



TSX-V: ORC.A, ORC.B

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

## FOR IMMEDIATE RELEASE

27<sup>th</sup> November 2013

### Orca Exploration announces Q3 2013 results

TORTOLA, British Virgin Islands 27<sup>th</sup> November 2013: Orca Exploration Group Inc. ("Orca" or "the Company") announces its results for the third quarter ended 30<sup>th</sup> September 2013.

#### Highlights

- US\$16.4 million was received from TANESCO during Q3 and a subsequent payment of US\$7.2 million.
- At 30 September 2013, TANESCO owed the Company US\$53.0 million including arrears of US\$44.5 million (30 June 2013: US\$46.3 million, including arrears of US\$39.7 million). Currently TANESCO owes US\$52.8 million.
- World Bank is working towards payment guarantees on future gas deliveries whilst TANESCO makes an application for a 68% tariff increase and the Government deals with the arrears. If successful, the Company anticipates the initiatives will arrest the payments problem and establish a foundation to moving forward.
- With no real progress on key contractual issues, the Company initiated contractual mechanisms on the US\$34 million Cost Pool dispute and the alleged US\$21 million Songas tariff claim to put issues on a timeline to resolution.
- Tanzania made real progress on the National Natural Gas Infrastructure Project with approximately 120 km of pipe laid to date and the Government maintaining its target onstream date of January 2015.
- Plans continued for Songo Songo with the Company submitting a field development plan and engaging a multi-lateral lending agency to evaluate funding the approximate US\$160 million programme whilst gas contract terms are agreed and issues are settled.
- Negotiations on a 120 MMcfd gas sales agreement with the Tanzania Petroleum Development Corporation (TPDC) in its capacity as gas aggregator continued during the quarter – pricing is the principal term yet to be agreed.
- Production continued at full capacity averaging 98 MMcfd for the quarter with Additional Gas sales averaging 65.7 MMcfd up 14% over the prior period (Q3 2012: 57.5 MMcfd) and up 12% over Q2 2013 (58.4 MMcfd), the increase in Additional Gas sales a result of a reduction in Protected Gas off take during the quarter.
- Industrial sales volume increased by 2% to 11.9 MMcfd from 11.7 MMcfd in Q2 2013. Power sector sales volumes during Q3 averaged 53.9 MMcfd up 15% over Q2 at 46.7 MMcfd.
- Stronger gas sales prices and volumes, offset slightly by an 11% increase in operating and G&A costs, resulted in Q3 funds from operations before working capital changes of US\$11.9 million (US\$0.34 per share diluted), up 12% from Q2 2013 (US\$10.5 million or US\$0.30 per share diluted).

- Average Industrial gas price for the quarter was US\$8.43/mcf down 2% from Q2 2013 (US\$8.60/mcf) and Power sector gas prices averaged US\$4.10/mcf for the quarter up 13% over the Q2 average price of US\$3.63/mcf.
- Q3 posted income of US\$1.9 million or US\$0.05 per share diluted, against a US\$6.8 million loss (US\$0.19 per share) in Q2. The Company made an additional provision of US\$2.9 million to reflect estimated cost of additional delays in payment of TANESCO arrears arising from the delay in World Bank Tranche II Government funding and provided a further US\$1.2 million for doubtful accounts.
- Working capital increased by 40% to US\$31.6 million as at 30 September 2013 (US\$22.5 million as at 30 June 2013) as a consequence of increased funds from operations and only US\$0.7 million in capital spending during the quarter. Cash on hand at 30 September 2013 was US\$30.3 million up 62% over Q2. Current cash balances are approximately US\$34 million.
- Subsequent to the end of Q3, TRA issued its formal audit report for the 2008-2010 taxation years. The report contemplates additional taxes and penalties totaling US\$19.7 million that may become the subject of a revised tax assessment in the future. As at the date of this report, the Company has not received an assessment. The Company is currently reviewing the report and, as of the date of this report, believes the findings to be substantially without merit and will take appropriate action through the appeal process if, and when, an assessment is received.
- The Company is pleased to announce the appointment of Patrick Rutabanzibwa as Country Chairman, PanAfrican Energy Tanzania Limited. Retiring after a 30-year career in Government, Patrick was most recently Permanent Secretary of the Ministry of Lands, Housing and Human Settlements. Notably, Patrick spent over eight years in the Ministry of Energy and Minerals rising to the post of Permanent Secretary, and was the key Government official responsible for negotiating and concluding the Songo Songo Project in 2001.

# Financial and Operating Highlights

<i>US\$'000 except where otherwise stated</i>	THREE MONTHS ENDED/ASAT				
	30 SEPT 2013	30 SEPT 2012	% Change	30 JUN 2013	% Change
Revenue	<b>14,659</b>	22,425	(35)	11,996	22
Profit (loss) before taxation	<b>3,876</b>	6,310	(39)	(8,509)	146
Operating netback ( <i>US\$/mcf</i> ) <sup>(1)</sup>	<b>2.26</b>	3.14	(28)	2.10	7
Cash and cash equivalents	<b>30,290</b>	23,289	30	18,752	62
Working capital <sup>(2)</sup>	<b>31,585</b>	37,730	(16)	22,527	40
Shareholders' equity	<b>124,170</b>	120,204	3	122,068	2
Total comprehensive income	<b>1,928</b>	1,266	52	(6,817)	128
Earnings per share - basic ( <i>US\$</i> )	<b>0.05</b>	0.04	50	(0.19)	129
Earnings per share - diluted ( <i>US\$</i> )	<b>0.05</b>	0.04	50	(0.19)	129
Funds flow from operating activities	<b>11,851</b>	14,379	(18)	10,546	12
Funds per share from operating activities - basic ( <i>US\$</i> ) <sup>(1)</sup>	<b>0.34</b>	0.42	(18)	0.30	15
Funds per share from operating activities - diluted ( <i>US\$</i> ) <sup>(1)</sup>	<b>0.34</b>	0.41	(17)	0.30	15
Net cash flows from operating activities	<b>14,481</b>	9,088	59	8,101	79
Net cash flows per share from operating activities - basic ( <i>US\$</i> ) <sup>(1)</sup>	<b>0.42</b>	0.26	59	0.23	80
Net cash flows per share from operating activities - diluted ( <i>US\$</i> ) <sup>(1)</sup>	<b>0.41</b>	0.26	60	0.23	81
<b>Outstanding Shares ('000)</b>					
Class A shares	<b>1,751</b>	1,751	–	1,751	–
Class B shares	<b>33,072</b>	32,743	1	32,892	1
Options	<b>1,742</b>	2,172	(22)	1,922	(9)
<b>Operating</b>					
Additional Gas sold ( <i>MMcf</i> ) - Industrial	<b>1,092</b>	1,022	7	1,067	2
Additional Gas sold ( <i>MMcf</i> ) - Power	<b>4,953</b>	4,270	16	4,250	17
Additional Gas sold ( <i>MMcfd</i> ) - Industrial	<b>11.9</b>	11.1	7	11.7	2
Additional Gas sold ( <i>MMcfd</i> ) - Power	<b>53.8</b>	46.4	16	46.7	15
Additional Gas sold ( <i>MMcfd</i> )	<b>65.7</b>	57.5	14	58.4	12
Average price per mcf ( <i>US\$</i> ) - Industrial	<b>8.43</b>	9.21	(8)	8.60	(2)
Average price per mcf ( <i>US\$</i> ) - Power	<b>4.10</b>	3.55	15	3.63	13

1. Non-GAAP measure -- defined on page 7 of the Q3 2013 Interim Report.

2. Working capital as at 30 September 2013 includes a TANESCO receivable of US\$16.6 million (31 December 2012: US\$33.3 million) and a net Songas receivable of US\$6.1 million (31 December 2012: US\$5.9 million). Given the payment pattern, US\$36.3 million of TANESCO receivables in excess of 60 days have been discounted by US\$10.8 million and classified as long-term receivables. Total short- and long-term TANESCO receivables as at 30 September 2013 total US\$53.0 million prior to discounting. Subsequent to the end of the quarter, TANESCO paid US\$7.2 million; the current TANESCO balance is US\$52.8 million of which arrears total US\$45.7 million.

# Condensed Consolidated Interim Statement of Comprehensive Income (Loss) (UNAUDITED)

<i>US\$'000s except per share amounts</i>	NOTE	THREE MONTHS ENDED		NINE MONTHS ENDED	
		30 Sept 2013	30 Sept 2012	30 Sept 2013	30 Sept 2012
<b>Revenue</b>	4	<b>14,659</b>	22,425	<b>39,853</b>	56,545
<b>Cost of sales</b>					
Production and distribution expenses		<b>(1,150)</b>	(1,497)	<b>(2,564)</b>	(4,624)
Depletion expense	9	<b>(2,971)</b>	(2,324)	<b>(8,306)</b>	(6,279)
		<b>10,538</b>	18,604	<b>28,983</b>	45,642
General and administrative expenses		<b>(3,327)</b>	(4,391)	<b>(10,287)</b>	(12,322)
Exploration asset impairment		-	(7,496)	-	(7,496)
Net finance costs	5	<b>(3,335)</b>	(407)	<b>(18,669)</b>	(689)
<b>Profit before taxation</b>		<b>3,876</b>	6,310	27	25,135
Taxation	6	<b>(1,976)</b>	(5,044)	(1,919)	(12,310)
<b>Profit (loss) after taxation</b>		<b>1,900</b>	1,266	(1,892)	12,825
<b>Foreign currency translation gain from foreign operations</b>		<b>28</b>	-	<b>(47)</b>	-
<b>Total comprehensive income (loss) for the period</b>		<b>1,928</b>	1,266	<b>(1,939)</b>	12,825
<b>Earnings (loss) per share</b>					
Basic (US\$)	12	<b>0.05</b>	0.04	<b>(0.05)</b>	0.37
Diluted (US\$)	12	<b>0.05</b>	0.04	<b>(0.05)</b>	0.36

*See accompanying notes to the condensed consolidated interim financial statements.*

# Condensed Consolidated Interim Statement of Financial Position

(UNAUDITED)

US\$ '000s	NOTE	AS AT	
		30 Sept 2013	31 Dec 2012
<b>ASSETS</b>			
<b>Current Assets</b>			
Cash and cash equivalents		30,290	16,047
Trade and other receivables	7	39,618	73,495
Taxation receivable	6	15,736	14,692
Prepayments		636	246
		<b>86,280</b>	<b>104,480</b>
<b>Non-Current Assets</b>			
Long-term trade receivable	7	25,529	–
Exploration and evaluation assets	8	5,722	5,720
Property, plant and equipment	9	94,621	102,044
		<b>125,872</b>	<b>107,764</b>
Total Assets		<b>212,152</b>	<b>212,244</b>
<b>EQUITY AND LIABILITIES</b>			
<b>Current Liabilities</b>			
Trade and other payables	10	46,353	45,496
Bank loan	11	4,138	5,842
Taxation payable		4,204	6,322
		<b>54,695</b>	<b>57,660</b>
<b>Non-Current Liabilities</b>			
Deferred income taxes	6	14,632	20,399
Deferred additional profits tax	6	18,655	8,250
		<b>33,287</b>	<b>28,649</b>
Total Liabilities		<b>87,982</b>	<b>86,309</b>
<b>Equity</b>			
Capital stock		85,428	84,983
Contributed surplus		6,482	6,753
Accumulated other comprehensive income		42	89
Accumulated income		32,218	34,110
		<b>124,170</b>	<b>125,935</b>
Total Equity and Liabilities		<b>212,152</b>	<b>212,244</b>

See accompanying notes to the condensed consolidated interim financial statements.

Future operations (Note 1)

Contractual obligations and committed capital investments (Note 14)

Contingencies (Note 15)

The consolidated condensed interim financial statements were approved by the Board of Directors on 27 November 2013.

# Condensed Consolidated Interim Statement of Cash Flows

(UNAUDITED)

US\$'000s	NOTE	THREE MONTHS ENDED		NINE MONTHS ENDED	
		30 Sept 2013	30 Sept 2012	30 Sept 2013	30 Sept 2012
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>					
<b>Profit after taxation</b>		<b>1,900</b>	1,266	<b>(1,892)</b>	12,825
Adjustment for:					
Depletion and depreciation	9	<b>3,071</b>	2,393	<b>8,573</b>	6,549
Exploration asset impairment	9	-	7,496	-	7,496
Provision for doubtful debt	7	<b>1,200</b>	-	<b>8,300</b>	-
Discount on long-term receivable	5,7	<b>2,900</b>	-	<b>10,800</b>	-
Stock-based compensation	12	<b>24</b>	80	<b>(289)</b>	701
Deferred income taxes	6	<b>(800)</b>	2,019	<b>(5,767)</b>	4,091
Deferred additional profits tax	6	<b>3,979</b>	900	<b>10,405</b>	2,289
Interest received		-	(2)	-	(4)
Unrealised (gain) loss on foreign exchange		<b>(423)</b>	227	<b>889</b>	303
<b>Funds flow from operating activities</b>		<b>11,851</b>	<b>14,379</b>	<b>31,019</b>	<b>34,250</b>
Decrease (increase) in trade and other receivables		<b>5,120</b>	(11,086)	<b>13,789</b>	(22,577)
Increase in taxation receivable		<b>(1,451)</b>	(2,293)	<b>(1,044)</b>	(9,198)
(Increase) decrease in prepayments		<b>(207)</b>	342	<b>(390)</b>	(197)
(Decrease) increase in trade and other payables		<b>(3,056)</b>	7,653	<b>1,198</b>	14,688
Increase (decrease) in taxation payable		<b>774</b>	93	<b>(2,118)</b>	4,464
Decrease (increase) in long-term receivable		<b>1,450</b>	-	<b>(25,529)</b>	-
<b>Net cash flows from operating activities</b>		<b>14,481</b>	<b>9,088</b>	<b>16,925</b>	<b>21,430</b>
<b>CASH FLOWS USED IN INVESTING ACTIVITIES</b>					
Exploration and evaluation expenditures		-	(5,469)	(2)	(10,026)
Property, plant and equipment expenditures		<b>(744)</b>	(9,564)	<b>(1,150)</b>	(42,219)
Interest received		-	2	-	4
Increase in trade and other payables		-	3,413	-	13,817
<b>Net cash used in investing activities</b>		<b>(744)</b>	<b>(11,618)</b>	<b>(1,152)</b>	<b>(38,424)</b>
<b>CASH FLOWS (USED IN) FROM FINANCING ACTIVITIES</b>					
Bank loan proceeds	11	-	5,800	<b>4,000</b>	5,800
Bank loan repayments	11	<b>(2,465)</b>	-	<b>(5,704)</b>	-
Proceeds from exercise of options	12	<b>174</b>	-	<b>174</b>	-
<b>Net cash flow from (used in) financing activities</b>		<b>(2,291)</b>	<b>5,800</b>	<b>(1,530)</b>	5,800
<b>Increase (decrease) in cash and cash equivalents</b>		<b>11,446</b>	<b>3,270</b>	<b>14,243</b>	<b>(11,194)</b>
<b>Cash and cash equivalents at the beginning of the period</b>		<b>18,766</b>	20,194	<b>16,136</b>	34,680
<b>Effect of change in foreign exchange on cash in hand</b>		<b>78</b>	(175)	<b>(89)</b>	(197)
<b>Cash and cash equivalents at the end of the period</b>		<b>30,290</b>	<b>23,289</b>	<b>30,290</b>	<b>23,289</b>

See accompanying notes to the condensed consolidated interim financial statements.

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

<i>US\$'000</i>	Capital stock	Contributed surplus	Cumulative Translation adjustment	Accumulated Income	Total
<i>Note</i>	<i>12</i>				
<b>Balance as at 1 January 2013</b>	84,983	6,753	89	34,110	125,935
Options exercised	445	(271)	–	–	174
Foreign currency translation adjustment on foreign operations	–	–	(47)	–	(47)
Loss after tax for the period	–	–	–	(1,892)	(1,892)
<b>Balance as at 30 Sept 2013</b>	<b>85,428</b>	<b>6,482</b>	<b>42</b>	<b>32,218</b>	<b>124,170</b>

<i>US\$'000</i>	Capital stock	Contributed surplus	Cumulative Translation adjustment	Accumulated Income	Total
<b>Balance as at 1 January 2012</b>	84,610	6,268	–	15,781	106,659
Foreign currency translation adjustment on foreign operations	–	–	–	–	–
Stock based compensation	–	720	–	–	720
Profit after tax for the period	–	–	–	12,825	12,825
<b>Balance as at 30 Sept 2012</b>	<b>84,610</b>	<b>6,988</b>	<b>–</b>	<b>28,606</b>	<b>120,204</b>

*See accompanying notes to the condensed consolidated interim financial statements.*

## **Orca Exploration Group Inc.**

Orca Exploration Group Inc. is an international public company engaged in natural gas exploration, development and supply in Tanzania through its wholly-owned subsidiary PanAfrican Energy Tanzania Limited, as well as oil and gas appraisal in Italy. Orca trades on the TSXV under the trading symbols ORC.B and ORC.A. The complete condensed interim consolidated financial statements and notes, and Management Discussion & Analysis may be found on the Company's website [www.orcaexploration.com](http://www.orcaexploration.com) or on [www.sedar.com](http://www.sedar.com).

For further information please contact:

**W. David Lyons**, Chairman and Chief Executive Officer  
+44-7717-100200  
[wdlyons@orcaexploration.com](mailto:wdlyons@orcaexploration.com)

**Robert S. Wynne**, Chief Financial Officer and Director  
+1 (403) 399-8046  
[RSWynne@orcaexploration.com](mailto:RSWynne@orcaexploration.com)

*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, the Company's beliefs regarding its ability to collect the full TANESCO receivable; anticipated effect of payment guarantee on future gas deliveries and application by TANESCO for tariff increase on TANESCO receivable; the Government's target onstream date for the National Gas Infrastructure Project; status of execution of a full field development plan for Songo Songo, including the funding thereof; incremental gas sales volumes; status of negotiations with the TPDC regarding a sales agreement for incremental gas volumes; potential taxes and penalties payable by the Company to the TRA and the Company's beliefs regarding the findings and its plans to appeal the process if, and when, an assessment is received; 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. Many factors could cause Orca's actual results to differ materially from those expressed or implied in any forward-looking statements made by Orca.*

*These forward-looking statements involve substantial known and unknown risks and uncertainties, certain of which are beyond Orca's control, including, but not limited to, 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; effect of changes to the PSA on the Company; 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; ability to access sufficient capital; failure to collect the full TANESCO receivable; failure to successfully negotiate agreements; failure to obtain funding for full field development plan for Songo Songo; risk that the Company will be subject to a tax assessment and be required to pay additional taxes and penalties; 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.*

*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 not limited to, 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 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 successfully negotiate agreements; 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.*