



Orca Exploration announces 2017 year-end financial results

TORTOLA, British Virgin Islands, April 13, 2018 -- Orca Exploration Group Inc. ("**Orca**" or "the **Company**") (TSX-V:ORC.A) (TSX-V:ORC.B) announces its financial results for the year ended December 31, 2017. All currency amounts are in United States dollars unless otherwise stated.

- The Company's revenue for the year ended December 31, 2017 decreased by 21% to US\$51.9 million from US\$65.9 million in the prior year. The decrease is the result of: (i) recording revenue from the Tanzania Electric Supply Company Limited ("TANESCO") using the estimated collectability approach, (ii) lower sales volumes and; (iii) lower Cost Gas allocations which resulted in an increase in Profit Gas attributable to the Tanzanian Petroleum Development Corporation ("TPDC"); this was 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 year averaged 41.6 million standard cubic feet per day ("MMcfd") a decrease of 7% over 44.5 MMcfd in the prior year. The decrease in Additional Gas volumes for the year is primarily the result of reduced nominations of natural gas volumes by TANESCO. The decrease in volumes was partially offset by a 2% rise in the weighted average price for year to US\$4.84/mcf from US\$4.73/mcf in the prior year.
- The Company recorded a net loss of US\$2.5 million for the year compared to a net income of US\$2.2 million in the prior year. The loss for the year is due to a number of factors: (i) the decrease in revenue being partially offset by lower finance expenses; (ii) the decrease in finance expenses being the net effect of lower TANESCO debt write-offs, offsetting the International Finance Corporation ("IFC") participatory interest; and (iii) the increase in stock based compensation in 2017.
- The Company's net cash flows from operating activities for the year increased by 141% to US\$48.2 million from US\$20.0 million in the prior year. The increase is primarily a consequence of the continued improved collections from TANESCO since the third quarter of 2016, which is evidenced by the US\$8.4 million deferred revenue recorded on the statement of financial position.
- The Company's funds flow from operations for the year decreased by 53% to US\$14.8 million from US\$31.9 million in the prior year. The decrease is primarily a consequence of the fall in the Company's operating revenue due to the change in the TANESCO revenue recognition criteria together with lower sales of Additional Gas volumes, lower Cost Gas and an increase in TPDC Profit Gas entitlement. In addition, as a consequence of the lower capital expenditure during the year and improved collections from TANESCO, the IFC is entitled to participatory interest of US\$3.8 million.
- Working capital decreased 3% to US\$69.6 million compared to US\$72.0 million as at December 31, 2016. This minor decline is a consequence of the increase in current liabilities to TPDC associated with increased collections from TANESCO, together with the increase in stock based compensation accrual following an increase in the closing share price for the year to CDN\$5.00 per share from CDN\$3.86 per share as at December 31, 2016.
- At December 31, 2017, the current receivable from TANESCO was US\$ nil (December 31, 2016: US\$5.7 million). During the year, 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\$8.4 million (December 31, 2016: US\$ nil) after the reallocation of US\$3.8 million to net field revenue during Q4 2017. The long-term trade receivable at December 31, 2017 and 2016 was US\$74.4 million (provision of US\$74.4 million). Subsequent to December 31, 2017, the Company has invoiced TANESCO US\$6.2 million for 2018 gas deliveries and TANESCO has paid the Company US\$10.0 million.
- Subsequent to December 31, 2017, the Company sold 7.9% of PAE PanAfrican Energy Corporation ("**PAEM**"), a wholly owned subsidiary, for a net sales price of US\$21.1 million based on a net enterprise value of US\$265.0 million. The effective date of the transaction was January 1, 2017 and as a consequence, the purchase price was reduced by US\$0.9 million to reflect the buyer's share of cash flow from the effective date of the transaction until closing. The buyer has until May 11, 2018 to acquire up to an additional 32.1% of PAEM under the same terms and conditions. There are no assurances given that one or more of the transactions will be completed by May 11, 2018 or that they will be completed on the terms previously disclosed.

- The Board of Directors of Orca has called a shareholders meeting to be held on June 6, 2018.

Financial and Operating Highlights

YEAR ENDED DECEMBER 31

<i>(Expressed in US\$000 unless indicated otherwise)</i>	2017	2016	% Change 2017 vs 2016
OPERATING			
Daily average gas delivered and sold (MMcfd)			
Additional Gas	41.6	44.5	(7)%
Industrial	12.6	12.5	1%
Power	29.0	32.0	(9)%
Average price (US\$/mcf)			
Industrial	7.71	7.70	0%
Power	3.60	3.56	1%
Weighted average	4.84	4.73	2%
Operating netback (US\$/mcf)	3.00	3.26	(8)%

FINANCIAL

Revenue	51,854	65,885	(21)%
Net cash flows from operating activities	48,154	19,968	141%
per share - basic and diluted (US\$)	1.38	0.57	141%
Net (loss) income	(2,500)	2,164	n/m
per share - basic and diluted (US\$)	(0.07)	0.06	n/m
Funds flow from operations	14,840	31,855	(53)%
per share - basic and diluted (US\$)	0.43	0.91	(53)%
Capital expenditures (excluding transfers)	1,545	16,924	(91)%

AS AT DECEMBER 31

	2017	2016	
Working capital (including cash)	69,575	71,989	(3)%
Cash	122,322	80,895	51%
Long-term loan	58,518	58,399	0%
Outstanding Shares ('000)			
Class A	1,751	1,751	0%
Class B	33,506	33,106	1%
Total shares outstanding	35,257	34,857	1%
Weighted average Class A and Class B shares	34,858	34,857	0%

The complete Audited Consolidated Financial Statements and Notes and Management Discussion & Analysis 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
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|MMcfd |million cubic feet per day |

Non-GAAP Measures

The Company evaluates its performance using a number of non-GAAP (generally accepted accounting principles) measures. These non-GAAP measures are not standardized and therefore may not be comparable to similar measurements of other entities. This Press Release contains certain non-GAAP measures, described below.

Funds flow from operations represents net cash flows from operating activities less interest expense and before changes in non-cash working capital. This is a performance measure that management believes represents the Company's ability to generate sufficient cash flow to fund capital expenditures and repay debt.

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. This is a key measure as it demonstrates the profit generated from each unit of production, and is widely used by the investment community.

Funds flow from operations per share is calculated on the basis of the funds flow from operations divided by the weighted average number of shares.

Net cash flows from operating activities per share is calculated as net cash flows from operating activities divided by the weighted average number of shares.