Orca Exploration Announces Closing of the First Tranche of the Swala Investment

TORTOLA, British Virgin Islands, Jan. 16, 2018 -- Orca Exploration Group Inc. (TSX-V:ORC.A) (TSX-V:ORC.B) (“**Orca**” or the “**Company**”) today announced that the escrow release conditions have been met regarding the first tranche of the previously announced investment of up to US$130 million by Swala Oil & Gas (Tanzania) plc ("**Swala**") in the Orca Group (the "**Investment**"). As a result, the definitive agreements for the Investment have been released from escrow and are delivered and effective and the first tranche of the Investment is complete.

First Tranche of the Investment

Under the first tranche of the Investment, Orca sold 7,933 Class A PAEM Shares (the "**PAEM Shares**") (7.93%) that it holds of PAE PanAfrican Energy Corporation ("**PAEM**") to Swala (PAEM) Limited ("**Swala PAEM**"), a wholly-owned subsidiary of Swala, for gross proceeds of US$25,782,250 (US$21,022,450 net of certain purchase adjustments) payable in US$17,055,950 cash and the right to receive either US $3,966,500 face amount of Swala convertible preferred shares by 2 March 2018 or US $3,966,500 in cash in the event such Swala shares are not issued by such date.

Amendment and Consent Letter with International Finance Corporation

As part of the Investment, Orca entered into an amendment and consent letter with PanAfrican Energy Tanzania Limited ("**PAET**") and International Finance Corporation ("**IFC**") pursuant to which:

- PAET agreed to prepay the IFC loan facility in part based on the proportion to the total percentage of PAEM Shares sold to Swala PAEM by no later than 10 December 2019;
- upon each closing occurring under the Investment, IFC's 7% participation interest would be reduced pro rata with the percentage of the PAEM Shares sold to Swala in consideration for PAET paying IFC the sum equal to the liquidity participation interest (10%) of the proportion of PAEM sold based on a valuation of US$325 million; and
- the parties agreed to make certain amendments to the IFC loan agreement and related financing documents in connection with the foregoing.

As part of the amendment and consent letter, Orca guaranteed the prepayments owed by PAET to IFC discussed above. As a result of the closing of the first tranche of the Investment, that guarantee covers US$4,759,800 in prepayments. Assuming that the second and third tranches of the Investment close, Orca's guarantee would cover an aggregate of US$24,000,000 in prepayments due 10 December 2019.

About Orca Exploration Group Inc.

Orca is an international public company engaged in natural gas exploration, development and supply in Tanzania through its wholly-owned subsidiary, PanAfrican Energy Tanzania Limited. Orca trades on the TSX Venture Exchange under the trading symbols ORC.A and ORC.B. The Company’s Project Agreements are more fully described in the Company’s 2016 Annual Information Form, and available on www.orcaexploration.com .

About Swala Oil & Gas (Tanzania) plc

Swala is an independent oil & gas exploration and production company, the first to be listed on an East African Stock Exchange and having a significant local Tanzanian ownership. Swala holds exploration blocks in the world-class East African Rift System with a total net land package in excess of 14,000 km^2. New discoveries have been announced by industry participants in a number of licences along this trend that extend the multi-billion-barrel Albert Graben play developed by Tullow Oil into the eastern arm of the rift. Swala has an active operational and business development programme to continue to grow its presence in the hydrocarbon provinces of East Africa and globally. More information on Swala is available at http://swalaoilandgas.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 Information

This news release contains forward-looking information. More particularly, this news release contains statements and information concerning, but not limited to, the potential completion of the remaining investment transactions; the potential amount of guarantees given by Orca to IFC; and other matters. Although management believes that the expectations reflected in the forward-looking information are reasonable, it cannot guarantee future agreement, levels of activity, performance or achievements since such expectations are inherently subject to significant uncertainties and contingencies. As a consequence, actual results may differ materially from those anticipated in the forward-looking information.

Forward-looking information involves substantial known and unknown risks and uncertainties, certain of which are beyond Orca's control, and many factors could cause the actual results to differ materially from those expressed or implied in the forward-looking information presented by Orca, including, but not limited to: that the third parties perform their obligations under the Investment Agreement and other related agreements; risks associated with obtaining third party or government approvals; risks associated with international activity; the uncertainty associated with negotiating with governments; that PAEM and PAET are able to carry on their business activities as expected, and other risk factors. Actual results, performance or achievements could differ materially from those expressed in, or implied by, the forward-looking information and, accordingly, no assurances can be given that any of the events anticipated by the forward-looking information will transpire or occur, or if any of them do so, what benefits Orca will derive therefrom. Readers are cautioned that the foregoing list of factors is not exhaustive.

Such forward-looking information is based on certain assumptions made by Orca in light of its experience and current knowledge of the circumstances, as well as other factors Orca believes are appropriate in the circumstances, including, but not limited to: that Swala will be able to obtain financing to close the investment transactions; that the necessary approvals will be obtained; that third parties will perform their obligations under the agreements; that Swala will obtain the necessary approvals to create and issue the preferred shares; that PAEM and PAET are able to carry on their business activities as expected; and other matters.

The forward-looking information contained in this news release is made as of the date hereof and Orca undertakes no obligation to update publicly or revise forward-looking information, whether as a result of new information, future events or otherwise, unless so required by applicable securities laws.

For further information please contact:

W. David Lyons,
Chairman and CEO
+44-7717-100-200
wdlyons@orcaexploration.com