



TSX-V: ORC.A, ORC.B

Orca Exploration Group Inc.  
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**FOR IMMEDIATE RELEASE**

**20 November 2014**

**Orca Exploration announces Q3 2014 results**

TORTOLA, British Virgin Islands 20 November 2014: Orca Exploration Group Inc. ("Orca" or "the Company") announces its results for the quarter and nine months ended 30 September 2014.

**Highlights**

- Total Songo Songo Field production of Protected Gas plus Additional Gas averaged 92.9 million standard cubic feet per day ("MMcfd") down 4% from the prior year period, and up 10% from 84.2 MMcfd in Q2 2014. Additional Gas sales volumes averaged 57.0 MMcfd, a decrease of 13% over the prior year period (Q2 2013: 65.7 MMcfd) and an increase of 14% over Q2 2014 (50.0 MMcfd).
- The continued support of hydro power generation in Tanzania reduced TANESCO nominations for the Company's Songo Songo gas production during the second quarter of 2014 by 20% to 42.8 MMcfd, compared to 53.8 MMcfd in Q3 2013. Compared with Q2 2014, power sales during Q3 increased 12% due to the gradual reduction of hydro generation during the quarter. Increased Industrial sales demand resulted in a 19% increase in Industrial sales volumes to 14.2 MMcfd (Q3 2013: 11.9 MMcfd), and a quarter over quarter increase of 23% (Q2 2014: 11.5 MMcfd). Working capital was US\$37.2 million at 30 June 2014, up 95% from 31 March 2014 (US\$19.1 million) and up 34% over 31 December 2013 (US\$27.8 million), a result of cash received from TANESCO against the long-term portion of the receivable. As at 30 June 2014, TANESCO owed the Company US\$63.8 million of which US\$53.4 million was in arrears.
- TANESCO substantially honoured its commitment during the quarter and made 10 of 13 weekly payments for a total of US\$18.0 million and a further US\$6.0 million payment relating to the World Bank US\$100 million Second Development Policy Operation ("DPO") disbursed in July (Q2 2014: 10 of 13 weekly payments for a total of US\$18.2 million). The payment relating to the World Bank Second DPO was substantially less than the Company was led to believe.
- The Company will continue to draw attention to the going concern issue until discernible progress has been made in reducing arrears. In the event that the Company does not collect the balance of the receivables from TANESCO and TANESCO continues to be unable to pay the Company for subsequent gas deliveries, the Company may be unable to undertake the level of capital expenditure required to increase well deliverability to the expansion target of 190 MMcfd.
- Working capital was US\$49.6 million at 30 September 2014, up 33% from 30 June 2014 (US\$37.2 million) and up 79% over 31 December 2013 (US\$27.8 million), a result of cash received from TANESCO against the long-term portion of the receivable. As at 30 September 2014, TANESCO owed the Company US\$54.6 million (30 June 2014: US\$63.8 million) of which US\$50.6 million was in arrears (30 June 2014: US\$57.4 million).
- TANESCO currently owes the Company US\$56.4 million, of which US\$52.8 million is in arrears. During the quarter, TANESCO reiterated its commitment to the Company to maintain the TZS 3 billion (US\$1.8 million) weekly payments and endeavor to clear the arrears by year-end with additional lump sum payments should the Government of Tanzania ("GoT") obtain additional sources of funding. However, since the end of the quarter TANESCO has only made one payment of US\$1.8 million.
- Third quarter 2014 income was US\$0.3 million or US\$0.01 per share diluted, as opposed to US\$1.9 million or US\$0.05 per share in Q3 2013 and compared with US\$6.7 million or US\$0.18 per share in Q2 2014. The reduction in net income over Q2 was primarily the result of a US\$4.2 million provision for stock-based compensation during the quarter. Income for the nine months ended 30 September 2014 was US\$8.5 million or US\$0.24 per share diluted versus a loss of US\$1.9 million or US\$0.05 per share for the comparative nine-month period in 2013.

- Average gas prices were up 1% in Q3 to US\$4.91/mcf over the prior year period (Q3 2013: US\$4.88/mcf). Industrial gas prices were up 5% in Q3 to US\$8.85/mcf (Q3 2013: US\$8.43/mcf) and down 5% from Q2 2014 (US\$9.27/mcf). The decrease in Industrial prices from Q2 to Q3 2014 is a result of a change in sales mix and a 2% decrease in HFO prices. Average Power sector gas prices decreased 12% over the prior year period to US\$3.60/mcf (Q3 2013: US\$4.10/mcf) and down 1% compared to the Q2 2014 price of US\$3.65/mcf. The decreases are the result of reduced sales volumes to the Power sector which in turn reduced the amount sales subject to premium pricing in accordance with the Portfolio Gas Supply Agreement with TANESCO which offset the impact of annual price indexation which is applied in July each year.
- Gross revenue after tariffs was US\$23.2 million, down 8% from the prior year period (Q3 2013: US\$25.1 million), with the Company's share of revenue down 5% to US\$14.0 million from US\$14.8 million in the prior year period.
- Funds flow from operating activities was down 31% to US\$8.3 million or US\$0.24 per share diluted (Q2 2013: US\$12.0 million or US\$0.34 per share) and down 38% from Q2 2014 (US\$13.3 million or US\$0.38 per share), a result of lower net revenues. During the quarter capital expenditure was US\$0.3 million in relation to engineering and planning relating to workovers of wells SS-5 and SS-9 and subsequent drilling activities.
- As at 30 September 2014, the Company had US\$63.1 million in cash (31 December 2013: US\$32.6 million) and no debt, more than double the cash balances of the prior year period. The Company currently has US\$63 million in cash and no debt.
- In mid-September, the Mnazi Bay partners announced that they had signed a 17-year gas purchase agreement with TPDC for an initial 80 MMcfd at US\$3.07 per mcf. Discussions between TPDC, the Ministry of Energy and Minerals and the Company on commercial terms for future incremental gas sales continue to be at a standstill with no engagement from either party since the end of Q1 2014. Commercial terms remain a key condition to the Company's commitment to Songo Songo development.
- Despite the stalled efforts to reach agreement on commercial terms, the Company continues planning the full development of Songo Songo and advanced engineering on the workovers and development drilling. The Company continues to work with the International Finance Corporation of the World Bank Group to finance the development programme. Completion of the full development programme remains contingent upon (i) satisfactory resolution of TANESCO arrears; (ii) acceptable commercial terms; and (iii) payment guarantees for future gas deliveries to TANESCO.
- The Tanzania National Natural Gas Infrastructure Project ("NNGIP") continues to progress towards completion, as reported by project manager TPDC, with the pipeline construction currently 93% complete and gas processing facilities construction 63% complete. Expected onstream date remains mid-2015. There is considerable doubt that the Company will have additional gas at the target onstream date given the lack of progress by TPDC in settling commercial terms.
- In response to speculation regarding a potential sale of the Company or a significant transaction, in mid-July Orca issued a press release advising that the Company was in discussions with a number of third parties which have made unsolicited approaches to the Company relating to the sale of the Company, a significant asset disposal, strategic investment or other transaction involving the Company. As at the date hereof, the Company has nothing to report.

## Financial and Operating Highlights

<b>Financial</b> (US\$000 except where otherwise stated)	<b>30 Sept 2014</b>	<b>30 Sept 2013</b>	<b>Percentage Change</b>	<b>30 June 2014</b>	<b>Percentage Change</b>
<b>Revenue</b>	<b>14,852</b>	14,659	1	19,074	(22)
Profit before tax	<b>2,715</b>	3,876	(30)	10,387	(74)
Operating netback (US\$/mcf)	<b>2.22</b>	2.26	(2)	3.03	(27)
Cash	<b>63,116</b>	30,290	108	38,694	63
Working capital <sup>(1)</sup>	<b>49,618</b>	31,585	57	37,226	33
TANESCO receivable - total	<b>54,580</b>	52,966	3	63,834	(14)
undiscounted Shareholders' equity	<b>128,872</b>	124,170	4	128,528	–
Total comprehensive	<b>251</b>	1,928	(87)	6,703	(96)
income per share – basic	<b>0.01</b>	0.05	(80)	0.19	(95)
(US\$)	<b>0.01</b>	0.05	(80)	0.18	(94)
per share – diluted (US\$)	<b>8,288</b>	12,009	(31)	13,266	(38)
Funds flow from operating activities <sup>(2)</sup>					
per share from operating activities - basic (US\$)	<b>0.24</b>	0.35	(31)	0.38	(37)
per share from operating activities - diluted (US\$)	<b>0.24</b>	0.34	(29)	0.37	(35)
Cash flows from operating	<b>0.69</b>	0.42	64	0.21	229
activities per share - basic	<b>0.69</b>	0.41	68	0.20	245
(US\$)					
per share - diluted (US\$)					
<b>Outstanding Shares ('000)</b>					
Class A shares	<b>1,751</b>	1,751	–	1,751	–
Class B shares	<b>33,164</b>	33,072	–	33,072	–
Options	<b>400</b>	1,742	(77)	1,742	(77)
<b>Operating</b>					
Additional Gas sold (MMcf) - Industrial	<b>1,304</b>	1,092	19	1,046	25
Additional Gas sold (MMcf) - Power	<b>3,935</b>	4,953	(21)	3,503	12
Additional Gas sold (MMcfd) - Industrial	<b>14.2</b>	11.9	19	11.5	23
Additional Gas sold (MMcfd) - Power	<b>42.8</b>	53.8	(20)	38.5	11
Additional Gas sold (MMcfd)	<b>57.0</b>	65.7	(13)	50.0	14
Average price per mcf (US\$) - Industrial	<b>8.85</b>	8.43	5	9.27	(5)
Average price per mcf (US\$) - Power	<b>3.60</b>	4.10	(12)	3.65	(1)

1. Working capital as at 30 September 2014 includes a TANESCO short-term receivable of US\$9.6 million (31 December 2013: US\$9.6 million). Given the payment pattern, the TANESCO receivables in excess of 60 days which total US\$45.0 million (31 December 2013: US\$47.0 million) have been classified as long-term receivables and discounted by US\$17.1 million. Total long and short-term TANESCO receivables as at 30 September 2014 were US\$54.6 million prior to discounting. Subsequent to the quarter end, TANESCO paid US\$1.8 million, and as at 20 November 2014 the TANESCO balance was US\$56.4 million of which arrears total US\$52.8 million.

2. See MD&A – Non-GAAP Measures.

# CONDENSED CONSOLIDATED INTERIM STATEMENT OF COMPREHENSIVE INCOME/LOSS (UNAUDITED)

<i>US\$'000 except per share amounts</i>	<i>Three months ended</i>		<i>Nine months ended</i>	
	<b>30 Sept 2014</b>	<b>30 Sept 2013</b>	<b>30 Sept 2014</b>	<b>30 Sept 2013</b>
<b>Revenue</b>	<b>14,852</b>	14,659	<b>47,624</b>	39,853
<b>Expenses</b>				
Production and distribution expenses	<b>(1,179)</b>	(1,150)	<b>(3,825)</b>	(2,564)
Depletion expense	<b>(3,653)</b>	(2,971)	<b>(10,430)</b>	(8,306)
	<b>10,020</b>	10,538	<b>33,369</b>	28,983
General and administrative expenses	<b>(7,475)</b>	(3,327)	<b>(14,626)</b>	(10,287)
Finance income	<b>465</b>	289	<b>1,747</b>	2,155
Finance costs	<b>(295)</b>	(3,624)	<b>(4,142)</b>	(20,824)
<b>Profit before tax</b>	<b>2,715</b>	3,876	<b>16,348</b>	27
Income taxes	<b>(2,352)</b>	(1,976)	<b>(7,872)</b>	(1,919)
<b>Net profit/(loss) after tax</b>	<b>363</b>	1,900	<b>8,476</b>	(1,892)
<b>Foreign currency translation gain/(loss) from foreign operations</b>	<b>(112)</b>	<b>28</b>	<b>52</b>	(47)
<b>Total comprehensive income/(loss) for the period</b>	<b>251</b>	<b>1,928</b>	<b>8,528</b>	(1,939)
<b>Earnings per share</b>				
Basic (US\$)	<b>0.01</b>	0.05	<b>0.24</b>	(0.05)
Diluted (US\$)	<b>0.01</b>	0.05	<b>0.24</b>	(0.05)

# CONDENSED CONSOLIDATED INTERIM STATEMENT OF FINANCIAL POSITION (UNAUDITED)

*As at*

<i>US\$'000</i>	<b>30 Sept 2014</b>	<b>31 Dec 2013</b>
<b>ASSETS</b>		
<b>Current Assets</b>		
Cash	<b>63,116</b>	32,588
Trade and other receivables	<b>44,232</b>	37,215
Tax receivable	<b>15,975</b>	14,585
Prepayments	<b>512</b>	281
	<b>123,835</b>	84,669
<b>Non-Current Assets</b>		
Long-term trade receivable	<b>27,920</b>	29,911
Exploration and evaluation assets	<b>5,564</b>	5,564
Property, plant and equipment	<b>80,519</b>	90,832
	<b>114,003</b>	126,307
Total Assets	<b>237,838</b>	210,976
<b>EQUITY AND LIABILITIES</b>		
<b>Current Liabilities</b>		
Trade and other payables	<b>69,123</b>	53,296
Bank loan	–	1,659
Tax payable	–	1,958
Additional Profits Tax	<b>5,094</b>	–
	<b>74,217</b>	56,913
<b>Non-Current Liabilities</b>		
Deferred income taxes	<b>12,313</b>	12,132
Deferred additional profits tax	<b>22,436</b>	21,679
	<b>34,749</b>	33,811
Total Liabilities	<b>108,966</b>	90,724
<b>Equity</b>		
Capital stock	<b>85,663</b>	85,428
Contributed surplus	<b>6,339</b>	6,482
Accumulated other comprehensive loss	<b>(251)</b>	(303)
Accumulated income	<b>37,121</b>	28,645
	<b>128,872</b>	120,252
Total Equity and Liabilities	<b>237,838</b>	210,976

# CONDENSED CONSOLIDATED INTERIM STATEMENT OF CASH FLOWS (UNAUDITED)

<i>US\$'000</i>	<i>Three months ended</i>		<i>Nine months ended</i>	
	<b>30 Sept 2014</b>	<b>30 Sept 2013</b>	<b>30 Sept 2014</b>	<b>30 Sept 2013</b>
<b>OPERATING ACTIVITIES</b>				
<b>Profit/(loss) after tax</b>	<b>363</b>	1,900	<b>8,476</b>	(1,892)
Adjustment for:				
Depletion and depreciation	<b>3,812</b>	3,071	<b>10,900</b>	8,573
Disposal of fixtures and fittings	–	–	<b>7</b>	–
Provision for doubtful debt	<b>459</b>	1,200	<b>3,665</b>	8,300
Discount on long-term receivable	–	2,900	–	10,800
Stock-based compensation	<b>4,221</b>	24	<b>4,583</b>	(289)
Deferred income taxes	<b>21</b>	(800)	<b>181</b>	(5,767)
Deferred additional profits tax	<b>(120)</b>	3,979	<b>757</b>	10,405
Interest expense	–	158	<b>24</b>	586
Unrealised loss on foreign exchange	<b>(468)</b>	(423)	<b>65</b>	889
<b>Funds flow from operating activities</b>	<b>8,288</b>	12,009	<b>28,658</b>	31,605
(Increase)/decrease in trade and other receivables	<b>(3,172)</b>	5,120	<b>(10,032)</b>	13,789
(Increase)/decrease in tax receivable	<b>(1,020)</b>	(1,451)	<b>(1,390)</b>	(1,044)
Decrease/(increase) in prepayments	<b>64</b>	(207)	<b>(231)</b>	(390)
Increase/(decrease) in trade and other payables	<b>8,812</b>	(3,056)	<b>9,861</b>	1,198
(Decrease)/increase in tax payable	<b>(185)</b>	774	<b>(1,958)</b>	(2,118)
Decrease/(increase) in long-term receivable	<b>8,660</b>	1,450	<b>1,991</b>	(25,529)
Increase in Additional Profits Tax payable	<b>2,630</b>	–	<b>5,094</b>	–
<b>Cash flows from operating activities</b>	<b>24,077</b>	14,639	<b>31,993</b>	17,511
<b>INVESTING ACTIVITIES</b>				
Exploration and evaluation expenditures	–	–	–	(2)
Property, plant and equipment expenditures	<b>(324)</b>	(744)	<b>(594)</b>	(1,150)
<b>Cash from/(used in) investing activities</b>	<b>(324)</b>	(744)	<b>(594)</b>	(1,152)
<b>FINANCING ACTIVITIES</b>				
Bank loan proceeds	–	–	–	4,000
Bank loan repayments	–	(2,465)	<b>(1,659)</b>	(5,704)
Interest paid	–	(158)	<b>(24)</b>	(586)
Proceeds from exercise of options	<b>92</b>	174	<b>92</b>	174
<b>Cash flow from/(used in) financing activities</b>	<b>92</b>	(2,449)	<b>(1,591)</b>	(2,116)
<b>Increase in cash</b>	<b>23,845</b>	11,446	<b>29,808</b>	14,243
<b>Cash at the beginning of the period</b>	<b>38,694</b>	18,766	<b>32,588</b>	16,136
<b>Effect of change in foreign exchange on cash in hand</b>	<b>577</b>	78	<b>720</b>	(89)
<b>Cash at the end of the period</b>	<b>63,116</b>	30,290	<b>63,116</b>	30,290

## CONDENSED CONSOLIDATED INTERIM STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY (UNAUDITED)

<i>US\$'000</i>	Capital stock	Contributed surplus	Cumulative translation adjustment	Accumulated income	Total
<b>Balance as at 1 January 2014</b>	85,428	6,482	(303)	28,645	<b>120,252</b>
Options exercised	235	(143)	—	—	<b>92</b>
Foreign currency translation adjustment on foreign operations	—	—	52	—	<b>52</b>
Net profit after tax for the period	—	—	—	8,476	<b>8,476</b>
<b>Balance as at 30 September 2014</b>	<b>85,663</b>	<b>6,339</b>	<b>(251)</b>	<b>37,121</b>	<b>128,872</b>

<i>US\$'000</i>	Capital stock	Contributed surplus	Cumulative translation adjustment	Accumulated income	Total
<b>Balance as at 1 January 2013</b>	84,983	6,753	89	34,110	<b>125,935</b>
Options exercised	445	(271)	—	—	<b>174</b>
Foreign currency translation adjustment on foreign operations	—	—	(47)	—	<b>(47)</b>
Net loss after tax for the period	—	—	—	(1,892)	<b>(1,892)</b>
<b>Balance as at 30 September 2013</b>	<b>85,428</b>	<b>6,482</b>	<b>42</b>	<b>32,218</b>	<b>124,170</b>

### Orca Exploration Group Inc.

Orca Exploration Group Inc. is an international public company engaged in natural gas exploration, development and supply in Tanzania through the wholly-owned subsidiary PanAfrican Energy Tanzania Limited, as well as oil and gas appraisal in Italy. Orca trades on the TSX Venture Exchange under the trading symbols ORC.B and ORC.A.

The complete unaudited consolidated financial statements and notes and management's discussion & analysis of the Company for the three and nine months ended 30 September 2014 may be found on the Company's website at [www.orcaexploration.com](http://www.orcaexploration.com) or on the Company's profile on SEDAR at [www.sedar.com](http://www.sedar.com).

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*Neither the TSX Venture Exchange nor its Regulation Service Provider (as that term is defined in the policies of the TSX Venture Exchange) accepts responsibility for the adequacy or accuracy of this release.*

### **Forward Looking Statements**

*This press release contains forward-looking statements. More particularly, this press release contains statements concerning, but not limited to: repayment of the TANESCO receivables; the need for additional funding for the Company's ongoing operations, including the capital expenditures required to increase well deliverability, if the Company is unable to collect the TANESCO receivables; the appointment of a third party expert to provide a non-binding opinion on the Cost Pool dispute; the actions taken and to be taken by the Company to collect the TANESCO receivables; the Company's viability and its ability to meet its obligations as they come due; status of negotiations with the TPDC regarding a sales agreement for incremental gas volumes and the Company's plans if an agreement is not reached in the near future; status of execution of a full field development plan for Songo Songo, including the anticipated gas sales volumes and the timing of delivery thereof, the funding of the development plan, and the contingencies related to the development work; the expected onstream date for the NNGIP; and the Company's strategic plans. Although management believes that the expectations reflected in the forward-looking statements are reasonable, it cannot guarantee future results, levels of activity, performance or achievement since such expectations are inherently subject to significant business, economic, operational, competitive, political and social uncertainties and contingencies. As a consequence, actual results may differ materially from those anticipated in the forward looking statements.*

*These forward-looking statements involve substantial known and unknown risks and uncertainties, certain of which are beyond Orca's control, and many factors could cause Orca's actual results to differ materially from those expressed or implied in any forward-looking statements made by Orca, including, but not limited to: failure to receive payments from TANESCO; failure to obtain adequate funding to meet the Company's obligations as they come due; risk that the contingencies related to the development work for the full field development plan for Songo Songo are not satisfied; risk that the expected onstream date for the NNGIP is delayed; failure to obtain funding for full field development plan for Songo Songo; risk that the Company will be required to pay additional taxes and penalties; the risk that the Cost Pool dispute will not be resolved in favour of Orca; 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; competition for, among other things, capital, drilling equipment and skilled personnel; failure to obtain required equipment for drilling; delays in drilling plans; failure to obtain expected results from drilling of wells; changes in laws; imprecision in reserve estimates; the production and growth potential of the Company's assets; obtaining required approvals of regulatory authorities; risks associated with negotiating with foreign governments; inability to access sufficient capital; failure to successfully negotiate agreements; and risk that the Company will not be able to fulfill its obligations. 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 that Orca will derive therefrom. Readers are cautioned that the foregoing list of factors is not exhaustive.*

*Such forward-looking statements are based on certain assumptions made by Orca in light of its experience and perception of historical trends, current conditions and expected future developments, as well as other factors Orca believes are appropriate in the circumstances, including, but are not limited to: that the Company will have sufficient cash flow, debt or equity sources or other financial resources required to fund its capital and operating expenditures and requirements as needed; that the Company will have adequate funding to continue operations; that the Company will successfully negotiate agreements; receipt of required regulatory approvals; the ability of Orca to add production at a consistent rate; infrastructure capacity; commodity prices will not deteriorate significantly; the ability of Orca to obtain equipment in a timely manner to carry out exploration, development and exploitation activities; future capital expenditures; availability of skilled labour; timing and amount of capital expenditures; uninterrupted access to infrastructure; the impact of increasing competition; conditions in general economic and financial markets; effects of regulation by governmental agencies; that the Company will obtain funding for full field development plan for Songo Songo; current or, where applicable, proposed industry conditions, laws and regulations will continue in effect or as anticipated as described herein; and other matters.*

*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.*