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**FOR IMMEDIATE RELEASE**

**31 May 2007**

**Orca Exploration announces its results for the quarter ended 31 March 2007**

TORTOLA, British Virgin Islands. Orca Exploration Group Inc (“Orca Exploration” or the “Company”) announces its results for the quarter ended 31 March 2007.

**Financial and Operating Highlights**

<i>Quarter ended</i>	<b>31-Mar 2007</b>	<b>31-Mar 2006</b>	<b>Change</b>
<b>Financial (US\$'000 except where otherwise stated)</b>			
Operating revenue	<b>3,632</b>	2,034	79%
Profit before taxation	<b>430</b>	266	62%
Operating netback (US\$/mcf)	<b>2.03</b>	2.05	(1%)
Cash and cash equivalents	<b>14,736</b>	3,454	327%
Working capital	<b>10,570</b>	2,118	399%
Shareholders' equity	<b>37,983</b>	16,928	124%
Profit per share - diluted (US\$)	-	-	-
Funds from operations before working capital changes	<b>1,190</b>	671	77%
Funds per share from operations before working capital changes - diluted (US\$)	<b>0.04</b>	0.03	33%
<b>Operating</b>			
Additional Gas sold (mmscf) - industrial	<b>301</b>	230	31%
Additional Gas sold (mmscf) - power	<b>1,356</b>	682	99%
Average price per mcf (US\$) - industrial	<b>7.70</b>	7.63	1%
Average price per mcf (US\$) - power	<b>2.19</b>	1.79	22%

## Quarter Highlights

- Earned profit before tax of US\$0.4 million (Q1 2006 US\$0.3 million) with funds from operations before working capital changes of US\$1.2 million (Q1 2006: US\$0.7 million). This is despite an increase in costs attributable to the business development activities.
- Successfully completed the remedial downhole work on SS-9 with an increase in the Songo Songo production capacity by 30 mmscf/d.
- Signed a contract with Caroil SA for the drilling of SS-10. The well was spudded on 28 April 2007 and is forecast to be complete by the end of Q2, with a forecast 50 mmscf/d increase in production capacity.
- Commenced the installation of an additional 8 kilometers of low distribution pipeline to improve security of supply and to hook up four new industrial customers. This line is due to be completed in early Q3 2007.
- Increased Q1 2007 sales of Additional Gas to Dar es Salaam industrial customers by 31% to 301 mmscf (an average of 3.3 mmscf/d) compared with Q1 2006. Average industrial prices remained strong at US\$7.70/mcf.
- Increased Q1 2007 sales of Additional Gas to the power sector by 99% to 1,356 mmscf (an average of 15.1 mmscf/d) compared with 682 mmscf in Q1 2006, at an average price of US\$2.19/mcf.
- Established a proven team to develop new oil opportunities with a particular focus on Africa.

## **President & CEO's Letter to Shareholders**

Over Q1 2007, Orca Exploration took decisive steps to expand its natural gas activities in Tanzania and to lay the foundation for new high potential exploration plays within established oil basins in sub Saharan Africa.

The underlying strength of the Company's ambitious growth plans can be attributed to three factors. The first is the increased reserves and deliverability from the Songo Songo field. The second is the rapid growth in utility and industrial markets for natural gas in Tanzania and the third is the proven track record of the exploration team that has joined Orca to lead the search for new oil opportunities.

With the workover of the SS-9 well in Q1, Orca has added 30 mmscf/d to Songo Songo's production capacity. The Company is now drilling a development well (SS-10) that is expected to add another 50 mmscf/d by the end of Q2. These activities reinforce the confidence needed to vigorously pursue expanded markets for natural gas in Tanzania and possibly into Kenya.

In addition to continuing to develop its natural gas markets in Tanzania, Orca is currently evaluating a number of oil exploration and development opportunities. The Company's strengthened exploration team is targeting commencement of oil exploration activities in early 2008 soon after acquisitions are completed.

Within the current markets, growth in the utility sector has been dramatic. At the end of Q1 2007 there was 110 MWs of gas-fired generation fuelled by Additional Gas supplied by Orca. It is forecast that this will increase to 310 MWs by year end 2007 as new permanent and emergency power plants become operational.

The industrial sector also continued to grow during what is normally the slowest quarter of the year for the sale of natural gas in Tanzania. Sale of Additional Gas to Orca's industrial customers was up 31% to 3.3 mmscf/d in Q1 2007 compared with 2.6 mmscf/d in Q1 2006. This demand is forecast to continue to increase over 2007 as Orca constructs additional new low pressure distribution lines in the Dar es Salaam area. It is expected that over 2007, Orca will average industrial gas sales of 6.0 mmscf/d.

### **Increasing Reserves and Production**

At year end 2006, gross proven and probable reserves ("2P") for the Songo Songo field on a life-of-licence basis increased by 14% to 648 bcf (2005: 569 bcf). The proportion in which the Company has a financial interest, under the Songo Songo PSA ("Additional Gas"), increased by 30% to 415 bcf (2005: 320 bcf). Orca is targeting continued increase in the level of these reserves through diligent monitoring of the reservoir and selective appraisal and exploration drilling.

In Q1 2007, increasing the Songo Songo field deliverability to meet the increasing power sector demand for gas was the top priority. In February 2007, Orca successfully completed the removal of over 5,000 feet of wireline and two pressure gauges that were left in the offshore SS-9 well in 1997 and which had severely impacted gas production. The removal of the debris, increased overall Songo Songo deliverability to 160 mmscf/d.

In February 2007 the Company signed a drilling contract with Caroil SA. Spudding of the new Songo Songo development well commenced on 28 April 2007. SS-10 is being drilled with a land rig and will deviate 1 kilometer offshore into the main reservoir. It expected to be completed by the end of June 2007 and is forecast to add deliverability of 50 mmscf/d, increasing total Songo Songo production to 210 mmscf/d.

To further increase reserves, the Company is also planning to drill an appraisal well in the northern portion of the field ("Songo Songo North") and to also drill an exploration prospect approximately 2 kilometers west of the existing field ("Songo Songo West"). Both wells could be drilled using a jack up rig or a barge mounted rig or a land rig if an artificial island was constructed in the relatively shallow water near the two drilling prospects. An evaluation of the drilling options will be undertaken on completion of the SS-10 development well.

## **Market Development**

Power and industrial markets continue to develop in line with expectations. During 2007 the Company is forecasting average sales of 21 mmscf/d – 23 mmscf/d.

In Q1 2007, TANESCO increased its installed emergency gas fired generation to 68 MWs by adding 20 MWs of emergency generation. When combined with the 42 MWs of generation at the Ubungo Power Plant, 110 MWs of gas fired generation in Tanzania was operating on Additional Gas as at 31 March 2007. It is forecast that this will increase to 310 MWs by year end 2007, with the further additions of 100 MWs of emergency generation and a new 100 MW permanent unit.

After several years of drought, above average rainfall in January 2007 (thought to be attributable to El Nino) significantly improved the utilisation rates for the 561 MWs of Tanzania's installed hydro generation. The Mtera dam, which supplies water to the 80 MW Mtera and the 204 MW Kidatu hydro stations rose from a non operational level of 687 meters above sea level to its maximum capacity of 698 meters. This enabled TANESCO to run these units at high utilisation rates in Q1 2007 whilst the rains also enabled good electricity contributions from the remaining 277 MWs of 'run of river' hydros.

Total sales of Additional Gas to the power sector averaged 15.1 mmscf/d in Q1 2007 (Q1 2006: 7.6 mmscf/d). The Company is forecasting that sales to the power sector will average approximately 15 mmscf/d – 17 mmscf/d during 2007. Higher quarterly volumes are anticipated during the dry months in the catchment areas and lower sales during the rainy periods (generally April, May, November and December).

As anticipated, Q1 sales to the industrial sector followed historical trends as customers undertook maintenance and textile manufacturers cut back production due to the lack of indigenous cotton supplies. In addition, the glass manufacturer, Kioo Limited had a serious breakdown with one of its furnaces, that was not remedied until 5 March 2007. Despite this, sales to the industrial sector increased 31% over Q1 2006 to 3.3 mmscf/d. This is expected to increase to 4.5 mmscf/d in Q2.

In the second half of 2007, the Company is expecting to connect 4-6 new industrial customers once 16 kilometers of a new low pressure distribution system is installed and operational. Based on these developments, Orca forecasts that average industrial sales of 6.0 mmscf/d will be achieved during 2007.

To further expand sales to the lower volume, higher price non-power sector, Orca is planning, in collaboration with TDPC, to commence the sale of Compressed Natural Gas ("CNG") to industrial customers and to markets that are not located near the existing distribution pipeline. New CNG markets also include all of the major hotels in Dar es Salaam and Zanzibar, so displacing liquid petroleum gas.

The Company is also reviewing the possibility of applying for an electricity generation licence and selling power directly to industrial customers. Discussions commenced with a large potential customer in Dar es Salaam in Q1 2007 and are expected to progress further over the next few months.

## **Infrastructure**

The current infrastructure limits the supply of gas to Dar es Salaam to 70 mmscf/d. During 2007, the Company forecasts that it will be able to meet its sales targets with no additional infrastructure development. However, from mid-2008, a third and fourth gas processing train will be required to meet peak demand. Investments in pipeline infrastructure may also be needed as the 25 kms 12" offshore pipeline from Songo Songo Island has an estimated maximum throughput of 105 mmscf/d.

During Q4 2006, the Company entered into negotiations with Songas Limited for the installation of a third and fourth gas processing trains on Songo Songo Island. Once completed these additions would increase processing capacity to 140 mmscf/d. During Q1 2007, Songas proceeded with work on these additions and expects to complete engineering in Q2 2007. Tender documents could then be submitted for an engineering, procurement and

construction contract that will be financed by Songas. It is expected that it will take 12 months from the time of awarding the tender for the trains to be operational.

Work will be also be undertaken in 2007 to assess the most cost effective infrastructure configuration to achieve the forecast peak deliverability rates over the next few years. Additional compression or a new offshore pipeline may be required to meet peak loads.

### **New exploration ventures**

Orca is currently evaluating a number of oil exploration and development opportunities in sub Saharan Africa. Project selection criteria include low entry cost, significant exploration upside and the potential to mature the projects within a relatively short period of time. These new oil projects will expand Orca's growth potential but are not intended to limit full development of the Company's Tanzanian project, which continues to have significant exploration upside.

### **Outlook**

This stage in the Company's growth is an exciting time for both shareholders and employees. The Songo Songo reservoir provides Orca with a strong foundation that includes significant opportunities to increase reserves and build new markets. Our oil acquisition and exploration team is rapidly advancing assessment of potential new oil projects in sub Saharan Africa. Management is committed to full development of our existing assets and careful selection and development of new assets.

Your Company is in a strong financial position with working capital of US\$10.6 million as at 31 March 2007. In the short term, these funds are committed to the drilling of SS-10, the development of markets in Tanzania and supporting the business development activities. In the medium term, this asset is forecast to generate excellent operating cash flows that can be used to fund additional growth and the development of new assets.

The time is right to rapidly expand Orca over the next two to three years. We have clear goals, the financial resources, employee expertise and determination to succeed.

We thank our employees and shareholders for their continuing support.

Peter R. Clutterbuck  
President & CEO

**30 May 2007**