

Orca Exploration Announces Completion of its Q1 2019 Interim Filings

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TORTOLA, May 16, 2019 - [Orca Exploration Group Inc.](#) ("Orca" or the "Company") 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, 2019 with the Canadian securities regulatory authorities.

- During Q1 2019 the Company continued delivering and selling gas through the National Natural Gas Infrastructure ("NNGI") which allowed the Company to maintain the increase in gas deliveries initiated in Q4 2018 pursuant to a side letter agreement to the Portfolio Gas Supply Agreement ("PGSA"). Deliveries had been previously restricted by infrastructure capacity limitations. The Company is awaiting final sign off from the Tanzania Production Development Corporation ("TPDC") of a new Gas Sales Agreement ("GSA"). This will replace the side letter agreement and allow the Company to sustain, on a long-term basis, the increased sales achieved through Q1 2019. Finalising the GSA also establishes the conditions for increased long-term gas sales to TPDC to meet future demand via the NNGI.
- The Company's revenue for the quarter increased by 40% to \$19.9 million from \$14.2 million in Q1 2018. The increase is the result of higher revenues from sales to the Tanzanian Electric Supply Company Limited ("TANESCO") and a positive current income tax adjustment as a consequence of recording a profit in the period. Gas deliveries and sales for the quarter averaged 61.3 million standard cubic feet per day ("MMcfd") an increase of 64% over 37.4 MMcfd in Q1 2018. The increase in gas volume deliveries for the period is primarily the result of increased nominations of gas volumes by TANESCO through the NNGI. The increase in volumes was partially offset by a 17% decrease in the weighted average price for Q1 2019 to \$4.29/thousand standard cubic foot ("mcf") from \$5.16/mcf in the prior period.
- The Company recorded a net income attributable to shareholders of \$2.8 million for the quarter (Q1 2018: \$4.6 million net loss). The increase in net income attributable to shareholders between periods was primarily a result of increased revenue, reduced stock based compensation and decreased finance expense between periods.
- The Company's net cash flows from operating activities for the quarter increased by 765% to \$13.2 million from \$1.5 million in Q1 2018. The increase between periods is attributable to the same factors that resulted in the increase in net income.
- The Company's adjusted funds flow from operations ⁽¹⁾ for the quarter increased to \$9.0 million from \$3.0 million in Q1 2018. The increase is primarily a result of the increase in revenue between periods.
- Working capital increased 7% to \$90.3 million compared to \$84.2 million as at December 31, 2018. The increase is primarily due to the increase in cash and cash equivalents and investment in short-term bonds as a result of higher revenues from deliveries to TANESCO and the resulting cash collections received. The combined total of cash and investment in short-term bonds at March 31, 2019 was \$141.5 million (December 31, 2018: \$131.5 million), an increase of 7%. The Company's intention is to hold the bond investments to maturity.
- At March 31, 2019 the current receivable from TANESCO was \$0.6 million (December 31, 2018: \$ nil) and the deferred revenue balance was \$ nil (December 31, 2018: \$ nil). The long-term trade receivable at March 31, 2019 was \$58.5 million with a provision of \$58.5 million (December 31, 2018: \$58.5 million with a provision of \$58.5 million). Subsequent to March 31, 2019 the Company has invoiced TANESCO \$5.6 million for April 2019 gas deliveries and TANESCO has paid the Company \$7.5 million.
- On January 22, 2019 the Company declared a dividend of CDN\$0.05 per share on each of its class A voting and class B subordinate voting shares for a total of \$1.3 million payable to the holders of record as of March 31, 2019 and paid on April 30, 2019.

- On March 31, 2019 the Company announced that the Second Transaction and Third Transaction (as defined in the investment agreement dated December 29, 2017 (the "Agreement") with Swala Oil & Gas (Tanzania) plc ("Swala") were terminated pursuant to the terms of the Agreement. The remaining provisions of the Agreement continue to be in force. PAE PanAfrican Energy Corporation ownership remains at 92.1% by Orca and 7.9% by Swala.

(1) Adjusted funds flow from operations is a non-GAAP financial measure which may not be comparable to other companies. Please refer to non-GAAP financial measures below.

Q1 2019 Financial and Operating Highlights

(all amounts are in United States Dollars ("USD")) unless otherwise indicated)

	THREE MONTHS ENDED MARCH 31		
<i>(Expressed in \$000 unless indicated otherwise)</i>	2019	2018	% Change 2019 vs 2018
OPERATING			
Daily average gas delivered and sold (MMcfd)	61.3	37.4	64%
Industrial	11.6	13.9	(17)%
Power	49.7	23.5	111%
Average price (\$/mcf)			
Industrial	7.97	7.79	2%
Power	3.43	3.60	(5)%
Weighted average	4.29	5.16	(17)%
Operating netback (\$/mcf) ⁽¹⁾	2.48	2.23	11%
FINANCIAL			
Revenue	19,936	14,223	40%
Net cash flows from operating activities	13,206	1,527	765%
per share - basic and diluted (\$)	0.37	0.04	765%
Net income (loss) attributable to shareholders	2,784	(4,611)) n/m
per share - basic and diluted (\$)	0.08	(0.13)) n/m
Adjusted funds flow from operations ⁽¹⁾	9,037	2,975	204%
per share - basic and diluted (\$)	0.26	0.08	204%
Capital expenditures	1,092	819	33%
AS AT			
	MARCH 31, 2019	DECEMBER 31, 2018	
Working capital (including cash)	90,325	84,182	7%
Cash and cash equivalents	40,372	64,660	(38)%
Investment in short-term bonds	101,119	66,837	51%
Long-term loan	53,943	53,900	0%
Outstanding shares ('000)			
Class A	1,750	1,750	0%
Class B	33,506	33,506	0%
Total shares outstanding	35,256	35,256	0%
Weighted average Class A and Class B shares	35,256	35,256	0%

(1) Adjusted funds flow from operations and operating netback are non-GAAP financial measures which may

not be comparable to other companies. Please refer to non-GAAP financial measures below. Certain prior year amounts for adjusted funds flow from operations have been reclassified to conform with the current year presentation.

The complete condensed consolidated unaudited interim financial statements and MD&A for the three month period ending March 31, 2019 may be found on the Company's website www.orcaexploration.com or on the Company's profile on SEDAR at www.sedar.com.

[Orca Exploration Group Inc.](#)

[Orca Exploration Group Inc.](#) is an international public company engaged in natural gas exploration, 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 Services Provider (as that term is defined in the policies of the TSX Venture Exchange) accepts responsibility for the adequacy or accuracy of this release.

Non-GAAP Financial Measures

The Company discloses several financial measures herein that do not have any standardized meaning prescribed under International Financial Reporting Standards ("IFRS"). These financial measures include funds flow from operating activities, funds flow per share, and operating netbacks.

Adjusted funds flow from operations represents cash flow from operations before working capital changes and demonstrates the Company's ability to generate cash necessary to achieve growth through capital investments. Adjusted funds flow from operations is calculated on the basis of adjusted funds flow from operations divided by the weighted average number of shares outstanding.

Operating netbacks represent the profit margin associated with the production and sale of additional gas and is calculated as revenues less processing and transportation tariffs, government parastatal's revenue share, operating and distribution costs for one thousand standard cubic feet of additional gas. This is a key measure as it demonstrates the profit generated from each unit of production and is widely used by the investment community.

Management believes that these financial measures are useful supplemental information to analyze operating performance and provide an indication of the results generated by the Company's principal business activities. Investors should be cautioned that these measures should not be construed as an alternative to net income or other measures of financial performance as determined in accordance with IFRS. The Company's method of calculating these measures may differ from other companies, and accordingly, they may not be comparable to similar measures used by other companies. Please see the Company's MD&A, which is available at www.sedar.com for additional information about these financial measures.

Forward Looking Information

Certain information regarding Orca set forth in this press release contains forward-looking statements that involve substantial known and unknown risks and uncertainties. The use of any of the words "plan", "expect", "prospective", "project", "intend", "believe", "should", "anticipate", "estimate" or other similar words, or statements that certain events or conditions "may" or "will" occur are intended to identify forward-looking statements. Such statements represent Orca's internal projections, estimates or beliefs concerning, among other things, future growth, results of operations, TANESCO's generation of electricity, and future demand for electricity. These statements are only predictions and actual events or results may differ materially. Although the Company's 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, competitive, political and social uncertainties and contingencies. Many factors could cause Orca's actual results to differ materially from those expressed or implied in any forward-looking statements made by, or on behalf of, Orca.

In particular, forward-looking statements contained in this press release include, but are not limited to, statements with respect to Orca's expectations regarding the GSA including sustained increases in sales.

These forward-looking statements are subject to numerous risks and uncertainties, including but not limited to, the impact of general economic conditions; industry conditions including changes in laws and regulations, and changes in how they are interpreted and enforced; competition; lack of availability of qualified personnel; risks related to obtaining required approvals of regulatory authorities; risks associated with negotiating with governments and other counterparties; fluctuations in foreign exchange or interest rates; changes in income tax laws or tax rates; ability to access sufficient capital from internal and external sources; failure of counterparties to perform under the terms of their contracts; failure to enter into the expected long-term agreement superseding the Agreement, on the expected terms or at all; failure to complete the construction of the refrigeration facilities in the Songas Facilities; failure to receive final sign off on the GSA and other factors, many of which are beyond the control of the Company. Readers are cautioned that the foregoing list of factors is not exhaustive.

Although the forward-looking statements contained in this press release are based upon assumptions which management believes to be reasonable, Orca cannot assure investors that actual results will be consistent with these forward-looking statements. Readers are cautioned not to place undue reliance on forward-looking statements included in this press release, as there can be no assurance that the plans, intentions or expectations upon which the forward-looking statements are based will occur. By their nature, forward-looking statements involve numerous assumptions, known and unknown risks and uncertainties that contribute to the possibility that the predictions, forecasts, projections and other forward-looking statements will not occur. With respect to forward-looking statements contained in this press release, Orca has made assumptions regarding, among other things: availability of skilled labour; timing and amount of capital expenditures; future exchange rates; the impact of increasing competition; conditions in general economic and financial markets; effects of regulation by governmental agencies; receipt of partner, regulatory and community approvals; future operating costs; effects of regulation by governmental agencies; that Orca will have sufficient cash flow or equity sources or other financial resources required to fund its capital and operating expenditures and requirements as needed; that Orca's conduct and results of operations will be consistent with its expectations; current or, where applicable, proposed industry conditions, laws and regulations will continue in effect or as anticipated as described herein; and other matters.

Management has included the above summary of assumptions and risks related to forward-looking information provided in this press release in order to provide investors with a more complete perspective on Orca's current and future operations and such information may not be appropriate for other purposes. Orca's actual results, performance or achievement could differ materially from those expressed in, or implied by, these forward-looking statements and, accordingly, no assurance can be given that any of the events anticipated by the forward-looking statements will transpire or occur, or if any of them do, what benefits Orca will derive. These forward-looking statements are made as of the date of this press release and Orca disclaims any intent or obligation to update publicly any forward-looking statements, whether as a result of new information, future events or results or otherwise, other than as required by applicable securities laws. The forward-looking statements contained in this press release are expressly qualified by this cautionary statement.

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