

# Orca Exploration Board of Directors rejects unsolicited non-binding proposal from Swala Oil & Gas (Tanzania) PLC

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TORTOLA, May 31, 2019 - [Orca Exploration Group Inc.](#) ("Orca" or the "Company") (TSX-V: ORC.A, ORC.B) announced that its board of directors has unanimously rejected an unsolicited non-binding proposal of Swala Oil & Gas (Tanzania) PLC ("Swala") to acquire [Orca Exploration Group Inc.](#) for CDN\$7.50 per Class A and Class B Orca shares. Orca believes that details of Swala's proposal may be known to certain members of the public, including certain Orca shareholders, and decided to issue this news release to ensure the details of such proposal, and the board of directors' views of it, are generally disseminated to the market.

The Swala proposal was accompanied by a non-binding, unsigned conditional term sheet for a Swala financing to fund a portion of the purchase price for the proposed acquisition. However, approximately 72% of the purchase price for the acquisition would be funded with Orca's distributable cash. The Swala proposal effectively values Orca's non-cash assets at US\$55 million. It should be noted that the recent McDaniel's engineering report on the Company's natural gas assets in Tanzania which valued the reserves associated with the Songo Songo licence at US\$294 million based on the future net revenue from the 2P reserves using a 10% discount rate.

After careful review and consideration, Orca's board of directors concluded that Swala's unsolicited proposal undervalues Orca, has conditions which are not likely to be met in a timely manner and is not in the best interests of Orca or its shareholders. This follows the board's review and rejection of other recent unsolicited proposals from Swala to acquire Orca which the board of directors also rejected for the same reasons.

While not soliciting offers for the Company, Orca's board of directors would engage with any party that makes a bona fide, credible proposal that appropriately values Orca and is capable of being completed. Swala's proposals fail that test. In the meantime, Orca's management and board will proceed with its previously announced strategy of increasing shareholder liquidity, maximizing value in Tanzania and diversifying risk through other investments.

## Background to Swala's non-binding unsolicited proposal

Orca entered into an agreement with Swala in 2017 to sell up to 40% of the shares of PAE PanAfrican Energy Corporation ("PAEM"), the Mauritius holding company which in turn owns 100% of the shares of PanAfrican Energy Tanzania Limited, the operating company in Tanzania to Swala. Despite numerous extensions and financing support provided by Orca, and assurances by Swala that financing was imminent, Swala failed to raise the necessary financing to complete more than the acquisition of 7.9% of the PAEM shares in January 2018. The agreement to acquire the additional equity of up to 32.1% in PAEM was terminated in early 2019. Orca expended significant resources to support Swala's acquisition efforts in the past and, based on that experience, does not believe it is in Orca's best interests to support future efforts without a credible transaction and financing plan and deposit provided by Swala.

## Issuer Bid

Consistent with the Board's view that the current market price of Orca's shares does not reflect the intrinsic value of its business, Orca announces its intention to commence a normal course issuer bid for the purchase of its Class B Subordinate Voting Shares through the facilities of the TSX Venture Exchange. Commencement of the issuer bid is subject to approval of the TSX Venture Exchange.

[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.

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*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 Corporation's plan to engage with any party that makes a bona fide, credible proposal that appropriately values the Corporation and is capable of being completed; Orca's belief that it is not in the best interests of the Corporation to support future acquisition efforts by Swala unless certain conditions are met; the Corporation's plan to purchase Class B Subordinate Voting Shares under the Bid; and Orca's belief that the purchase of Class B Subordinate Voting Shares under the Bid is in the best interests of the Corporation and its shareholders. 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 Group's control, and many factors could cause the Group's actual results to differ materially from those expressed or implied in any forward-looking statements made by the Group, including, but not limited to, the potential negative effect on the Group's business in Tanzania as a result of recently enacted and future legislation, as well as the risk that such legislation will create additional costs and time connected with the Group'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 Group 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 Group's operations; and risks associated with the installation of refrigeration on the Songas processing plant. In addition, there are risks and uncertainties associated with oil and gas operations. Therefore the Group'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 Group 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 Group in light of its experience and perception of historical trends, current conditions and expected future developments, as well as other factors the Group 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 Group are able to agree on commercial terms for future incremental gas sales and the Group 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 Group 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 Group will have adequate funding to continue operations; that the Group will successfully negotiate agreements; receipt of required regulatory approvals; the ability of the Group to increase production at a consistent rate; infrastructure capacity; commodity prices will not further deteriorate significantly; the ability of the Group 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 Group's appeal of various tax assessments will be successful; that the enactment of the Act in Tanzania will not impair the Group's rights 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 Group 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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