EastCoast Energy Corporation
PO Box 3152
Road Town
Tortola
British Virgin Islands

FOR IMMEDIATE RELEASE
25 August 2006

EastCoast announces second quarter results to 30 June 2006

TORTOLA, British Virgin Islands. EastCoast Energy Corporation ("EastCoast" or the "Company") announces its results for the quarter ended 30 June 2006.

FINANCIAL AND OPERATING HIGHLIGHTS

	Three months ended			Six months ended		
	30 Jun 2006	**31 Mar 2006**	**Change**	**30 Jun 2006**	**30 Jun 2005**	**Change**
Financial (US$'000 except where otherwise stated)						
Total revenue	**3,198**	2,073	54%	5,271	862	511%
Profit/(loss) before taxation	**1,080**	266	306%	1,346	(793)	270%
Netback (US$/mcf)	**2.71**	2.05	32%	2.41	3.58	(33%)
Working capital	**2,448**	2,118	16%	2,448	2,789	(12%)
Shareholders' equity	**17,715**	16,928	5%	17,715	15,240	16%
Profit/(loss) per share – basic and diluted (US$)	**0.03**	-	100%	0.03	(0.03)	200%
Cash flow per share – basic and diluted (US$)	**0.03**	0.04	(25%)	0.07	0.01	600%
Outstanding Shares ('000)						
Class A shares	**1,751**	1,751	-	1,751	1,751	-
Class B shares	**21,648**	21,613	-	21,648	21,513	1%
Options	**1,852**	1,887	(2%)	1,852	1,987	(7%)
Operating						
Additional Gas sold – industrial (mmscf)	**347**	230	51%	577	217	166%
Additional Gas sold – power (mmscf)	**739**	682	8%	1,421	-	100%
Average price per mcf – industrial (US$)	**8.69**	7.63	14%	8.27	5.76	44%
Average price per mcf – power (US$)	**2.13**	1.79	19%	1.97	-	100%

Quarter Highlights

- Earned profit before tax of US$1.1 million with net cash flow from operating activities of US$0.8 million.

- Increased EastCoast's Q2 sales of Additional Gas to Dar es Salaam industrial customers to an average over the quarter of 3.8 mmscf/d (Q1 2006: 2.6 mmscf/d), at an average price of US$8.69/mcf (Q1 2006: US$7.63/mcf). In June 2006 industrial gas sales averaged 4.4 mmscf/d.

- Increased power plant Additional Gas sales to 8.1 mmscf/d (Q1 2006: 7.6 mmscf/d) at an average price of US$2.13/mcf (Q1 2006: US$1.79/mcf).

- Planned for a the drilling of a new development well on the Songo Songo field during the first half of 2007 and for a well intervention on the SS9 offshore well. The programme is intended to increase the field's deliverability from 140 mmscf/d to approximately 215 mmscf/d.

- Continued the negotiation of a master agreement with TANESCO, for the supply of gas to an expected 245 MWs of new generation and 19.5% of the gas requirements of the Ubungo Power Plant currently being supplied by EastCoast under an Interim Agreement.

- Assessed options for the drilling of an exploration well approximately two kilometers west of the existing Songo Songo field at the same reservoir interval. The Company is searching for a jack-up drill rig, but is also assessing the feasibility of drilling a deviated well from Songo Songo Island.

- Worked closely with Songas Limited ("Songas") on plans to increase the capacity of the Songo Songo gas processing plant to 130 mmscf/d by the end of 2007. It is currently anticipated that a third and potentially a fourth gas processing train, financed by Songas, will be added in 2007.

- Completed construction of a 3.6 kilometer spur line to Serengeti Breweries Limited and East Coast Oils and Fats Limited. These two customers are expected to commence purchase of gas in Q3 2006 at a rate of 0.5 mmscf/d.

Message from the President and CEO

It has been two years since EastCoast Energy began delivery of natural gas to utility and industrial customers in Tanzania. Over that time we have seen a rapid growth in demand for natural gas that has exceeded all our projections.

The majority of the increase in demand is emanating from the electric utility, TANESCO. TANESCO plans to have 245 MWs of new gas fired generation installed by the end of 2007. To this end, it has already contracted 40 MWs of temporary generation to be operational by the end of 2006 and 100 MWs of permanent generation that will be operational during Q3 2007.

Supply of Additional Gas to the industrial markets in the Dar es Salaam area has also developed quickly. By the end of August 2006, EastCoast will be supplying approximately 5.0 mmscf/d to 13 different industrial customers. Additional contracts are under discussion for a further 1.0 mmscf/d of new industrial gas sales.

The net result of these rapidly expanding Tanzanian natural gas markets is that the majority of the current natural gas in the Songo Songo field are forecast to be contracted by the end of 2007. To meet expanded demand for gas, EastCoast is pursuing two strategies. The first is to ensure that there is sufficient field deliverability and infrastructure capacity to meet the contracts currently under negotiation. The second is to establish new reserves by selective exploration drilling on our existing acreage and elsewhere in Tanzania.

Our physical presence and established operatorship of the Songo Songo field and gas processing plant enables the Company to negotiate with strength with other licence holders in Tanzania. There is a strong push by the Government of Tanzania to encourage the development of the country's potential oil and gas reserves and there are excellent opportunities for the Company to expand its operations in a proven but underexploited hydrocarbon province.

The Company is also evaluating a number of opportunities outside of Tanzania. To properly evaluate these opportunities, the Company has appointed Graham Goffey to manage our business development activities and our exploration initiatives and geological work on the Songo Songo field. Graham was a member of the successful management team of Paladin plc whose oil and gas assets were recently sold to Talisman Energy Inc.

Power sector demand

The long rains in the last few months have failed to provide sustainable relief to TANESCO in respect of its 561 MWs of hydro generation facilities. Significant load shedding is forecast to return in Q4 2006 as reservoir levels are depleted. To meet this shortfall, TANESCO has contracted Aggreko plc to supply 40 MWs of temporary generation consuming up to 12 mmscf/d. These units are due to be in service by the end of Q4 2006 in Dar es Salaam.

More efficient permanent generating units are expected to be operational during the second half of 2007 and will displace the temporary generation. TANESCO has contracted Wärtsilä to supply engines with a capacity of 100 MWs. These are due to be operational by Q3 2007 and will consume up to 19 mmscf/d. In addition, TANESCO is still intending to install 45 MWs at Tegeta in Dar es Salaam financed by a Dutch grant in Q3 2007 and to convert the 100 MW IPTL power plant to gas during 2007.

By the end of 2007, the Company could be selling up to 61 mmscf/d (or 43 mmscf/d at a 70% load factor) of Additional Gas to the power sector.

Infrastructure

As operator of the wells and gas processing plant on Songo Songo Island, EastCoast has been working closely with Songas Limited, to assess the best way to increase the capacity of the gas processing plant on Songo Songo Island to approximately 130 mmscf/d by the end of 2007.

Latest indications from the Ministry of Energy and Minerals are that Songas Limited will be requested to finance and develop the infrastructure to increase capacity. At a minimum, this is expected to include the construction of a third and potentially a fourth gas processing train. EastCoast has commenced negotiations with Songas Limited to contract this additional capacity at an agreed tariff.

Songo Songo field development

To increase production capacity from the existing Songo Songo field, EastCoast plans to drill a Songo Songo development well within the next 12 months. The Company will also service SS9 using a "fishing tool". This work programme is expected to increase the field deliverability from 140 mmscf/d to approximately 215 mmscf/d. This increase in deliverability will ensure security of supply in the event of the failure of any single Songo Songo well at the higher planned rates.

The new development well is planned as a 1 kilometer deviated well from Songo Songo Island, reducing the drilling and tie-in costs to approximately US$8 million. When drilling the new development well the Company intends to also test a further structure in the Eocene formation which previously flowed gas, but not under test conditions.

Exploration progress

Currently, EastCoast is assessing the best method of drilling the Songo Songo West prospect, approximately 2 kilometers west of the existing Songo Songo field. The original plan was to use a shallow water jack up rig to drill a target in the north of the prospect. However intense worldwide demand for offshore rigs is making the sourcing of such a rig challenging. The Company is now considering the drilling of a 4-kilometer deviated well into the southern part of the prospect and is assessing the engineering and geological feasibility of this option. The Songo Songo West prospect is a high potential target. If gas is discovered, it could contain GIIP of 600 bcf, compared with current certified 2P Additional Gas recoverable reserves of 320 bcf in the Songo Songo field.

During the quarter, the Company completed the evaluation of the seismic on the Nyuni A licence acreage ("Area A") pursuant to the terms of the Nyuni farm-in agreement between EastCoast and a subsidiary of Aminex plc. TPDC has indicated that it will not be possible to split out Area A from the remainder of the Nyuni Production Sharing Agreement ("Nyuni PSA"). Accordingly, the Company is negotiating with Aminex plc to transfer the work undertaken on Area A into an equivalent interest in the Nyuni PSA.

Utility and industrial sales of Additional Gas

During Q2, industrial sales volumes increased 51% over Q1 to an average of 3.8 mmscf/d. In June average production totaled 4.4 mmscf/d. Industrial sales are expected to increase to an average of 4.8 mmscf/d in Q3 as a result of seasonal increases in demand and the commencement of sales to Serengeti Breweries Limited and East Coast Oils and Fats Limited. The construction of a 3.6 kilometer spur line connecting these customers was completed during Q2 and gas sales to these two customers are expected to commence in Q3 2006 at a rate of approximately 0.5 mmscf/d.

Additional contracts are currently under discussion for a further 1.0 mmscf/d of industrial sales and a number of our customers are considering expanding their existing facilities. To meet this demand and ensure security of supply, the Company plans to expand the capacity of the existing distribution system by installing an additional pressure reduction station and 8 kilometers of distribution pipeline at a cost of approximately US$2.5 million. This work is scheduled to begin in Q4 2006. A tender process is currently underway.

In addition to its industrial sales, EastCoast continues to supply 19.5% of the gas consumption of the six turbines at the Ubungo Power Plant. The availability of these units improved during Q2 and the volume of Additional Gas sold by EastCoast increased 8% over Q1 to an average of 8.1 mmscf/d. The price also increased from US$1.79/mcf to US$2.13/mcf.

Outlook

EastCoast is fortunate to be well established in East Africa at a time when there is rapid growth in demand for natural gas. The Company is also in a strong financial position with working capital of US$2.4 million at June 30, 2006. Over the second half of 2006, the Company is projecting increased industrial and power sector gas sales. Internally generated cash flow combined with funds raised through a mixture of equity and debt will enable EastCoast to go forward confident that it has the resources to take advantage of the exciting opportunities that are available. A surge in new oil and gas exploration activities, both onshore and offshore East Africa, is gaining momentum and your Company is well placed to access these opportunities

I want to thank our staff for their skill, dedication and hard work which has enabled EastCoast to operate the Songo Songo gas plant and field for the last two years without any significant downtime. This important milestone clearly establishes our operating credentials and our reliability.

We value the ongoing confidence of our shareholders and are confident we can continue to add long term value to the benefit of all. This is an exciting time and EastCoast has great potential for sustained growth.

Peter R. Clutterbuck
President & CEO