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**FOR IMMEDIATE RELEASE**

**29 November 2007**

### Orca Exploration reports increased natural gas sales from Tanzanian operations and Q3 results

TORTOLA, British Virgin Islands. Orca Exploration Group Inc ("Orca Exploration" or the "Company") announces its results for the quarter ended 30 September 2007.

# Quarter Highlights

- Generated a profit before tax of US$3.0 million (Q3 2006: US$1.3 million) with funds from operations before working capital changes of US$3.7 million (Q3 2006: US$1.6 million). The increase in profitability is primarily the result of an increase in sales volumes to the power sector.

- Satisfied the conditions precedent for the option agreement with Tower Resources plc that gives Orca the opportunity to become a 50% interest holder in the 6,040 square kilometer Exploration Area 5 in Uganda.

- Shortly after the quarter end, successfully completed the SS-10 well, which was tested at rates up to 52 mmscf/d. It is forecast that the well will be able to flow at a rate in excess of 55 mmscf/d once on production. The well is expected to be one of the best producers in the field and takes the deliverability of the six wells in the field to greater than 200 mmscf/d.

- Increased Q3 2007 sales of Additional Gas to the power sector by 165% to 1,974 mmscf (an average of 21.5 mmscf/d) compared with 744 mmscf in Q3 2006, at an average price of US$2.19/mcf (Q3 2006: US$1.69/mcf).

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- Sold 442 mmscf of Additional Gas to Dar es Salaam industrial customers or an average of 4.8 mmscf/d. This represented a 10% decrease on Q3 2006 when 491 mmscf was sold. However, average industrial prices increased by 11% to an average of US$9.58/mcf (Q3 2006: US$8.63/mcf)

- Advanced negotiations with the Tanzanian Ministry of Energy and Minerals and TANESCO for the supply of gas to 245 MWs of gas fired generation for a period of 16 years.

- Completed the installation of an additional 8 kilometers of low pressure distribution pipeline to improve security of supply. Four new industrial customers are in the process of being connected from this new line.

- Submitted a proposal to Songas that would enable the gas processing capacity to be increased by approximately 25 – 35 mmscf/d. It is estimated that the proposal would take less than six months to implement and could be introduced before the third and fourth gas processing trains are installed by Songas.

- Completed the private placement that raised gross proceeds of Cdn$34.5 million through the issuance of 2.5 million Class B shares at a price of Cdn$13.80 per share.

# Financial and Operating Highlights

| | Three months ended | | | Nine months ended | | |
|---|---|---|---|---|---|---|
| | **30-Sep 2007** | 30-Sep 2006 | **Change** | **30-Sep 2007** | 30-Sep 2006 | **Change** |
| **Financial (US$'000 except where otherwise stated)** | | | | | | |
| Revenue | **6,363** | 3,835 | 66% | **13,215** | 9,106 | 45% |
| Profit before taxation | **3,012** | 1,309 | 130% | **2,918** | 2,655 | 10% |
| Operating netback *(US$/mcf)* | **2.30** | 2.89 | (20%) | **2.32** | 2.58 | (10%) |
| Cash and cash equivalents | **27,436** | 4,580 | 499% | **27,436** | 4,580 | 499% |
| Working capital | **20,938** | 3,298 | 535% | **20,938** | 3,298 | 535% |
| Shareholders' equity | **70,996** | 18,676 | 280% | **70,996** | 18,676 | 280% |
| Profit per share - basic *(US$)* | **0.07** | 0.03 | 133% | **0.05** | 0.06 | (17%) |
| Profit per share - diluted *(US$)* | **0.06** | 0.03 | 100% | **0.05** | 0.06 | (17%) |
| Funds from operations before working capital changes | **3,718** | 1,572 | 137% | **5,998** | 3,546 | 69% |
| Funds per share from operations before working capital changes - basic *(US$)* | **0.13** | 0.07 | 86% | **0.22** | 0.15 | 47% |
| Funds per share from operations before working capital changes - diluted *(US$)* | **0.12** | 0.06 | 100% | **0.20** | 0.14 | 43% |
| **Outstanding Shares ('000)** | | | | | | |
| Class A shares | **1,751** | 1,751 | - | **1,751** | 1,751 | - |
| Class B shares | **27,881** | 21,658 | 29% | **27,881** | 21,658 | 29% |
| Options | **2,622** | 2,042 | 28% | **2,622** | 2,042 | 28% |
| **Operating** | | | | | | |
| Additional Gas sold *(mmscf)* - industrial | **442** | 491 | (10%) | **1,140** | 1,068 | 7% |
| Additional Gas sold *(mmscf)* - power | **1,974** | 744 | 165% | **4,075** | 2,165 | 88% |
| Average price per mcf *(US$)* - industrial | **9.58** | 8.63 | 11% | **8.75** | 8.27 | 6% |
| Average price per mcf *(US$)* - power | **2.19** | 1.69 | 30% | **2.19** | 1.87 | 17% |

# President & CEO's Letter to Shareholders

Orca's increased power sector gas sales, combined with stronger industrial gas prices in Tanzania, generated a before tax profit of US$3.0 million, up 130% over Q3 2006 (US$1.3 million). This is primarily a result of the Tanzanian power sector being ahead of schedule in installing gas-fired generation. There are now 310 MWs of commissioned plants that require Additional Gas supplied by Orca as feedstock – a testament to the speed with which TANESCO and the Government of Tanzania have acted to increase power generation capacity.

To address this increasing power demand, the Company has invested in the Songo Songo field development over the course of 2007. In Q1 2007, the Company conducted remedial work on the offshore well, SS-9 and shortly after the end of Q3, completed the SS-10 development well, which was tested at rates up to 52 mmscf/d. As a result of this work, Songo Songo field deliverability has increased by approximately 80 mmscf/d to in excess of 200 mmscf/d.

In Uganda, the 300-kilometer seismic acquisition programme is due to commence in December 2007 on Orca option lands. The data will be processed and interpreted during Q1 2008. It is anticipated that the decision on whether or not to drill two wells in Uganda will be made by 30 April 2008 with drilling proceeding in the second half of the year. Work is already underway to contract a suitable drill rig in country.

Exploration in Uganda by other energy companies continues to show positive results. In the south, Tullow Resources plc has had significant success with the drill bit and its reserves are reported to be approaching the level at which it will be economically viable to install a 1,200 kilometer export pipeline to Mombasa. This would mark a significant milestone in the development of the Ugandan oil reserves and would help to monetise any oil discovered by Orca.

To meet Orca's vigorous exploration, development and acquisition objectives, the Company successfully raised Cdn$34.5 million during Q3 2007 through a fully subscribed private placement. These funds have enabled the Company to fund the successful completion of the SS-10 well and to have sufficient funds for the Ugandan exploration efforts in 2008. There is good reason to look forward to the next year with considerable confidence.

**Tanzania Development**

The rapid monetisation of the Songo Songo field remains a key focus for Orca. During Q3 2007, there were positive developments in increasing well deliverability, expanding the infrastructure and negotiating the power supply contract.

Increasing the Songo Songo field deliverability to meet the growing power sector demand for gas was the principal reason for the drilling of the SS-10 development well and the remedial work on the offshore well, SS-9. There is now sufficient back up deliverability to meet demand over the next few years in the event of any failure or reduced production from the current wells.

The SS-10 well was the first well to be drilled on the Songo Songo field in 25 years. In the course of drilling this well a modern suite of logs was acquired and will be interpreted during the course of Q4 2007. This information, combined with the retrieval of further downhole pressure readings in December 2007, will be the principal data used to update Orca's year end reserve report.

To further increase Songo Songo reserves, the Company is also planning to drill an appraisal well in the northern portion of the field ("Songo Songo North") and an exploration well approximately 2 kilometers west of the existing field ("Songo Songo West"). Planning for these wells is underway, but drilling is not expected to commence until 2009 if the Company proceeds with the drilling of two wells in Uganda in 2008.

**Infrastructure**

***High-pressure distribution system***

During Q3 2007, sales of Additional Gas were occasionally limited by the current infrastructure capacity. The current configuration of the gas processing plant on Songo Songo Island limits the supply of gas to Dar es Salaam to 70 mmscf/d. This constraint is expected to continue through Q4 2007 and Q1 2008.

In Q3 2007, Orca submitted proposals to Songas that would enable the gas processing capacity to be increased by approximately 25 – 35 mmscf/d within six months. This would involve upgrading the existing trains and utilising a bypass. The Company expects to get clearance on these initiatives from Songas during Q4 2007 and has commenced the purchase of some of the longer lead-time items. The total cost of this capacity increase, which would accelerate the sales volumes to the power sector, is estimated at approximately US$0.7 million.

Over the longer term, Songas has made an application to Tanzania's regulatory authority, EWURA, for the installation of two new gas processing trains to increase throughput capacity to more than 140 mmscf/d. During Q3 2007 the tender documents for the engineering, procurement and construction contract were received and all parties are working on the project agreements to enable Songas to award the contract. It is expected that construction will take 12 months from the time of awarding the tender to the new trains being operational.

Additional work is being undertaken to determine the best means of increasing the capacity of the pipeline infrastructure system from its current estimated capacity of 105 mmscf/d to the full capacity of the gas processing trains (once the third and fourth train are operational).

***Low-pressure distribution system***

Shortly after the end of Q3 2007, Orca completed a further 8 kilometer extension of its low-pressure distribution system that now consists of 35 kilometers. In addition, a second pressure reduction station was also installed. This provides the Company greater security of deliverability to its existing customers and allows for growth. Four customers adjacent to the expanded pipeline are expected to be connected during Q1 2008.

The second pressure reduction station will also meet the needs of the 8 kilometer extension to the Mwenge area that will be constructed in 2008 once contracts averaging 1 mmscf/d are signed with the local industries.

**Market Development**

The rapid expansion of gas-fired power generation in Tanzania continues to exceed Orca's expectations. During Q3, Dowans commissioned 40 MWs of emergency generation and shortly after the quarter end, TANESCO commissioned the TANESCO Wärtsilä 100 MW power plant. This increased the total installed generation using Additional Gas to 310 MWs. Combined with the 150 MWs of generation that is operating on Protected Gas from the Songo Songo field, there is now more electricity being generated from gas fired generation than hydro.

During Q3 2007, TANESCO reached agreement for the purchase of an additional 45 MWs of generation at Tegeta. It is forecast that the plant will be operational in Q3 2008. It is understood that discussions to convert IPTL to gas operation are continuing.

There have been detailed discussions with TANESCO/MEM to secure long-term contracts for this expanded generation capacity. It is expected that the principal terms will be agreed by the end of Q1 2008 covering the supply of gas to 245 MWs of permanent generation (TANESCO Wärtsilä 100 MWs, IPTL 100 MWs (or alternate) and Tegeta 45 MWs) for a 16-year period. The 245 MWs of permanent generation are forecast to have a maximum demand of 45 mmscf/d.

A separate long-term contract for the 42 MW sixth turbine at Ubungo ("UGT 6") is expected to be concluded within a similar timeframe. UGT 6 has a demand of approximately 7.0 mmscf/d at an 80% utilisation rate.

**Current Gas Sales**

There was a significant improvement in gas sales volumes during Q3 2007 since utilisation of the gas fired generation increased as the hydro capacity fell during the dry season. The industrial sales also picked up as they entered their most active period of the year. Whilst the general trend is for an increase in gas sales, quarterly swings caused by the use of the hydro generation are anticipated. This seasonal volatility may be eliminated if demand increases to the point where more gas fired generation can be base-loaded.

Total sales of Additional Gas to the power sector increased 165% to 1,974 mmscf or an average of 21.5 mmscf/d (Q3 2006: 8.1 mmscf/d). With the commissioning of an additional 268 MWs of gas fired generation in the past year, TANESCO can now utilise gas and preserve the water in the Mtera dam for 284 MWs of peak requirements.

In Q3 2007, sales of Additional Gas to Orca's industrial customers decreased 10% to 442 mmscf (Q3 2006: 491 mmscf) due to a temporary shortage of demand. However, in value terms, Q3 sales to the industrial sector increased due to an 11% improvement in the industrial sales price to US$9.58/mcf (Q3 2006: US$8.63/mcf). Sales volumes are expected to increase in 2008 as more customers are connected to the expanded ringmain system and the extension to Mwenge area is constructed.

It is forecast that there will be a slight decrease in the gas-fired generation volumes in Q4 2007 as the rains in November and December improve the performance of the 277 MWs of run-of-river hydros. There will also be a small seasonal decrease in the demand by the textile industry.

**CNG**

To further expand gas sales, Orca is planning to commence the sale of Compressed Natural Gas ("CNG") to industrial customers and to markets that are not located near the existing distribution pipeline. These new CNG markets include all of the major hotels in Dar es Salaam and Zanzibar.

This initiative will play a major part of the Company's marketing activity in 2008 and capital will be made available to establish a small compression unit and distribution vehicles. The feasibility of transporting CNG to other markets outside of Dar es Salaam will also be investigated.

Orca has also commissioned a CNG pilot for vehicle fuels, which has been a successful operation. Plans are in progress to expand CNG supply for transportation use.

**Outlook**

In Tanzania the success of the SS-10 well and the progress that is being made on the gas contracts to the power sector encourages Orca to allocate more capital over the next 18 months to increase infrastructure capacity and further develop high value markets.

In Uganda, management will focus on finding oil reserves. A 300 kilometer 2-D seismic programme will be shot over the next three months by IMC Geophysics International Limited and will be processed and interpreted by the end of Q1 2008. Orca can then determine whether to proceed with the drilling of two wells during 2008. The Company continues to evaluate existing and new Ugandan data and is encouraged by the findings to date.

We thank our employees and shareholders for their continuing support.

Peter R. Clutterbuck
President & CEO
29 November 2007

# Consolidated Income Statements (unaudited)

ORCA EXPLORATION GROUP INC. (formerly EastCoast Energy Corporation)

| *(thousands of US dollars except per share amounts)* | Note | Three months ended | | | Nine months ended | |
|---|---|---|---|---|---|---|
| | | **30-Sep 2007** | 30-Jun 2007 | 30-Sep 2006 | **30-Sep 2007** | 30-Sep 2006 |
| **Revenue** | | **6,363** | 3,021 | 3,835 | **13,215** | 9,106 |
| **Cost of sales** | | | | | | |
| Production and distribution expenses | | **(311)** | (261) | (211) | **(836)** | (573) |
| Depletion expense | | **(1,334)** | (630) | (435) | **(2,879)** | (1,141) |
| **Gross profit** | | **4,718** | 2,130 | 3,189 | **9,500** | 7,392 |
| Administrative expenses | | **(2,568)** | (2,704) | (1,846) | **(7,520)** | (4,701) |
| Net financing income/(charges) | | **862** | 50 | (34) | **938** | (36) |
| **Profit/(loss) before taxation** | | **3,012** | (524) | 1,309 | **2,918** | 2,655 |
| Taxation | **1** | **(1,070)** | (84) | (500) | **(1,456)** | (1,103) |
| **Profit/(loss) after taxation** | | **1,942** | (608) | 809 | **1,462** | 1,552 |
| **Profit/(loss) per share** | | | | | | |
| Basic *(US$)* | | **0.07** | (0.02) | 0.03 | **0.05** | 0.06 |
| Diluted *(US$)* | | **0.06** | (0.02) | 0.03 | **0.05** | 0.06 |

## Consolidated Balance Sheets (unaudited)

ORCA EXPLORATION GROUP INC. (formerly EastCoast Energy Corporation)

| (thousands *of US dollars)* | Note | As at 30-Sep 2007 | As at 30-Jun 2007 | As at 31-Dec 2006 |
|---|---|---|---|---|
| **ASSETS** | | | | |
| **Current assets** | | | | |
| Cash and cash equivalents | | **27,436** | 7,601 | 20,678 |
| Trade and other receivables | | **8,040** | 4,931 | 4,275 |
| Assets held for sale | | **2,847** | 2,847 | - |
| | | **38,323** | 15,379 | 24,953 |
| Natural gas properties and other equipment | **2** | **52,893** | 43,413 | 18,951 |
| | | **91,216** | 58,792 | 43,904 |
| **LIABILITIES** | | | | |
| **Current liabilities** | | | | |
| Trade and other payables | | **17,385** | 18,429 | 4,523 |
| **Non current liabilities** | | | | |
| Deferred income taxes | **1** | **2,346** | 1,694 | 1,229 |
| Deferred additional profits tax | | **489** | 377 | 263 |
| **SHAREHOLDERS' EQUITY** | | | | |
| Capital stock | **3** | **66,556** | 36,217 | 34,469 |
| Capital reserve | | **740** | 317 | 1,182 |
| Accumulated income | | **3,700** | 1,758 | 2,238 |
| | | **70,996** | 38,292 | 37,889 |
| | | **91,216** | 58,792 | 43,904 |

# Consolidated Statements of Cash Flows (unaudited)

ORCA EXPLORATION GROUP INC. (formerly EastCoast Energy Corporation)

| *(thousands of US dollars)* | Three months ended | | | Nine months ended | |
|---|---|---|---|---|---|
| | **30-Sep 2007** | 30-Jun 2007 | 30-Sep 2006 | **30-Sep 2007** | 30-Sep 2006 |
| CASH FLOWS FROM OPERATING ACTIVITIES | | | | | |
| **Profit/(loss) after taxation** | **1,942** | (608) | 809 | **1,462** | 1,552 |
| Adjustments for: | | | | | |
| Depletion and depreciation | **1,375** | 661 | 462 | **2,977** | 1,224 |
| Stock-based compensation | **324** | 799 | 142 | **1,064** | 334 |
| Deferred taxation | **652** | 343 | 124 | **1,117** | 360 |
| Deferred additional profits tax | **112** | 56 | 52 | **226** | 123 |
| Interest income | **(273)** | (64) | (17) | **(434)** | (47) |
| Foreign exchange gain | **(414)** | - | - | **(414)** | - |
| | **3,718** | 1,187 | 1,572 | **5,998** | 3,546 |
| (Increase)/decrease in trade and other receivables | **(3,109)** | 782 | 423 | **(3,765)** | (791) |
| (Increase) in assets held for sale | **-** | (2,847) | - | **(2,847)** | - |
| Increase in trade and other payables | **1,683** | 1,939 | 501 | **4,690** | 1,431 |
| **Net cash flows from operating activities** | **2,292** | 1,061 | 2,496 | **4,076** | 4,186 |
| CASH FLOWS USED IN INVESTING ACTIVITIES | | | | | |
| Petroleum and natural gas properties expenditures | **(10,756)** | (14,989) | (749) | **(36,822)** | (2,634) |
| Interest income | **273** | 64 | 17 | **434** | 47 |
| Proceeds from sale of vehicle | **-** | - | - | **2** | - |
| Increase/(decrease) in trade and other payables | **(2,727)** | 6,611 | (23) | **8,172** | (345) |
| **Net cash used in investing activities** | **(13,210)** | (8,314) | (755) | **(28,214)** | (2,932) |
| CASH FLOWS FROM FINANCING ACTIVITIES | | | | | |
| Repurchase of shares | **(27)** | - | - | **(27)** | - |
| Shares issued, net of share issue costs | **30,366** | - | - | **30,366** | - |
| Foreign exchange gain | **414** | - | - | **414** | - |
| Options exercised | **-** | 118 | 10 | **143** | 128 |
| **Net cash flow from financing activities** | **30,753** | 118 | 10 | **30,896** | 128 |
| **Increase (decrease) in cash and cash equivalents** | **19,835** | (7,135) | 1,751 | **6,758** | 1,382 |
| **Cash and cash equivalents at the beginning of the period** | **7,601** | 14,736 | 2,829 | **20,678** | 3,198 |
| **Cash and cash equivalents at the end of the period** | **27,436** | 7,601 | 4,580 | **27,436** | 4,580 |

# Statement of Changes in Shareholders' Equity (unaudited)

ORCA EXPLORATION GROUP INC. (formerly EastCoast Energy Corporation)

| *(thousands of US dollars)* | Capital stock | Capital reserve | Accumulated (loss)/income | Total |
|---|---|---|---|---|
| Balance as at 1 January 2006 | 16,237 | 764 | (339) | **16,662** |
| Options exercised | 128 | - | - | **128** |
| Profit for the period | - | - | 1,552 | **1,552** |
| Stock-based compensation | - | 334 | - | **334** |
| **Balance as at 30 September 2006** | **16,365** | **1,098** | **1,213** | **18,676** |

| *(thousands of US dollars)* | Capital stock | Capital reserve | Accumulated income | Total |
|---|---|---|---|---|
| Note | 3 | | | |
| Balance as at 1 January 2007 | 34,469 | 1,182 | 2,238 | **37,889** |
| Options exercised | 143 | - | - | **143** |
| Shares issued, net of share issue costs | 31,971 | (810) | - | **31,161** |
| Stock-based compensation | - | 368 | - | **368** |
| Normal course issuer bids | (27) | - | - | **(27)** |
| Profit for the period | - | - | 1,462 | **1,462** |
| **Balance as at 30 September 2007** | **66,556** | **740** | **3,700** | **70,996** |

**Forward Looking Statements**

*This disclosure contains certain forward-looking estimates that involve substantial known and unknown risks and uncertainties, certain of which are beyond Orca Exploration's control, including the impact of general economic conditions in the areas in which Orca Exploration operates, civil unrest, industry conditions, changes in laws and regulations including the adoption of new environmental laws and regulations and changes in how they are interpreted and enforced, increased competition, the lack of availability of qualified personnel or management, fluctuations in commodity prices, foreign exchange or interest rates, stock market volatility and obtaining required approvals of regulatory authorities. In addition there are risks and uncertainties associated with oil and gas operations, therefore Orca Exploration's actual results, performance or achievement could differ materially from those expressed in, or implied by, these forward-looking estimates and, accordingly, no assurances can be given that any of the events anticipated by the forward-looking estimates will transpire or occur, or if any of them do so, what benefits, including the amounts of proceeds, that Orca Exploration will derive therefrom.*

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