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

TSX-V: ORC.A, ORC.B

FOR IMMEDIATE RELEASE

Orca Exploration Announces Completion of its Q2 2018 Interim Filings

TORTOLA, British Virgin Islands August 14, 2018: Orca Exploration Group Inc. ("**Orca**" or the "**Company**") announces that it has filed its condensed consolidated interim financial statements and management's discussion and analysis for the three and six month periods ended June 30, 2018 with the Canadian securities regulatory authorities.

Q2 2018 Financial and Operating Highlights

(all amounts are in United States Dollars ("**$**") unless otherwise indicated)

- Revenue for the quarter decreased by 11% to $15.0 million from $16.8 million in Q2 2017 and decreased 16% to $29.2 million over the six months ended June 30, 2018 compared to $34.9 million for the comparable prior year period. The decrease for the quarter and year-to-date amounts are a result of lower power sales volumes and lower Cost Gas *(1)* allocations which resulted in an increase in Profit Gas *(1)* allocations to the Tanzanian Petroleum Development Corporation **("TPDC"**) and a lower current income tax adjustment. Additional Gas *(1)* deliveries and sales for the quarter averaged 33.7 million standard cubic feet per day **("MMcfd"**) a decrease of 15% over 39.5 MMcfd in Q2 2017 and decreased 14% to 35.6 MMcfd for the six months ended June 30, 2018 compared to 41.5 MMcfd for the comparable prior year period. The decrease in Additional Gas volumes for the quarter and the six months ended June 30, 2018 to the comparable prior year periods is primarily a result of reduced nominations of natural gas volumes by the Tanzanian Electric Supply Company ("**TANESCO**"). The decrease in volumes having been partially offset by a 10% rise in the weighted average price for the quarter to $5.39/mcf from $4.90/mcf in Q2 2017 and a 10% rise to $5.27/mcf for the six months ended June 30, 2018 from $4.79/mcf for the comparable prior year period. The increase in price is a consequence of the change in sales mix.

- The Company had a net income of $12.5 million for the quarter ($0.35 per share diluted) compared to a net loss of income of $0.6 million in Q2 2017 ($0.02 loss per share diluted) and $7.8 million net income ($0.22 per share diluted) for the six months ended June 30, 2018 compared to a net income of $2.2 million ($0.06 per share diluted) for the comparable prior year period. The increase in net income for the quarter and six months ended June 30, 2018 was primarily a consequence of the increase in finance income as a result of the reversal of the provision for doubtful accounts of $13.4 million related to the collection of TANESCO arrears previously provided for.

- Net cash flows from operating activities for the quarter increased by 5% to $12.7 million ($0.36 per share diluted) in the quarter compared to $12.0 million ($0.35 per share diluted) in Q2 2017 and decreased by 32% for the six months ended June 30, 2018 to $14.2 million ($0.40 per share diluted) from $20.8 million ($0.60 per share diluted) for the comparable prior year period. The decrease for the quarter is primarily the consequence of the decrease in revenue being offset by the increased collections from TANESCO. The decrease for the six months ended June 30, 2018 from the comparable prior year period is primarily a consequence of the exercise of Stock Appreciation Rights and Restrictive Stock Units.

- Funds flows from operations for the quarter decreased by 5% to $4.4 million ($0.12 per share diluted) from $4.6 million ($0.13 per share diluted) in Q2 2017 and for the six months ended June 30, 2018 there was a funds outflow of $2.7 million ($0.08 outflow per share diluted) compared to a funds inflow of $10.5 million ($0.30 per share diluted) for the six months ended June 30, 2017. The decrease for the quarter and the six months ended June 30, 2017 from the comparable prior year periods is primarily due to the lower net cash flow from operating activities combined with an increase in interest expense and the non-cash working capital.

- Total capital expenditures for the quarter were $1.0 million compared to $0.4 million in Q2 2017 and $1.9 million for the six months ended June 30, 2018 compared to $7.8 million for the comparable prior year period. The capital expenditure in the quarter and first six months ended June 30, 2018 relate primarily to costs for the installation of a refrigeration unit. The capital expenditure for the six months ended June 30, 2017 includes the transfer of $7.4 million of the Songas Limited share of workover costs originally incurred in 2015 from accounts receivable to property, plant and equipment.

- Working capital increased 4% to $72.1 million as at June 30, 2018 compared to $69.6 million as at December 31, 2017. The increase is primarily due to the cumulative cash collections from TANESCO for current deliveries and arrears offset by an increase in stock based compensation during the period. The closing cash at June 30, 2018 was $54.2 million (December 31, 2017: $122.3 million). The decrease in cash is primarily a result of the investment in short and long-term bonds of $70.0 million at June 30, 2018 (December 31, 2017: $ nil), of which $7.2 million mature in August 2019 and have been classified as non-current assets.

- At June 30, 2018, the current receivable from TANESCO was $ nil (Q4 2017: $ nil). During the quarter the amounts received from TANESCO continued to be in excess of the revenue recognized for gas sales to TANESCO. As a consequence, $13.4 million of cumulative excess receipts over sales invoiced since Q3 2017, of which $5.4 million was in the current quarter, was allocated to the long-term arrears together with the associated reversal of the provision for doubtful accounts. The TANESCO long-term trade receivable at June 30, 2018 was $60.9 million with a provision of $60.9 million compared to $74.4 million (with a provision of $74.4 million) at December 31, 2017. Subsequent to June 30, 2018, the Company has invoiced TANESCO $2.7 million for 2018 gas deliveries and TANESCO has paid the Company $5.8 million.

  On June 18, 2018, the Company received the preference share consideration of $4.0 million relating to the sale of 7.933% (7,933 Class A common shares) of its subsidiary, PAE PanAfrican Energy Corporation ("**PAEM**"), to Swala (PAEM) Limited, a wholly owned *subsidiary* of Swala Oil & Gas (Tanzania) plc. ("**Swala**"). The net consideration received by the Company for the transaction was $19.7 million of which $15.7 million cash was received on closing of tranche 1 in January 2018. The preference shares entitle the holder to a 10% per annum distribution payable 15 days after each quarter end. The Company has indefinitely extended the outside date to complete tranches 2 and 3 of the transaction pursuant to which Swala would acquire up to 40% of PAEM (an additional 32.067%) on the same terms and conditions as tranche 1. The Company has retained the right to terminate the extension for tranches 2 and 3 at any time. There are no assurances given that one or more of the tranches will be completed on the terms previously disclosed or at all.

  [1] *Please refer to the Management Discussion &Analysis ("**MD&A"**) for the definition.*

Operating and Financial Highlights

(Expressed in $'000 unless indicated otherwise)	THREE MONTHS ENDED JUNE 30 2018	2017	% CHANGE Q2/18 vs Q2/17	SIX MONTHS ENDED JUNE 30 2018	2017	% CHANGE YTD/18 vs YTD/17
OPERATING						
Daily average gas delivered and sold *(MMcfd)*						
Additional Gas	**33.7**	39.5	(15)%	**35.6**	41.5	(14)%
Industrial	**14.2**	12.7	12%	**14.1**	12.1	16%
Power	**19.5**	26.8	(27)%	**21.5**	29.3	(27)%
Average price *($/mcf)*						
Industrial	**7.80**	7.69	1%	**7.80**	7.72	1%
Power	**3.62**	3.57	1%	**3.61**	3.57	1%
Weighted average	**5.39**	4.90	10%	**5.27**	4.79	10%
Operating netback *($/mcf)* [1]	**3.18**	3.44	(8)%	**2.68**	3.40	(21)%
FINANCIAL						
Revenue	**14,959**	16,810	(11)%	**29,182**	34,936	(16)%
Net cash flows from operating activities	**12,657**	12,038	5%	**14,184**	20,825	(32)%
per share - basic and diluted *($)*	**0.36**	0.35	3%	**0.40**	0.60	(33)%
Net income (loss)	**12,487**	(622)	n/m	**7,849**	2,218	254%
per share - basic and diluted *($)*	**0.35**	(0.02)	n/m	**0.22**	0.06	267%
Funds flows from (used in) operations [1]	**4,398**	4,610	(5)%	**(2,656)**	10,536	n/m
per share - basic and diluted *($)*	**0.12**	0.13	(8)%	**(0.08)**	0.30	n/m
Capital expenditures	**1,042**	350	198%	**1,861**	7,822	(76)%

	JUNE 30, 2018	AS AT DECEMBER 31, 2017	
Working capital (including cash)	**72,129**	69,575	4%
Cash	**54,182**	122,322	(56)%
Investments in short term bonds	**62,870**	-	n/m
Long-term loan	**58,596**	58,518	0%

	JUNE 30, 2018	AS AT JUNE 30, 2017	
Outstanding Shares *('000)*			
Class A	**1,750**	1,750	0%
Class B	**33,506**	33,106	1%
Total shares outstanding	**35,256**	34,856	1%
Weighted average of outstanding Class A and Class B shares	**35,256**	34,856	1%

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

The complete condensed consolidated unaudited interim financial statements and MD&A for the three and six month periods ending June 30, 2018 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 its 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.

For further information please contact:

E Alan Knowles
Interim Chief Executive Officer
+44 7585 564 343
aknowles@orcaexploration.com

Abbreviations

Mcf	thousand cubic feet
MMcfd	million cubic feet per day

Non-GAAP Financial Measures

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 funds flow from operating activities, funds flow per share, and operating netbacks.

Funds flow from operating activities represents cash flow from operations before working capital changes and demonstrates the Company's ability to generate cash necessary to achieve growth through capital investments. Funds flow from operating activities per share is calculated on the basis of funds flow from operating activities 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. This is a key measure as it demonstrates the profit generated from each unit of production and is widely used by the investment community.

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 MD&A, which is available at www.sedar.com for additional information about these financial measures.