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PanAfrican Energy Tanzania provides operational update

DAR ES SALAAM, Tanzania 28th January 2020: PanAfrican Energy Tanzania (“PAET” or the “Company”) is pleased to provide the following operational update on its current activities in Tanzania.

2019 saw significant growth in the demand for gas in Tanzania. Having signed a long-term Gas Sales Agreement for 20 MMscf/d with TPDC in May (subsequently increased to 30 MMscf/d on a best endeavours basis), the Company completed the installation of refrigeration in July. This increased to 97 MMscf/d the volumes that can be transported from the field to Dar es Salaam through the Songas facilities, which are operated by PAET. In achieving this, PAET ensured it was ready and able to meet increased demand.

Above the continued supply of Protected Gas, at an average of 39.8 MMscf/d, in Q4 2019 PAET produced Additional Gas at an average of 70.8 MMscfd (Q4 2018: 44.8 MMscfd) resulting in an average for the year of 63.1 MMscfd (2018: 39.9 MMscfd). Of these sales, 9.2Bcf was sold at the wellhead to the Tanzania Petroleum Development Corporation (“TPDC”) and processed and transported to Dar es Salaam through the National Natural Gas Infrastructure (“NNGI”). This gas was used primarily for increased power generation, while the remainder was sold to power and industrial customers in Dar es Salaam via the Songas processing and transportation facilities.

PAET expects further increases in demand in 2020, across the power and industrial sectors, and potentially through expansion of its ongoing CNG to vehicles project. Although the timing is uncertain, additional power generation is expected to be installed at Kinyerezi, commencing in the third quarter of 2020, and building to 185MW of combined cycle generation capacity by the end of the year; of this, 150MW will be gas fired generation. Alongside gas for power generation, PAET is actively seeking to further accelerate industrial expansion in Dar es Salaam and has recently restructured and lowered gas prices to industries to ensure gas remains a cheaper and cleaner alternative to more expensive and far more pollutive fuels such as diesel or coal.

PAET is working to ensure gas production from the Songo Songo field can continue to meet demand beyond 2020, with several initiatives in progress or being evaluated. Installation of compression facilities is vital in optimising the throughput capacity of the Songas facilities over the remaining term of the PSA and underlying licence. Failure to incorporate compression would lead to a significant loss in production through the Songas facilities as field pressure declines below the level required to deliver on-specification gas to the power sector in Dar es Salaam and our industrial customers over time. On 23 December 2019, a Letter of Instruction was signed with an international contractor with significant presence and experience in Tanzania for the commencement of detailed engineering and design for the compression project. A definitive agreement for the project is expected to be signed by the end of

February 2020 on a fixed price, turnkey basis. It is forecast that compression will be operational by the end of 2021 and cost approximately US\$38 million, of which US\$34.2 million is forecasted to be spent in 2020.

The Company is also evaluating options to workover onshore wells SS-3, SS-4 and SS-10 on Songo Songo Island in 2020, at an estimated cost of US\$13.1 million. Although SS-10 is currently producing, SS-3 and SS-4 are shut in; working them over will enable increased production and/or greater production redundancy to ensure PAET can continue to meet demand during certain, limited periods of maintenance. A decision on the timing and scope of the workovers is subject to Board approvals and agreement with Songas, and will likely be taken by the end of Q2 2020. Separately, the Company has attained approval for expenditure of US\$1.3 million to undertake a flowline de-bottlenecking project, commencing in February 2020, to further increase production potential from some of its onshore wells.

PAET anticipates investment of approximately US\$80.2 million in compression, workovers and debottlenecking, to sustain production and meet the forecast gas demand profile through to October 2026, when the existing Songo Songo licence expires. By then, 762 Bcf of natural gas is expected to have been produced from the Songo Songo field, delivering considerable benefits and savings to the Government and industries within Tanzania.

The Government of Tanzania is currently reviewing the terms of all the existing Production Sharing Agreements and it is forecast that they will present the relevant parties with their analysis during the first half of 2020. This may lead to revisions to the PSA and changes to the economic terms. PAET is keen to extend the PSA beyond 2026 and to continue to support Tanzania's economic and industrial development.

Andy Hanna, Managing Director of PanAfrican Energy Tanzania commented:

After a highly successful year, PAET is looking forward to an even more successful 2020. The Company plans to carry out a number of challenging technical projects to meet demand and increase access to the benefits that Tanzania's indigenous natural gas resources bring to the nation. Success will depend considerably on our highly capable Tanzanian team working alongside our partners TPDC, and on the continued levels of support we have received from PURA, EWURA and other stakeholders in the Songo Songo project. All of the signs are there that we should be optimistic for the year ahead and for the natural gas industry as a whole in Tanzania.

Financial reports and other corporate information concerning PAET and its group parent company, Orca Exploration Group Inc. ("Orca") may be found on the Company's website at www.panafricanenergy.com and www.orcaexploration.com or Orca's profile on SEDAR at www.sedar.com.

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