



Orca Exploration Announces Completion of its Q3 2017 Interim Filings

TORTOLA, British Virgin Islands, Nov. 15, 2017 -- Orca Exploration Group Inc. ("Orca" or "the Company") (TSX-V:ORC.A) (TSX-V:ORC.B) announces that it has filed its condensed consolidated interim financial statements and management's discussion and analysis for the three and nine month periods ended September 30, 2017 with the Canadian securities regulatory authorities.

Operating and Financial Highlights

- Revenue for the quarter decreased by 31% to US\$12.2 million from US\$17.7 million in Q3 2016 and decreased 12% to US\$42.2 million over the nine months ended September 30, 2017 compared to US\$48.1 million for the comparable prior year period. The decrease is primarily the result of lower Cost Gas allocations which resulted in an increase in Profit Gas attributable to TPDC; a consequence of the decline in the cost pool with the Company having now recovered the cost of the 2015-2016 capital program. Additional Gas deliveries and sales for the quarter averaged 45.1 million standard cubic feet per day ("MMcfd") a decrease of 3% over 46.6 MMcfd in Q3 2016 and decreased 4% to 42.7 MMcfd for the nine months ended September 30, 2017 compared to 44.4 MMcfd for the comparable prior year period. The decrease in Additional Gas volumes for the quarter and the nine months ended September 30, 2017 to the comparable prior year periods is primarily the result of reduced nominations of natural gas volumes by TANESCO. The decrease in volumes were partially offset by a 3% rise in the weighted average price for the quarter to US\$4.87/mcf from US\$4.73/mcf in Q3 2016 and a 2% rise to US\$4.82/mcf for the nine months ended September 30, 2017 from US\$4.72/mcf for the comparable prior year period.
- There was a net loss for the quarter of US\$0.03 million (US\$0.00 loss per share diluted) compared to net income of US\$5.3 million in Q3 2016 (US\$0.15 per share diluted) and US\$2.2 million net income (US\$0.06 per share diluted) for the nine months ended September 30, 2017 compared to a net income of US\$1.1 million (US\$0.03 per share diluted) for the comparable prior year period. The net loss for the quarter was primarily a consequence of a fall in revenue compared to Q3 2016 of US\$5.5 million, a US\$2.2 million increase in general administrative costs (stock based compensation) being offset by a US\$3.0 million decrease in income tax. The interest associated with servicing the IFC loan for the nine months ended September 30, 2017 was US\$4.7 million compared to US\$4.1 million for the nine months ended September 30, 2016.
- Cash flows from operations for the quarter decreased by 58% to US\$4.2 million (US\$0.12 per share diluted) from US\$10.0 million (US\$0.29 per share diluted) in Q3 2016 and decreased by 42% to US\$14.8 million (US\$0.42 per share diluted) for the nine months ended September 30, 2017 from US\$25.6 million (US\$0.73 per share diluted) for the comparable prior year period. The decrease for the quarter and the nine months ended September 30, 2017 from the comparable prior year periods is primarily due to the fall in the Company's operating revenue due to lower Cost Gas allocations, the lower Additional Gas volumes and associated Profit Gas entitlement and the increase in costs associated with servicing the IFC loan.
- Net cash flows from operating activities for the quarter increased by 121% to US\$14.4 million (US\$0.41 per share diluted) in the quarter compared to US\$6.5 million (US\$0.19 per share diluted) in Q3 2016 and increased by 203% for the nine months ended September 30, 2017 to US\$35.3 million (US\$1.00 per share diluted) from US\$11.6 million (US\$0.33 per share diluted) for the comparable prior year period. The increase for the quarter and the nine months ended September 30, 2017 from the comparable prior year periods being primarily the consequence of improved cash receipts from TANESCO since the end of Q3 2016. A total of US\$10.8 million was received from TANESCO during the quarter and US\$34.4 million for the nine months ended September 30, 2017 compared to US\$8.6 million and US\$18.8 million for the comparable prior year periods.
- Total capital expenditures for the quarter were US\$0.6 million and US\$1.1 million for the nine months ended September 2017 compared to US\$16.8 million for the comparable prior year period. The capital expenditure in the quarter was for a flow line and platform expenditures related to the SS-12 well. The capital expenditure for the nine months ended September 30, 2017 includes the transfer of US\$7.4 million of the Songas share of workover costs originally incurred in 2015 from accounts receivable to property, plant and equipment.

- Working capital as at September 30, 2017 was US\$71.1 million compared to US\$72.0 million as at December 31, 2016. Working capital figures for the period reflect the decrease in the Songas receivable relating to the Songas workover program which was offset by the increase in cash balances due to the continued receipts from TANESCO. The closing cash at September 30, 2017 was US\$110.5 million (December 31, 2016: US\$80.9 million).
- As at September 30, 2017 the current receivable from TANESCO was US\$ nil (December 31, 2016: US\$5.7 million). During the quarter the amounts received from TANESCO were in excess of the revenue recognized for gas sales to TANESCO resulting in a deferred revenue balance of US\$7.5 million (December 31, 2016: US\$ nil) which is recorded in trade and other payables. The long-term trade receivable at September 30, 2017 was US\$74.4 million (provision of US\$74.4 million) compared to US\$80.1 million (provision of US\$74.4 million) as at December 31, 2016. Since the quarter end, TANESCO has paid the Company US\$5.1 million. As at the date of this report the TANESCO current receivable balance is US\$ nil and the deferred revenue balance is US\$12.6 million with no change in the long-term receivable or provision. The amounts do not include the Company's invoices to TANESCO that do not meet the revenue recognition criteria with respect to assurance of collectability.

Financial and Operating Highlights

	THREE MONTHS ENDED SEPTEMBER 30		NINE MONTHS ENDED SEPTEMBER 30	
<i>(Expressed in US\$'000 unless indicated otherwise)</i>	2017	2016	2017	2016
OPERATING				
Daily average gas delivered and sold (MMcfd)				
Additional Gas	45.1	46.6	42.7	44.4
Industrial	14.0	13.5	12.7	12.3
Power	31.1	33.1	30.0	32.1
Average price (US\$/mcf)				
Industrial	7.65	7.60	7.69	7.77
Power	3.63	3.57	3.59	3.56
Weighted average	4.38	4.73	4.82	4.72
Operating netback (US\$/mcf) ⁽¹⁾	2.94	3.31	3.23	3.23
FINANCIAL				
Revenue	12,245	17,744	42,235	48,126
Net cash flows from operating activities	14,447	6,540	35,272	11,623
per share - basic and diluted (US\$)	0.41	0.19	1.00	0.33
Net (loss) income	(34)	5,302	2,184	1,116
per share - basic and diluted (US\$)	(0.00)	0.15	0.06	0.03
Cash flows from operations ⁽¹⁾	4,241	10,024	14,777	25,644
per share - basic and diluted (US\$)	0.12	0.29	0.42	0.73
Weighted average of outstanding Class A and Class B shares ('000)	34,857	34,857	34,857	34,857
Capital expenditures	603	(45)	1,073	16,793
	AS AT SEPTEMBER 30, 2017		AS AT DECEMBER 31, 2016	
Working capital (including cash)	71,129		71,989	
Cash	110,488		80,895	
Long-term loan	58,501		58,399	
Outstanding Shares ('000)				
Class A	1,751		1,751	
Class B	33,106		33,106	
Total shares outstanding	34,857		34,857	

⁽¹⁾ The cash flow from operations and operating netback are non-GAAP measures which may not be comparable to other companies. Please refer to the Management Discussion and Analysis ("MD&A") for Information on non-GAAP measures.

The complete condensed consolidated unaudited interim financial statements and management's discussion & analysis for the three and six month periods ending September 30, 2017 may be found on the Company's website www.orcaexploration.com or on the Company's profile on SEDAR at www.sedar.com.

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.

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Abbreviations

Mcf	thousand cubic feet
MMcfd	million cubic feet per day

Reader Advisory

The Company discloses several financial measures herein that do not have any standardized meaning prescribed under International Financial Reporting Standards ("IFRS"). These financial measures include cash flows from operations, cash flows from operations per share and operating netback. Cash flows from operations represents cash flows from operating activities less interest paid and before changes in non-cash working capital and demonstrates the Company's ability to generate sufficient cash flow to fund capital expenditures and repay debt. Cash flows from operations per share is calculated on the basis of cash flows from operations divided by the weighted average number of shares outstanding. Operating netbacks represent the profit margin associated with the production and sale of additional gas and is calculated as revenues less processing and transportation tariffs, government parastatal's revenue share, operating and distribution costs for one thousand standard cubic feet of additional gas. Management believes that these financial measures are useful supplemental information to analyze operating performance and provide an indication of the results generated by the Company's principal business activities. Investors should be cautioned that these measures should not be construed as an alternative to net income or other measures of financial performance as determined in accordance with IFRS. The Company's method of calculating these measures may differ from other companies, and accordingly, they may not be comparable to similar measures used by other companies. Please see the Company's management's discussion and analysis, which is available at www.sedar.com for additional information about these financial measures.