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FOR IMMEDIATE RELEASE

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Orca Exploration announces its results for the quarter ended 30 June 2008

TORTOLA, British Virgin Islands. Orca Exploration Group Inc ("Orca Exploration" or the "Company") announces its results for the quarter ended 30 June 2008.

Highlights

- 60% increase in Orca's Q2 revenues to US$4.8 million (Q2 2007: US$3.0 million).
- Increased Q2 2008 sales of Additional Gas to the power sector by 28% to 956 Mmscf (Q2 2007: 745 Mmscf). This equated to an average of 10.5 Mmscf/d (Q2 2007: 8.2 Mmscf/d). Gas demand increases for the power sector is now underpinned by the TANESCO Wärtsilä 100 MW plant, which is now commissioned and fully operational for the long term. The average price for the gas to the power sector was US$2.93/Mcf (Q2 2007: US$2.17/Mcf).
- Q2 2008 sales of Additional Gas to Dar es Salaam industrial customers decreased by 15% to 336 Mmscf (Q2 2007: 397 Mmscf). This equated to an average of 3.7 Mmscf/d (Q2 2007: 4.4 Mmscf/d). Average prices were 51 % higher at US$12.97/Mcf leading to a 27% increase in industrial sales revenue when compared to Q2 2007.
- 63% increase in funds flow from operations to US$1.6 million (Q2 2007: US$1.0 million). A 427% increase in net cash flows to US$4.6 million from US$0.8 million. Loss before tax of US$9.7 million (Q2 2007 loss: US$0.5 million) included a one-time impairment charge of US$9.5 million with respect to the write down of the Company's activities in Uganda.
- Orca is continuing its exploration focus in Sub-Saharan Africa, and is evaluating a lower risk, potentially early commercialisation opportunity offshore West Africa.
- Extended the gas purchase contracts of five of the larger industrial customers by a further five years from the end of their existing contracts in return for capping the gas price at approximately US$11.49/mcf with a floor of US$7.38/mcf.
- Contracted McDaniel and Associates Consultants Ltd to conduct a resource evaluation report of the Songo Songo West prospect within the Company's licence acreage. The report is expected to be published at the end of Q3 2008.
- Undertook extensive work to secure a jack up rig to drill the Songo Songo West prospect in 2009. An invitation to tender was issued during Q3 2008 and three offers were received. Evaluation is currently underway. Materials for the first Songo Songo West well are already stockpiled on Songo Songo Island and funds that were allocated for Uganda can now be assigned for this drilling campaign.
- Ordered CNG facilities, consisting of one CNG compressor, a vehicle dispenser and two trailer filling facilities to deliver 0.7 Mmscf/d of compressed natural gas at a cost of US$2.5 million. The facilities are expected to be operational during Q1 2009.
- Finalised in all material respects, the negotiations for the supply of approximately 2.0 Mmscf/d to the Wazo Hill cement plant from Q2 2009. This is expected to rise to 4.0 Mmscf/d by 2010.
- Initialled the long term contracts for the supply of a forecast 200 Bcf - 250 Bcf of Additional Gas to the power sector signalling the end of negotiations subject to the resolution of infrastructure capacity issues with respect to the installation of two new gas processing trains.

- Constructed pipework and mobilised the equipment to install two new higher capacity Joule-Thompson valves at the existing gas processing plant with the objective of re-rating the two existing trains to a forecast 90 Mmscf/d. Songas authorisation to commence the work is pending the finalisation of some engineering work at the Ubungo power plant.

- Finalised the review of 300 kilometres of 2-D seismic and geochemical data in exploration area 5 in Uganda and determined that it was not in the interests of the Company to proceed.

Financial and Operating Highlights

(US$'000 except where otherwise stated)	Three months ended 30-Jun 2008	30-Jun 2007	Change	Six months ended 30-Jun 2008	30-Jun 2007	Change
Revenue	4,826	3,021	60%	10,110	6,852	(48%)
Loss before taxation	(9,710)	(524)	(1,753%)	(9,440)	(94)	(9,942%)
Operating netback *(US$/mcf)*	3.44	2.79	23%	2.65	2.35	13%
Cash and cash equivalents	11,924	7,601	57%	11,924	7,601	57%
Working capital	6,094	(3,050)	n/m	6,094	(3,050)	n/m
Shareholders' equity	62,824	38,292	64%	62,824	38,292	64%
Loss per share - basic*(US$)*	(0.34)	(0.02)	(1,600%)	(0.35)	(0.02)	(1,650%)
Loss per share - diluted *(US$)*	(0.33)	(0.02)	(1,550%)	(0.33)	(0.02)	(1,550%)
Funds from operations before working capital changes	1,619	995	63%	4,010	2,168	85%
Net cash flows from operating activities	4,566	867	427%	5,402	1,672	223%
Funds per share from operations before working capital changes - basic *(US$)*	0.05	0.04	25%	0.14	0.08	(75%)
Funds per share from operations before working capital changes - diluted *(US$)*	0.05	0.03	67%	0.13	0.08	(63%)
Net cash flows per share from operating activities – diluted (*US$*)	0.15	0.03	400%	0.17	0.06	183%
Outstanding Shares ('000)						
Class A shares	1,751	1,751	-	1,751	1,751	-
Class B shares	27,863	25,383	10%	27,863	25,383	10%
Options	2,847	2,622	9%	2,847	2,622	9%
Operating						
Additional Gas sold *(Mmscf)* - industrial	336	397	(15%)	658	698	(6%)
Additional Gas sold *(Mmscf)* - power	956	745	28%	2,939	2,101	40%
Average price per mcf *(US$)* - industrial	12.97	8.61	51%	12.27	8.22	49%
Average price per mcf *(US$)* - power	2.93	2.17	35%	2.33	2.18	7%

President & CEO's Letter to Shareholders

During the second quarter, the Company continued to expand operations in Tanzania, and decisively addressed exploration and infrastructure challenges while continuing to lay a strong foundation for long term success in Tanzania. Funds flow from operations increased to US$1.6 million compared with US$1.0 million in Q2 2007. Progress was made to increase future gas sales from the Songo Songo field and the Company enjoys solid, stable, and rising cash flow from its Tanzanian business. An invitation to tender was prepared in Q2 2008 for the services of a jackup rig to drill Songo Songo West in 2009.

At the end of Q2, Orca made the decision not to proceed further with its oil exploration activities in Uganda. This was primarily because the level of technical risk was determined to be higher than expected. The seismic programme was successfully concluded and interpreted, allowing a more detailed assessment of the Block. The costs of drilling were considered not justifiable given the size and risk of the opportunity. As a result the Company has taken a one-time write-off of US$9.5 million associated with the costs of acquiring and interpreting 300 kilometers of 2-D seismic in Uganda's Exploration Area 5. Funds previously allocated for additional Uganda exploration and drilling have now been allocated to Songo Songo exploration and development, including drilling Songo Songo West.

An important gas sales milestone was achieved in June 2008 with the agreement of terms (subject to Board approvals) for long term contracts for the supply of gas to Tanzania's power sector. This signalled the finalisation of negotiations, subject to the receipt by Songas Limited (the owner of the infrastructure) of a satisfactory ruling from the EWURA, Tanzania's energy regulator, with respect to the Songas application to install two new gas processing trains on Songo Songo Island. The capacity expansion application received an initial review and in August the EWURA issued a notice requesting Songas to resubmit the application with additional firm costing information. The Ministry of Energy and Minerals ("MEM") is involved in discussions to address this issue in order to minimise delays.

Over the near term, Orca plans to implement a re-rating initiative on the two existing gas processing trains to ensure there is sufficient infrastructure capacity until the two new trains are installed. The re-rating equipment has been purchased and mobilised to Songo Songo Island and is ready for installation as soon as the notice to proceed is given by Songas. Songas is undertaking some engineering work at the Ubungo power plant before authorizing commencement of this work.

To date the current short term infrastructure limitations have not impacted Orca's gas sales since the seasonal rains in Tanzania decreased gas demand with run-of-river hydros operating at high utilisation rates. However, with the commencement of the dry season in Q3, the 70 Mmscf/d infrastructure is limiting the volumes of gas available to the power sector. We are confident that the Company, as operator of the gas processing facilities, will be able to implement the planned interim solutions efficiently as soon as Songas gives the notice to proceed.

The long term prospects for Orca's Tanzanian projects are excellent. We are confident in the reserves already established, the potential upside in Songo Songo West and the future demand for natural gas in the country. We continue to expand our markets for gas and have recently signed new contracts with our largest industrial customers to extend their term for an additional five years. We have also finalised negotiations with Twiga Cement, Tanzania's largest cement manufacturer, to provide gas to their new kiln at Wazo Hill. The new cement plant is expected to be operational in Q2 2009. Finally, Orca is excited by the opportunities to develop new compressed natural gas markets – especially in the industrial centres of Morogoro and Tanga.

We also remain committed to increase our assets and build additional shareholder value in sub-Saharan Africa. To this end, Orca is also evaluating a lower risk, potentially early commercialisation opportunity offshore West Africa.

Tanzanian reserves and exploration

Confidence in the Songo Songo field's potential is increasing as cumulative production rises and further subsurface data is analysed. During Q2, the Company undertook a detailed evaluation of the Songo Songo West prospect that lies some four kilometers west of the existing Songo Songo field within the Company's licence acreage. In early Q3 2008, McDaniel and Associates Consultants Ltd. was contracted to conduct a resource evaluation report on the potential of this prospect. The results of the report will be available at the end of Q3 2008.

Early in Q3 Company issued a tender for a jackup rig with the view to drilling Songo Songo West in the second half of 2009. Evaluation of the bids is currently in progress. A substantial portion of the drilling materials for this well are already stockpiled on Songo Songo Island and discussions are underway to secure gas markets for this potentially large resource.

Status of long term power contracts

During Q2 2008, Orca was engaged in intensive negotiations with TANESCO, the owner of the Ubungo power plant, Songas Limited and the Ministry of Energy and Minerals to secure two long term contracts for the supply of approximately 30 - 45 Mmscf/d for power generation. To enable Orca to supply this quantity of gas, Songas is planning to install a third and fourth gas processing train on Songo Songo Island, conditional on a satisfactory economic return. Negotiations proceeded well and the contracts were initialled at the end of June, subject to adjustments that might be required following the EWURA review. In early August the EWURA requested Songas to resubmit its application, principally on the grounds that the costs of the engineering and procurement contract needed to be firm. All parties are now working to expedite the process. In the meantime, gas continues to be supplied to the power plants under short term agreements, with prices that equate to those set out in the initialled long term agreements.

The first of the initialled long term power contracts covers the supply of gas to the sixth turbine at the Ubungo power plant and provides for a maximum of approximately 9 Mmscf/d until July 2024. The second initialled contract covers the supply of Additional Gas sales to the remaining gas fired generation currently in Tanzania. The required short term volumes will depend on the availability of the 561 MWs of Tanzania's hydro generation, the timing of the increase in the Songo Songo infrastructure capacity and available generation requiring natural gas. Beginning in November 2010, the take or pay contract volume is set at 32 Mmscf/d through to July 2023, with a maximum daily quantity of 36 Mmscf/d.

The same contract price applies to both contracts. It is composed of a wellhead price, an amount that is paid to Songas for the use of the gas processing and pipeline infrastructure and an amount that is charged by Orca for marketing and distribution. The wellhead price is fixed at approximately US$1.95/mcf and will increase at an expected 2% per annum from July 2009. From July 2012, there will be a step change in the wellhead price to a forecast US$2.83/mcf which will then increase at a forecast 2% per annum.

The other contractual provisions (gas processing, pipeline, marketing and distribution costs) have to be approved by the regulatory authority, EWURA and are subject to annual amendments. The Company will continue to pass on any increase or decrease in the EWURA approved charges to TANESCO/Songas. This protocol insulates Orca from any increases in the gas processing and pipeline infrastructure tariffs.

Based on the applications that Songas and Orca submitted to EWURA during Q2 2008, and the EWURA Orders issued during August, the initial all-in contract price is expected to be in the range of US$2.36/mcf – US$2.46/mcf. The final price will be determined once final charges are known. These charges are expected to vary annually dependent on infrastructure operating costs and volumes transported.

Contracts with industrial customers

Orca has finalised negotiations with Twiga Cement for the supply of approximately 2.0 Mmscf/d of gas to its Wazo Hill plant from Q2 2009, increasing to an expected 4.0 Mmscf/d in 2010. The contract is expected to be signed during Q3 2008.

The Company has extended the term of five of its larger contracts with industrial customers for an additional five years from the date that existing contracts were due to expire. In return the Company has agreed to cap the price of gas to these customers with immediate effect whilst also incorporating a floor price. This is expected to keep the price of gas in the range of US$7.38/mcf to US$11.49/mcf (increasing with US CPI).

The Company continues to sign and connect other smaller industrial customers to the Company's existing 35 kilometers of low pressure pipeline. Two industrial contracts were signed in Q2 2008 and gas is currently being supplied to 18 premises. It is expected that an additional 10 industrial customers will be connected over the next 12 months with the addition of 8 kilometers of pipeline adding an average demand of 1.2 Mmscf/d.

Developing markets

Power

TANESCO terminated its power purchase agreement with Dowans Tanzania Limited for 120 MWs of emergency generation effective 31 July 2009. This temporary plant has been replaced with the permanent TANESCO Wärtsilä 100 MW plant, which is now fully operational. There is currently approximately 190 MWs of gas fired generation in country operating on Additional Gas (maximum demand of 40 Mmscf/d) and a further 45 MWs is due to be commissioned at Tegeta during the first half of 2009. The increase in 2009 is expected to bring gas fired generation to a level in line with the capacity of the expanded gas infrastructure, once the interim solutions are implemented or the third and fourth processing trains are installed on Songo Songo island.

TANESCO's current planning calls for an additional 150 MWs of generation by 2011. With the increase in Songo Songo reserves during 2007, the Company is in a position to commence discussions with TANESCO for the supply of gas to this new level of generation. Orca will start to negotiate a contract for the supply of gas once development of infrastructure capacity issues are resolved.

Compressed Natural Gas

During Q2, the Company ordered CNG facilities, including one CNG compressor, a vehicle dispenser and two trailer filling facilities to make 0.7 Mmscf/d of compressed natural gas available at a cost of US$2.5 million. The CNG facilities are expected to be operational in Q1 2009. It is anticipated that this market will expand rapidly to supply gas to consumers that cannot be cost-effectively connected to Orca's existing low pressure gas distribution system. Internal assessments are that this market could grow to 15 Mmscf/d, with the majority of the load growth being achieved in the industrial centres of Morogoro and Tanga both of which are approximately 200 kilometers from Dar es Salaam.

Initially, the intention is to sell CNG to a group of hotels and institutions in Dar es Salaam and to industries not connected to the Company's low pressure distribution systems. CNG used in these applications will displace heavy fuel oil ("HFO") and liquid petroleum gas ("LPG"). Pricing of gas is relative to displaced fuels, which is higher in the case of LPG than HFO. Once the initial market is established, there can be incremental additions to the CNG compressors, trailers and distribution vehicles to meet increases in demand. With increased sales volumes Orca anticipates that the capital cost to provide CNG service will reduce to US$1 million for every 0.5 Mmscf/d of sales.

Uganda

Orca has determined not to exercise its option in Uganda to drill two wells in Exploration Area 5 ("EA5") to secure a 50% interest in the licence. The 300 kilometers of 2-D seismic revealed a number of structures, but the technical data analysis indicated a level of risk too high to warrant the costs of an exploration drilling program. Funds released from the Uganda programme will now be more effectively used to progress the planned drilling of Songo Songo West in 2009.

Financial Results

Total sales of Additional Gas to the power sector were up 28% to 956 Mmscf (10.5 Mmscf/d) in Q2 2008 from 745 Mmscf (8.2 Mmscf/d) in Q2 2007. The power sales will increase significantly in Q3 2008 as the utilisation of the 561 MWs of installed hydro generation deteriorates as Tanzania enters its dry season.

Sales of Additional Gas to Orca's industrial customers fell 15% to 336 Mmscf (3.7 Mmscf/d) in Q2 2008 compared with 397 Mmscf (4.4 Mmscf/d) in Q2 2007, but the average achieved price was up 51% at US$12.97/mcf. As anticipated, Q2 sales to the industrial sector followed historical trends with relatively low production by the textile manufacturers due to the lack of indigenous cotton supplies. Industrial demand is now forecast to increase over 2008 as new customers are connected, Orca constructs additional new low pressure distribution lines in the Dar es Salaam area and textile manufacturers increase their production.

Orca's Q2 revenues increased 60% to US$4.8 million compared to Q2 2007. Loss before taxation was US$9.7 million as a consequence of the write down of US$9.5 million following the decision not to proceed with the drilling of two wells in Uganda. Profitability is expected to increase in the second half of the year with the increase in sales revenue and the decrease in costs as the long term power contracts are finalised.

Orca's operations generated cash flows before working capital changes of US$1.6 million, an increase of 63% on Q2 2007. This is forecast to grow in the second half of 2008 as gas sales increase and marketing costs decrease.

The Company had cash of approximately US$11.9 million at the end of Q2 and now has a US$5.0 million short term overdraft facility in place. Once long-term contracts are signed for the supply of gas to the power sector, the Company plans to seek a term loan facility to continue to grow its Tanzanian asset base and to pursue additional opportunities in Africa.

Outlook

The implementation of the infrastructure expansion in a timely manner in Tanzania remains a key focus for Orca during the second half of 2008. Once long term infrastructure expansion is committed Orca anticipates the signing of the initialled long term power contracts within a relatively short period. In the event of unacceptable delays in the long term additions of trains three and four, Orca has developed plans for upgrading the capacity of the existing trains in two trenches.

Orca acknowledges the commitment and support of the Tanzanian Government to expand the gas developments at Songo Songo in a transparent process, with the right blend of free market pricing, and regulatory protection typical of other countries' gas sectors.

The results of the jack up rig tender will be available in Q3 providing the Company with a clearer picture of the timing and costs of our 2009 drilling program. During Q3 Orca also anticipates the completion of a resource report by McDaniel and Associates Consultants Ltd. on the potential of the Songo Songo West prospect that lies within the Company's licence acreage.

As always, management is aware that Orca Exploration's growth and vitality are always dependent on our skilled and dedicated employees and our loyal shareholders. The demand for natural gas continues to grow in Tanzania and the Company remains committed to seek ways to increase reserves, expand markets and monetise its assets.

Consolidated Income Statements (unaudited)

ORCA EXPLORATION GROUP INC.

(thousands of US dollars except per share amounts)	Three months ended 30-Jun 2008	31-Mar 2008	30-Jun 2007	Six months ended 30-Jun 2008	30-Jun 2007
Revenue	4,826	5,284	3,021	10,110	6,852
Cost of sales					
Production and distribution expenses	(457)	(276)	(261)	(733)	(525)
Depletion expense	(776)	(1,406)	(630)	(2,182)	(1,545)
Impairment of exploration and evaluation assets	(9,520)	-	-	(9,520)	-
	(5,927)	3,602	2,130	(2,325)	4,782
Administrative expenses	(3,918)	(3,095)	(2,704)	(7,013)	(4,952)
Net financing income/ (charges)	135	(237)	50	(102)	76
(Loss)/profit before taxation	(9,710)	270	(524)	(9,440)	(94)
Taxation	(498)	(413)	(84)	(911)	(386)
Loss after taxation	(10,208)	(143)	(608)	(10,351)	(480)
Loss per share					
Basic (US$)	(0.34)	-	(0.02)	(0.35)	(0.02)
Diluted (US$)	(0.33)	-	(0.02)	(0.33)	(0.02)

Consolidated Balance Sheets (unaudited)

ORCA EXPLORATION GROUP INC

(thousands of US dollars)	30-Jun 2008	31-Mar 2008	31-Dec 2007
ASSETS			
Current assets			
Cash and cash equivalents	11,924	12,521	16,515
Trade and other receivables	7,227	7,297	8,236
	19,151	19,818	24,751
Exploration and evaluation assets	-	7,300	6,881
Property, plant and equipment	61,589	60,752	61,157
	61,589	68,052	68,038
	80,740	87,870	92,789
LIABILITIES			
Current liabilities			
Trade and other payables	13,057	11,521	17,452
Non current liabilities			
Deferred income taxes	4,116	3,618	3,205
Deferred additional profits tax	743	678	588
SHAREHOLDERS' EQUITY			
Capital stock	66,537	66,537	66,538
Capital reserve	2,655	1,676	1,023
Accumulated (loss)/income	(6,368)	3,840	3,983
	62,824	72,053	71,544
	80,740	87,870	92,789

Consolidated Statements of Cash Flows (unaudited)

ORCA EXPLORATION GROUP INC

(thousands of US dollars)	30-Jun 2008	31-Mar 2008	30-Jun 2007	30-Jun 2008	30-Jun 2007
CASH FLOWS FROM OPERATING ACTIVITIES					
Loss after taxation	(10,208)	(143)	(608)	(10,351)	(480)
Adjustment for					
Depletion and depreciation	794	1,422	661	2,216	1,602
Impairment of exploration and evaluation assets	9,520	-	-	9,520	-
Stock-based compensation	978	654	799	1,632	740
Deferred income taxes	498	413	343	911	465
Deferred additional profits tax	65	90	56	155	114
Interest income	(28)	(45)	(256)	(73)	(273)
	1,619	2,391	995	4,010	2,168
Decrease/(increase) decrease in trade and other receivables	70	939	782	1,009	(656)
(Increase) in inventory	-	-	(2,847)	-	(2,847)
Increase/(decrease) in trade and other payables	2,877	(2,494)	1,937	383	3,007
Net cash flows from operating activities	4,566	836	867	5,402	1,672
CASH FLOWS USED IN INVESTING ACTIVITIES					
Exploration and evaluation expenditures	(2,220)	(419)	(765)	(2,639)	(765)
Property, plant and equipment expenditures	(1,631)	(1,017)	(14,224)	(2,648)	(25,301)
Interest income	28	45	256	73	273
(Decrease)/increase in trade and other payables	(1,340)	(3,437)	6,613	(4,777)	10,901
Net cash used in investing activities	(5,163)	(4,828)	(8,120)	(9,991)	(14,892)
CASH FLOWS FROM FINANCING ACTIVITIES					
Normal course issuer bid	-	(2)	-	(2)	-
Proceeds from exercise of options	-	-	118	-	143
Net cash flow (used in)/from financing activities	-	(2)	118	(2)	143
Decrease in cash and cash equivalents	(597)	(3,994)	(7,135)	(4,591)	(13,077)
Cash and cash equivalents at the beginning of the period	12,521	16,515	14,736	16,515	20,678
Cash and cash equivalents at the end of the period	11,924	12,521	7,601	11,924	7,601

Statement of Changes in Shareholders' Equity (unaudited)

ORCA EXPLORATION GROUP INC

(thousands of US dollars)	Capital stock	Capital reserve	Accumulated Income/(loss)	Total
Balance as at 1 January 2007	34,469	1,182	2,238	37,889
Shares issued	1,605	(945)	-	660
Options exercised	143	-	-	143
Stock-based compensation	-	80	-	80
Loss for the period	-	-	(480)	(480)
Balance as at 30 June 2007	**36,217**	**317**	**1,758**	**38,292**

(thousands of US dollars)	Capital stock	Capital reserve	Accumulated Income (loss)	Total
Balance as at 1 January 2008	66,538	1,023	3,983	71,544
Stock-based compensation	-	1,632	-	1,632
Normal course issuer bid	(1)		-	(1)
Loss for the period	-	-	(10,351)	(10,351)
Balance as at 30 June 2008	**66,537**	**2,655**	**(6,368)**	**62,824**

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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