

Orca Energy Group Inc. Announces 2021 Year End Audited Financial Results

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TORTOLA, April 20, 2022 - [Orca Energy Group Inc.](#) ("Orca" or "the Company" and includes its subsidiaries and affiliates) (TSX-V: ORC.A, ORC.B) today announces its audited financial results for the year ended December 31, 2021. All dollar amounts are in United States dollars unless otherwise stated.

- Revenue increased by 13% for Q4 2021 and by 10% for the year ended December 31, 2021 compared to the same prior year periods. The increase for Q4 2021 was primarily a result of the increased sales to the industrial sector. The increase for the year ended December 31, 2021 was a result of the increased sales to both the industrial sector and power sector. Gas deliveries increased by 13% for Q4 2021 and by 6% for the year ended December 31, 2021 compared to the same prior year periods. The Q4 2021 increase is due to the 20% increase in gas deliveries to the industrial sector and the 12% increase in gas deliveries to the power sector. The increase for the year ended December 31, 2021 reflects the increase in gas deliveries of 6% to both the power and the industrial sectors.
- Net income attributable to shareholders decreased by 79% for Q4 2021 and by 41% for the year ended December 31, 2021 compared to the same prior year periods. The decreases are primarily related to decreases in the reversal of loss allowances related to the lower collection of arrears from Tanzania Electric Supply Company Limited ("TANESCO").
- Net cash flows from operating activities decreased by 4% for Q4 2021 and by 14% for the year ended December 31, 2021 compared to the same prior year periods, primarily reflecting the changes in net income and non-cash working capital.
- Capital expenditures decreased by 23% for Q4 2021 and by 2% for the year ended December 31, 2021 compared to the same prior year periods. The capital expenditures in 2021 primarily relate to the continuation of the compression project and the commencement of the well workover program for the SS-3, SS-4 and SS-10 wells. The capital expenditures in 2020 primarily related to the flowline decoupling project and the compression project. The Company installed feed gas compression on the gas processing facility owned by Songas Limited ("Songas") to allow production volumes through the Songas infrastructure to be sustained at approximately 102 MMcfd in the near term (3-5 years). The drilling rig was released on April 8, 2022 having completed the planned three well (SS-3, SS-4 and SS-10) workover program. The \$31.6 million program included the reactivation of the SS-3 and SS-4 wells along with the installation of corrosion resistant production tubing on all three of the wells. The SS-3 well was placed on production on February 15, 2022 and the SS-10 well was returned to production on April 18, 2022 after a 36 day shut in period to accommodate the installation of down hole sand mitigation equipment and replacement production tubing. The SS-4 well remains shut in following the drilling and completion of a planned side-track wellbore to replace the original wellbore, which had been compromised by excessive sand production. Currently the SS-4 well is unable to flow naturally due to suspected excessive liquid loading associated with extensive circulating time while waiting on necessary services and equipment. The Company is sourcing a coiled tubing nitrogen unit to safely unload the excess liquid, potentially allowing the well to flow naturally. Subject to logistics and transportation from Poland, it is expected the coiled tubing equipment will be on location in Q3 2022. Together with compression facilities, and subject to demand volumes and associated natural reservoir pressure decline, the current well stock now provides the opportunity to initially increase production potential to within a range of 150 MMcfd to 160 MMcfd by also producing through the adjacent National Natural Gas Infrastructure ("NNGI") facilities on Songo Songo Island. If successful in lifting fluids from the SS-4 well, production potential will further increase.
- The Company exited the period in a strong financial position with \$41.8 million in working capital (December 31, 2020: \$74.2 million), cash and cash equivalents of \$73.0 million (December 31, 2020: \$104.2 million) and long-term debt of \$49.6 million (December 31, 2020: \$54.2 million). The decrease in working capital, cash and cash equivalents was primarily related to the substantial issuer bid completed in January 2021 ("2021 SIB") and the reclassification of \$5.0 million of long-term debt into current liabilities as it becomes due in 2022.
- As at December 31, 2021 the current receivable from TANESCO was \$2.0 million (December 31, 2020: \$ nil). TANESCO's long-term trade receivable as at December 31, 2021 was \$26.5 million with a provision of \$26.5 million compared to \$27.6 million (provision of \$27.6 million) as at December 31, 2020. Subsequent to December 31, 2021 TANESCO paid the Company \$8.2 million and the Company invoiced TANESCO \$5.5 million for 2022 gas deliveries.

- On February 23, 2021, June 4, 2021, September 9, 2021 and November 19, 2021 the Company declared dividends 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 \$6.4 million to the holders of record as of March 31, 2021, June 30, 2021, September 29, 2021 and December 31, 2021 (paid on April 15, 2021, July 15, 2021, October 15, 2021 and January 14, 2022, respectively).
- 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.
- On June 21, 2021 the Company commenced a normal course issuer bid ("NCIB") to purchase Class B Shares through the facilities of the TSXV and alternative trading systems in Canada. Purchases pursuant to the NCIB will not exceed 500,000 Class B Shares, representing approximately 2.74% of the total outstanding Class B Shares. The NCIB will be in effect until June 21, 2022 (or until such time as the maximum number of Class B Shares have been purchased). To date, 41,200 Class B Shares have been purchased and canceled by the Company pursuant to the NCIB.
- On February 24, 2022 the Company declared a dividend of CDN\$0.10 per share on each of its Class A Shares and Class B Shares for a total of \$1.6 million to the holders of record as of March 31, 2022 paid on April 15, 2022.
- 2022 production started strongly, with gross sales of conventional natural gas, which will be classified as Additional Gas, as defined in the PSA (as defined herein) ("gas sales") averaging 74 MMcfd in January.
- The Company forecasts average gross gas sales of 70-76 MMcfd during 2022 representing a 10 MMcfd, or approximately 16%, increase to the prior forecasts of 60-66 MMcfd. The increased gas demand forecast is primarily driven by encouraging discussions with the Ministry of Energy ("MoE"), Tanzanian Petroleum Development Corporation ("TPDC") and TANESCO to increase gas supply to new power generation facilities expected to be commissioned in 2022.

Financial and Operating Highlights for the Three Months and Year Ended December 31, 2021

(Expressed in \$'000 unless indicated otherwise)	2021	2020	Q4/21 vs Q4/20	2021	2020	Ytd/21 vs Ytd/20
OPERATING						
Daily average gas delivered and sold (MMcfd)	71.1	62.8	13%	61.1	57.7	6%
Industrial	14.9	12.4	20%	13.4	12.7	6%
Power	56.2	50.4	12%	47.7	45.0	6%
Average price (\$/mcf)						
Industrial	8.58	7.56	13%	8.09	7.44	9%
Power	3.41	3.52	(3)%	3.47	3.47	0%
Weighted average	4.50	4.32	4%	4.48	4.34	3%
Operating netback (\$/mcf)?	3.08	3.22	(4)%	2.93	2.85	3%
FINANCIAL						
Revenue	24,819	21,980	13%	86,022	77,874	10%
Net income attributable to shareholders per share - basic and diluted (\$)	1,548	7,375	(79)%	0.81	1.00	(19)%
Net cash flows from operating activities per share - basic and diluted (\$)?	18,521	19,369	(4)%	1.97	1.67	18%
Capital expenditures?	12,496	16,315	(23)%	26,610	27,141	(2)%
Weighted average Class A and Class B shares ('000)	19,969	26,138	(24)%	20,317	27,818	(27)%
				December 31,	As at December 31,	
				2021	2020	% Chang
Working capital (including cash)?				41,776	74,236	(44)%
Cash and cash equivalents				72,985	104,190	(30)%
Long-term loan				49,603	54,246	(9)%
Outstanding shares ('000)						

Class A	1,750	1,750	0%
Class B	18,203	24,388	(25)%
Total shares outstanding	19,953	26,138	(24)%

? See Non-GAAP Financial Measures and Ratios.

Jay Lyons, Chief Executive Officer, commented:

"While global markets continued to be impacted during 2021, the rollout of the COVID-19 vaccine, and the improved macroeconomic backdrop, enabled Orca to deliver a strong operational and financial performance. During the period, our average sales volume was up 6% year-on-year to 61.1 MMcfd and we were responsible for providing ~45% of the gas fired power generation in Tanzania. Other milestones include the installation of our inlet compression project at the Songo Songo plant and the completion of two gas well workovers, with the third expected to be finished by the end of April. These operational initiatives are expected to increase production capacity from the Songo Songo gas field to in excess of 160 million cubic feet per day range, representing a 60% increase in productive capacity since early 2022.

On the financials, balancing our growth objectives with sustainable cash returns to shareholders continues to be our corporate strategy. This can be seen with Orca returning a cumulative total of \$38.2 million via its quarterly dividend and selective share buybacks, while also investing in the field to underpin production. The business continues to benefit from being in a strong financial position and our ambition is to preserve this profile while also investing in our core asset to safeguard the future success of the Company."

The complete Audited Consolidated Financial Statements and Notes and Management's Discussion & Analysis may be found on the Company's website 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.

*The principal asset of Orca is its indirect interest in the Production Sharing Agreement ("PSA") with 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 licence offshore Tanzania. The PSA defines the gas produced from the Songo Songo gas field as "Protected Gas" and "Additional Gas". The Protected Gas is owned by TPDC and is sold under a 20-year gas agreement (until July 31, 2024) to Songas and Tanzania Portland Cement PLC. Songas is the owner of the infrastructure that enables the gas to be processed and delivered to Dar es Salaam, which includes a gas processing plant on Songo Songo Island. Additional Gas is all gas that is produced from the Songo Songo gas field in excess of Protected Gas.

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 Financial Measures and Ratios

In this press release, 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 and net cash flows from operating activities per share.

These non-GAAP financial measures and ratios disclosed in this press release 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 from (used in) investing activities. A reconciliation to the most directly comparable financial measure is as follows:

\$'000	Three Months ended		Year ended	
	December 31	December 31	December 31	December 31
	2021	2020	2021	2020
Pipelines, well workovers and infrastructure	(12,494)	(16,310)	(26,596)	(27,117)
Other capital expenditures	(2)	(5)	(14)	(24)
Capital expenditures	(12,496)	(16,315)	(26,610)	(27,141)
Change in non-cash working capital	(1,133)	192	1,625	105
Proceeds from sale of investments in bonds, net -	-	44,756	-	44,756
Net cash (used by) from investing activities	(13,629)	28,633	(24,985)	17,720

Operating netback

Operating netback is calculated as revenue less processing and transportation tariffs, TPDC's revenue share, and operating and distribution costs. The operating netback summarizes all costs that are associated with bringing the gas from the Songo Songo gas field to the market, it is a measure of profitability. A reconciliation to the most directly comparable financial measure is as follows:

\$'000	Three Months ended		Year ended	
	December 31	December 31	December 31	December 31
	2021	2020	2021	2020
Revenue	24,819	21,980	86,022	77,874
Production, Distribution and Transportation Expenses	(3,256)	(3,520)	(12,253)	(11,904)
Net Production Revenue	21,563	18,460	73,769	65,970
Less current income tax adjustment (recorded in revenue)	(1,416)	134	(8,385)	(5,807)
Operating net back	20,147	18,594	65,384	60,163
Sales volumes MMCF	6,539	5,777	22,312	21,117
Net back \$/mcf	3.08	3.22	2.93	2.85

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 Consolidated Statements of Financial Position. It is an important measure as it indicated 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.

Forward-Looking Statements

This press 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 press 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 press release contains, without limitation, forward-looking statements pertaining to the following: the ability for the SS-4 well to flow naturally following the installation of a coiled nitrogen unit; the timing of when the coiled nitrogen unit and other equipment will be on location; the demand for gas and Orca's average gross gas sales are in line with the Company's forecasts; the results of discussions with the MoE, TPDC and TANESCO relating to the increase in gas supply; the timing for when new power generation facilities are commissioned; the Company's expectations regarding supply and demand of natural gas; the Company's expectations regarding timing and cost for the completion of the well workover program; anticipated production volumes and increased well deliverability as a result of the installation of compression on the Songas Infrastructure and the completion of the well workover program; current and potential production capacity of the Songo Songo gas field; the receipt of the payment of arrears from TANESCO; the timing and effective rate of the APT payable by the Company; the Company's ability to produce additional volumes; the Company's expectation that it can expand and maintain the deliverability of gas volumes in excess of the existing Songas Infrastructure; and the Company's ability to maintain positive commercial relationships with the GoT and other state and parastatal organizations. 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. 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, 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: failure to receive payments from TANESCO; risks related to the implementation of potential financing solutions to resolve the TANESCO arrears; risk that the well workovers are unsuccessful or determined to be unfeasible; 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; risk that the Company may be unable to develop additional supply or increase production values; risks associated with the Company's ability to complete sales of Additional Gas; 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 Petroleum Act, 2015 and other 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; risks regarding the uncertainty around evolution of Tanzanian legislation; 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; changes in laws and regulations including the adoption of new environmental laws and regulations, impact of local content regulations and variances in how they are interpreted and enforced;

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 for field development; delays in development plans; failure to obtain expected results from the drilling or workover of wells; 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; changes in laws; imprecision in reserve estimates; the production and growth potential of the Company's assets; obtaining required approvals of regulatory authorities; failure to complete the well workover program on the timelines or at the costs anticipated; risks associated with negotiating with foreign governments; inability to satisfy debt conditions of financing; failure to successfully negotiate agreements; risk that the Company will not be able to fulfill its contractual obligations; reduced global economic activity as a result of COVID-19, including lower demand for natural gas and a reduction in the price of natural gas; the potential impact of COVID-19 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; and 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. 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, the ability of the Company to negotiate Additional Gas sales contracts; the ability of the Company to complete additional developments and increase its production capacity; the actual costs to complete the Company's workover program is in line with estimates; that there will continue to be no restrictions on the movement of cash from Mauritius, Jersey or Tanzania; the impact of COVID-19 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 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; 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 labor; 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; the effect of new environmental and climate-change related regulations will not negatively impact the Company; the Company is able to maintain strong commercial relationships with the GoT and other state and parastatal organizations; the current and future administration in Tanzania continues to honor the terms of the PSA and the Company's other principal agreements; the new power generation facilities are commissioned on the expected timelines; and other matters.

The forward-looking statements contained in this press 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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