

Orca Exploration Announces Operational Update

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TORTOLA, Oct. 30, 2023 - [Orca Energy Group Inc.](#) ("Orca" or the "Company" and includes PanAfrican Energy Tanzania Limited ("PAET") and its other subsidiaries, and affiliates) (TSX-V: ORC.A, ORC.B) today announces an operational update. All amounts are in United States dollars ("\$\$") unless otherwise stated.

OPERATIONAL

Production, Sales and Demand

- Gross conventional natural gas production, including fuel gas, was in line with forecasts and averaged 124.8 million cubic feet per day ("MMcfd") for Q3 2023, of which 82.9 MMcfd was Additional Gas ("AG"). Gas deliveries decreased by 2% for Q3 2023 compared to Q2 2023 and increased by 4% for the nine months ended September 30, 2023 compared to the same prior year period. The decrease for Q3 2023 was primarily due to declining production from the currently producing wells and reservoir compartments in the Songo Songo field.
- Despite declining production, increased gas demand is now seen as part of a long term requirement of the Tanzanian Ministry of Energy, the Tanzania Petroleum Development Corporation ("TPDC") and the Tanzanian Electric Supply Company Limited ("TANESCO") for gas supply to support growing power demand, following the commissioning in late 2022 of new gas fired generation capacity and increased power distribution through the national grid. As a result of less consistent rainfall in Tanzania in recent years, resulting in lower average output of hydropower, this new gas fired capacity is being used on a more continuous base load basis than had been expected.
- Orca currently forecasts average AG gas sales for 2023 to be within the revised range of 85 - 90 MMcfd, compared to full year sales for 2022 sales of 86.8 MMcfd, due to declining production.
- Average production guidance (AG) for 2024 is forecast to be in the range of 80 - 90 MMcfd for the full year, based on current contracted volumes and the end of the Protected Gas ("PG") regime on July 31, 2024.
- Discussions are ongoing with Songas Limited ("Songas") and Tanzania Portland Cement Company Ltd ("TPCLC") to negotiate new commercial terms under the gas agreement between the Company, Songas and TPCLC (the "Gas Agreement") from August 1, 2024 to supply the volumes which are currently despatched as PG.

Field Development Activities

- 3D Seismic - The third party contractor responsible for the seismic program has suspended operations. As a result, PAET has issued a breach of contract notice to the contractor. The contractor has failed to remedy the breach under its agreement with PAET. The Company has therefore terminated the contract on October 25, 2023.
- Facilities Management - Optimization studies have identified opportunities to improve the efficiency of operations at the Songas plant. A work program to deliver the initial benefits of this is now being planned for implementation during 4th quarter of 2023 which is estimated to cost approximately US\$100,000. Production improvement of 5-10 MMcfd is forecasted to be achievable from this work commencing in December 2023 which could benefit production and sales in 2024.
- Common Inlet Manifold Project - A project is planned to install a new common well inlet manifold during 2024. This will improve flow efficiency of wells to both the Songas and the National Natural Gas Infrastructure plants to optimize deliverability of low versus high pressure wells into the production system.
- Well SS-7 Intervention - Subject to equipment availability and necessary approvals, an intervention in offshore well SS-7 is planned to take place in 1st quarter 2024. The total expected cost of the project is US \$8.5 million. The work program is designed to shut off water production which has caused the shut in of the well since 2019. The cause of the water production is interpreted to be a failed cement bond outside the production liner which has been allowing the flow of water into the well when it is placed on production. If successful, SS-7 is expected to initially deliver 20-25 MMcfd from the non-producing southern compartment.

- Production Logging - A production logging programme is being planned for 1st quarter 2024. The total estimated cost is US \$1 million. This will provide information additional to the annual pressure surveys to enable improved accuracy of forecasting future reservoir performance. Key targeted wells include SS-3, SS-5, SS-7 and SS-10. SS-4 may also be included to further understand the results of the sidetrack carried out in 2021.

FINANCIAL AND CORPORATE

- During Q2, the Company formally requested TPDC to initiate the process of extending the development license in accordance with the terms of the Production Sharing Agreement ("PSA") between the Company, the TPDC and the Government of Tanzania. The Company continues to wait on a response from TPDC on this and continues to actively engage with the Government of Tanzania and TPDC to progress this matter.
- Orca continues to benefit from a strong financial position, with cash and cash equivalents of US \$101.7 million and long-term loan of US \$34.9 million, as at September 30, 2023.
- For 2024, the development program outlined above requires a firm capital budget of US \$16 million. Subject to the necessary in-country approvals, this will fund the following projects:
 - A common inlet manifold to optimize production performance of the well gathering system.
 - An intervention on well SS-7 to restore production (from the non-producing southern compartment of the field).
 - Production logging on wells SS-3, SS-4, SS-5, SS-7 and SS-10.
 - Progress planning and engineering for potential future development.
- As at September 30, 2023 the current receivable from TANESCO was US \$0.1 million (December 31, 2022: US \$3.7 million). To date in 2023, TANESCO has paid take or pay invoices totaling US \$13.2 million for the gas contract years of 2020 and 2021. TANESCO have now settled the final outstanding principal take or pay invoice (related interest balances remain outstanding).
- Funding of capital projects will be from working capital. All capital allocation decisions will be based upon prudent economic evaluations and returns given timeline of the existing license through to October 2026.
- In addition, the global growth slowdown and the impact on the war in Ukraine has seen a widening decline in foreign exchange reserves in Tanzania. This has given rise to decreased availability of United States dollars ("USD") in Tanzania and impaired PAET's ability to convert local currency into USD. The Company continues to source other forms of hard currency in country which gives rise to increased exposure to foreign exchange movements and which could also impact working capital.

[Orca Energy Group Inc.](#)

Orca 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.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 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: increased demand for gas supply by the Tanzanian Ministry of Energy, the TPDC and TANESCO to satisfy power demand; the Company's forecast of its average AG gas sales in 2023 and 2024; ongoing negotiation of new commercial terms under the Gas Agreement with Songas and TPCLC; extension of the development license and further sale growth and investment in field development; implementation of a new work program at the Songas plant and forecasted production improvements as a result; planned installation of a new common well inlet manifold and its anticipated effects; planned intervention in offshore well SS-7 and anticipated increased gas delivery; planned production logging program and its anticipated effects; availability of USD in Tanzania and foreign

exchange losses; capital budgeted to carry out the various outlined development programs and the Company's capital allocation decisions.

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 impact of general economic conditions; volatility in market prices for natural gas; industry conditions; liabilities inherent in crude oil and natural gas operations; fluctuations in demand for gas and power supply in Tanzania; use of gas fired capacity different than anticipated; inaccuracies in the Company's forecast of its average AG gas sales in 2023 and 2024; uncertainties involving the negotiation of new commercials terms under the Gas Agreement with Songas and TPCLC; inability to extend the development license and reduced sale growth and investment in field development; risk that the timing of the completion and anticipated benefits from the Company's various development programs is different than anticipated; currency fluctuations; prolonged deficiency in Tanzania's official reserve and foreign exchange; discrepancy between forecasted and actual capital budget; changes in the Company's capital allocation decisions and insufficient access to capital. Readers are cautioned that the foregoing list is not exhaustive of all possible risks and uncertainties.

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: future gas production levels; the general stability of the economic and political environments in which the Company operates; that the Company will be able to meet its stated goals and objectives; that the Company will have sufficient cash flow or other financial resources required to fund its capital and operating expenditures; the Company's expectations of the demand for gas and power supply; use of gas fired capacity on a continuous basis as expected; accurate forecast of the Company's average AG sales in 2023 and 2024 in all material respects; successful negotiation of the Gas Agreement; extension of the development license; increased sale growth and development investment; successful implementation of various development programs; sufficient USD reserves in Tanzania and that the Company's capital budget is accurate as anticipated in all material respects.

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