



Orca Exploration Group Inc.  
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British Virgin Islands

TSX-V: ORC.A, ORC.B

## FOR IMMEDIATE RELEASE

### Orca Exploration announces 2016 year-end financial results

TORTOLA, British Virgin Islands April 12, 2017: Orca Exploration Group Inc. ("Orca" or "the Company") announces its financial results for the year ended December 31, 2016. All currency amounts are in United States dollars unless otherwise stated.

- Revenue increased by 20% to US\$64.7 million from US\$54.1 million in the prior year. The increase in revenue is due to the impact of the capital expenditures associated with the offshore phase of the development program for the Songo Songo gas field (the "Offshore Programme") which commenced in the third quarter of 2015. This entitled the Company to 85% of the field net revenue compared to 74% in 2015. This, along with the 5% increase in the weighted average price to US\$4.73/Mcf from US\$4.49/Mcf, more than offset the decline in sales volume.
- Cash flow from operations increased by 20% to US\$31.9 million (or US\$.91 per share diluted) from US\$26.5 million (or US\$0.76 per share diluted) in the prior year. The increase was primarily the result of higher revenue.
- Net income for the year increased by 41% to US\$2.2 million or US\$0.06 per share basic and diluted compared to US\$1.5 million or US\$0.04 per share in the prior year. The increase of US\$10 million in revenue was offset by interest charges on the US\$60 million International Finance Corporation ("IFC") loan facility provided to the Company as well as higher stock based compensation.
- Total capital expenditures were US\$16.9 million for the year compared with US\$38.4 million in 2015. The capital expenditures were primarily related to the Offshore Programme which commenced in the third quarter of 2015. The Offshore Programme included the workovers on three existing wells (SS-5, SS-7 and SS-9) and drilling of one new well, SS-12. All workovers were successfully completed during 2015 while the drilling of well SS-12 commenced in December 2015 and was successfully completed in February 2016.
- Working capital increased 121% to US\$72.0 million compared to US\$32.5 million as at December 31, 2015. The increase is primarily the consequence of drawing down the US\$40 million balance of the IFC loan offset by capital expenditures associated with the Offshore Program. The increase in cash to US\$80.9 million from US\$53.8 million as at December 31, 2015 accounted for 68% of the total increase in working capital over the twelve month period.
- TANESCO owed the Company US\$80.1 million excluding interest (including arrears of US\$74.4 million) at December 31, 2016 compared to US\$69.8 million (including arrears of US\$61.9 million) as at December 31, 2015. During the year, the Company received a total of US\$27.6 million (2015: US\$34.1 million) from TANESCO against sales totaling US\$39.4 million (2015: US\$43.6 million). Current TANESCO receivables as at December 31, 2016 amounted to US\$5.7 million (2015: US\$7.8 million). Since December 31, 2016, TANESCO has paid the Company US\$12.9 million, and as at the date of this news release the TANESCO receivable excluding interest is US\$74.8 million (of which US\$74.4 million has been provided for).

- Prior to 2016 the Company had reached an understanding with TANESCO that it would continue to supply gas if TANESCO remained reasonably current with payments for gas deliveries. As a result of TANESCO's inability to fully pay all amounts invoiced by the Company for the past few years, management of the Company has modified its approach to revenue recognition as it relates to TANESCO only. Commencing on October 1, 2016 the Company will record 80% of the amounts invoiced to TANESCO for revenue recognition purposes. The 80% amount was determined by comparison of TANESCO's historical payment history to the amounts invoiced by the Company over the past three years. Management believes this approach provides the best estimate of TANESCO's ability to pay and remain reasonably current and as well reflects the economic reality of the situation. The percentage used to recognize TANESCO revenue will be reviewed on at least a semi-annual basis, more frequently if circumstances require and if there is a significant difference between the amount of revenue recorded and amounts received, the percentage used will be revised accordingly.
- The Board of Directors of Orca has called a shareholders meeting to be held on June 7, 2017.

# Financial and Operating Highlights

YEAR ENDED / AS AT DECEMBER 31

2016

2015

(Expressed in US\$ unless indicated otherwise)

## OPERATING

### Daily average gas delivered and sold (MMcfd)

<b>Additional Gas</b>	<b>44.5</b>	47.4
Industrial	12.5	11.4
Power	32.0	36.0

### Average price (US\$/mcf)

Industrial	7.70	7.58
Power	3.56	3.54
Weighted average	4.73	4.49

### Operating netback (US\$/mcf)

	<b>3.26</b>	2.57
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## FINANCIAL

<b>Revenue</b>	<b>64,659</b>	54,088
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<b>Net cash flows from operating activities</b>	<b>19,968</b>	7,018
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per share - basic and diluted (US\$)	0.57	0.20
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<b>Net income</b>	<b>2,164</b>	1,533
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per share - basic and diluted (US\$)	0.06	0.04
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<b>Cash flow from operations <sup>(1)</sup></b>	<b>31,855</b>	26,454
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per share - basic and diluted (US\$)	0.91	0.76
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<b>Working capital (including cash)</b>	<b>71,989</b>	32,521
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<b>Cash</b>	<b>80,895</b>	53,797
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<b>Capital expenditures</b>	<b>16,924</b>	38,411
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<b>Long-term loan</b>	<b>58,399</b>	18,599
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### Outstanding Shares ('000)

Class A	1,751	1,751
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Class B	33,106	33,106
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<b>Total shares outstanding</b>	<b>34,857</b>	34,857
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<b>Weighted average diluted Class A and Class B shares</b>	<b>34,857</b>	34,887
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(1) Cash flow from operations is a non-GAAP measure. It represents the net cash flows from operating activities less interest paid and before changes in non-cash working capital. This represents the Company's ability to generate sufficient cash flow to fund capital expenditures and repay debt.

The complete Audited Consolidated Financial Statements and Notes and Management Discussion & Analysis may be found on the Company's website [www.orcaexploration.com](http://www.orcaexploration.com) or on the Company's profile on SEDAR at [www.sedar.com](http://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 the wholly-owned subsidiary PanAfrican Energy Tanzania Limited, as well as oil and gas appraisal in Italy. Orca trades on the TSX Venture Exchange under the trading symbols ORC.B and ORC.A.

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### Abbreviations

Mcf	thousand cubic feet
MMcfd	million cubic feet per day