2P life of licence valuation.
- Additional Gas Production in 2018 was 14.6 Bcf, equivalent to 39.9 MMcf/day down 4% from 2017 due primarily to the reduced nominations of natural gas volumes by TANESCO partially offset by increased industrial sales.

The following tables outline the Company's conventional natural gas reserves as at December 31, 2018 and the net present value of future net revenue attributable to such reserves as evaluated in the McDaniel Report utilising forecast price and cost assumptions to the end of the licence period in October 2026.

Company Gross Reserves			Comp
Light and Medium Crude Oil	Natural Gas Liquids	Conventional Natural Gas	Light
<i>Mbbl</i>	<i>Mbbl</i>	<i>MMcf</i>	<i>Mbbl</i>

Proved					
Developed Producing	&#8209;	&#8209;	227,591	&#8209;	&#8209;
Developed Non&#8209;Producing	&#8209;	&#8209;	33,477	&#8209;	&#8209;
Undeveloped	&#8209;	&#8209;	-	&#8209;	&#8209;
Total Proved	&#8209;	&#8209;	261,068	&#8209;	&#8209;
Probable	&#8209;	&#8209;	31,706	&#8209;	&#8209;
Total Proved plus Probable	&#8209;	&#8209;	292,774	&#8209;	&#8209;

	Net present value of future net revenues before and after Future Income Tax Expenses Discounted at					Unit Value
	0%	5%	10%	15%	20%	Before Tax at 10% \$/Mcf
<i>(US\$&amp;rsquo;000)</i>						
Proved						
Developing Producing	334,781	271,990	225,464	190,282	163,182	1.58
Developed Non-Producing	48,625	35,419	26,260	19,787	15,132	1.39
Undeveloped	-	-	-	-	-	-
Total Proved	383,406	307,409	251,724	210,069	178,315	1.56
Probable	62,186	51,120	42,668	36,104	30,929	2.40
Total Proved plus Probable	445,593	358,529	294,391	246,173	209,243	1.65

## Notes:

1. During the third quarter of 2015, The Petroleum Act, 2015, (the "Act") was passed into law by Presidential decree. The Act repeals earlier legislation, provides a regulatory framework over upstream, mid-stream and downstream gas activity, and as well consolidates and puts in place a single, effective and comprehensive legal framework for regulating the oil and gas industry in the country. The Act also provides for the creation of an upstream regulator, the Petroleum Upstream Regulatory Authority ("PURA"). The mid and downstream petroleum as well as gas activities are proposed to be regulated by the current authority, the Energy and Water Utilities Regulatory Authority ("EWURA"). The Act also confers upon on the Tanzanian Petroleum Development Corporation ("TPDC"), the status of the National Oil Company, mandated with the task of managing the country&rsquo;s commercial interest in the petroleum operations as well as mid and downstream natural gas activities. The Act vests TPDC with exclusive rights in the entire petroleum upstream value chain and the natural gas mid and downstream value chain. However, the exclusive rights of TPDC do not extend to mid and downstream petroleum supply operations. The Company is uncertain regarding the potential impact on its business in Tanzania. The Act does provide grandfathering provisions upholding the rights of the Company under the Production Sharing Agreement as it was signed prior to the passing of the Act. However, it is still unclear how the provisions of the Act will be interpreted and implemented regarding upstream and downstream activities.
2. On October 7, 2016, the Government of Tanzania issued the Petroleum (Natural Gas Pricing) Regulation ("Natural Gas Pricing Regulation") made under Sections 165 and 258 (I) of the Act. Article 260 (3) preserves the Company&rsquo;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. The impact of the Natural Gas Pricing Regulation cannot be determined at this time.
3. On January 16, 2018 Orca sold (the "Swala Transaction") 7.933 percent of the Class A common shares (7,933 Class A common shares) of its wholly owned subsidiary PAEM, a Mauritius registered Company and sole shareholder of PanAfrican Energy Tanzania Limited ("PAET") a Jersey registered Company, to a wholly owned subsidiary of Swala Oil & Gas (Tanzania) plc ("Swala"). The Production Sharing Agreement ("PSA") is held by PAET. While Swala has no management or control of PAEM and no shareholding in, or management or control of, PAET the McDaniel Report was prepared based on Orca&rsquo;s ownership of 92.07 percent of PAET's gross reserves.
4. "Company Gross Reserves" are the total of the Company&rsquo;s working interest share in reserves before deduction of royalties owned by others and without including any royalty interests of the Company.
5. "Company Net Reserves" are the total of the Company&rsquo;s working interest share in reserves after deducting the amounts attributable to royalties and Profit Gas owned by others (as defined in the PSA), plus the Company's royalty interests in such reserves.
6. Company Gross and Net Reserves are based on the Company&rsquo;s 92.08 percent ownership interest in the reserves following the Swala Transaction.

McDaniel employed the following gas sales, pricing and inflation rate assumptions as of December 31, 2018 in estimating the Company's reserves data using forecast prices and costs. The Company received an average conventional natural gas price of US\$5.17/Mcf in 2018.

Year	Songo Songo gas prices			Annual inflation %
	Brent crude US\$/bbl	Proved US\$/Mcf	Proved plus probable US\$/Mcf	
2019	64.50	4.07	4.01	2
2020	67.90	4.10	4.17	2
2021	70.70	4.19	4.21	2
2022	73.70	4.29	4.27	2
2023	75.30	4.42	4.40	2
2024	76.70	4.37	4.41	2
2025	78.30	4.31	4.48	2
2026	79.80	4.39	4.71	2

Note:

1. Brent price forecast based on the McDaniel January 1, 2019 price forecast.

The price of gas for the Industrial sector is based on a formula related to discounts to heavy fuel oil prices and includes caps and floors. This has been reflected in the above pricing.

#### Swala Transaction

Further to Orca's press release dated April 1, 2019, Orca wishes to clarify that the investment agreement dated December 29, 2017 (the "Agreement") with Swala was terminated solely in regards to the Second Transaction and Third Transaction (as defined therein). The remaining provisions of the Agreement continue to be in force.

#### Orca Exploration Group Inc.

Orca is an international public company engaged in natural gas exploration, development and supply in Tanzania through its subsidiary PAET. Orca trades on the TSX Venture Exchange under the trading symbols ORC.A and ORC.B.

*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.*

**FORWARD-LOOKING INFORMATION:** This news release contains forward-looking statements or information (collectively, "forward-looking statements") within the meaning of applicable securities legislation. More particularly, this news release contains, without limitation: forward-looking statements pertaining to the following: the impact of the Act and the Natural Gas Pricing Regulation on the Company's business in Tanzania; and expectations regarding how the provisions of the Act will be interpreted and implemented regarding upstream and downstream activities. 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 profitably produced in the future. The recovery and reserve estimates of the Company's reserves provided herein are estimates only and there is no guarantee that the estimated reserves will be recovered. As a consequence, actual results may differ materially from those anticipated in the forward-looking statements. Although management believes that the expectations reflected in the forward-looking statements are reasonable, it cannot guarantee future results, levels of activity, performance or achievement since such expectations are inherently subject to significant business, economic, operational, competitive, political and social uncertainties and contingencies.

These forward-looking statements involve substantial known and unknown risks and uncertainties, certain of

which are beyond the Company's control, and many factors could cause the Company's actual results to differ materially from those expressed or implied in any forward-looking statements made by the Company, including, but not limited to, the potential negative effect on the Company's rights under the PSA and other agreements relating to its business in Tanzania as a result of 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; the impact of general economic conditions in the areas in which the Company operates; industry conditions; 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; 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. 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 Tanzania National Natural Gas Infrastructure Project ("NNGIP") is completed; the TPDC, the Ministry 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 NNGIP; that there will continue to be no restrictions on the movement of cash from Mauritius 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 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; that the enactment of the Act in Tanzania will not impair the Company's rights under the PSA to develop and market natural gas in Tanzania; 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.

**OIL AND GAS ADVISORY:** The Company's conventional natural gas reserves as at December 31, 2018 disclosed herein were evaluated by McDaniel in accordance with the definitions, standards and procedures contained in the COGE Handbook and NI 51-101. The independent reserves evaluations prepared by McDaniel had an effective date of December 31, 2018 and preparation date of April 4, 2019.

This press release contains estimates of the net present value of Orca's future net revenue from the Company's reserves. The net present value of future net revenue attributable to the Company's reserves is stated without provision for interest costs and out of country general and corporate administrative costs, but after providing for estimated royalties, production costs, development costs, other income, future capital expenditures, and well abandonment costs for only those wells assigned reserves by McDaniel. It should not be assumed that the undiscounted or discounted net present value of future net revenue attributable to the Company's reserves estimated by McDaniel represent the fair market value of those reserves. Such amounts do not represent the fair market value of the Company's reserves. The recovery and reserve estimates of the Company's conventional natural gas reserves provided herein are estimates only and there is no guarantee that the estimated reserves will be recovered. Actual reserves may be greater than or less than the estimates provided herein.

"BOEs" may be misleading, particularly if used in isolation. A BOE conversion ratio of six thousand cubic feet of natural gas to one barrel of oil equivalent (6 Mcf: 1 Bbl) is based on an energy equivalency conversion

method primarily applicable at the burner tip and does not represent a value equivalency at the wellhead. As the value ratio between natural gas and crude oil based on the current prices of natural gas and crude oil is significantly different from the energy equivalency of 6:1, utilizing a conversion on a 6:1 basis may be misleading as an indication of value.

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