Orca Exploration Group Inc.
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FOR IMMEDIATE RELEASE

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Orca Exploration announces its results for the year ended 31 December 2008

TORTOLA, British Virgin Islands. Orca Exploration Group Inc ("Orca Exploration" or the "Company") announces its results for the year ended 31 December 2008.

Financial and Operating Highlights

YEARS ENDED 31 DECEMBER	2008	2007	Change
Financial (US$ except where otherwise stated)			
Revenue	**23,782**	18,777	27%
(Loss)/profit before taxation	**(7,056)**	3,775	n/m
Operating netback *(US$/mcf)*	**2.60**	2.31	13%
Cash and cash equivalents	**10,586**	16,515	(36%)
Working capital	**9,727**	7,299	33%
Shareholders' equity	**64,712**	71,544	(10%)
Funds from operations before working capital changes	**9,751**	8,696	12%
Funds per share from operations before working capital changes - diluted *(US$)*	**0.31**	0.29	7%
Operating			
Additional Gas sold *(MMscf)* - industrial	**1,475**	1,504	(2%)
Additional Gas sold *(MMscf)* - power	**7,185**	6,227	15%
Average price per mcf *(US$)* - industrial	**11.98**	9.31	29%
Average price per mcf *(US$)* - power	**2.37**	2.19	8%
Gross Recoverable Reserves to end of licence (Bcf)			
Proved	**389**	309	26%
Probable	**102**	165	(38%)
Proved plus probable	**491**	474	4%
Present Value, discounted at 10% (US$ million)			
Proved	**258**	183	41%
Proved plus probable	**299**	255	17%

President & CEO's Letter to Shareholders

As Orca Exploration enters 2009, it is in a strong position to weather the global deterioration in financial markets:

- The Company had cash and cash equivalents of approximately US$10 million as at 31 December 2008 and no outstanding long term indebtedness.
- The Company increased funds from operations before working capital changes by 12% to US$9.7 million in 2008. This is expected to increase in 2009 as sales volumes increase and there is a reduction in general and administrative costs.
- The terms of the Company's gas sales contracts partially insulate the business from the volatility in world oil prices. The prices are fixed in the case of sales to the power sector and there are pricing floors in place for the majority of the sales volumes to the industrial customers.
- The Tanzanian economy is not currently expected to be as severely impacted by the financial crisis given the minimal credit levels in the country. It is expected that the World Bank and other multi-laterals will continue to finance infrastructure developments making credit available on a timely basis.
- During 2008, the Company increased Additional Gas sales volumes by 12% to an average of 23.7 MMscfd.
- The Company's recoverable gross proven and probable (2P) reserves on a life of license basis increased by 4% to 491 Bcf in 2008 providing Orca with the ability to commence the negotiation of further long term power contracts.
- The Company has no expenditure or financial obligations to Government or stakeholders with respect to its assets, and all investments are entirely at Orca's discretion.
- In Q1 2009, the Company was given approval by Songas Limited, to increase the processing capacity of the gas plant on Songo Songo Island by 20 MMscfd from 70 to 90 MMscfd. This will facilitate the growth in sales volumes in 2009.

These factors will enable Orca to continue to grow its Tanzanian gas business in 2009 and to have the confidence to invest a further US$11 million primarily in the development of the downstream gas markets.

INCREASED RESERVES

The independent reserve evaluator, McDaniel and Associates Consultants Ltd. ("McDaniel") report of the Songo Songo reserves as at 31 December 2008 demonstrates that the Company's gross proven (1P) and proven and probable (2P) reserves in Songo Songo to the end of the license period have increased by 26% to 389 Bcf and 4% to 491 Bcf respectively during 2008. On a life of field basis the proven and proven and probable reserves have increased by 18% to 433 Bcf and 17% to 649 Bcf respectively. Orca Exploration will look at ways to accelerate field deliverability such that increased reserves can be assigned to the proved category, or seek to extend the current license period. Since production from Songo Songo began in 2004 there has been a 125% increase in Orca's proven reserves and a 92% increase in the proven and probable reserves on a life of field basis.

Based on these reserves and deliverability profiles produced by the Company and McDaniel, the Company is looking to develop gas markets that can consume approximately 100 – 120 MMscfd of Additional Gas. To meet these sales levels, it is assessed that there is a need to drill two new development wells in the field and install field compression.

Orca anticipates that reserves can be further increased by the drilling of the Songo Songo West exploration prospect. In September 2008, McDaniel evaluated this prospect and assessed it to contain unrisked mean resources of 552 Bcf. This prospect will be drilled as soon as practical given the availability of capital.

SUCCESS IN INCREASING GAS PROCESSING CAPACITY

In Q4 2008, the Company successfully completed the installation of a new Joule-Thompson valve on each of the gas processing trains and associated pipework, with no significant disruption of gas supply to Dar es Salaam. In Q1 2009, Lloyds Register certified the two processing trains at 45 MMscfd each and Songas Limited approved the re-rating to 90 MMscfd. Each of the trains was tested to 55 MMscfd and Lloyds Register may yet certify the plant at 110 MMscfd after having successfully inspected the gas heat exchangers later in 2009. If this level of processing is confirmed, it is unlikely that infrastructure capacity would be a constraint until 2011/2012, which allows sufficient lead time for further processing and pipeline expansion.

Since 2006, Songas has been looking to expand the gas processing infrastructure by installing two additional gas processing trains. This expansion is planned to increase gas processing capacity to a minimum of 160 MMscfd. With re-rating of all four trains to 55 MMscfd, the plant would be capable of delivering in excess of 200 MMscfd.

Current delays in the implementation of this expansion involve issues raised by the energy regulator, EWURA, in approving the economic and contractual terms. Songas is currently reviewing its position in relation to the latest order issued by EWURA on 27 February 2009. All Parties are working towards resolving the remaining issues to allow this to happen. In the event that the currently planned expansion does not proceed, the Company is developing a contingency plan to expand the entire system (gas processing and pipeline) to 200 MMscfd. The Company will look for a third party to finance this expansion with the objective of it being in place by the end of 2011, in line with the requirement for additional capacity.

EXPANDING MARKETS AND DOWNSTREAM DISTRIBUTION

During 2008, Orca expanded its downstream low pressure gas distribution system extending it by 7 kilometers to 42 kilometers. Three new customers were connected during 2008. This brings the total number of customers on line to 20 as at 31 December 2008. In addition, eight new contracts were signed in 2008 and these customers will be connected during the course of 2009. There is now significant surplus system capacity that can accommodate further growth.

The most significant industrial contract signed in 2008 was with Tanzania Portland Cement Company ("TPCC") for the supply of gas to a new US$100 million kiln at its Wazo Hill cement plant. The supply of gas commenced ahead of schedule in Q1 2009 at a rate of approximately 2.0 MMscfd. This is forecast to increase to 4.0 MMscfd by 2010 given the significant growth in cement demand in Tanzania.

INITIALLING OF LONG TERM POWER CONTRACTS

In June 2008, the Company agreed commercial terms and initialled two long term power contracts with TANESCO, the owner of the Ubungo power plant, Songas Limited and the Ministry of Energy and Minerals for the supply of Additional Gas for power generation. The first contract provides for the supply of gas to the sixth turbine at the Ubungo power plant to a maximum of approximately 9 MMscfd until July 2024. The second initialled contract covers the supply of Additional Gas to the remaining gas powered generation currently in Tanzania. Beginning in November 2010, the take or pay contract volume in this contract is set at 32 MMscfd through to July 2023, with a maximum daily quantity of 36 MMscfd.

The quantum of the gas sales volumes to the power sector in the short term under these initialled contracts will depend on the availability of the 561 MWs of Tanzania's hydro generation, the timing of any further increase in the Songo Songo infrastructure capacity and the level of installed and operational gas fired generation.

The same contract price applies to both contracts. It is primarily composed of a wellhead price and an amount that is paid to Songas for the use of the gas processing and pipeline infrastructure that is subject to approval from the energy regulator, EWURA. The wellhead price is fixed at approximately US$1.95/mcf which will increase at an expected 2% per annum from July 2009. From July 2012, there will be a step change in the wellhead price to a forecast US$2.83/mcf which will then increase at 2% per annum. Retail downstream burner tip price will be the wellhead price plus processing and transportation tariff. This protocol insulates Orca Exploration from any increases in the gas processing and pipeline infrastructure tariffs.

These contracts are currently interlinked with the construction of the third and fourth gas processing trains. Final signature will take place once Songas commits to the EPC contract for these trains. In the event that Songas does not reach agreement with EWURA on the economic and contractual terms, the contracts will need to be amended to delink them from the gas processing expansion. In the meantime, gas continues to be supplied to the power plants, and payment is received on a monthly basis under an interim arrangement.

INSULATION OF CASH FLOWS FROM OIL PRICE VOLATILITY

Orca's cash flows are not significantly exposed to oil price volatility as a result of negotiating fixed prices and pricing floors with its customers.

During 2008, the Company extended the term of six of its largest contracts accounting for the majority of the industrial gas sales volumes. The extensions cover an additional five years from the dates that existing contracts were due to expire with the earliest contract termination date being September 2014. In return the Company agreed to cap the price of gas to these customers whilst also incorporating a floor price. This is expected to keep the price of gas to these industrial customers in the range of US$7.38/mcf to US$11.49/mcf (increasing at 2% per annum).

Power contract prices are fixed as per the initialled power contracts. This also applies to the new gas supply contract with TPCC, the cement manufacturer at Wazo Hill.

SALES GROWTH

During 2008, the Company increased Additional Gas sales volumes by 12% to an average of 23.7 MMscfd. Based on the existing signed industrial contracts and the initialled power contracts, it is forecast that there will be approximately 50 MMscfd of Additional Gas sales from 2011. Whilst the industrial market in Dar es Salaam, as supplied by the low pressure distribution system, is expected to expand steadily over the next few years, the majority of the growth required to maximize the current proven and probable reserves is expected to come from the production of CNG and demand from the power sector.

Power sector

In response to the Tanzanian Power Sector Master Plan, which projects growth in electricity demand at 7% to 10% per annum or approximately 100 MWs of new generation per annum until 2016, TANESCO has commenced planning for the installation of a 200 – 250 MW power plant at Kinyerezi, Dar es Salaam. This plant is expected to consume a maximum of 50 MMscfd. The negotiation of the Kinyerezi power plant contract is expected to commence in the second half of 2009, once the initialled contracts are signed. TANESCO has indicated that it would intend this plant to be operational by 2011/2012. Discussions have been held between the Governments of Kenya and Tanzania as members of the East African Community to progress a gas pipeline from Dar es Salaam to Mombasa, which can take gas in excess of Tanzanian demand, to fulfil existing thermal fuel generation in Mombasa, and a future 200 MWs of dual fuel new generation. This market fits well with the potential Songo Songo West prospect.

CNG

During 2008, the Company commenced the construction of CNG facilities in Dar es Salaam, which include the construction of one "Mother Station" consisting of a compressor, a vehicle refuelling dispenser and two trailer filling facilities and three "Daughter Stations" for the supply of some industries, hotels and one institution at a cost of US$2.5 million. The CNG facilities are expected to be operational in Q2 2009 and lead to 0.7 MMscfd of CNG sales. It is anticipated that this market will expand rapidly to supply gas to consumers that cannot be cost-effectively connected to Orca's existing low pressure gas distribution system. This will commence with supply to the Mikocheni region, followed by a further supply to the city of Morogoro.

NEW VENTURES

In 2008, Orca decided not to exercise its option to drill two wells in Exploration Area 5 ("EA5") in Uganda to secure a 50% interest in the license. The 300 kilometers of 2-D seismic revealed a number of structures, but the technical analysis indicated a level of risk too high to warrant the costs of an exploration drilling program. The Company believes that proven reserves can be acquired at lower cost by acquisition in today's market, rather then by exploration, which is still a high cost activity. As part of the financial settlement with Tower Resources Plc, it was agreed that if any discovery in EA5 is found to be commercial, Orca could recover, out of the cost recovery pool, up to US$7.5 million that was spent on the seismic acquisition.

FINANCIAL RESULTS

Orca Exploration's 2008 revenues increased 27% to US$23.8 million compared to 2007. Funds from operations before working capital changes increased 12% to US$9.7 million.

The Company's 2008 profitability was impacted by a US$9.5 million write down of the costs associated with the Ugandan seismic acquisition. If this one off item is removed, the Company made a profit before taxation of US$2.5 million. In addition, profitability and cash flows were impacted by higher general and administrative costs. Approximately US$4.7 million was incurred on legal and marketing costs in 2008 in respect of an arbitration claim initiated by Orca Exploration and the negotiation of the initialled long term power contracts. Some of these costs will continue in 2009, but the intention is to reduce the general and administrative cash costs by 20% or approximately US$2.5 million in 2009 compared with 2008.

POSITIVE OUTLOOK

Orca Exploration enters 2009 in a strong financial, operating and marketing position. Despite economic turmoil in world financial markets the Company is expected to continue to bolster its cash reserves in 2009 through the development of its Tanzanian asset.

During 2009, the Company will stay on course to build markets in Tanzania so as to maximize the existing proven and probable reserves. This will involve:

- Planning a two-well development drilling program in 2011 and 2012 to increase deliverability to meet the forecast sales growth;
- Re-rating the capacity of the Songo Songo gas processing plant to 110 MMscfd;
- Preparing for the expansion of the high pressure gas processing and pipeline system to process and transport a peak of 200 MMscfd (including Protected Gas);
- Executing the initialled long term gas supply and related agreements;
- Commencing the negotiation of a contract with TANESCO to supply between 40 and 50 MMscfd of gas to the proposed Kinyerezi power plant;
- Establishing and expanding the CNG market in Tanzania;
- Further progressing potential export potential to Kenya.

Over the course of 2009, management's first priority will be to focus on successfully executing its base business plan in a manner which avoids financial risk. However we have not lost sight of the longer term goal to grow Orca's assets beyond our existing base. The Company still intends to drill the relatively low risk Songo Songo West exploration prospect as soon as practical. In addition, Orca will continue to monitor potentially suitable asset acquisition opportunities that may arise as result of turmoil in world capital markets. These will focus on proven reserves rather than exploration.

In these uncertain times, Orca appreciates the confidence and support of its loyal shareholders. Management remains very optimistic about your Company's prospects in Tanzania and will work hard to demonstrate the inherent value that is present in your Company's assets and operations.

Consolidated Income Statement

ORCA EXPLORATION GROUP INC.

YEARS ENDED 31 DECEMBER ***(thousands of US dollars except per share amounts)***	**2008**	2007
Revenue	**23,782**	18,777
Cost of sales		
Production and distribution expenses	**(1,477)**	(1,193)
Depletion expense	**(4,716)**	(4,476)
Impairment of exploration and evaluation assets	**(9,520)**	-
	8,069	13,108
Administrative expenses	**(14,686)**	(10,708)
Net financing income/(charges)	**(439)**	1,375
(Loss)/profit before taxation	**(7,056)**	3,775
Taxation	**(2,467)**	(2,030)
(Loss)/profit after taxation	**(9,523)**	1,745
(Loss)/profit per share		
Basic and diluted (US$)	**(0.32)**	0.06

Consolidated Balance Sheet

ORCA EXPLORATION GROUP INC.

AS AT 31 DECEMBER ***(thousands of US dollars)***	**2008**	2007
ASSETS		
Current assets		
Cash and cash equivalents	**10,586**	16,515
Trade and other receivables	**13,196**	8,236
	23,782	24,751
Exploration and evaluation assets	**648**	6,881
Property, plant and equipment	**60,818**	61,157
	61,466	68,038
	85,248	92,789
LIABILITIES		
Current liabilities		
Trade and other payables	**14,055**	17,452
Non current liabilities		
Deferred income taxes	**5,510**	3,205
Deferred additional profits tax	**971**	588
	20,536	21,245
SHAREHOLDERS' EQUITY		
Capital stock	**66,537**	66,538
Capital reserve	**3,715**	1,023
Accumulated (loss)/income	**(5,540)**	3,983
	64,712	71,544
	85,248	92,789

Consolidated Statements of Cash Flows

ORCA EXPLORATION GROUP INC.

YEARS ENDED 31 DECEMBER (thousands of US dollars)	**2008**	2007
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit/(loss) after taxation	**(9,523)**	1,745
Adjustment for		
Depletion and depreciation	**4,792**	4,631
Impairment of exploration and evaluation assets	**9,520**	-
Stock-based compensation	**2,419**	1,062
Deferred income taxes	**2,305**	1,976
Deferred additional profits tax	**383**	324
Interest income	**(145)**	(628)
Foreign exchange gain	**-**	(414)
	9,751	8,696
Increase in trade and other receivables	**(4,960)**	(3,961)
Increase in trade and other payables	**394**	6,032
Net cash flows from operating activities	**5,185**	10,767
CASH FLOWS USED IN INVESTING ACTIVITIES		
Exploration and evaluation expenditures	**(3,014)**	(6,322)
Property, plant and equipment expenditures	**(4,453)**	(46,836)
Interest income	**145**	628
(Decrease)/increase in trade and other payables	**(3,791)**	6,897
Net cash used in investing activities	**(11,113)**	(45,633)
CASH FLOWS FROM FINANCING ACTIVITIES		
Normal course issuer bid	**(1)**	(220)
Shares issued	**-**	30,366
Foreign exchange gain	**-**	414
Proceeds from exercise of options	**-**	143
Net cash flow from financing activities	**(1)**	30,703
Decrease in cash and cash equivalents	**(5,929)**	(4,163)
Cash and cash equivalents at the beginning of the year	**16,515**	20,678
Cash and cash equivalents at the end of the year	**10,586**	16,515

Statement of Changes in Shareholders' Equity

ORCA EXPLORATION GROUP INC.

(thousands of US dollars)	**Capital stock**	**Capital reserve**	**Accumulated Income/ (loss)**	**Total**
Balance as at 1 January 2007	34,469	1,182	2,238	**37,889**
Shares issued	31,971	(675)	-	**31,296**
Options exercised	143	-	-	**143**
Stock-based compensation	-	691	-	**691**
Normal course issuer bid	(45)	(175)	-	**(220)**
Profit for the year	-	-	1,745	**1,745**
Balance as at 31 December 2007	**66,538**	**1,023**	**3,983**	**71,544**
Shares issued	-	-	-	**-**
Options exercised	-	-	-	**-**
Stock-based compensation	-	2,692	-	**2,692**
Normal course issuer bid	(1)	-	-	**(1)**
Loss for the year	-	-	(9,523)	**(9,523)**
Balance as at 31 December 2008	**66,537**	**3,715**	**(5,540)**	**64,712**

Forward Looking Statements

This disclosure contains certain forward-looking estimates that involve substantial known and unknown risks and uncertainties, certain of which are beyond Orca Exploration's control, including the impact of general economic conditions in the areas in which Orca Exploration operates, civil unrest, industry conditions, changes in laws and regulations including the adoption of new environmental laws and 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 and obtaining required approvals of regulatory authorities. In addition there are risks and uncertainties associated with oil and gas operations, therefore Orca Exploration's actual results, performance or achievement could differ materially from those expressed in, or implied by, these forward-looking estimates and, accordingly, no assurances can be given that any of the events anticipated by the forward-looking estimates will transpire or occur, or if any of them do so, what benefits, including the amounts of proceeds, that Orca Exploration will derive therefrom.

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