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TSX-V: ORC.A, ORC.B

FOR IMMEDIATE RELEASE

30 May 2012

Orca Exploration announces its results for the quarter ended 31 March 2012

TORTOLA, British Virgin Islands. Orca Exploration Group Inc (“Orca Exploration” or the “Company”) announces its results for the quarter ended 31 March 2012.

Highlights

- Increased sales of Additional Gas by 45% to 4.8 Bcf or 52.9 MMcfd (Q1 2011: 3.3 Bcf or 37.1 MMcfd). This resulted in operating revenue of US\$17.2 million (Q1 2011: US\$9.6 million).
- Increased funds from operations before working capital changes by 100% to US\$9.9 million (Q1 2011: US\$4.9 million).
- Working capital decreased by 16% in the last quarter to US\$47.1 million (US\$56.0 million as at 31 December 2011) as a consequence of significant capital expenditure on drilling operations.
- Continued drilling the SS-11 development well on Songo Songo Island, which has now been completed. A total of 352 meters of total gas reservoir was encountered and extensive new reservoir data was acquired during the drilling of the well. This will be evaluated during Q2 2012. The well will be connected to the gas processing plant later in the year.
- Deferred the drilling of a second development well, SS-12, pending the normalisation of TANESCO’s payments arrears for gas.
- At the end of May, as operator, the Company will conduct corrosion logging on the offshore well SS-9 and has been independently advised that production can continue until these results have been analysed. The result will determine whether or not SS-9 can be kept on production until SS-11 is connected to the gas processing facilities later in the year.
- Continued to work on logistics to secure a jack up rig for the drilling of the exploration prospect, Songo Songo West, in Q4 2012. The rig is expected to be mobilised to Mozambique by another operator in Q3 2012.
- Commenced discussions with the Government Negotiation Team (GNT) to resolve the issues raised in 2011 by the Parliamentary Committee for Energy and Minerals in respect of the Company’s Production Sharing Agreement.
- Continued to plan for the drilling of the La Tosca well in the Longastrino exploration block in the Po Valley, northern Italy (operated by Northern Petroleum Plc). Under the terms of the farm in agreement, Orca will earn between 70% and 75% of the block in return for financing the drilling and the testing of the well up to predefined caps. The well is expected to be spud in July 2012.

Financial and Operating Highlights

	Three months ended or as at		
	31-Mar 2012	31-Mar 2011	Change
Financial (US\$ 000 except where otherwise stated)			
Revenue	17,207	9,640	78%
Profit before taxation	10,154	4,030	152%
Operating netback (<i>US\$/mcf</i>)	2.55	2.16	18%
Cash and cash equivalents	30,635	47,776	(36%)
Working capital	47,063	55,759	(16%)
Shareholders' equity	113,051	100,573	12%
Earnings per share - basic (<i>US\$</i>)	0.19	0.07	171%
Earnings per share - diluted (<i>US\$</i>)	0.18	0.07	157%
Funds flow from operating activities	9,888	4,947	100%
Funds flow per share from operating activities - basic (<i>US\$</i>)	0.28	0.14	100%
Funds flow per share from operating activities - diluted (<i>US\$</i>)	0.28	0.14	100%
Net cash flows from operating activities	6,653	3,496	90%
Net cash flows per share from operating activities - basic (<i>US\$</i>)	0.19	0.10	90%
Net cash flows per share from operating activities - diluted (<i>US\$</i>)	0.19	0.10	90%
Outstanding Shares ('000)			
Class A shares	1,751	1,751	0%
Class B shares	32,743	32,939	(1%)
Options	2,257	2,557	(12%)
Additional Gas sold (<i>MMcf</i>) - industrial	835	550	52%
Additional Gas sold (<i>MMcf</i>) - power	3,973	2,794	42%
Additional Gas sold (<i>MMcfd</i>) - industrial	9.2	6.1	51%
Additional Gas sold (<i>MMcfd</i>) - power	43.7	31.0	41%
Average price per mcf (<i>US\$</i>) - industrial	9.63	9.42	2%
Average price per mcf (<i>US\$</i>) - power	2.72	2.62	4%

Chairman & CEO's Letter to Shareholders

2012 is a pivotal year for the Orca Exploration Group. Continuing global economic uncertainties and their impact on capital markets requires that we focus even more carefully on the business that shapes the Company. At the same time we are acutely aware of the critical role Orca plays within Tanzania to develop the country's natural gas resources and make them available to the country's power and industrial sectors to the ultimate benefit of all Tanzanians. To play its part in meeting that challenge Orca is moving forward to increase gas production from Songo Songo Island and is working closely with the Government of Tanzania and other Songo Songo stakeholders.

Orca has already taken the first steps in the US\$130 million expansion program it announced last November. The drilling of the first development well SS-11 has now been completed on Songo Songo Island and negotiations are proceeding to have a jack-up rig available for the drilling of the Songo Songo West exploratory well later this year. The drilling of Orca's farm-in well in Italy is scheduled to begin in Q3 2012.

FINANCIAL RESULTS

Revenue grew by 78% to US\$17.2 million in Q1 2012 (Q1 2011: US\$9.6 million). The revenue increase was aided by strong Additional Gas sales of 4,808 MMcf or 52.9 MMcfd (Q1 2011: 3,344 MMcf and 37.1 MMcfd) and the fact that cost recovery was maximised following the first phase of our capital expenditure programme. Funds from operations before working capital changes increased by 100% to US\$9.9 million. With significant expenditure on drilling programmes available working capital decreased from US\$56.0 million at 31 December 2011 to US\$47.1 million at 31 March 2012.

Orca continues to experience significant cash flow challenges due to delays in payments owed by TANESCO. The state electric utility currently owes the Company US\$22.9 million. To help alleviate the funding gap caused by the delays in TANESCO payments, the Company is in the process of finalising a short-term US\$10 million bank facility in Tanzania. Further funding will be required if TANESCO continues to be significantly in arrears with its payments.

TANZANIA OPERATIONS

In Q1 2012 Orca pushed ahead with the drilling of the SS-11 development well. The well was drilled at an angle of 40 degrees entering the top Neocomian reservoir in its highest position in the Songo Songo field. A total of 352 meters of total gas reservoir was encountered and extensive new reservoir data was acquired during the drilling of the well. SS-11 is expected to be an excellent producer and will be brought on production later this year. The intention was to drill a further development well SS-12 from the same drilling location. However, this well has been deferred as it was considered imprudent to drill a further well whilst there was still considerable uncertainty over the timing of the receipts from TANESCO.

To increase infrastructure capacity to deliver gas to Dar es Salaam, the Company assisted the Tanzanian Petroleum Development Corporation ("TPDC") in Q1 2012 with the design of a pipeline and expanded infrastructure facilities that the Government has announced its intention to construct by the end of 2013. Initially this expansion is expected to increase the Songo Songo infrastructure capacity to 200 MMcfd. Orca's production is currently restricted by infrastructure limits to a maximum of 102 MMcfd. In the short term, production could be further restricted in the event that the SS-9 well is taken off production following a current corrosion assessment of the well. If that happens there may be a period where Orca can only deliver 80 MMcfd until the new SS-11 well is connected later in 2012.

The Company is continuing its plans to drill the Songo Songo West exploration well in Q4 2012. During Q1 2012, the Company purchased long lead items and conducted seismic surveys to pinpoint the best drilling location. A suitable jack up rig will be operating in Mozambique in Q3 2012 and Orca is negotiating to contract the rig once it has completed the work programme there.

Drilling Songo Songo West is dependent on TANESCO clearing its arrears and resuming regular payments as well as completion of a reserve-based lending facility that is currently under discussion. This financing is also dependent on a satisfactory outcome of discussions with the Government Negotiation Team ('GNT') on various issues in Orca's Production Sharing Agreement ("PSA") including, but not limited to, TPDC back in rights, profit sharing arrangements, the unbundling of the downstream assets, cost recovery and Orca's management of the upstream operations. The Company has presented a package proposal to the GNT that aims to resolve all the outstanding issues and is expecting to receive a counterproposal. While changes to the PSA could have material adverse impacts, the Company reserves its right to defend its position if no satisfactory agreement is reached. The drilling of Songo Songo West could be delayed if no good faith satisfactory resolution is negotiated and TANESCO continues to delay payments.

ITALIAN OPERATIONS

In Italy we are moving forward with a land-based exploration programme. The drilling of the La Tosca farm-in well is scheduled to spud in July 2012. Northern Petroleum, as operator, will drill the well in the Longastrino Block in the Po Valley region of northern Italy. Orca will pay 100% of the costs of the La Tosca 1 well up to 4.3 million (US\$5.4 million) and 70% thereafter for the drilling phase, together with back-in costs of 0.6 million (US\$0.7 million) to earn a 70% interest in the block. If the well is tested and completed, Orca will earn an additional 5% (taking it to 75%) by paying 100% of the testing costs up to 1.3 million (US\$1.6 million) and 75% thereafter. There are a number of other prospects on the Longastrino block that will be evaluated following the completion of the drilling of the La Tosca well.

BOARD AND MANAGEMENT CHANGES

At the Annual General Meeting in June, the Company will be seeking the appointment of two new board members. Mr William (Bill) Smith was secretary of the Board at Pan-Ocean Energy Corporation Limited ("PanOcean"). Mr. Robert Wynne was the Chief Financial Officer at PanOcean. Currently serving Board members, Lord Howard of Lympne, Robert (Bob) Wigley, John Patterson, Beer van Straten and Robin Gaeta, are stepping down with our sincere thanks and will assume new advisory roles.

Two new executive appointments have also been made. Beer van Straten has been named Chief Operating Officer replacing Dale Rollins who resigned in March 2012. He is responsible for the Company's field operations including the current large scale development and exploration drilling programme in Tanzania. Robert Wynne is assuming the role of Chief Financial Officer following the resignation of Nigel Friend who has been a valued member of Orca's management team for the past seven years.

NEXT STEPS

Orca's commitment to fully meet all its obligations and contribute to Tanzania's energy self-sufficiency is clearly on the record. In that spirit, the Company is engaged with the Government of Tanzania in a joint review of all performance and financial concerns. We are doing this with transparency and full cooperation.

Orca is proud of its contributions to Tanzania's self-sufficiency and to the businesses and people of Tanzania. We are equally proud of the value that the Company is building for its shareholders. None of this would be possible without the high quality performance of our employees, management and advisors. Looking ahead we will continue to work on strategic growth initiatives, maintaining strong partnerships, controlling costs, creating value and continuing to build sustainable relationships wherever we operate.

W. David Lyons
Chairman & CEO
May 29, 2012

Condensed Consolidated Interim Statement of Comprehensive Income (unaudited)

ORCA EXPLORATION GROUP INC.

	Three months ended	
	31-Mar 2012	31-Mar 2011
<i>(thousands of US dollars except per share amounts)</i>		
Revenue	17,207	9,640
Cost of sales		
Production and distribution expenses	(1,316)	(1,026)
Depletion expense	(1,938)	(1,582)
	13,953	7,032
General and administrative expenses	(3,664)	(2,850)
Finance income	38	-
Finance costs	(173)	(152)
Profit before taxation	10,154	4,030
Taxation	(3,762)	(1,640)
Profit after taxation and comprehensive income	6,392	2,390
Earnings per share		
Basic (US\$)	0.19	0.07
Diluted (US\$)	0.18	0.07

Condensed Consolidated Interim Statement of Financial Position (unaudited)

ORCA EXPLORATION GROUP INC

AS AT (thousands of US dollars)	31-Mar 2012	31-Dec 2011
ASSETS		
Current Assets		
Cash and cash equivalents	30,635	34,680
Trade and other receivables	42,435	40,348
Taxation receivable	9,708	5,880
Prepayments	342	302
	83,120	81,210
Non- Current Assets		
Exploration and evaluation assets	4,500	2,921
Property, plant and equipment	82,863	67,713
	87,363	70,634
Total Assets	170,483	151,844
EQUITY AND LIABILITIES		
Current Liabilities		
Trade and other payables	31,437	22,801
Taxation payable	4,620	2,403
	36,057	25,204
Non-Current Liabilities		
Deferred income taxes	15,916	15,194
Deferred additional profits tax	5,459	4,787
	21,375	19,981
Total Liabilities	57,432	45,185
Equity		
Capital stock	84,610	84,610
Contributed surplus	6,268	6,268
Accumulated income	22,173	15,781
	113,051	106,659
Total Equity and Liabilities	170,483	151,844

Condensed Consolidated Interim Statement of Cash Flows (unaudited)

ORCA EXPLORATION GROUP INC

THREE MONTHS ENDED <i>(thousands of US dollars)</i>	31-Mar 2012	31-Mar 2011
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit after taxation	6,392	2,390
Adjustment for :		
Depletion and depreciation	2,019	1,630
Stock-based compensation	6	73
Deferred income taxes	722	538
Deferred additional profits tax	672	193
Gain on disposal of vehicle	-	(5)
Interest income	(1)	(3)
Unrealised foreign exchange loss	78	131
(Increase) in trade and other receivables	(2,118)	(887)
(Increase) in taxation receivable	(3,828)	(1,462)
Decrease/(increase) in prepayments	(40)	28
(Decrease)/increase in trade and other payables	534	(232)
Increase in taxation payable	2,217	1,102
Net cash flows from operating activities	6,653	3,496
CASH FLOWS USED IN INVESTING ACTIVITIES		
Exploration and evaluation expenditures	(1,578)	(224)
Property, plant and equipment expenditures	(17,170)	(1,132)
Proceeds from sale of vehicle	-	3
Interest received	1	5
Increase in trade and other payables	8,072	106
Net cash used in investing activities	(10,675)	(1,242)
(Decrease)/Increase in cash and cash equivalents	(4,022)	2,254
Cash and cash equivalents at the beginning of the period	34,680	45,519
Effect of change in foreign exchange	(23)	3
Cash and cash equivalents at the end of the period	30,635	47,776

Condensed Consolidated Interim Statement of Changes in Shareholders' Equity (unaudited)

ORCA EXPLORATION GROUP INC

<i>(thousands of US dollars)</i>	Capital stock	Contributed surplus	Accumulated income	Total
Balance as at 1 January 2011	85,100	5,288	10,185	100,573
Stock-based compensation	-	-	-	-
Total comprehensive income for the period	-	-	2,390	2,390
Balance as at 31 March 2011	85,100	5,288	10,185	100,573

<i>(thousands of US dollars)</i>	Capital stock	Contributed surplus	Accumulated income	Total
Note				
Balance as at 1 January 2012	84,610	6,268	15,781	106,659
Stock-based compensation	-	-	-	-
Total comprehensive income for the period	-	-	6,392	6,392
Balance as at 31 March 2012	84,610	6,268	22,173	113,051

Orca Exploration is an international public company engaged in natural gas exploration, development and supply in Tanzania and oil appraisal and gas exploration in Italy. Orca Exploration trades on the TSXV under the trading symbols ORC.B and ORC.A.

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Forward Looking Statements

This press release contains forward-looking statements. More particularly, this press release contains statements concerning, but not limited to, timing of evaluation of new reservoir data for the SS-11 development well on Songo Songo Island and expected timing of connecting the well to the gas processing plant; anticipated timing of conducting corrosion logging on the offshore well SS-9; efforts to secure a jack up rig for the drilling of the Songo Songo West well and the expected timing of securing the rig and drilling of the well; the Company's plans for drilling of a La Tosca well in the Longastrino exploration block in the Po Valley, northern Italy and expected timing for spudding the well; the Company's plans to finalize a short-term bank facility; future funding requirements; anticipated timing of bringing the SS-11 development well on Songo Songo Island on production; expected increases to Songo Songo infrastructure capacity as a result of expanded infrastructure facilities; effect of corrosion assessment on bringing the SS-9 well on production; conditions to drilling of the Songo Songo West well and bank financing; effect of changes to the PSA on the Company and on timing of drilling of the Songo Songo West well; and the Company's strategic plans. These forward-looking statements involve substantial known and unknown risks and uncertainties, certain of which are beyond Orca Exploration's control, including, but not limited to, 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; competition for, among other things, capital, drilling equipment and skilled personnel; failure to obtain required equipment for drilling; failure to obtain short-term bank facility; delays in drilling plans; failure to meet conditions to drilling of Songo Songo West well; effect of changes to the PSA on the Company; 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. Such forward-looking are based on certain assumptions made by Orca Exploration in light of its experience and perception of historical trends, current conditions and expected future developments, as well as other factors Orca Exploration believes are appropriate in the circumstances,

including, but are not limited to, the ability of Orca Exploration to add production at a consistent rate; commodity prices will not deteriorate significantly; the ability of Orca Exploration to obtain equipment in a timely manner to carry out exploration, development and exploitation activities; and future capital expenditures. The forward-looking statements contained in this press release are made as of the date hereof and Orca Exploration 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.