FORM 51-101F1
STATEMENT OF RESERVES DATA
AND OTHER OIL AND GAS INFORMATION

Oil and Gas Reserves and Net Present Value of Future Net Revenue

In accordance with National Instrument 51-101 – Standard of Disclosure for Oil and Gas Activities, McDaniel & Associates Consultants Ltd. ("McDaniel"), independent petroleum engineering consultants, prepared a report (the "McDaniel Report") dated April 4, 2019. This statement of reserves data and other oil and gas information (this "Statement") uses the information provided in the McDaniel Report. All financial information in this Statement is in US dollars. This Statement was prepared on April 4, 2019 and is effective December 31, 2018.

The McDaniel Report evaluated, as at December 31, 2018, Orca Exploration Group Inc.'s (the "Company" or "Orca Exploration") Tanzanian conventional natural gas reserves for the period to the end of its licence in October 2026. The tables below are a summary of the conventional natural gas reserves of the Company and the net present value of future net revenue attributable to such reserves as evaluated in the McDaniel Report utilizing forecast price and cost assumptions. The tables summarize the data contained in the McDaniel Report and as a result may contain slightly different numbers due to rounding. The net present value of future net revenue attributable to the Company's reserves is stated without provision for interest costs and out of country general and corporate administrative costs, but after providing for estimated royalties, production costs, development costs, other income, future capital expenditures, and well abandonment costs for only those wells that were assigned reserves by McDaniel. It should not be assumed that the undiscounted or discounted net present value of future net revenue attributable to the Company's reserves estimated by McDaniel represent the fair market value of those reserves. Other assumptions and qualifications relating to costs, prices for future production and other matters are summarized herein. The recovery and reserve estimates of the Company's natural gas reserves provided herein are estimates only and there is no guarantee that the estimated reserves will be recovered. Actual reserves may be greater than or less than the estimates provided herein.

The McDaniel Report is based on certain factual data supplied by the Company and McDaniel's opinion of reasonable practice in the industry. The extent and character of ownership and all factual data pertaining to the Company's petroleum properties and contracts (except for certain information residing in the public domain) were supplied by Orca Exploration to McDaniel and accepted without any further investigation. McDaniel accepted this data as presented and neither title searches nor field inspections were conducted.

Reserves Data – Forecast Prices and Costs

Summary of Oil and Gas Reserves

	Company Gross Reserves			**Company Net Reserves**		
	Light and Medium Crude Oil	**Natural Gas Liquids**	**Convent. Natural Gas**	**Light and Medium Crude Oil**	**Natural Gas Liquids**	**Convent. Natural Gas**
	Mbbl	*Mbbl*	*MMcf*	*Mbbl*	*Mbbl*	*MMcf*
Proved						
Developed Producing	-	-	227,591	-	-	142,287
Developed Non-Producing	-	-	33,477	-	-	18,853
Undeveloped	-	-	-	-	-	-
Total Proved	-	-	261,068	-	-	161,140
Probable	-	-	31,706	-	-	17,786
Total Proved plus Probable	-	-	292,774	-	-	178,926

Net Present Value of Future Net Revenue of Oil and Gas Reserves

(US$'000)	Before Future Income Tax Expenses (9) Discounted at 0%	5%	10%	15%	20%	Unit Value Before Tax at 10% $/Mcf
Proved						
Developed Producing	334,781	271,990	225,464	190,282	163,182	1.58
Developed Non Producing	48,625	35,419	26,260	19,787	15,132	1.39
Undeveloped	-	-	-	-	-	-
Total Proved	383,406	307,409	251,724	210,069	178,315	1.56
Probable	62,186	51,120	42,668	36,104	30,929	2.40
Total Proved plus Probable	445,593	358,529	294,391	246,173	209,243	1.65

(US$'000)	After Future Income Tax Expenses (9) Discounted at 0%	5%	10%	15%	20%
Proved					
Developed Producing	334,781	271,990	225,464	190,282	163,182
Developed Non Producing	48,625	35,419	26,260	19,787	15,132
Undeveloped	-	-	-	-	-
Total Proved	383,406	307,409	251,724	210,069	178,315
Probable	62,186	51,120	42,668	36,104	30,929
Total Proved plus Probable	445,593	358,529	294,391	246,173	209,243

Additional Information Concerning Future Net Revenue – (Undiscounted)

(US$'000)	**Revenue** [15]	**Royalties**	**Operating Costs**	**Development Costs**	**Abandonment and Reclamation Costs**	**Future Net Revenue Before Income Taxes**	**Income Taxes**	**Future Net Revenue After Income Taxes**
Total Proved Reserves	550,822	-	101,091	66,324	-	383,406	-	383,406
Total Proved plus Probable	618,326	-	103,710	69,023	-	445,593	-	445,593

Future Net Revenue by Production Group

(US$'000)	Future Net Revenue Before Future Income Tax Expenses Discounted at 10%	Net Unit Value Before Income Taxes Discounted at 10% ($/Mcf)
Proved		
Light and Medium Crude Oil (16)	-	-
Conventional Natural Gas (17)	251,724	1.56
Proved plus Probable		
Light and Medium Crude Oil (1)	-	-
Conventional Natural Gas (2)	294,391	1.65

Notes:

1. The crude oil and natural gas reserves estimates presented in the McDaniel Report have been based on the definitions and guidelines prepared by the Standing Committee on Reserves Definitions of the CIM (Petroleum Society) as presented in the Canadian Oil and Gas Evaluation (the "COGE" Handbook"). A summary of those definitions is presented below.
2. Reserves are estimated remaining quantities of oil and natural gas and related substances anticipated to be recoverable from known accumulations, from a given date forward, based on (i) analysis of drilling, geological, geophysical and engineering data; (ii) the use of established technology; and (iii) specified economic conditions, which are generally accepted as being reasonable, and shall be disclosed.
3. Reserves are classified according to the degree of certainty associated with the estimates:
   (a) Proved reserves are those reserves that can be estimated with a high degree of certainty to be recoverable. It is likely that the actual remaining quantities recovered will exceed the estimated proved reserves.
   (b) Probable reserves are those additional reserves that are less certain to be recovered than proved reserves. It is equally likely that the actual remaining quantities recovered will be greater or less than the sum of the estimated proved plus probable reserves.
   (c) Other criteria that must also be met for the categorization of reserves are provided in Section 1.4.7.2.1of the COGE Handbook.
4. Each of the reserves categories (proved and probable) may be divided into developed and undeveloped categories:
   (a) Developed reserves are those reserves that are expected to be recovered from existing wells and installed facilities or, if facilities have not been installed, that would involve a low expenditure (for example, when compared to the cost of drilling a well) to put the reserves on production. The developed category may be subdivided into producing and non-producing.
   (b) Developed producing reserves are those reserves that are expected to be recovered from completion intervals open at the time of the estimate. These reserves may be currently producing or, if shut in, they must have previously been on production, and the date of resumption of production must be known with reasonable certainty.
   (c) Developed non-producing reserves are those reserves that either have not been on production, or have previously been on production, but are shut in, and the date of resumption of production is unknown.
   (d) Undeveloped reserves are those reserves expected to be recovered from known accumulations where a significant expenditure (for example, when compared to the cost of drilling a well) is required to render them capable of production. They must fully meet the requirements of the reserves classification (proved, probable) to which they are assigned.
5. The qualitative certainty levels referred to in the definitions above are applicable to individual reserves entities (which refers to the lowest level at which reserves calculations are performed) and to reported reserves (which refers to the highest level sum of individual entity estimates for which reserves estimates are presented). Reported reserves should target the following levels of certainty under a specific set of economic conditions:
   (a) at least a 90 percent probability that the quantities actually recovered will equal or exceed the estimated proved reserves; and
   (b) at least a 50 percent probability that the quantities actually recovered will equal or exceed the sum of the estimated proved plus probable reserves.

   Additional clarification of certainty levels associated with reserves estimates and the effect of aggregation is provided in Section 5 of the COGE Handbook.
6. "Company Gross Reserves" are the total of the Company's working interest share in reserves before deduction of royalties owned by others and without including any royalty interests of the Company.
7. "Company Net Reserves" are the total of the Company's working interest share in reserves after deducting the amounts attributable to royalties and Profit Gas owned by others as defined in the Songo Songo Production Sharing Agreement ("PSA") covering the Tanzanian conventional natural gas reserves, plus the Company's royalty interests in such reserves.
8. Company Gross and Net Reserves are based on the Company's 92.08 percent ownership interest in the reserves following the Swala Transaction described in Note 14 below.
9. See "Tax Horizon" for details of tax treatment.

10. There are no state royalties in the PSA.
11. The separation of the downstream assets was raised by the Ministry Energy and Mines ("MEM") in the National Natural Gas Policy issued in 2013, which contemplates TPDC as monopoly aggregator and distributor of gas. In the context of the gas policy, TPDC and MEM have indicated that they wish the Company to unbundle the downstream distribution business in Tanzania. The potential unbundling of the Company's downstream business will be addressed at such time as there is a conflict between new legislation and the Company’s right under the PSA. The provisions of the PSA are such that the Company is to be kept economically whole if any legislation affects the Company’s economic benefits under the PSA.
12. During the third quarter of 2015, The Petroleum Act, 2015, (the "Petroleum Act") was passed into law by Presidential decree. The Petroleum Act repeals earlier legislation, provides a regulatory framework over upstream, midstream and downstream gas activity, and as well consolidates and puts in place a single, effective and comprehensive legal framework for regulating the oil and gas industry in the country. The Petroleum Act also provides for the creation of an upstream regulator, the Petroleum Upstream Regulatory (PURA). Midstream and downstream petroleum and natural gas activities are proposed to be regulated by the current authority, the Energy and Water Utilities Regulatory Authority (EWURA). The Petroleum Act also confers the status of the National Oil Company on TPDC and mandates it with the task of managing Tanzania's commercial interest in petroleum operations as well as midstream and downstream natural gas activities. The Petroleum Act vests TPDC with exclusive rights in the entire petroleum upstream value chain and the entire natural gas midstream and downstream value chain. However, the exclusive rights of TPDC do not extend to midstream and downstream petroleum supply operations. The Company is uncertain of the potential impact of the Petroleum Act on its business in Tanzania. The Petroleum Act contains grandfathering provisions upholding the rights of the Company under the PSA as it was signed prior to the passing of the Petroleum Act. However, it is still unclear how the provisions of the Petroleum Act will be interpreted and implemented regarding upstream and downstream activities.
13. On October 7, 2016, the Government of Tanzania issued the Petroleum (Natural Gas Pricing) Regulation made under Sections 165 and 258 (I) of the Petroleum Act. Article 260 (3) of the Petroleum Act preserves the Company’s pre-existing right with TPDC to market and sell Additional Gas together or independently on terms and conditions (including prices) negotiated with third party Natural Gas customers. The impact of the Natural Gas Pricing Regulation, if any, cannot be determined at this time.
14. On January 16, 2018 Orca Exploration sold (the "Swala Transaction") 7.933 percent of the Class A common shares (7,933 Class A common shares) of its wholly owned subsidiary PAE PanAfrican Energy Corporation ("PAEM"), a Mauritius registered Company and sole shareholder of PanAfrican Energy Tanzania Limited ("PAET") a Jersey registered Company, to a wholly owned subsidiary of Swala Oil & Gas (Tanzania) plc ("Swala"). The PSA is held by PAET. While Swala has no management or control of PAEM and no shareholding in, or management or control of, PAET the McDaniel Report was prepared based on Orca Exploration’s ownership of 92.07 percent of PAET's gross reserves. Swala's 7.933 percent interest in PAEM is referred to as the "Swala Interest".
15. Revenue is shown net of Additional Profits Tax. For further information on Orca's revenue, net revenue and Additional Profits Tax please refer to the PSA filed on SEDAR at www.sedar.com.
16. Including solution gas and other by products.
17. Including by products but excluding solution gas from oil wells.

Pricing Assumptions – Forecast Prices, Costs and Gas Sales

McDaniel employed the following gas sales, pricing and inflation rate assumptions as of December 31, 2018 in estimating the Company’s reserves data using forecast prices and costs. The Company received an average gas price of US$5.17/Mcf in 2018.

		Songo Songo gas prices		
	Brent crude	Proved	Proved plus probable	Annual inflation %
Year	US$/bbl	US$/Mcf	US$/Mcf	
2019	64.50	4.07	4.01	2
2020	67.90	4.10	4.17	2
2021	70.70	4.19	4.21	2
2022	73.70	4.29	4.27	2
2023	75.30	4.42	4.40	2
2024	76.70	4.37	4.41	2
2025	78.30	4.31	4.48	2
2026	79.80	4.39	4.71	2

The price of natural gas for the Power sector is set by reference to a base price of $1.87/MMBTU in 2008 escalated at 2% per annum plus an estimation of the Songas transportation tariff as determined by the energy regulator, EWURA. The base price of the gas to the power sector increased to US$2.50/MMBTU on July 1, 2012 which is the equivalent of US$2.76/MMBTU after the annual 2% escalation pursuant to the terms of the long-term power agreements.

The National Natural Gas Infrastructure Gas Processing Facility on Songo Songo Island was commissioned in 2016 ("**NNGI Gas Facility**" and together with its infrastructure, including a pipeline to Dar es Salam, the "**NNGI**"). Gas sales to TANESCO can be made via both the NNGI and "**Songas Infrastructure**" (which includes the Songas Gas Processing Facility on Songo Songo Island (the "**Songas Gas Facility**") and its infrastructure including the main pipeline to Dar es Salam). The SS-12 well is connected and flowing gas to the NNGI. The SS-11 well is connected to both the Songas Infrastructure and the NNGI but is currently aligned and flowing gas only to the Songas Infrastructure—this will be realigned to the NNGI to meet future gas demand. The SS-10 well is currently connected to the Songas Infrastructure, but infrastructure is in place for its connection the NNGI to meet future gas demand.

Gas sales to TANESCO via the Songas infrastructure are priced according to the Portfolio Gas Supply Agreement ("**PGSA**") wellhead price, which was US$2.76 MMBTU on July 1, 2012 (escalating 2% per annum), plus the EWURA regulated Songas tariff.

On December 22, 2018 a side letter agreement was entered into between PAET, TPDC and TANESCO, whereby the parties agreed to nominate the NNGI Gas Facility on Songo Songo Island as a temporary delivery point for certain volumes sold to TANESCO under the PGSA. The terms of the side letter agreement provided for volumes of gas up to 35 MMscfd of processed gas, measured at the export meter of the NNGI Gas Facility, to be priced in accordance with the wellhead price, established under the existing terms of the PGSA detailed above. Any volumes sold above 35 MMscfd would be priced at $3.10/Mscf and payable to the Company by TPDC. The side letter agreement was been established on a 1-month term, extendable 1-month at a time up to a limit of 6-months, to enable the delivery of gas to sustain power generation by TANESCO until a long-term Gas Sales Agreement ("**GSA**") between PAET and TPDC is approved.

The Company has been in continuing discussions with TPDC regarding a new long-term GSA. On February 11, 2019 the Company and TPDC initialed a GSA for an initial delivery of 20 MMscfd to the NNGI, at a price of $3.10 MMBTU as at January 1, 2019, (escalating 2% per annum) exclusive of any processing and transportation tariff associated with the NNGI. There is no guarantee that the price in the initialed GSA will be realized at the time the GSA is approved by TPDC and the Government of Tanzania, and as such there could be an effect on the Company’s proved plus probable future net revenue once the negotiations and terms are finalized. If established, the GSA will replace the temporary side letter agreement.

The price of natural gas sold to Wazo Hill is based on the contracted prices as set out in the Amendment Agreement No2 to the 2008 gas sales agreement with Tanzania Portland Cement Company agreed to in October 2017 plus an estimation of the Songas transportation tariff as determined by the energy regulator, EWURA.

The industrial contracts have caps and floors with regards to gas prices. The industrial gas prices are determined by approved discounts to Heavy Fuel Oil unless this price is above the cap or below the floor price stipulated in the contract.

RECONCILIATIONS OF CHANGES IN RESERVES AND FUTURE NET REVENUE

Reserves Reconciliation

The following table sets forth a reconciliation of Company Gross Reserves as at December 31, 2018 against the Company's gross reserves as at December 31, 2017.

	Company Gross Reserves Conventional Natural Gas (Bcf)		
	Proved	**Probable**	**Proved plus Probable**
Reserves at December 31, 2017	**306.6**	**73.4**	**380.1**
Extensions	-	-	-
Improved recovery	-	-	-
Technical revisions	(8.5) [1]	(39.0) [1]	(47.5) [1]
Discoveries	-	-	-
Acquisitions	-	-	-
Dispositions	(22.5) [2]	(2.7) [2]	(25.2) [2]
Economic factors	-	-	-
Production	(14.6) [3]	-	(14.6) [3]
Reserves at December 31, 2018	**261.1**	**31.7**	**292.8**

Notes:

1. The proved technical revisions have been made because the gas sales forecast prior to license expiry is expected to be lower.
2. Represents the disposition of the Swala Interest (See Note 14 on page 4 above).
3. On a Company Gross Reserve basis there has been a 15% decline in Songo Songo's proved conventional natural gas reserves to the end of the license period with total conventional natural gas production of 14.6 Bcf during the year. There has been a 23% decline in the proved plus probable conventional natural gas reserves on a Company Gross Reserve basis from 380.1 Bcf to 292.8 Bcf.

UNDEVELOPED RESERVES

The following table sets forth the Company's undeveloped reserves for the years prior to December 31, 2016 and years ended December 31, 2016, 2017, and 2018.

	As of December 31, 2018 Conventional Natural Gas	
Proved Undeveloped	1st Attributed (MMcf)	Booked[1] (MMcf)
Prior to 2016	-	121,896
2016	-	-
2017	-	-
2018	-	-

Probable Undeveloped	1st Attributed (MMcf)	Booked (MMcf)
Prior to 2016	-	36,484
2016	-	22,922
2017	-	32,447
2018	-	-

Note:

1. Booked refers to reserves assigned as undeveloped in the McDaniel's report.

The following discussion generally describes the basis on which the Company attributes proved and probable undeveloped reserves and its plans for developing those undeveloped reserves.

Proved Undeveloped Reserves

All of the Company's proved undeveloped reserves were developed in 2016 due to completion of the Offshore Development Program in that year.

Probable Undeveloped Reserves

All probable reserves are assigned either on a producing or non-producing basis. The Company does not have any proved and probable undeveloped reserves.

SIGNIFICANT FACTORS OR UNCERTAINTIES AFFECTING RESERVES DATA

The process of estimating reserves is complex. It requires significant judgments and decisions based on available geological, geophysical, engineering, and economic data. These estimates may change substantially as additional data from ongoing development activities and production performance becomes available and as economic conditions impacting oil and gas prices and costs change. The reserve estimates contained herein are based on current production forecasts, prices and economic conditions. The Company's reserves are evaluated by McDaniel, an independent petroleum engineering firm.

As circumstances change and additional data become available, reserve estimates also change. Estimates made are reviewed and revised, either upward or downward, as warranted by the new information. Revisions are often required due to changes in well performance, prices, economic conditions and governmental restrictions.

Although every reasonable effort is made to ensure that reserve estimates are accurate, reserve estimation is an inferential science. As a result, the subjective decisions, new geological or production information and a changing environment may impact these estimates. Revisions to reserve estimates can arise from changes in year end oil and gas prices, and reservoir performance. Such revisions can be either positive or negative.

The separation of the downstream assets was raised by the Ministry Energy and Mines ("MEM") in the National Natural Gas Policy issued in 2013, which contemplates TPDC as monopoly aggregator and distributor of gas. In the context of the gas policy, TPDC and MEM have indicated that they wish the Company to unbundle the downstream distribution business in Tanzania. The potential unbundling of the downstream business will be addressed at such time as there is a conflict between new legislation and the Company's right under the PSA. The provisions of the PSA are such that the Company is to be kept economically whole if any legislation affects the Company's economic benefits under the PSA.

During the third quarter of 2015, the Petroleum Act was passed into law by Presidential decree. See Note 12 on page 4 above. The Company believes the potential impact on its business in Tanzania will not be significant as the PSA was signed prior to passing of the Petroleum Act and there are grandfathering provisions within the Petroleum Act upholding the rights of the Company under the PSA.

On October 7, 2016, the Government of Tanzania issued the Petroleum (Natural Gas Pricing) Regulation made under Sections 165 and 258 (I) of the Petroleum Act. See Note 13 on page 4 above. The impact of the Natural Gas Pricing Regulation, if any, cannot be determined at this time.

FUTURE DEVELOPMENT COSTS

The table below sets out Orca's share of the development costs deducted in the estimation of future net revenue attributable to proved and probable reserves using forecast prices and costs.

	Future Development Costs Forecast Prices and Costs	
	Proved	**Proved plus Probable**
(US$'000)		
2019	5,989	5,989
2020	36,250	36,625
2021	1,724	2,107
2022	10,259	10,650
2023	498	897
Remaining Years	11,603	12,754
Total Undiscounted	66,324	69,023

The 2019 future development costs include: (a) the completion of field refrigeration at the Songas Gas Facility; and (b) the completion of the engineering work and early costs for procurement in preparation for the installation of inlet compression at the Songas Gas Facility, which is scheduled to be installed in 2021.

The 2020 future development costs include: (a) the work-over of the SS-3 and SS-4 wells (currently suspended and shut-in respectively); and (b) the recompletion of the SS-10 well with chrome production tubing and the capital cost associated with the compression at the Songas gas processing facility. The inlet compression is expected to be completed in 2021.

The 2022 to end of the licence future development costs include the provision of two additional non-specific well workovers. The development costs can be funded out of existing working capital and future cash flow.

Land Holdings

The following table set out the developed and undeveloped land holdings in acres of the Company as at December 31, 2018:

	Developed		**Undeveloped**		**Total**	
	Gross (1)	**Net** (2)	**Gross** (1)	**Net** (2)	**Gross** (1)	**Net** (2)
Songo Songo	53,623	49,371	-	-	53,623	49,371
Total Tanzania	53,623	49,371	-	-	53,623	49,371

Notes:

1. "Gross" refers to the total acres of the property held by PAET.
2. "Net" refers to the total acres of the property held by PAET, multiplied by Orca Exploration and its subsidiaries 92.08 percent ownership interest in PAET, and further multiplied by PAET's effective working interest percentage in the property.

OIL AND GAS PROPERTIES AND WELLS

The following table summarizes the Company's interest as at December 31, 2018 in wells that are producing and non-producing.

	Producing Wells		Non-Producing Wells	
	Natural Gas		Natural Gas	
	Gross	**Net**	**Gross**	**Net**
Songo Songo	**6.0**	**5.8**	**2.0**	**1.9**
Total Tanzania	**6.0**	**5.8**	**2.0**	**1.9**

Notes:

1. "Gross" refers to the aggregate number of wells in which PAET has an interest.
2. "Net" refers to PAET's aggregate working interest in each of its gross wells, multiplied by Orca Exploration and its subsidiaries 92.08 percent ownership interest.

Producing Wells.

As at December 31, 2018, there were six producing wells, four offshore wells (SS-5, SS-7, SS-9, SS-12) and two onshore wells (SS-10 and SS-11). The SS-10 well drilled in 2007 was tied in to the gas processing plant in January 2011. The SS-11 well was completed in June 2012 and was tied in to the gas processing plant in September 2012. The SS-9, SS-5 and SS-7 wells where worked over as part of the Phase I development program in September/October and November 2015 respectively and were put back into production in October/November and December respectively 2015. The SS-11 well is tied into the Songas Gas Processing Plant via the SS-5 offshore flowline and is also tied into the NNGI, although it is currently aligned to the Songas Infrastructure. The offshore well SS-12 was successfully completed in February 2016, encountering the top reservoir approximately 100 meters high to prognosis. It was tied into the NNGI in 2018 and started to flow gas to the NNGI in December 2018.

Non-Producing Wells

At year end there were two non-producing wells (SS-3 and SS-4) located onshore. The two onshore wells are planned to be the subject of a work-over program in 2020 as described above.

As at December 31, 2018 the Company had a well capacity of approximately 130 MMscfd. Until well SS-12 well began producing through the NNGI on Songo Songo Island in December 2018, production had been limited to the Songas infrastructure capacity of 97 MMscfd. There is the ability to expand the level of well capacity from 130 MMscfd to approximately 165 MMcsfd by continuing to produce gas through the NNGI, together with the installation of a refrigeration unit at the Songas facility which is scheduled for completion in Q2 2019. The NNGI has a productive capacity of 140 MMscfd.

Infrastructure

The Songas Gas Facility is owned by Songas and is operated by Orca Exploration on behalf of Songas (on a no loss/no profit basis). The Songas Gas Facility consists of 2 x 35 MMscfd raw gas trains.

In June 2011, the Company installed joule thomson valves at the Songas Gas Facility and subsequently signed a Re-Rating Agreement with Songas and TANESCO to increase the gas processing capacity from 90 MMscfd to 110 MMscfd (the Songas Gas Facility was re-rated and certified at these rates). This increased the overall capacity of the system to 102 MMscfd (operated to a maximum of 97 MMscfd) with the export pipeline being the bottleneck. The Re-Rating Agreement expired on December 31, 2012 and, although it was initially extended to December 31, 2013, no new agreement is currently in place. Without the Re-Rating Agreement, the Songas Gas Facility could be de-rated to 70 MMcfd (the capacity originally agreed to) if there were any technical or safety reasons to do so, however the plant is inspected each year and certified to produce at 110 MMscfd. If the Songas Gas Facility was de-rated on the grounds of technical or safety reasons this would result in a material reduction in the Company's sales volumes of Additional Gas. In the event of such a de-rating the sales made to TANESCO under the PGSA would be the first to be curtailed. Consequently it is likely that the Songas curtailed volumes would be diverted through the NNGI, with sales made by the company to TPDC at the wellhead, or directly to TANESCO,

The gas is transported to Dar-es-Salaam via a 25Km 12-inch offshore pipeline to Somanga Funga landfall then via a 207 km 16-inch onshore pipeline to Ubungo Power Plant, and a 16 km 8-inch lateral pipeline to the Wazo Hill cement plant. These pipelines are operated and owned by Songas.

Sales of Additional Gas to Industrial customers are made via the Company's low-pressure distribution system in Dar es Salaam. There are three pressure reduction stations and two separate connections to the 16-inch high pressure pipeline. Since 2004, the Company has constructed over 50 km of low-pressure pipeline in Dar es Salaam and 38 industrial customers were connected and consuming Additional Gas at the end of 2018.

The NNGI at Songo Songo Island was commissioned in 2016. The NNGI Gas Facility includes 2 x 70 MMscfd raw gas trains. Gas is transported via a 16-inch offshore pipeline (twinned with the Songas Infrastructure) to Somanga Funga landfall then via a 207 km stretch of the 550km 36-inch offshore pipeline that runs from Madimba in southern Tanzania to Dar-es-Salaam. These pipelines are owned and operated by TPDC.

PROPERTIES WITH NO ATTRIBUTED RESERVES

Tanzania

The Company does not have any interests in unproved properties in Tanzania and there are no properties in which the Company's rights to explore, develop or exploit will, absent further action, expire within one year in Tanzania.

Italy

Elsa

On May 30, 2010, the Company signed an agreement to farm-in to the Central Adriatic B.R268.RG Permit offshore Italy (the "**Italy Permit**"). The farm-in commits the Company to fund 30% of the Elsa-2 appraisal well up to a maximum of US$11.5 million to earn a 15% working interest in the Italy Permit. Thereafter, the Company will fund all future costs relating to the well and the Italy Permit in proportion to its participating interest. The Company has also agreed to pay the owner fifteen per cent (15%) of the back costs in relation to the well up to a maximum of US$0.5 million. Changes in Italian environmental legislation in late 2015 resulted in the development of the Italy Permit being postponed indefinitely. As at the date of this report, the Company has no further capital commitments in Italy.

EXPLORATION AND DEVELOPMENT ACTIVITY

The Company did not conduct any drilling activities for the year ended December 31, 2018.

ADDITIONAL INFORMATION CONCERNING ABANDONMENT AND RECLAMATION COSTS

There are no estimates of well abandonment costs included in the McDaniel Report in arriving at future net revenue:

Under the terms of the PSA, Orca Exploration is not currently liable for abandonment and reclamation costs as it is envisaged that the wells will continue to produce after Orca Exploration has relinquished the licence. While there is currently no amendment to the PSA, the Government has stated a desire for the Company to contribute towards an escrow account for future abandonment costs based on a per unit of production basis. The Company will provide for abandonment costs once an agreement is reached with TPDC and the PSA amended accordingly.

TAX HORIZON

Under the terms of the PSA, the Company is required to pay Tanzanian income tax, but this is recovered by the Company through the profit sharing arrangements with TPDC. Where income tax is accrued, the Company’s revenue will be grossed up by the tax due and the tax will be shown as a tax in the Company’s accounts. However, the income tax has no material impact on the cash flows emanating from the PSA and accordingly it has not been identified as a separate cash flow stream in the analysis of the net present values.

The Company does not pay any royalties. However, under the terms of the PSA, in the event that all costs have been recovered with an annual return of 25% plus the percentage change in the United States Industrial Goods Producer Price Index ("PPI"), an Additional Profits Tax ("APT") is payable at a rate of 25% of the Company’s profit share. This rate can increase to 55% where all costs have been recovered with an annual return of 35% plus the PPI.

The APT can have a significant impact on the project economics as measured by the net present value of the cash streams emanating under the PSA. Higher revenue in the initial years leads to a rapid payback of the project costs and consequently accelerates the payment of the APT. Therefore, the terms of the PSA reward the Company for taking higher risks by incurring capital expenditure in advance of revenue generation.

The APT has been netted off against revenue rather than identified as a separate cash flow stream in the analysis of the net present values under both the constant and forecast price cases, as its payment and calculation is determined by the terms of the PSA and is applicable only to reserves within the Songo Songo PSA rather than as income tax expense as are most corporate income taxes.

COSTS INCURRED

The following table summarizes the Company’s property acquisition costs, exploration costs and development costs for the year ended 31 December 2018.

	Year ended December 31, 2018
(US$’000)	
Lease acquisition and retention	-
Geological and geophysical	-
Drilling and completion	-
Production equipment	643
Infrastructure	5,101
Capitalized general and administrative	-
Development	-
Decommissioning asset	**-**
Property Gross	**5,744**
Swala Interest (See Note 14 on page 4 above**)**	**(456)**
Company Gross	**5,288**
Cost by category	
Acquisition of proved properties	**-**
Acquisition of unproved properties	**-**
Exploration costs	-
Development costs	5,744
Other costs	-
Property Gross	**5,744**
Swala Interest (See Note 14 on page 4 above**)**	**(456)**
Company Gross	**5,288**

Further analysis of capital expenditures

The tables below summarize the Company's quarterly capital expenditures for the year ended December 31, 2018.

	Quarter ended			
(US$'000)	**December 31 2018**	**September 30 2018**	**June 30 2018**	**March 31 2018**
Property acquisitions and retention	-	-	-	-
Geological and geophysical including drilling and completion and production equipment	70	24	326	223
Development and facilities	2,491	1,325	716	569
Power development	-	-	-	-
Swala Interest (**See Note 14** on page 4 above)	(203)	(107)	(83)	(63)
	2,358	1,242	959	729

Personnel

As at December 31, 2018, the Company had a complement of 55 full-time personnel, excluding approximately two consultants and contract personnel who devoted the majority of their time to the Company. In addition the Company employs 36 employees who are recharged to Songas for the operation of the Songas Gas Facility.

Location	**Number of full time personnel**
Tanzania – Head office	55
Tanzania – Songo Songo Island (Operatorship)	36
London – Service office	3
	94

PRODUCTION ESTIMATES

The following table discloses for each product type the total volume of production estimated by McDaniel for 2019 in the estimates of future net revenue from proved and proved plus probable reserves disclosed above under the heading "*Net Present Value of Future Net Revenue of Oil and Gas Reserves*". Such volumes below reflect estimated production from Company Gross Reserves and Company Net Reserves (see notes 6 and 7 on page 4 above).

2019 Forecast Production

(MMcfpd)	**Proved**	**Proved plus Probable**
Songo Songo natural gas – Company Gross	65.57	70.13

PRODUCTION HISTORY

The following tables disclose the Company's share of quarterly average gross daily production and the Company's net production (after TPDC profit share and the Swala Interest) for the year ended December 31, 2018.

Average Daily Production

	Quarter Ended			
Production Songo Songo	**Dec 31, 2018**	**Sept 31, 2018**	**June 30, 2018**	**Mar 31, 2018**
Gross Property (MMcfd)	44.8	43.6	33.7	37.4
Gross Company (MMcfd)	41.2	40.1	31.0	34.4
Net Company (MMcfd)	26.0	24.6	24.5	25.7
Prices US$/Mcf				
Industrials	8.44	9.23	7.80	7.79
Power	3.68	3.78	3.62	3.60
Average prices received	4.31	5.12	5.39	5.16
Tariff	(0.57)	(0.59)	(0.59)	(0.59)
TPDC share of revenue	(1.62)	(1.90)	(1.20)	(2.09)
Production costs US$/Mcf	(0.24)	(0.25)	(0.42)	(0.25)
Resulting netback US$/Mcf	1.88	2.38	3.18	2.23

Production Volume by Field

The following table discloses for each important field, and in total, the Company's share of gross production volumes for the year ended December 31, 2018.

(MMcf)	**Conventional Natural Gas**
Songo Songo gas field	14,572
Gross Company	13,416

FORWARD LOOKING STATEMENT ADVISORY

Certain information regarding Orca Exploration set forth in this Statement contains forward-looking statements that involve substantial known and unknown risks and uncertainties. The use of any of the words "plan", "expect", "prospective", "project", "intend", "believe", "should", "anticipate", "estimate" or other similar words, or statements that certain events or conditions "may" or "will" occur are intended to identify forward-looking statements. Such statements represent Orca Exploration's internal projections, estimates or beliefs, which are only predictions and actual events or results may differ materially. Although management believes that the expectations reflected in the forward-looking statements are reasonable, it cannot guarantee future results, levels of activity, performance or achievement since such expectations are inherently subject to significant business, economic, competitive, political and social uncertainties and contingencies. Many factors could cause Orca Exploration's actual results to differ materially from those expressed or implied in any forward-looking statements made by, or on behalf of, Orca Exploration.

More particularly, this Statement may contain, without limitation, statements pertaining to the following: the Company's expectations regarding supply and demand of natural gas; the expected terms of future agreements with TPDC and MEM; anticipated changes to legislation and the effect on the Company's operations, including, but not limited to, the implementation and interpretation of the Petroleum Act and the impact of the Natural Gas Pricing Regulation; the Company's beliefs regarding the impact of the Petroleum Act on the Company's business in Tanzania; the potential impact of the Natural Gas Pricing Regulation on the Company's operations; the future terms of the initialled GSA with TPDC and the effect of changes to the terms of the GSA on the Company's future net revenue; expected timing of installation of refrigeration unit at the Songas facility; the current and potential production capacity of the Songo Songo field; the Company's ability to access additional processing and transportation capacity; the Company's ability to locate and bring online additional supply in the future; forecast costs (including operating costs) and netbacks; and other forward-looking statements. 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 profitably produced 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; risk that the planned financing solutions to resolve the TANESCO arrears are not implemented by the Tanzanian government; risk that additional gas volumes available to the NNGI from third parties will replace all or a portion of the volumes currently nominated by TANESCO under the Portfolio Gas Sales Agreement until additional gas-fired power generation is brought on-stream to consume all of the Company's available gas production; risk that the Company's development program is not completed as planned and the actual cost to complete the development program exceeds the Company's estimates; risk that the remaining well workovers under the development program are unsuccessful or determined to be unfeasible; risk of a lack of access to Songas processing and transportation; risk that Orca Exploration may be unable to complete additional field development to support the Songo Songo production profile through the life of the field; risk that Orca Exploration may be unable to develop additional supply or increase production values; risks associated with Orca Exploration and PAET'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 and other recently enacted and future 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; risk that, without extending or replacing the Re-Rating Agreement gas being processed through the Songas gas processing plant may be curtailed, resulting in a material reduction in the Company's sales volumes of Additional Gas; risk that the Company will not be successful in appealing claims made by the Tanzanian Revenue Authority and may be required to pay additional taxes and penalties; the impact of general economic conditions in the areas in which the Company operates; civil unrest; industry conditions; changes in laws and regulations including the adoption of new environmental laws and regulations, impact of new local content regulations and changes 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, drilling equipment and skilled personnel; failure to obtain required equipment for drilling; delays in drilling plans; failure to obtain expected results from drilling of wells; effect of changes to the PSA on the Company; unanticipated changes to legislation and the effect on the Company's operations, including, but not limited to, the Petroleum Act, the Natural Gas Pricing Regulation and the initialled GSA; changes in laws; imprecision in reserve estimates; the production and growth potential of the Company's assets; obtaining required approvals of regulatory authorities; risks associated with negotiating with foreign governments; inability to satisfy debt obligations and conditions; failure to successfully negotiate agreements; and risk that the Company will not be able to fulfil its contractual obligations. 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 potential impact of the Petroleum Act and the Natural Gas Pricing Regulation on the Company's business in Tanzania; the anticipated terms of the GSA; the Company's expectation in respect of the Re-Rating Agreement; the ability of the Company to complete additional developments and increase its production capacity; that the Company and TPDC will agree to the terms of a GSA; the actual costs to complete the Company's development program are in line with estimates; that there will continue to be no restrictions on the movement of cash from Mauritius or Tanzania; 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 have adequate funding to continue operations; that the Company will successfully negotiate agreements; receipt of required regulatory approvals; the ability of the Company to increase production at a consistent rate; infrastructure capacity; commodity prices will not further 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 labour; 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; that the enactment of the Petroleum Act and new legislation in Tanzania will not impair the Company's rights under the PSA to develop and market natural gas in Tanzania; current or, where applicable, proposed industry conditions, laws and regulations will continue in effect or as anticipated as described herein; and other matters.

Management has included the above summary of assumptions and risks related to forward-looking information provided in this document in order to provide stakeholders with a more complete perspective on the Company's current and future operations and such information may not be appropriate for other purposes. Orca Exploration's actual results, performance or achievement could differ materially from those expressed in, or implied by, these forward-looking statements and, accordingly, no assurance can be given that any of the events anticipated by the forward-looking statements will transpire or occur, or if any of them do, what benefits Orca Exploration will derive. These forward-looking statements are made as of the date of this Statement and Orca Exploration disclaims any intent or obligation to update publicly any forward-looking statements, whether as a result of new information, future events or results or otherwise, other than as required by applicable securities laws. The forward-looking statements contained in this Statement are expressly qualified by this cautionary statement.