

Orca Energy Group Announces Operational Update

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TORTOLA, Feb. 06, 2024 - [Orca Energy Group Inc.](#) ("we", "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.

Jay Lyons, Chief Executive Officer, commented:

"I am pleased to report that Orca achieved average natural gas production (for Additional Gas ("AG")) of 85.6 MMcfd during 2023, in line with its revised forecasts for the period, with total field production averaging 126.0 MMcfd for the year.

We are proactively managing daily production volumes so we can meet our contracted sales obligations through 2026. We are also actively seeking to engage with the Government of Tanzania to commence discussions on an extension to the Songo Songo development licence beyond October 2026. We have emphasized to the government that achieving a licence extension and US dollar availability are pre-requisites for making further investments into the field in order to underpin production. This will ensure that low cost reliable gas continues to be produced for the benefit of all Tanzanian citizens for the foreseeable future. We look forward to actively working with all of our partners in-country to deliver these commercial milestones in a timely manner.

As we approach the end of the Protected Gas era from August 2024, we forecast average gas production (for AG) to be in the range of 80 - 90 MMcfd for the full year and we look forward to providing further updates to our stakeholders over the coming months."

OPERATIONAL

Production, Sales and Demand

- Total gross conventional natural gas production, including fuel gas, was in line with revised forecasts and averaged 121.8 million cubic feet per day ("MMcfd") for Q4 2023, of which 80.8 MMcfd was AG. Gas sales decreased by 2.5% for Q4 2023 compared to Q3 2023 and decreased by 1.4% for the twelve months ended December 31, 2023 compared to the same prior year period.
- Average production guidance (AG) for 2024 is forecast to be in the range of 80 - 90 MMcfd (expected towards the lower end of the range) for the full year, based on current contracted volumes continuing 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 of the gas agreement (the "Gas Agreement") from August 1, 2024 to supply the volumes which are currently dispatched as PG, the obligation for which ends on 31st July 2024.
- Discussions are also ongoing with TANESCO to extend the Portfolio Gas Supply Agreement (the "PGSA") between the Company, the Tanzania Petroleum Development Corporation ("TPDC") and the Tanzanian Electric Supply Company ("TANESCO"), which currently ends on 31st July 2024.

Field Development Activities

- Facilities Management
The Company continues to carry out studies to identify opportunities to improve the efficiency of operations at the Songas plant. The Company will install positive chokes in all wells in early Q1-2024 to reduce bottlenecking on the gas flow path. At a cost of \$77,000, this is expected to increase production, initially by 2 - 3 MMcfd.

- Well SS-7 Intervention - An intervention in offshore well SS-7 remains in the plan to take place in 2024, subject to the availability of United States dollars ("USD") and Board approvals. Based on expected supplier mobilization timelines, operations are now expected to take place in the 2nd quarter of 2024. Following the negotiation of commercial terms with service providers, the total expected cost of the project has increased to \$13.3 million. The work program is designed to shut off water production which caused the shut in of the well in 2019. The cause of the water production is interpreted to be a failed cement bond outside the production liner which created a flow path for water into the well when it was on production. If successful, SS-7 is expected to increase field deliverability by 20-25 MMcfd primarily from the non-producing southern compartment.
- Production Logging - The production logging program remains planned in conjunction with the SS-7 intervention and will take place early in the 2nd quarter of 2024. The total estimated cost is \$1.1 million. This work program will provide detailed reservoir information, in addition to annual pressure surveys, which enables improved accuracy of forecasting future reservoir performance. Key targeted wells under the program include SS-3, SS-5, SS-7 and SS-10.
- Common Inlet Manifold ("CIM") - Front end engineering continues on CIM in order to optimise gas flow across the Songas gas plant and the national gas plant, both of which are supplied with gas from the Songo Songo gas field. Project construction and installation are expected to occur in Q4 2024, with commissioning in Q1 2025, subject to final investment decision ("FID") and Government of Tanzania ("GoT") approvals, at an estimated cost of \$5-6 million.

FINANCIAL AND CORPORATE

- The Company continues to wait on a response from TPDC on the initiation of the license extension which was requested by the Company in April 2023. We continue the dialogue with TPDC and the Ministry of Energy seeking to expedite license extension discussions.
- Cash and cash equivalents of \$101.6 million, as at December 31, 2023.
- For 2024, the development program outlined above requires a firm capital budget of \$21.6 million. Subject to the necessary Board and in-country approvals and the availability of USD, this capital budget 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.
- As at December 31, 2023, the current receivable from TANESCO was \$5.9 million (December 31, 2022: \$3.7 million). As reported in previous announcements, Orca continues to witness decreased availability of USD in Tanzania. To date, this has impaired PAET's ability to convert local currency into USD required for the Company's planned capital commitments in 2024. The Company has requested assistance from TPDC and the Bank of Tanzania in sourcing USD for the 2024 capital plan, with further updates to be made as necessary.
- On December 17, 2023, Company, its subsidiary PAE PanAfrican Energy Corporation ("PAEM") and PAET entered into a settlement agreement with the Fair Competition Commission of the United Republic of Tanzania ("FCC") to settle allegations under the Provisional Findings issued by the FCC on August 5, 2022. The settlement was made without prejudice to the Company's objections to the validity of the allegations and without any admission of liability, for an aggregate settlement amount of \$0.2 million.
- Orca will continue to manage production according to contracts to ensure all contract volumes are met through to October 2026.

[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: planned development of field projects and their anticipated benefits; future management of production volumes and expectations regarding the Company's sales obligations; forecasts in respect of the demand for gas supply; commencement and outcome of Songo Songo development license extension with the TPDC and the Ministry of Energy; expectations regarding future growth in low-cost production and rising domestic demand and the attainment of anticipated benefits in Tanzania; the Company's forecast of its average AG gas production in 2024; ongoing negotiation of new commercial terms under the Gas Agreement with Songas and TPCLC and PGSA extension with the TPDC and TANESCO; implementation of a new work program at the Songas plant and forecasted production improvements as a result; timing, anticipated effects and receipt of necessary approvals in respect of the planned installation of a new common well inlet manifold; 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 aid from the TPDC and Bank of Tanzania; 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; effects of inflation and cost management; development and production risks; risks associated with various planned development programs, including the inability of the Company to reach FIDs and receive necessary approvals to commence or carry out such programs; operational dependence on third parties; inaccuracies in the Company's forecast of its average AG gas production in 2024; uncertainties involving the negotiation of new commercial terms under the Gas Agreement with Songas and TPCLC; inability to extend the development license; risk that the cost and timing of the commissioning or 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 losses; discrepancy between forecasted and actual capital budget for the Company's development programs; 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 and the ability of the Company to meet contracted volumes; 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 in Tanzania; accurate forecast of the Company's average AG production and sales in 2024 in all material respects; continuation of current contracted volumes as predicted; successful negotiation of the Gas Agreement and extension of the development license and PGSA and negotiation of terms under the Gas Agreement with Songas and TPCLC; increased sale growth and development investment; successful implementation of various development programs on anticipated budget and timelines and realization of expected benefits to be derived from such implementations; receipt of all necessary regulatory and board approvals; sufficient USD reserves in Tanzania; availability of assistance in sourcing USD and that the Company's capital budget is accurate as anticipated in all material respects.

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