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TSX-V: ORC.A, ORC.B

FOR IMMEDIATE RELEASE

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Orca Exploration announces its result for the quarter ended 30 September 2010

TORTOLA, British Virgin Islands. Orca Exploration Group Inc (“Orca Exploration” or the “Company”) announces its results for the quarter ended 30 September 2010.

Highlights

- Increased profit before taxation by 108% to US\$5.6 million (Q3 2009: US\$2.7 million).
- Increased funds flow from operating activities by 44% to US\$6.1 million (Q3 2009: US\$4.2 million).
- Increased Q3 2010 sales of Additional Gas by 20% to 3,688 MMcf or 40.1 MMcfd (Q3 2009: 3,074 MMcf or 33.4 MMcfd).
- Increased working capital by 21% during the quarter to US\$30.1 million (US\$24.9 million at 30 June 2010).
- Successfully raised gross proceeds of Cdn\$19.3 million by means of a 1 for 6 rights issue that was fully subscribed.

Financial and Operating Highlights

	Three months ended or as at			Nine months ended or as at		
	30-Sep 2010	30-Sep 2009	Change	30-Sep 2010	30-Sep 2009	Change
Financial (US\$'000) except where otherwise stated						
Revenue	10,975	7,536	46%	28,251	17,480	62%
Profit before taxation	5,584	2,682	108%	12,949	4,083	216%
Operating netback (<i>US\$/mcf</i>)	2.32	2.17	7%	2.30	2.17	6%
Cash and cash equivalents	22,179	9,703	129%	22,179	9,703	129%
Working capital	30,093	12,147	148%	30,093	12,147	148%
Shareholders' equity	77,827	67,159	16%	77,827	67,159	16%
Profit per share - basic (<i>US\$</i>)	0.12	0.05	140%	0.27	0.06	350%
Profit per share - diluted (<i>US\$</i>)	0.12	0.05	140%	0.27	0.06	350%
Funds flow from operating activities	6,123	4,247	44%	15,349	8,228	87%
Funds per share from operating activities - basic (<i>US\$</i>)	0.21	0.14	50%	0.52	0.28	86%
Funds per share from operating activities - diluted (<i>US\$</i>)	0.20	0.14	43%	0.50	0.27	85%
Net cash flows from operating activities	4,506	1,959	130%	9,445	5,591	69%
Net cash flows per share from operating activities - basic (<i>US\$</i>)	0.15	0.07	128%	0.32	0.19	69%
Net cash flows per share from operating activities - diluted (<i>US\$</i>)	0.15	0.06	129%	0.31	0.18	69%
Outstanding Shares ('000)						
Class A shares	1,751	1,751	0%	1,751	1,751	0%
Class B shares	27,983	27,770	1%	27,983	27,770	1%
Options	2,557	2,797	(9%)	2,557	2,797	(9%)
Operating						
Additional Gas sold (<i>MMcf</i>) - industrial	770	581	32%	1,817	1,554	17%
Additional Gas sold (<i>MMcf</i>) - power	2,918	2,493	17%	8,014	5,756	39%
Additional Gas sold (<i>MMcfd</i>) - industrial	8.4	6.3	33%	6.7	5.7	18%
Additional Gas sold (<i>MMcfd</i>) - power	31.7	27.1	17%	29.4	21.1	39%
Average price per mcf (<i>US\$</i>) - industrial	8.01	9.01	(11%)	8.80	7.96	10%
Average price per mcf (<i>US\$</i>) - power	2.63	2.41	7%	2.59	2.39	8%

Chairman & CEO's Letter to Shareholders

During the third quarter, Orca Exploration took additional steps to accelerate value creation and progress the growth strategies announced in our Q2 Report to shareholders.

- Orca is continuing to monetise the value of our current gas reserves through planned infrastructure expansions that will boost natural gas throughput from the Songo Songo gas field;
- We are on track with plans to drill the low risk, high potential Songo Songo West prospect in 2011; and
- Orca has strengthened its Board of Directors and management team to best execute on our growth strategy.

Orca had a profitable third quarter recording the highest level of gas sales to date at 40.1 MMcfd. The Company generated funds flow from operating activities of US\$6.1 million (Q3 2009: US\$4.2 million) for the quarter taking it to US\$15.3 million for the nine months to 30 September 2010. We remain on target for cash flow of US\$20 million for the year.

Third quarter highlights include:

- Progress in finalising a re-rating Agreement with Songas Limited that will increase the infrastructure capacity from 90 MMcfd to 105 MMcfd;
- Notification that Songas will submit an application to the regulator, EWURA, for the permanent expansion of the infrastructure to 140 MMcfd in Q4 2010;
- Notification that TANESCO, the electricity utility, is finalising contractual terms with Jacobsen Elektro AS to install 105 MWs of power generation capacity over the next 15 months and is working to re-commission a 112 MW plant in Dar es Salaam in Q1 2011; and
- The successful conclusion of the fully subscribed Rights Offering that raised gross proceeds of Cdn\$19.3 million. When this is added to the Company's working capital at 30 September 2010, Orca now has working capital of US\$48 million and no debt.

Strengthening the Board and Management

In the first half of 2010, the Board of Directors was restructured and a majority of independent directors was elected at the Company's Annual General Meeting. Orca is very fortunate to have three new and highly experienced directors join our Board – Lord Howard of Lympne, Robert (Bob) Wigley and Beer Van Straten.

The Company has also added strength to its management team by the appointment of Andrew Brown as the country manager in Tanzania. He recently served as Managing Director for BG's Nile Valley gas company in Egypt and his experience in downstream gas operations and gas marketing will be extremely valuable in monetising the Company's gas reserves.

Pierre Raillard, who was previously in-country manager has been named Vice President of Orca's new infrastructure division. Mr Raillard who previously played a key role in the development of the company's Songo Songo natural gas operations is heading up an expansion project that could rapidly accelerate the development of natural gas reserves and markets in East Africa.

Expanding infrastructure

There is an urgent need to expand the infrastructure that processes and transports natural gas from Songo Songo Island to Dar es Salaam. During Q3 2010, gas sales from the field averaged 81.3 MMcfd against an installed infrastructure capacity of 90 MMcfd.

To address this challenge infrastructure growth activities in Q3 2010 included:

- Technical evaluations of the gas processing plant to remove any obstacle to re-rate the plant to 110 MMcfd. Lloyds Register has now approved the plant to operate at 110 MMcfd and Orca is now in discussions to sign a re-rating agreement.
- Assisting Songas with its Expansion Project to install new processing capacity and downstream compression that will increase the overall capacity to 140 MMcfd. Songas is expected to submit a tariff methodology to the energy regulator, EWURA, by the end of 2010.
- Presenting interested parties with the opportunity to participate in the creation of an infrastructure company that would construct a new 207 kilometer onshore pipeline to Dar es Salaam.

Growth in power demand

Power demand continues to surge. TANESCO is negotiating with the Independent Power Corporation to re-commission their 112 MW plant. This would create a 24 MMcfd maximum demand for Additional Gas supplied by Orca.

In addition, TANESCO has signed an agreement with the Norwegian power turbine manufacturer, Jacobsen, for the supply of three new 35 MW turbines. That plant is expected to be fully operational by Q1 2012.

Longer term, TANESCO is working to bring an additional 240 MWs of combined cycle plants on line at Kinyerezi by the end of 2013.

By 2014, it is forecast that TANESCO will have completed a US\$0.5 billion project (majority financed by the World Bank and other Multilaterals) to strengthen the transmission grid in Tanzania. This will lead to increased construction of gas fired generation as TANESCO connects significant industries and consumers around Lake Victoria.

Well interventions

The Company has recently conducted a logging programme that has indicated that the wells may have to be worked over. These potential workovers could add 40 MMcfd of deliverability (the equivalent of one new well) through adding tubing capacity. The Company has commissioned an expert's report to develop a work programme for 2011.

EastCoast Transmission and Marketing

There is increasing exploration activity offshore East Africa with four gas discoveries by Anadarko in Mozambique and by British Gas 65 kilometers from Songo Songo Island offshore Tanzania. British Gas is expected to drill a further two wells over the next six months. Statoil and Exxon Mobil also have offshore blocks that are expected to be drilled in 2011.

To lead in the development of natural gas markets in East Africa, Orca recently announced the creation of a new infrastructure division, EastCoast Transmission and Marketing. This will accelerate the commercialisation of Orca's Tanzanian gas reserves whilst also creating a new revenue stream for the Company. If successful, Orca plans to lead in the establishment of a coastal gas pipeline network that can be accessed by other upstream operators and used to transport their gas to the principal industrial hubs in East Africa including Mombasa in Kenya.

The first EastCoast Transmission and Marketing project currently being evaluated is the feasibility of a 207-kilometer onshore pipeline that could run parallel to the existing onshore pipeline from the Songo Songo field area to Dar es Salaam.

EastCoast Transmission and Marketing is currently in discussion with equity and debt providers about the financing of a new infrastructure company and is anxious to have a significant East Africa finance component.

Low risk appraisal well in Italy

During Q2 2010, Orca signed a farm-in agreement with Petroceltic International Plc to participate in the drilling of a low risk, high potential appraisal well offshore Italy in the Adriatic. The area has significant oil exploration upside and as part of the farm-in, Orca would earn the right to participate in 11 adjacent exploration blocks in the Central Adriatic.

Petroceltic were due to spud the Elsa-2 well prior to 31 October 2010, but the Italian government passed a decree, following the blowout of the Macondo well in the U.S., that prevented the drilling in the Italian seas within 5 miles of the coastline and within 12 miles around the perimeter of protected Marine Parks. In view of this, Petroceltic suspended the permit until such time as the Ministry of Environment issues a decree of environmental compatibility for the drilling program. The project is currently on hold and Orca is not liable to any costs associated with the drilling of Elsa-2 until a rig contract is signed. .

Growing cash flows in Tanzania

During Q3 2010, Orca's gas production and marketing in Tanzania generated funds flow from operating activities of US\$6.1 million, a 44% increase compared with the same period in 2009. Industrial gas sales volumes increased by 33% to 8.4 MMcfd. Utility gas sales also increased by 17% to 31.7 MMcfd since Tanzania's hydro generation output declines during the dry season.

Orca's cash flows are forecast to continue to grow on an annualised basis. In the absence of increased capital expenditure, the Company may deplete its cost recovery pool that has been brought forward from previous years during the course of the next few months. Accordingly, until higher capital expenditures are incurred on activities such as the drilling of Songo Songo West, the Company's revenue will reflect the costs incurred during each period plus the relevant profit share.

Strategy driven action

Your Company's Board of Directors, Orca's management and all its employees are poised to take the Company to a new level of performance over the next two years.

In Q1 2010 we announced that the Company had signed a PSA pending ratification. Unfortunately we were notified this quarter that the exploration licence had been awarded to a major third party. We remain focused on growth and are sensitive to the need to add new low risk, high potential opportunities. Access to and allocation of capital will be continue to be critical and we are sensitive to the need to work with partners and sources of capital that are compatible with our own growth plans. We were very encouraged by the success of our recently completed and fully subscribed Rights Offering and we appreciate the strength this gives us as we pursue our goal of creating increased shareholder value and having that value recognised.

Together we are taking action to deliver on Orca's renewed growth agenda.

Consolidated Statement of Comprehensive Income (unaudited)

ORCA EXPLORATION GROUP INC.

	Three months ended		Nine months ended	
	30-Sep 2010	30-Sep 2009	30-Sep 2010	30-Sep 2009
<i>(thousands of US dollars except per share amounts)</i>				
Revenue	10,975	7,536	28,251	17,480
Cost of sales				
Production and distribution expenses	(1,298)	(997)	(3,464)	(1,898)
Depletion expense	(1,143)	(1,199)	(3,053)	(2,861)
	8,534	5,340	21,734	12,721
Administrative expenses	(2,740)	(2,647)	(7,881)	(8,633)
Net financing (charges)/income	(210)	(11)	(904)	(5)
Profit before taxation	5,584	2,682	12,949	4,083
Taxation	(2,006)	(1,133)	(4,823)	(2,323)
Profit and comprehensive income	3,578	1,549	8,126	1,760
Profit per share				
Basic (US\$)	0.12	0.05	0.27	0.06
Diluted (US\$)	0.12	0.05	0.27	0.06

Consolidated Statement of Financial Position (unaudited)

ORCA EXPLORATION GROUP INC

As at (thousands of US dollars)	30-Sep 2010	31-Dec 2009
ASSETS		
Current assets		
Cash and cash equivalents	22,179	14,543
Trade and other receivables	15,982	9,181
	38,161	23,724
Non-current assets		
Exploration and evaluation asset	909	760
Property, plant and equipment	60,780	61,793
	61,689	62,553
	99,850	86,277
EQUITY AND LIABILITIES		
Current liabilities		
Trade and other payables	8,068	6,889
Non-current liabilities		
Deferred income taxes	11,930	9,068
Deferred additional profits tax	2,025	1,460
	22,023	17,417
Equity attributable to owners		
Capital stock	66,807	66,267
Other components of equity	5,110	4,809
Accumulated income/(loss)	5,910	(2,216)
	77,827	68,860
	99,850	86,277

Consolidated Statement of Cash Flows (unaudited)

ORCA EXPLORATION GROUP INC

<i>(thousands of US dollars)</i>	Three months ended		Nine months ended	
	30-Sep 2010	30-Sep 2009	30-Jun 2010	30-Sep 2009
CASH FLOWS FROM OPERATING ACTIVITIES				
Profit after taxation	3,578	1,549	8,126	1,760
Adjustment for :				
Depletion and depreciation	1,191	1,230	3,210	2,947
Stock-based compensation	73	188	607	898
Deferred income taxes	1,094	1,133	2,862	2,323
Deferred additional profits tax	205	156	565	336
Interest income	(18)	(9)	(21)	(36)
	6,123	4,247	15,349	8,228
(Increase)/decrease in trade and other receivables	(2,884)	(2,061)	(6,801)	2,098
Increase/(decrease) in trade and other payables	1,267	(227)	897	(4,735)
Net cash flows from operating activities	4,506	1,959	9,445	5,591
CASH FLOWS USED IN INVESTING ACTIVITIES				
Exploration and evaluation expenditures	(146)	(3)	(149)	(109)
Property, plant and equipment expenditures	(1,077)	(1,990)	(2,197)	(5,524)
Interest income	18	9	21	36
Increase/(decrease) in trade and other payables	325	711	282	(666)
Net cash used in investing activities	(880)	(1,273)	(2,043)	(6,263)
CASH FLOWS USED IN FINANCING ACTIVITIES				
Normal course issuer bid	-	(55)	-	(211)
Net cash flow from/(used in) financing activities	234	-	234	-
Increase/(decrease) in cash and cash equivalents	234	(55)	234	(211)
Cash and cash equivalents at the beginning of the period	3,860	631	7,636	(883)
Cash and cash equivalents at the end of the period	18,319	9,072	14,543	10,586

Statement of Changes in Shareholders' Equity (unaudited)

ORCA EXPLORATION GROUP INC

<i>(thousands of US dollars)</i>	Capital stock	Other components of equity	Accumulated loss	Total
Balance as at 1 January 2009	66,537	3,715	(5,540)	64,712
Stock-based compensation	-	898	-	898
Normal course issuer bid	(208)	(3)	-	(211)
Total comprehensive income for the period	-	-	1,760	1,760
Balance as at 30 September 2009	66,329	4,610	(3,780)	67,159

<i>(thousands of US dollars)</i>	Capital stock	Other components of equity	Accumulated Income/(loss)	Total
Balance as at 1 January 2010	66,267	4,809	(2,216)	68,860
Stock-based compensation	-	607	-	607
Stock options exercised	540	(306)	-	234
Total comprehensive income for the period	-	-	8,126	8,126
Balance as at 30 September 2010	66,807	5,110	5,910	77,827

Orca Exploration is an international public company engaged in natural gas exploration, development and supply in Tanzania, oil appraisal in Italy and the acquisition of an additional new oil exploration opportunity in another proven hydrocarbon basin. Orca Exploration trades on the TSXV under the trading symbols ORC.B and ORC.A.

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Forward Looking Statements

This disclosure contains certain forward-looking statements that involve substantial known and unknown risks and uncertainties, certain of which are beyond Orca's control, including the impact of general economic conditions in the areas in which Orca 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'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 will derive therefrom. The forward-looking statements contained in this press release are made as of the date hereof and Orca undertakes no obligation to update publicly or revise any forward-looking statements or information, whether as a result of new information, future events or otherwise, unless so required by applicable securities laws.