



Orca Exploration Group Inc.  
PO Box 3152  
Road Town  
Tortola  
British Virgin Islands

TSX-V: ORC.A, ORC.B

## FOR IMMEDIATE RELEASE

### Orca Exploration Announces Completion of its Q1 2018 Interim Filings

TORTOLA, British Virgin Islands May 22, 2018: Orca Exploration Group Inc. ("**Orca**" or the "**Company**") announces that it has filed its condensed consolidated interim financial statements and management's discussion and analysis for the three month period ended March 31, 2018 with the Canadian securities regulatory authorities.

#### Operating and Financial Highlights

- On January 18, 2018 the Company sold 7.9 percent of PAE PanAfrican Energy Corporation ("**PAEM**"), a wholly owned subsidiary, for a net sales price of US\$21.0 million (US\$17.0 million in cash and US\$4.0 million in preferred shares with a ten percent coupon) based on a net enterprise value of US\$265.0 million. The effective date of the transaction was January 1, 2017, and, as a consequence, the purchase price was reduced by US\$1.4 million to reflect the buyer's share of cash flow from the effective date of the transaction until closing. The buyer has until June 29, 2018 to acquire up to a maximum of 40 percent of PAEM under the same terms and conditions. There are no assurances given that one or more of the transactions will be completed by June 29, 2018 or that they will be completed on the terms previously disclosed
- On January 18, 2018 the Company declared a dividend of CDN\$0.60 per share on each of its Class A voting and Class B subordinate voting shares to holders of record as of January 31, 2018; the dividend was paid on February 7, 2018. The total dividend amount paid was US\$16.9 million.
- The Company's revenue for the quarter decreased by 22% to US\$14.2 million from US\$18.1 million in Q1 2017. The decrease is the result of: (i) lower sales volumes and; (ii) lower Cost Gas allocations which resulted in an increase in Profit Gas attributable to Tanzanian Petroleum Development Corporation ("**TPDC**"). This was a consequence of the decline in the cost pool with the Company having now recovered the cost of the 2015-2016 capital program. Additional Gas deliveries and sales for the quarter averaged 37.4 million standard cubic feet per day ("**MMcfd**") a decrease of 14% from 43.5 MMcfd in Q1 2017. The decrease in Additional Gas volumes between periods is primarily the result of reduced nominations of natural gas volumes by TANESCO. The decrease in volumes was partially offset by a 10% rise in the weighted average price for year to US\$5.16/mcf from US\$4.68/mcf in Q1 2017. The increase in price being a consequence of the change in the sales mix.
- The Company recorded a net loss of US\$4.6 million for the quarter compared to a net income of US\$2.8 million in Q1 2017. The net loss for the quarter is primarily due to: (i) the increase in finance expenses relating to participatory interest expense of US\$3.1 million to the International Finance Corporation ("**IFC**"); and (ii) the increase in stock based compensation of US\$3.8 million. The participatory interest expenses charged during the quarter of US\$3.1 million includes an additional payment of US\$2.6 million associated with the sale of the 7.9 percent interest in PAEM in accordance with the terms of the IFC Loan agreement. As a result of the additional payment, the annual variable participatory interest is reduced to 6.4 percent from 7.0 percent.
- The Company's net cash flows from operating activities for the year decreased by 83% to US\$1.5 million from US\$8.8 million in Q1 2017. The decrease is primarily a consequence of the exercise of stock based compensation incentives following the closing of the sale of the minority interest in PAEM.
- The Company's funds flow from operations for the quarter was an outflow of US\$7.1 million compared to an inflow of US\$5.9 million in Q1 2017. The decrease is primarily a combination of the exercise of stock appreciation rights and restrictive stock units and the participatory interest paid to the IFC.

- Working capital decreased to US\$65.2 million at March 31, 2018 compared to US\$69.6 million at December 31, 2017. The decrease is primarily due to the increase in stock based compensation payments during the quarter.
- At March 31, 2018 the current receivable from TANESCO was US\$ nil (Q4 2017: US\$ nil). During the quarter, the amounts received from TANESCO were in excess of the revenue recognized for gas sales to TANESCO resulting in a deferred revenue balance of US\$8.1 million (Q4 2017: US\$8.4 million) after the reallocation of US\$4.2 million to net field revenue during the quarter. The TANESCO long-term trade receivable at March 31, 2018 and December 31, 2017 was US\$74.4 million (provision of US\$74.4 million). Subsequent to March 31, 2018 the Company has invoiced TANESCO US\$1.3 million for 2018 gas deliveries and TANESCO has paid the Company US\$6.2 million.

## Operating and Financial Highlights

| <i>(Expressed in US\$'000 unless indicated otherwise)</i>   | THREE MONTHS ENDED MARCH 31 |                   | % change     |
|---|-----------------------------|-------------------|--------------|
|   | 2018                        | 2017              | 2018 vs 2017 |
| <b>OPERATING</b>  |                             |                   |              |
| <b>Daily average gas delivered and sold (MMcfd)</b>         |                             |                   |              |
| <b>Additional Gas</b>                                       | <b>37.4</b>                 | 43.5              | (14)%        |
| Industrial  | 13.9                        | 11.6              | 20%          |
| Power   | 23.5                        | 31.9              | (26)%        |
| <b>Average price (US\$/mcf)</b>                             |                             |                   |              |
| Industrial  | 7.79                        | 7.75              | 1%           |
| Power   | 3.60                        | 3.57              | 1%           |
| Weighted average  | 5.16                        | 4.68              | 10%          |
| <b>Operating netback (US\$/mcf) <sup>(1)</sup></b>          | <b>2.23</b>                 | 3.34              | (33)%        |
| <b>FINANCIAL</b>  |                             |                   |              |
| <b>Revenue</b>  | <b>14,223</b>               | 18,126            | (22)%        |
| <b>Net cash flows from operating activities</b>             | <b>1,527</b>                | 8,787             | (83)%        |
| per share - basic and diluted (US\$)                        | 0.04                        | 0.25              | (83)%        |
| <b>Net (loss) income</b>                                    | <b>(4,638)</b>              | 2,840             | n/m          |
| per share - basic and diluted (US\$)                        | (0.13)                      | 0.08              | n/m          |
| <b>Funds flows (used in) from operations <sup>(1)</sup></b> | <b>(7,054)</b>              | 5,926             | n/m          |
| per share - basic and diluted (US\$)                        | (0.20)                      | 0.17              | n/m          |
| <b>Capital expenditures (excluding transfers)</b>           | <b>819</b>                  | 120               | 583%         |
| <b>AS AT</b>  |                             |                   |              |
|   | <b>MARCH 31, 2018</b>       | DECEMBER 31, 2017 |              |
| <b>Working capital (including cash)</b>                     | <b>65,201</b>               | 69,575            | (6)%         |
| <b>Cash</b>   | <b>117,813</b>              | 122,322           | (4)%         |
| <b>Long-term loan</b>                                       | <b>58,557</b>               | 58,518            | 0%           |
| <b>AS AT</b>  |                             |                   |              |
|   | <b>MARCH 31, 2018</b>       | MARCH 31, 2017    |              |
| <b>Outstanding shares ('000)</b>                            |                             |                   |              |
| Class A   | 1,750                       | 1,750             | 0%           |
| Class B   | 33,506                      | 33,106            | 1%           |
| <b>Total shares outstanding</b>                             | <b>35,256</b>               | 34,856            | 1%           |
| <b>Weighted average Class A and Class B shares</b>          | <b>35,256</b>               | 34,856            | 1%           |

<sup>(1)</sup> The funds flow from operations and operating netback are non-GAAP measures which may not be comparable to other companies. Please refer to the Management Discussion and Analysis ("MD&A") for Information on non-GAAP measures.

The complete condensed consolidated unaudited interim financial statements and MD&A for the three month period ending March 31, 2018 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 its 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.

For further information please contact:

#### **[W. David Lyons](#)**

Chairman and Chief Executive Officer

+44-7717-100200

[wdlyons@orcaexploration.com](mailto:wdlyons@orcaexploration.com)

*Neither the TSX Venture Exchange nor its Regulation Services 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 cubic feet per day |

### **Non-GAAP Financial Measures**

The Company discloses several financial measures herein that do not have any standardized meaning prescribed under International Financial Reporting Standards ("IFRS"). These financial measures include funds flow from operating activities, funds flow per share, and operating netbacks.

Funds flow from operating activities represents cash flow from operations before working capital changes and demonstrates the Company's ability to generate cash necessary to achieve growth through capital investments. Funds flow from operating activities per share is calculated on the basis of funds flow from operating activities divided by the weighted average number of shares outstanding.

Operating netbacks represent the profit margin associated with the production and sale of additional gas and is calculated as revenues less processing and transportation tariffs, government parastatal's revenue share, operating and distribution costs for one thousand standard cubic feet of additional gas. This is a key measure as it demonstrates the profit generated from each unit of production, and is widely used by the investment community.

Management believes that these financial measures are useful supplemental information to analyze operating performance and provide an indication of the results generated by the Company's principal business activities. Investors should be cautioned that these measures should not be construed as an alternative to net income or other measures of financial performance as determined in accordance with IFRS. The Company's method of calculating these measures may differ from other companies, and accordingly, they may not be comparable to similar measures used by other companies. Please see the Company's MD&A, which is available at [www.sedar.com](http://www.sedar.com) for additional information about these financial measures.