



Orca Exploration Group Inc.
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FOR IMMEDIATE RELEASE

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Orca Exploration announces its result for the quarter ended 30 September 2009

TORTOLA, British Virgin Islands. Orca Exploration Group Inc (“Orca Exploration” or the “Company”) announces its results for the quarter ended 30 September 2009.

Financial and Operating Highlights

| | Three months ended | | | Nine months ended | | |
|--|--------------------|----------------|--------|-------------------|----------------|--------|
| | 30-Sep 2009 | 30-Sep 2008 | Change | 30-Sep 2009 | 30-Sep 2008 | Change |
| Financial (US\$ except where otherwise stated) | | | | | | |
| Revenue | 7,536 | 7,301 | 3% | 17,480 | 17,411 | 0% |
| Profit/(loss) before taxation | 2,682 | 1,609 | 67% | 4,083 | (7,831) | n/m |
| Operating netback (<i>US\$/mcf</i>) | 2.17 | 2.79 | (22%) | 2.17 | 2.71 | (20%) |
| Cash and cash equivalents | 9,703 | 11,178 | (13%) | 9,703 | 11,178 | (13%) |
| Working capital | 12,147 | 8,705 | 40% | 12,147 | 8,705 | 40% |
| Shareholders' equity | 67,159 | 64,142 | 5% | 67,159 | 64,142 | 5% |
| Profit/(loss) per share - basic and diluted (<i>US\$</i>) | 0.05 | 0.03 | 67% | 0.06 | (0.32) | n/m |
| Funds from operations before working capital changes | 4,247 | 3,773 | 13% | 8,228 | 7,783 | 6% |
| Funds per share from operations before working capital changes - basic (<i>US\$</i>) | 0.14 | 0.13 | 8% | 0.28 | 0.26 | 8% |
| Funds per share from operations before working capital changes - diluted (<i>US\$</i>) | 0.14 | 0.12 | 17% | 0.27 | 0.25 | 8% |
| Net cash flows from operating activities | 1,959 | 363 | 440% | 5,591 | 5,765 | (3%) |
| Net cash flows per share from operating activities - basic (<i>US\$</i>) | 0.07 | 0.01 | 600% | 0.19 | 0.19 | 0% |
| Net cash flows per share from operating activities - diluted (<i>US\$</i>) | 0.06 | 0.01 | 500% | 0.18 | 0.19 | (5%) |
| Outstanding Shares ('000) | | | | | | |
| Class A shares | 1,751 | 1,751 | 0% | 1,751 | 1,751 | 0% |
| Class B shares | 27,770 | 27,863 | 0% | 27,770 | 27,863 | 0% |
| Options | 2,797 | 2,847 | (2%) | 2,797 | 2,847 | (2%) |
| Operating | | | | | | |
| Additional Gas sold (<i>MMcf</i>) - industrial | 581 | 425 | 37% | 1,554 | 1,083 | 43% |
| Additional Gas sold (<i>MMcf</i>) - power | 2,493 | 2,097 | 19% | 5,756 | 5,036 | 14% |
| Average price per mcf (<i>US\$</i>) - industrial | 9.01 | 13.29 | (32%) | 7.96 | 12.67 | (37%) |
| Average price per mcf (<i>US\$</i>) - power | 2.41 | 2.41 | 0% | 2.39 | 2.37 | 1% |

Highlights

- Increased profit before taxation by 67% to US\$2.7 million for the quarter (Q3 2008: US\$1.6 million).
- Increased funds from operations before working capital changes by 13% to US\$4.2 million for the quarter (Q3 2008: US\$3.8 million).
- Increased working capital by 40% to US\$12.1 million (Q3 2008: US\$8.7 million).
- Increased Q3 2009 sales of Additional Gas to Dar es Salaam industrial customers by 37% to 581 MMcf or 6.3 MMcfd (Q3 2008: 425 MMcf or 4.6 MMcfd).
- Increased Q3 2009 sales of Additional Gas to the power sector by 19% to 2,493 MMcf or 27.1 MMcfd (Q2 2008: 2,097 MMcf or 22.8 MMcfd).
- Designed a 140 MMcfd permanent expansion upgrade to the existing infrastructure system that processes and transports the gas to Dar es Salaam. It will be possible to expand the system to handle up to 200 MMcfd with the addition of a new onshore pipeline.
- Commenced work to identify a jack up rig for the drilling of Songo Songo West in 2011.
- Re-activated the new venture team to identify two new high impact oil opportunities in proven hydrocarbon basins in West Africa and the Middle East. Shortly after the quarter end, the Company participated in a joint bidding application for an exploration licence.

President & CEO's Letter to Shareholders

Orca Exploration reports a positive third quarter. This is the second consecutive quarter in which gas sales and cash flows from operations increased and G & A expenses decreased. Results were also up significantly over the same period in 2008. These encouraging results were achieved despite infrastructure limitations and current relatively low levels of gas fired generation in the country.

Sales of Additional Gas averaged 33.4 MMcfd (3.1 Bcf for the quarter), an increase of 22% on the volumes sold in Q3 2008. Funds flow from operations before working capital changes increased 13% to US\$4.2 million compared with US\$3.8 million in 2008 and this trend is expected to continue through 2010. The Company currently has working capital of US\$12.1 million and cash of US\$9.7 million.

Having successfully weathered the global financial storm of the past year, your Company is again ready to seek out new high potential exploration opportunities to compliment the steady growth of our cash flow generating business and exploration potential within Tanzania. The initial focus is on acquiring two oil exploration prospects with our principle areas of interest being West Africa and the Middle East where the Orca new ventures team has excellent technical experience. The Company's strategic criteria for these new opportunities is that they must be in proven hydrocarbon basins, have significant upside and can be drilled within 24 months. In accordance with this strategy the Company has participated in a joint bidding application in relation to an exploration opportunity. We look forward to updating our shareholders on this and other developments in the coming months.

Tanzanian reserves and exploration

The current Songo Songo gas wells continue to perform well and in line with expectations. Based on current simulations, the main Songo Songo field has established adequate reserves to meet an average gas demand of 160 MMcfd (including approximately 40 MMcfd of Protected Gas) with the addition of two new development wells. Highly sensitive downhole gauges installed in the second quarter were successfully pulled from each producing well just after the end of the third quarter and are currently being analyzed in advance of the year end reserves evaluation by McDaniel & Associates Consultants Ltd.

Orca is planning for the exploration drilling of Songo Songo West in 2011. The well will be drilled utilizing a jack up rig and the Company is discussing the possibility of sharing a rig with other operators in Tanzania and Mozambique to reduce mobilization costs. The Songo Songo West prospect has independently assessed mean unrisks resources of 552 Bcf.

Power sector

Tanzania continues to experience electricity blackouts caused by a shortage of generation capacity at a time of increasing demand for electricity. Currently the Tanzanian electricity utility, TANESCO, has 148 MWs of generation operating on Additional Gas. During Q3 2009, these Additional Gas plants were operating at 27.1 MMcfd against a maximum current capacity of approximately 29.0 MMcfd. To address this critical situation, TANESCO will be commissioning a 45 MW plant during December 2009 and is planning to add another 100 MWs by the end of 2010 at the Ubungo power plant in Dar es Salaam.

To address longer term power needs, TANESCO has started planning for the construction of an additional 200 MW power plant at Kinyerezi, Dar es Salaam. This would require the availability of approximately 40 MMcfd of Additional Gas. It is anticipated that the Kinyerezi plant could be operational about the time that the Songas infrastructure expansion is to be completed near the end of 2012. Negotiation of a gas supply contract for this plant is directly linked with the need to expand the infrastructure system.

In Q4 2009 power sector demand for gas is expected to be seasonally reduced to approximately Q2 2009 levels. More rain in the last quarter of each year leads to higher hydro output and lower demand for gas fired generation.

Industrial sector

Sales of industrial gas increased substantially during Q3 to an average of 6.3 MMcfd. This was a 37% increase on the same quarter in 2008, primarily as a result of average sales of 1.5 MMcfd to Tanzania Portland Cement Company (“TPCC”), the owner of the expanded Wazo Hill cement plant in Dar es Salaam. The company shut down kilns 2 and 3 for refurbishment during Q3 and in response to the flooding of cheap cement imports on the Tanzanian market. It is anticipated that one of these kilns will be restarted during the second half of 2010. Sales to the industrial sector are expected to be marginally lower in Q4 2009 due to a seasonal reduction in demand for gas by the textile sector.

Infrastructure

As operator of the Songo Songo gas processing plant, the Company made excellent progress during Q3 2009 in designing a permanent expansion upgrade that will enable 140 MMcfd to be transported through the existing system. The design involves the construction of two new gas processing facilities and the addition of more field and pipeline compression. The owner of the existing system, Songas Limited, has indicated its willingness to finance the project providing it can reach appropriate terms with the energy regulator, EWURA. Orca continues to finance the initial design of the project and to assist Songas in its discussions with EWURA.

The target is to have the expanded infrastructure in place by the end of 2012 when new power plants are expected to be commissioned. With the addition of a new onshore pipeline it will be possible to expand the system to handle up to 200 MMcfd.

If the owners of the infrastructure, Songas Limited, gain confidence that the permanent expansion upgrade will be successful, they are likely to approve a temporary re-rating of the existing system to 105 MMcfd (from a current limitation of 90 MMcfd) during 2010. This will be required to meet the forecast demand for gas.

Financial Results

The Company generated funds flow before working capital changes of US\$4.2 million during Q3 2009 which enabled the financing of US\$2.0 million of capital expenditures, primarily on CNG and infrastructure development.

Orca was again successful in cutting General and Administrative (“G&A”) costs during the quarter. In Q3 2009, this resulted in an effective US\$1.2 million reduction in G&A expenses compared with Q3 2008. The Company currently has cash on hand of approximately US\$9.7 million and working capital of US\$12.1 million. Both are expected to increase in the last quarter of 2009 and operations are expected to generate positive cash flows throughout 2010. New funding will be required for any material new acquisitions.

Outlook

Your Company remains well positioned to generate increasing cash flows in the growing Tanzanian market for natural gas. These internally generated funds will be allocated to finance the relatively low risk Songo Songo West exploration prospect in 2011.

Management assesses that this is the right time for Orca to invest in two high impact oil opportunities in proven hydrocarbon basins in West Africa and/or the Middle East to sit alongside the yielding cash generative asset in Tanzania. As discussed above, we jointly bid for an exploration licence shortly after the quarter end and we look forward to updating our shareholders on any developments in the coming months.

We thank our shareholders, our employees and our partners and particularly the Tanzanian Ministry of Energy and Minerals and the Tanzanian Petroleum Development Corporation for their continued support.

Consolidated Income Statements (unaudited)

ORCA EXPLORATION GROUP INC.

| <i>(thousands of US dollars except per share amounts)</i> | Three months ended | | Nine months ended | |
|---|--------------------|----------------|-------------------|----------------|
| | 30-Sep 2009 | 30-Sep 2008 | 30-Sep 2009 | 30-Sep 2008 |
| Revenue | 7,536 | 7,301 | 17,480 | 17,411 |
| Cost of sales | | | | |
| Production and distribution expenses | (997) | (391) | (1,898) | (1,124) |
| Depletion expense | (1,199) | (1,554) | (2,861) | (3,736) |
| Impairment of exploration and evaluation assets | - | - | - | (9,520) |
| | 5,340 | 5,356 | 12,721 | 3,031 |
| Administrative expenses | (2,647) | (3,821) | (8,633) | (10,834) |
| Net financing income/(charges) | (11) | 74 | (5) | (28) |
| Profit/(loss) before taxation | 2,682 | 1,609 | 4,083 | (7,831) |
| Taxation | (1,133) | (793) | (2,323) | (1,704) |
| Profit/(loss) after taxation | 1,549 | 816 | 1,760 | (9,535) |
| Profit/(loss) per share | | | | |
| Basic and diluted(US\$) | 0.05 | 0.03 | 0.06 | (0.32) |

Consolidated Balance Sheets (unaudited)

ORCA EXPLORATION GROUP INC

| <i>(thousands of US dollars)</i> | 30-Sep 2009 | 31-Dec 2008 |
|-----------------------------------|------------------------|----------------|
| ASSETS | | |
| Current assets | | |
| Cash and cash equivalents | 9,703 | 10,586 |
| Trade and other receivables | 11,098 | 13,196 |
| | 20,801 | 23,782 |
| Exploration and evaluation assets | 757 | 648 |
| Property, plant and equipment | 63,395 | 60,818 |
| | 64,152 | 61,466 |
| | 84,953 | 85,248 |
| LIABILITIES | | |
| Current liabilities | | |
| Trade and other payables | 8,654 | 14,055 |
| Non current liabilities | | |
| Deferred income taxes | 7,833 | 5,510 |
| Deferred additional profits tax | 1,307 | 971 |
| | 17,794 | 20,536 |
| SHAREHOLDERS' EQUITY | | |
| Capital stock | 66,329 | 66,537 |
| Capital reserve | 4,610 | 3,715 |
| Accumulated (loss) | (3,780) | (5,540) |
| | 67,159 | 64,712 |
| | 84,953 | 85,248 |

Consolidated Statements of Cash Flows (unaudited)

ORCA EXPLORATION GROUP INC

| <i>(thousands of US dollars)</i> | Three months ended | | Nine months ended | |
|---|--------------------|----------------|-------------------|----------------|
| | 30-Sep 2009 | 30-Sep 2008 | 30-Sep 2009 | 30-Sep 2008 |
| CASH FLOWS FROM OPERATING ACTIVITIES | | | | |
| Profit/(loss) after taxation | 1,549 | 816 | 1,760 | (9,535) |
| Adjustment for: | | | | |
| Depletion and depreciation | 1,230 | 1,566 | 2,947 | 3,782 |
| Impairment of exploration and evaluation assets | - | - | - | 9,520 |
| Stock-based compensation | 188 | 502 | 898 | 2,134 |
| Deferred income taxes | 1,133 | 793 | 2,323 | 1,704 |
| Deferred additional profits tax | 156 | 107 | 336 | 262 |
| Interest income | (9) | (11) | (36) | (84) |
| | 4,247 | 3,773 | 8,228 | 7,783 |
| (Increase)/decrease in trade and other receivables | (2,061) | (3,116) | 2,098 | (2,106) |
| (Decrease)/increase in trade and other payables | (227) | (294) | (4,735) | 88 |
| Net cash flows from operating activities | 1,959 | 363 | 5,591 | 5,765 |
| CASH FLOWS USED IN INVESTING ACTIVITIES | | | | |
| Exploration and evaluation expenditures | (3) | (412) | (109) | (3,051) |
| Property, plant and equipment expenditures | (1,990) | (761) | (5,524) | (3,409) |
| Interest income | 9 | 11 | 36 | 84 |
| Increase/(decrease) in trade and other payables | 711 | 53 | (666) | (4,724) |
| Net cash used in investing activities | (1,273) | (1,109) | (6,263) | (11,100) |
| CASH FLOWS USED IN FINANCING ACTIVITIES | | | | |
| Normal course issuer bid | (55) | - | (211) | (2) |
| Net cash flow used in financing activities | (55) | - | (211) | (2) |
| Increase/(decrease) in cash and cash equivalents | 631 | (746) | (883) | (5,337) |
| Cash and cash equivalents at the beginning of the period | 9,072 | 11,924 | 10,586 | 16,515 |
| Cash and cash equivalents at the end of the period | 9,703 | 11,178 | 9,703 | 11,178 |

Statement of Changes in Shareholders' Equity (unaudited)

ORCA EXPLORATION GROUP INC

| <i>(thousands of US dollars)</i> | Capital stock | Capital reserve | Accumulated Income/(loss) | Total |
|--|----------------------|------------------------|----------------------------------|---------------|
| Balance as at 1 January 2008 | 66,538 | 1,023 | 3,983 | 71,544 |
| Stock-based compensation | - | 2,134 | - | 2,134 |
| Normal course issuer bid | (1) | - | - | (1) |
| Loss for the period | - | - | (9,535) | (9,535) |
| Balance as at 30 September 2008 | 66,537 | 3,157 | (5,552) | 64,142 |

| <i>(thousands of US dollars)</i> | Capital stock | Capital reserve | Accumulated Income/(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) |
| Profit for the period | - | - | 1,760 | 1,760 |
| Balance as at 30 September 2009 | 66,329 | 4,610 | (3,780) | 67,159 |

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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