



Orca Exploration Group
Inc.
PO Box 3152
Road Town
Tortola
British Virgin Islands

FOR IMMEDIATE RELEASE

29 May 2008

Orca Exploration announces its results for the quarter ended 31 March 2008

TORTOLA, British Virgin Islands. Orca Exploration Group Inc (“Orca Exploration” or the “Company”) announces its results for the quarter ended 31 March 2008.

Highlights

- 38% increase in revenue to US\$5.3 million (Q1 2007: US\$3.8 million), profit before taxation of US\$0.3 million (Q1 2007: US\$0.4 million) and a 100% increase in the net cash flow from operations before working capital changes to US\$2.4 million (Q1 2007: US\$1.2 million).
- Increased Q1 2008 sales of Additional Gas to Dar es Salaam industrial customers by 7% to 322 Mmscf (Q1 2007: 301 Mmscf). This equated to an average of 3.5 Mmscf/d (Q1 2007: 3.3 Mmscf/d). Average prices remained strong at US\$11.55/mcf.
- Increased Q1 2008 sales of Additional Gas to the power sector by 46% to 1,983 Mmscf (Q1 2007: 1,356 Mmscf). This equated to an average of 21.8 Mmscf/d (Q1 2007: 15.1 Mmscf/d). The average price for the gas to the power sector was US\$2.05/mcf (Q1 2007: US\$2.19/mcf).
- Tendered for the installation of two compressors, a vehicle dispenser and two trailer filling facilities to deliver 0.7 Mmscf/d of compressed natural gas at a cost of US\$2.5 million. This market is expected to expand to approximately 4 Mmscf/d within 18 months.
- Advanced negotiations for the supply of approximately 2.0 Mmscf/d to the Wazo Hill cement plant from Q2 2009. In addition, signed contracts with two new industrial contracts for 0.2 Mmscf/d and commenced negotiations on five further industrial contracts for 0.3 Mmscf/d.
- Made significant progress in the negotiation of the long term contracts for the supply of approximately 250 Bcf of Additional Gas to the power sector. These contracts are expected to be signed at the beginning of Q3 2008.
- Made significant progress in the negotiation of the contracts that will enable the third and fourth gas processing trains to be constructed.
- Commenced work on the installation of two new Joule-Thompson valves at the existing gas processing plant that will facilitate the re-rating of the two existing trains to a forecast 90 Mmscf/d at the end of Q2 2008.

- Completed the acquisition of three hundred kilometers of 2-D seismic in the Albertine Graben sedimentary basin in Uganda and commenced processing of the data.

Financial and Operating Highlights

| (US\$'000 except where otherwise stated) | Three months ended | | |
|---|--------------------|----------------|--------|
| | 31-Mar 2008 | 31-Mar 2007 | Change |
| Revenue | 5,284 | 3,831 | 38% |
| Profit before taxation | 270 | 430 | (37%) |
| Operating netback (US\$/mcf) | 2.21 | 2.03 | 9% |
| Cash and cash equivalents | 12,521 | 14,736 | (15%) |
| Working capital | 8,297 | 10,570 | (22%) |
| Shareholders' equity | 72,053 | 37,983 | 90% |
| (Loss)/profit per share – basic and diluted(US\$) | - | - | 0% |
| Funds from operations before working capital changes | 2,391 | 1,173 | 100% |
| Funds per share from operations before working capital changes - basic and diluted (US\$) | 0.08 | 0.04 | 100% |
| Outstanding Shares ('000) | | | |
| Class A shares | 1,751 | 1,751 | 0% |
| Class B shares | 27,863 | 25,053 | 11% |
| Options | 2,847 | 2,092 | 36% |
| Operating | | | |
| Additional Gas sold (Mmscf) - industrial | 322 | 301 | 7% |
| Additional Gas sold (Mmscf) - power | 1,983 | 1,356 | 46% |
| Average price per mcf (US\$) - industrial | 11.55 | 7.70 | 50% |
| Average price per mcf (US\$) - power | 2.05 | 2.19 | (6%) |

President & CEO's Letter to Shareholders

During Q1 2008 Orca Exploration increased gas sales to both the power sector and to industrial customers compared with Q1 2007. Sales of Additional Gas to the power sector were up 46% and industrial gas sales were up 7% over the same period in 2007. Funds from operations before working capital changes also grew 100% to US\$2.4 million due to the increased sales volumes and rising commodity prices.

To expand the market for the sale of Orca's increased Songo Songo Additional Gas reserves (2P reserves increased by 14% to 474 Bcf as at January 1, 2008), the Company is focussing on efforts to identify new high value markets in Tanzania. This will be achieved in part by the connection of the remaining large gas customers in Dar es Salaam and the production and sale of Compressed Natural Gas ("CNG") to consumers that cannot be cost-effectively connected to the existing low pressure gas distribution system.

The Company also remains committed to exploration for new gas reserves in Tanzania to meet the growing demand for gas by the power sector. Orca is excited by its Songo Songo West exploration prospect and the drilling of an appraisal well at Songo Songo North. In Q1 2008, work commenced to identify a suitable jack up rig to be brought into the country to drill these two prospects as part of a larger drilling programme in Tanzania.

The Company is also evaluating a number of high potential oil exploration and development opportunities in West Africa. The intention is to transact before the end of 2008 on a prospect.

New gas sale contracts

During Q1 2008, Orca was engaged in intensive negotiations with TANESCO (the Tanzanian electric power utility), Songas Limited (the owner of the Ubungo power plant) and the Ministry of Energy and Minerals ("MEM") to secure two long term contracts for the supply of approximately 38 - 45 Mmscf/d for power generation. Negotiations have proceeded well and contracts are expected to be signed at the beginning of Q3 2008. The first contract will cover the supply of gas to the sixth turbine at the Ubungo power plant and is expected to generate Additional Gas sales of approximately 8 Mmscf/d until July 2024. A second contract will cover Additional Gas sales to the remaining gas fired generation currently in Tanzania supplying a maximum of approximately 36 Mmscf/d. The contract will also include a take or pay provision for 32 Mmscf/d until July 2023. Actual utilisation will depend on the availability of the 561 MWs of Tanzania's hydro generation and the timing of the increase in the Songo Songo infrastructure capacity.

The contract price is expected to be the same for both contracts at an estimated US\$2.32/mcf, based on the existing tariff rates. These prices are forecast to increase 2% per annum until July 2012 at which point there will be a step change to US\$3.43/mcf based on existing tariff rates. The 2012 prices will then increase at 2% per annum.

Orca is also in the process of negotiating a contract for the supply of gas to the Wazo Hill cement plant. This plant is installing a new kiln that initially requires approximately 2.0 Mmscf/d of Additional Gas beginning in Q2 2009. There is significant growth in the demand for cement in Tanzania and it is expected that the two existing kilns will be overhauled during 2009 leading to a further increase in the gas required from 2010.

The Company commenced the supply to one new industrial customer in Q1 2008 that was located in close proximity to the low pressure distribution system and an additional five contracts are currently under negotiation. Supply to these customers is expected to commence in the second half of 2008.

Developing markets

Power

TANESCO recently held an open forum for interested parties to discuss TANESCO's forecast generation needs in the light of significant growth in demand. TANESCO's current forecast calls for an additional 150 MWs of generation by 2011, which could potentially be dual fuel. With the increase in reserves during 2007, the Company is in a position to commence discussions with TANESCO for the supply of gas to this new level of generation. Orca will start to negotiate a contract for the supply of gas in the second half of 2008 once the two contracts for the supply of approximately 250 Bcf are finalised.

Compressed Natural Gas

During Q1 2008, the Company jointly analysed the potential domestic market for CNG in conjunction with Tanzanian Petroleum Development Corporation ("TPDC"). Four principal markets for CNG have been identified – industrials not connected to the existing distribution system, hotels, vehicles and institutions. The study concluded that this was a high value market with a potential volume of approximately 15 Mmscf/d that could be developed using existing technology.

During the quarter, a tender was conducted for the purchase and installation of two compressors, a vehicle dispenser and two CNG trailer filling facilities to be located adjacent to Orca's pressure reduction station at Ubungo in Dar es Salaam. This will enable the production of approximately 0.7 Mmscf/d of CNG at a forecast cost of US\$2.5 million.

Initially, the intention is to sell CNG to a group of hotels in Dar es Salaam and to industries not connected to the Company's low pressure distribution system by the end of Q4 2008. CNG used in these applications will displace heavy fuel oil, middle distillates and liquid petroleum gas ("LPG"). Once the initial market is established, there can be incremental additions to the CNG compressors, trailers and distribution vehicles to meet the increase in demand. Ultimately it is expected that the capital cost to provide CNG will reduce to US\$1 million for every 0.5 Mmscf/d of sales. With incremental equipment additions, Orca could serve a 4 Mmscf/d CNG market by the end of 2009. Around the clock transportation would be able to move CNG to markets up to 200 kilometers from Dar es Salaam, including Morogoro and Tanga.

Industries

Orca intends to construct an 8 kilometer extension to connect the Mikocheni area of Dar es Salaam later in 2008. This expansion would provide the opportunity to connect 3-4 new industries with a demand of approximately 1 Mmscf/d.

Infrastructure

To expand infrastructure to address long-term market growth requirements, Songas Limited submitted a second application to the Tanzanian regulatory authority, EWURA, for the installation of two new gas processing trains to increase throughput capacity from 70 Mmscf/d to 140 Mmscf/d. The tenders for the engineering, procurement and construction contract were received in Q3 2007 and all parties are working on the project agreements to enable Songas to give the 'notice to proceed'. It is expected that construction will take 15 months from the time of awarding the tender until the new trains are operational. This is expected to be completed in early Q3 2008 at the same time as the new power contracts are signed.

To increase the throughput capacity in the interim, the two existing trains on Songo Songo Island are being upgraded with the installation of two new Joule-Thomson valves. The insurers are working alongside the operations team to assess the allowable throughput volume for these units. This interim capacity solution is forecast to add 20 Mmscf/d to capacity, raising it to 90 Mmscf/d from the end of Q2 2008.

Orca has submitted a proposal to Songas to enable the gas processing capacity to be further increased by 15 Mmscf/d utilising a bypass system. This work is planned for completion in the second half of 2008 so that infrastructure does not continue to be a limiting factor.

Uganda

The Company is continuing to evaluate the 300 kilometers of seismic that was acquired in the Uganda Rhino Camp basin area of Exploration Area 5 ("EA 5") during Q4 2007 and Q1 2008. The initial evaluation of the data has indicated that a number of potential structures exist. The final technical analysis is expected to be completed at the end of Q2 2008 once all the processed data has been received. The Company will then determine whether to commit to drill two exploration wells to secure a 50% interest in EA 5. Initial analysis indicates that whilst there are structures, the block is more risky than initially thought due to concerns over whether hydrocarbon maturation has occurred within the basin.

Financial Results

Sales of Additional Gas to Orca's industrial customers were up 7% to 322 Mmscf (3.5 Mmscf/d) in Q1 2008 compared with 301 Mmscf (3.3 Mmscf/d) in Q1 2007. 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. Industrial demand is forecast to increase over 2008 as new customers are connected, Orca constructs additional new low pressure distribution lines in the Dar es Salaam area and textile manufacturers increase their production.

Total sales of Additional Gas to the power sector were up 46% to 1,983 Mmscf (21.8 Mmscf/d) in Q1 2008 from 1,356 Mmscf (14.9 Mmscf/d) in Q1 2007. The power sales will decrease significantly in Q2 2008 as a result of some above average rainfalls that enabled the 561 MWs of installed hydro generation, and in particular the 277 MWs of 'run of river' to operate at high utilisation rates during April and May. However, sales to the power sector will increase from the end of May until the end of the year as the country enters the dry season.

Orca's revenues increased 38% to US\$5.3 million compared to Q1 2007. A profit before taxation of US\$0.3 million was recorded. The 37% decrease in profit before taxation compared to Q1 2007 is primarily as a result of the additional costs of negotiating the long term power contracts that were intensive during Q1 2008.

Orca's operations generated funds from operations before working capital changes of US\$2.4 million, an increase of 100% on Q1 2007. This is forecast to grow in the second half of 2008 as gas sales increase and marketing costs decrease.

The Company currently has cash of approximately US\$13 million on hand and is in the process of arranging a US\$5 million short term overdraft facility. Once long-term contracts are signed for the supply of gas to the power sector, the Company plans to seek a term loan facility to continue to grow its Tanzanian asset base and to pursue additional opportunities in Africa.

Outlook

Over the course of 2008, Orca's management will focus on monetising the Company's Additional Gas reserves through the expansion of sales within a growing Tanzanian natural gas market whilst planning to add reserves in 2009 through the drill bit.

Your Company is a leader in developing Tanzania's natural gas reserves and in ventures that increase domestic energy self-reliance. This is absolutely the right time to be developing and marketing hydrocarbon resources in Tanzania and in sub-Saharan Africa.

As always, management is aware that Orca Exploration's vitality is always dependent on our skilled and dedicated employees and our loyal shareholders. The future continues to glow brightly.

Consolidated Income Statements (unaudited)

ORCA EXPLORATION GROUP INC.

| <i>(thousands of US dollars except per share amounts)</i> | Three months ended | | |
|---|--------------------|----------------|----------------|
| | 31-Mar 2008 | 31-Dec 2007 | 31-Mar 2007 |
| Revenue | 5,284 | 5,562 | 3,831 |
| Cost of sales | | | |
| Production and distribution expenses | (276) | (357) | (264) |
| Depletion expense | (1,406) | (1,597) | (915) |
| | 3,602 | 3,608 | 2,652 |
| Administrative expenses | (3,095) | (3,187) | (2,248) |
| Net financing income/(charges) | (237) | 437 | 26 |
| Profit before taxation | 270 | 858 | 430 |
| Taxation | (413) | (574) | (302) |
| (Loss)/profit after taxation | (143) | 284 | 128 |
| (Loss)/profit per share | | | |
| Basic (US\$) | - | 0.01 | - |
| Diluted (US\$) | - | 0.01 | - |

Consolidated Balance Sheets (unaudited)
ORCA EXPLORATION GROUP INC

| <i>(thousands of US dollars)</i> | 31-Mar 2008 | 31-Dec 2007 | 31-Mar 2007 |
|-------------------------------------|------------------------|----------------|----------------|
| ASSETS | | | |
| Current assets | | | |
| Cash and cash equivalents | 12,521 | 16,515 | 14,736 |
| Trade and other receivables | 7,297 | 8,236 | 5,713 |
| | 19,818 | 24,751 | 20,449 |
| Exploration and evaluation assets | 7,300 | 6,881 | - |
| Plant, property and other equipment | 60,752 | 61,157 | 29,085 |
| | 68,052 | 68,038 | 29,085 |
| | 87,870 | 92,789 | 49,534 |
| LIABILITIES | | | |
| Current liabilities | | | |
| Trade and other payables | 11,521 | 17,452 | 9,879 |
| Non current liabilities | | | |
| Deferred income taxes | 3,618 | 3,205 | 1,351 |
| Deferred additional profits tax | 678 | 588 | 321 |
| SHAREHOLDERS' EQUITY | | | |
| Capital stock | 66,537 | 66,538 | 34,494 |
| Capital reserve | 1,676 | 1,023 | 1,123 |
| Accumulated income | 3,840 | 3,983 | 2,366 |
| | 72,053 | 71,544 | 37,983 |
| | 87,870 | 92,789 | 49,534 |

Consolidated Statements of Cash Flows (unaudited)

ORCA EXPLORATION GROUP INC

| | Three months ended | | |
|---|--------------------|----------------|----------------|
| <i>(thousands of US dollars)</i> | 31-Mar 2008 | 31-Dec 2007 | 31-Mar 2007 |
| CASH FLOWS FROM OPERATING ACTIVITIES | | | |
| (Loss) / profit after taxation | (143) | 284 | 128 |
| Adjustments for: | | | |
| Depletion and depreciation | 1,422 | 1,652 | 941 |
| Stock-based compensation | 654 | 359 | (59) |
| Deferred income taxes | 413 | 859 | 122 |
| Deferred additional profits tax | 90 | 99 | 58 |
| Interest income | (45) | (194) | (17) |
| | 2,391 | 3,059 | 1,173 |
| Decrease/(increase) decrease in trade and other receivables | 939 | (196) | (1,438) |
| Decrease in inventory | - | 2,847 | - |
| (Decrease)/increase in trade and other payables | (2,494) | 1,341 | 1,068 |
| Net cash flows from operating activities | 836 | 7,051 | 803 |
| CASH FLOWS USED IN INVESTING ACTIVITIES | | | |
| Exploration and evaluation expenditures | (419) | (5,225) | - |
| Property, plant and equipment expenditures | (1,017) | (11,473) | (11,075) |
| Interest income | 45 | 194 | 17 |
| (Decrease)/increase in trade and other payables | (3,437) | (1,277) | 4,288 |
| Net cash flows used in investing activities | (4,828) | (17,781) | (6,770) |
| CASH FLOWS FROM FINANCING ACTIVITIES | | | |
| Normal course issuer bid | (2) | (193) | - |
| Proceeds from exercise of options | - | - | 25 |
| Net cash flows from financing activities | (2) | (193) | 25 |
| Decrease in cash and cash equivalents | (3,994) | (10,923) | (5,942) |
| Cash and cash equivalents at the beginning of the period | 16,515 | 27,438 | 20,678 |
| Cash and cash equivalents at the end of the period | 12,521 | 16,515 | 14,736 |

Statement of Changes in Shareholders' Equity (unaudited)

ORCA EXPLORATION GROUP INC

| <i>(thousands of US dollars)</i> | Capital stock | Capital reserve | Accumulated income | Total |
|------------------------------------|----------------------|------------------------|---------------------------|---------------|
| Balance as at 1 January 2007 | 34,469 | 1,182 | 2,238 | 37,889 |
| Options exercised | 25 | - | - | 25 |
| Stock-based compensation | - | (59) | - | (59) |
| Profit for the period | - | - | 128 | 128 |
| Balance as at 31 March 2007 | 34,494 | 1,123 | 2,366 | 37,983 |

| <i>(thousands of US dollars)</i> | Capital stock | Capital reserve | Accumulated income | Total |
|------------------------------------|----------------------|------------------------|---------------------------|---------------|
| Balance as at 1 January 2008 | 66,538 | 1,023 | 3,983 | 71,544 |
| Stock-based compensation | - | 654 | - | 654 |
| Normal course issuer bid | (1) | (1) | - | (2) |
| Loss for period | - | - | (143) | (143) |
| Balance as at 31 March 2008 | 66,537 | 1,676 | 3,840 | 72,053 |

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.

For further information please contact:

Nigel A. Friend, CFO
+255 (0)22 2138737
nfriend@orcaexploration.com

Peter R. Clutterbuck, CEO
+44 (0) 7768 120727.
prclutterbuck@orcaexploration.com

or visit the Company's web site at www.orcaexploration.com.