ORCA

ORCA EXPLORATION GROUP INC.

Q2

2015 Q2 INTERIM REPORT

Orca Exploration Group Inc. is an international public company engaged in hydrocarbon exploration, development and supply of gas in Tanzania and oil appraisal and gas exploration in Italy. Orca Exploration trades on the TSXV under the trading symbols ORC.B and ORC.A.

GLOSSARY

mcf	Thousands of standard cubic feet	**1P**	Proven reserves
MMcf	Millions of standard cubic feet	**2P**	Proven and probable reserves
Bcf	Billions of standard cubic feet	**3P**	Proven, probable and possible reserves
Tcf	Trillions of standard cubic feet	**Kwh**	Kilowatt hour
MMcfd	Millions of standard cubic feet per day	**MW**	Megawatt
MMbtu	Millions of British thermal units	**US$**	US Dollars
HHV	High heat value	**CDN$**	Canadian Dollars
LHV	Low heat value	**bar**	Fifteen pounds pressure per square inch

ORCA EXPLORATION GROUP INC.

MANAGEMENT'S DISCUSSION & ANALYSIS

NOTIFICATION OF CONDENSED UNAUDITED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

In accordance with National Instrument 51-102 released by the Canadian Securities Administrators, the Company discloses that its auditors have not reviewed the condensed unaudited consolidated interim financial statements for the three and six month period ended June 30, 2015.

Financial and Operating Highlights

US$'000 except where otherwise stated	30 June 2015	Restated (4) 30 June 2014	% Change	31 March 2015	% Change
	THREE MONTHS ENDED / AS AT				
FINANCIAL					
Revenue	**12,553**	18,853	(33)	9,720	29
Income/(loss) before tax	**6,025**	10,081	(40)	(787)	n/m
Net income/(loss)	**3,566**	6,137	(42)	(1,677)	(313)
per share - basic and diluted (US$)	**0.10**	0.18	(42)	(0.05)	(313)
Working capital (1)	**38,067**	29,306	30	34,870	9
Cash	**60,528**	38,694	56	62,640	(3)
Working capital deficiency (excluding cash) (3)	**(22,461)**	(9,388)	139	(27,770)	(19)
TANESCO receivable (1)	**61,948**	63,851	(3)	61,714	–
Shareholders' equity	**78,480**	122,254	(36)	74,944	5
Funds flow from operating activities (2)	**4,889**	11,651	(58)	3,712	32
per share - basic and diluted (US$)	**0.14**	0.33	(58)	0.11	32
Capital expenditures	**4,457**	(213)	n/m	1,139	291
Outstanding Shares ('000)					
Class A shares	**1,751**	1,751	–	1,751	–
Class B shares	**33,144**	33,072	–	33,164	–
Total shares outstanding	**34,895**	34,823	–	34,915	–
Options	**–**	1,742	(100)	400	(100)
OPERATING					
Daily average gas production (MMcfd)					
Protected Gas	**38.7**	34.2	13	39.0	(1)
Additional Gas					
Industrial	**11.1**	11.5	(3)	10.3	(8)
Power	**33.4**	38.5	(13)	38.8	(14)
Total Additional Gas	**44.5**	50.0	(11)	49.1	(9)
Total gas production	**83.2**	84.2	(1)	88.1	(6)
Average price per mcf					
Industrial (US$/mcf)	**7.45**	9.27	(20)	7.54	(1)
Power (US$/mcf)	**3.47**	3.65	(5)	3.49	(1)
Total (US$/mcf)	**4.46**	4.94	(10)	4.34	3
Operating netback (US$/mcf)	**2.68**	3.03	(12)	1.86	44

(1) Working capital as at 30 June 2015 includes a TANESCO receivable (excluding interest) of US$3.7 million (31 December 2014: US$7.7 million). Management has placed a doubtful debt provision against the long-term receivables in excess of 60 days totaling US$52.2 million (31 December 2014: US$52.2 million). The total of long- and short-term TANESCO receivables, including interest, as at 30 June 2015 was US$61.9 million. The financial statements do not recognise the interest receivable from TANESCO as it does not meet IAS 18 income recognition criteria. The Company is however actively pursuing the collection of all the receivables and the interest that has been charged to TANESCO.

(2) See MD&A – Non-GAAP Measures.

(3) Working capital deficiency (excluding cash) is defined as current assets less cash less current liabilities.

(4) See MD&A "Restatement of Previously Issued Condensed Consolidated Interim Financial Statements."

Q2 2015 Operating Highlights

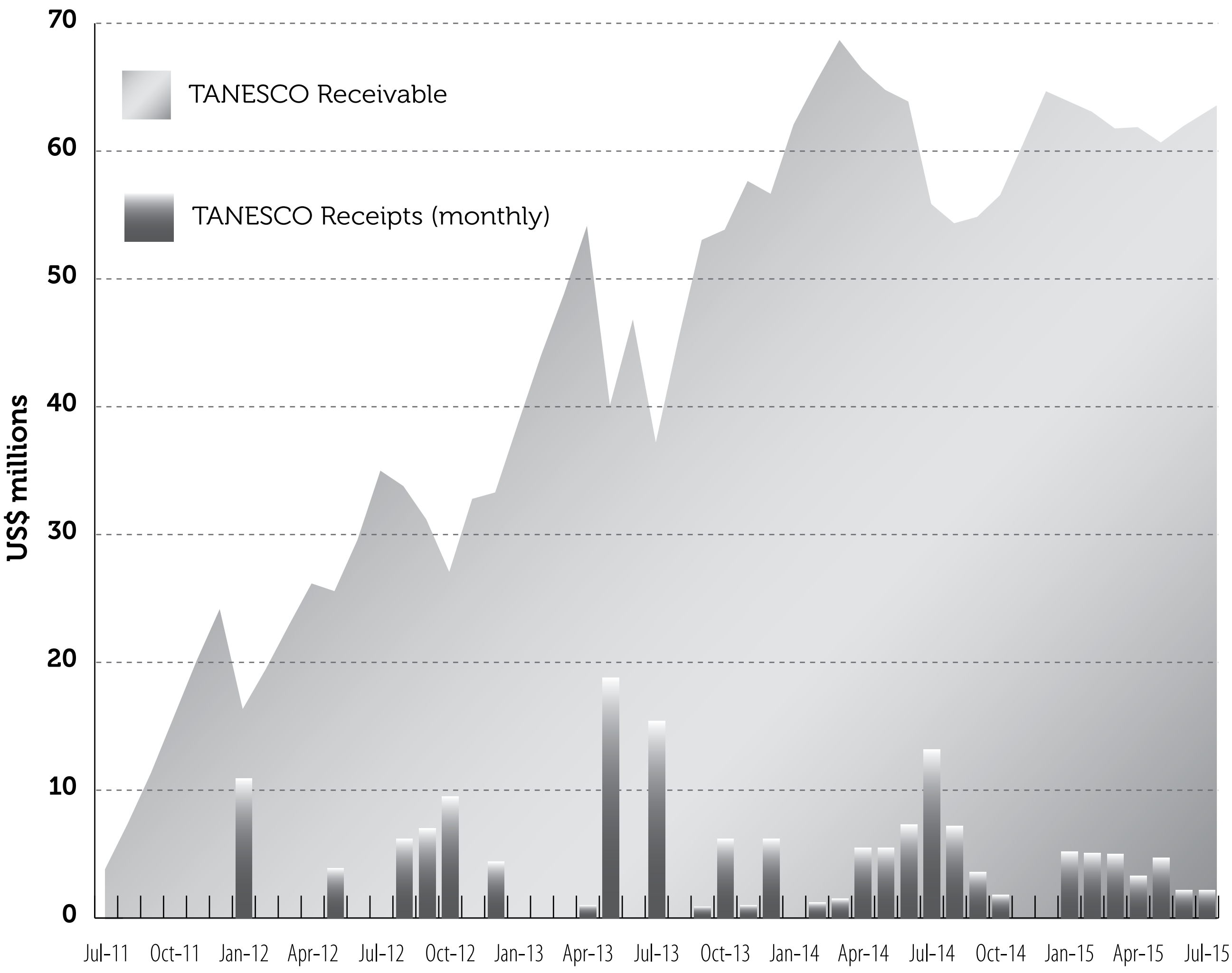
- Total Songo Songo field production of Protected Gas plus Additional Gas averaged 83.2 million standard cubic feet per day ("MMcfd") for the second quarter of 2015 down 1% from Q2 2014, and down 6% over Q1 2015. Additional Gas sales volumes averaged 44.5 MMcfd, a decrease of 11% over the prior period (Q2 2014: 50.0 MMcfd) and down 9% over the prior quarter (Q1 2015: 49.1 MMcfd), due largely to declining field productivity and reduced takes by TANESCO.
- Power sector sales volumes decreased by 13% to 33.4 MMcfd, compared to 38.5 MMcfd in Q2 2014 as a result of a decrease in production from the Songo Songo field due to infrastructure constraints and TANESCO's non-renewal of a power generation contract with an emergency power plant that was running using Additional Gas. Maximum gas production has decreased from an average of 95 MMcfd in Q2 2014 to 88 MMcfd in Q2 2015. In accordance with the Portfolio Gas Supply Agreement ("PGSA") with TANESCO, a decrease in field gas production impacts on the volume supplied to the state utility. Power sales volumes decreased by 14% over Q1 2015 (38.8 MMcfd) principally as a result of reduced nominations by TANESCO owing to increased seasonal hydro availability during Q2 compared with Q1.
- Q2 Industrial sales volumes decreased by 3% to 11.1 MMcfd from 11.5 MMcfd in Q2 2014. The decrease is primarily due to decrease in natural gas consumption by an edible oil company and some textile companies in Dar es Salaam as a result of unscheduled maintenance. Industrial gas volumes increased by 10% over Q1 2015 (10.3 MMcfd) as a result of fewer days of maintenance work by a major cement company in Dar es Salaam compared with Q1.
- Weekly payments by TANESCO resumed in 2015 and continued through Q2 with TANESCO having continued to honour its commitment to remain current for ongoing gas deliveries. At 30 June 2015, TANESCO owed the Company US$55.8 million excluding interest (of which arrears were US$52.2 million) compared to US$56.2 million (including arrears of US$52.2 million) as at 31 March 2015. During the quarter, the Company received a total of US$10.3 million (Q1 2015: US$15.3 million) from TANESCO against sales totaling US$9.9 million (Q1 2015: US$11.7 million). TANESCO current receivables as at 30 June 2015 amounted to US$3.7 million (Q4 2014 US$7.7 million). Since the quarter end, TANESCO has paid the Company US$2.2 million, and as at the date of this report the total TANESCO receivable is US$57.2 million (of which US$52.2 million has been provided for). The amounts owed do not include interest billed to TANESCO.
- Working capital as at 30 June 2015 increased 30% over Q2 2014 to US$38.1 million (Q2 2014: US$29.3 million), and increased by a further 9% from 31 March 2015 (US$34.9 million).
- During the quarter capital expenditure was US$4.5 million in relation to ongoing engineering and planning relating to well workovers and subsequent drilling activities.
- Net income for the quarter was US$3.6 million or US$0.10 per share basic and diluted, as compared to income of US$6.1 million or US$0.18 per share basic and diluted in Q2 2014, and compared to loss of US$1.7 million or US$0.05 per share in Q1 2015.
- Average gas prices were down 10% in Q2 2015 to US$4.46/mcf over Q2 2014 (US$4.94/mcf), and up 3% over the prior quarter (Q1 2015: US$4.34/mcf). Industrial gas prices were down 20% in Q2 2015 to US$7.45/mcf (Q2 2014: US$9.27/mcf). The decrease over the same period for the prior year is primarily due to a change in sales mix, partially offset by annual price indexation. A 42% decline in heavy fuel oil ("HFO") prices (to which a majority of Industrial contracts are tied) were mitigated by floor prices in the contracts. Average Power sector gas prices decreased 5% over the prior year quarter to US$3.47/mcf (Q2 2014: US$3.65/mcf), largely as a result of reduced sales volumes to the Power sector which in turn reduced the amount of sales subject to premium pricing in accordance with the PGSA with TANESCO, this more than offset the impact of annual price indexation.

- Revenue for the quarter was US$12.6 million, a decrease of 33% from Q2 2014 ($18.9 million) and an increase of 29% over Q1 2015 (US$9.7 million). Funds flow from operating activities in 2014 was US$4.9 million or US$0.14 per share diluted, a 58% decrease from Q2 2014 (US$11.7 million or US$0.33 per share) primarily the result of lower revenue and a lower share of Profit Gas during the period. Funds flow for Q2 was up 32% over Q1 (US$3.7 million or US$0.11 per share) primarily as a result of a 29% increase in revenues quarter over quarter.
- The US$1.2 billion government sponsored Tanzania National Natural Gas Infrastructure Project ("NNGIP") is substantially complete, with first gas expected by the end of 2015. Discussions between TPDC, the Ministry of Energy and Minerals and the Company on commercial terms for future incremental gas sales again showed no progress during the quarter and to the date of this report. Commercial terms remain a key condition to the Company's commitment to expanded Songo Songo development beyond the existing Songas infrastructure and to supply gas to the NNGIP.
- On 15 June 2015, the Company announced that that it is proceeding with the first phase of the Songo Songo development programme (the "Offshore Programme") following World Bank board approval of the International Finance Corporation ("IFC") financing. IFC has received approval by the board of World Bank for an investment by IFC of up to US$60 million in the Company's operating subsidiary, PanAfrican Energy Tanzania Limited. The investment is currently contemplated as a subordinated, income participating loan with flexible repayment terms and a maximum tenor of approximately 10 years. Completion of the IFC financing is subject to the negotiation and signing of definitive documentation. Initial drawdown of the facility will be subject to a number of terms and conditions.
- Subsequent to the approval of the IFC financing, the Company entered into a drilling contract with Paragon Offshore plc for the use of its M826 Mobile Drilling Workover Rig, as well the provision of associated services in order to execute the Offshore Programme. The Paragon M826 Mobile Drilling Workover Rig was selected to operate in the somewhat unique shallow water operating environment around Songo Songo Island. The contract carries a minimum duration of 90 days and a minimum financial commitment of US$21 million excluding withholding tax. The Company's commitments under the drilling contract are not subject to completion of the IFC financing or funding of such financing.
- The Company currently anticipates operations in connection with the Offshore Programme commencing by September 2015. Operations are planned to include workovers (being the removal and replacement of production tubing strings) on three existing wells (SS-5, SS-7 and SS-9) under the Operatorship Agreement with Songas to address the operational requirement to either restore or abandon the wells, and as well assure Protected Gas volumes to TPDC/Songas. In addition, the Offshore Programme contemplates the drilling of one new well (SS-J). The Company also retains the option to drill a further two wells, subject to the success of the workovers. Whilst the Company has sufficient cash to fund the minimum rig commitment, it does require the completion of IFC or other external financing to undertake the entire programme as planned. Total cost of the programme is estimated to be approximately US$120 million.

- In June 2015 the Tanzania Parliament passed The Petroleum Act, 2015, which legislation was passed into law by Presidential decree on 4 August 2015. The bill repeals earlier legislation, provides a regulatory frameworkover mid-stream and downstream gas activity and as well consolidate and put in place a single, effective and comprehensive legal framework for regulating the oil and gas industry in the country. The bill also provides for the creation of an upstream regulator, the Petroleum Upstream Regulatory (PURA). The mid and downstream petroleum as well as gas activities are proposed to be regulated by the current authority, the Energy and Water Utilities Regulatory Authority (EWURA).

The bill also confers upon on the Tanzania Petroleum Development Corporation ("TPDC"), the status of the National Oil Company, mandated with the task of managing the country's commercial interest in the petroleum operations as well as mid and downstream natural gas activities. The bill vests TPDC with exclusive rights in the entire petroleum upstream value chain and the natural gas mid and downstream value chain. However, the exclusive rights of the National Oil Company does not extend to mid and downstream petroleum supply operations. The draft Petroleum Bill made available to the Company indicates that there is a provision which recognises the Company's PSA under this new legislation. The Company is however currently reviewing this new legislation to determine potential impact on its business in Tanzania, if any.

TANESCO receivables since Emergency Power Plan mid-2011



Management's Discussion & Analysis

THIS MD&A OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS FOR THE THREE AND SIX MONTHS ENDED 30 JUNE 2015 SHOULD BE READ IN CONJUNCTION WITH THE AUDITED CONSOLIDATED FINANCIAL STATEMENTS AND NOTES TOGETHER WITH MD&A FOR THE YEAR ENDED 31 DECEMBER 2014. THIS MD&A IS BASED ON THE INFORMATION AVAILABLE ON 19 AUGUST 2015.

FORWARD LOOKING STATEMENTS

This management's discussion and analysis ("MD&A") contains forward-looking statements or information (collectively, "forward-looking statements") within the meaning of applicable securities legislation. More particularly, this MD&A contains, without limitation, forward-looking statements pertaining to the following: the anticipated timing of first gas under the NNGIP; completion of the Company's financing with IFC, including the negotiation and signing of definitive documentation and the anticipated terms of such financing; the Company's expectations as to timing of commencement of operations in connection with the Offshore Programme; anticipated operations under the Offshore Programme, including workovers on existing wells and drilling of new wells; the potential impact that one or both SS-5 and SS-9 workovers could be unsuccessful and the effect the abandonment of those wells could have on the Company's other drilling operations; the Company's estimated cost of proceeding with the Offshore Programme, including the Company's estimated spending for the programme between 2015 and 2017 and potential additional costs; the Company's negotiation of an operating line with one or more local Tanzania banks to provide additional sources of financing; the potential impact of the Petroleum Act 2015 on the Company's business in Tanzania; the Company's belief that the parties to the unsigned AGRA will continue to conduct themselves as though the AGRA is in full force and effect, and the Company's expectation that, despite the Re-Rating Agreement being expired, Songas Limited ("Songas") will not de-rate the Songas gas processing plant; the Company's expectation that if the Offshore Programme at Songo Songo is completed that it can expand the deliverability of the field to in excess of the existing Songas infrastructure; the Company's expectation that the SS-4 well may need to be suspended in the future; the forward-looking statements under "Contractual Obligations and Committed Capital Investment"; the Company's expectation that it will not have a shortfall during the term of the Protected Gas delivery obligation to July 2024; the Company's expectation that the Elsa-2 appraisal well will be drilled in 2016 following finalisation of an environmental impact study; and the Company's expectations in respect of its appeal of the decision of the Tax Revenue Appeals Tribunal and other statements under "Contingencies – Taxation". In addition, statements relating to "reserves" are by their nature forward-looking statements, as they involve the implied assessment, based on certain estimates and assumptions that the reserves described can be profitably produced in the future. The recovery and reserve estimates of Orca's reserves provided herein are estimates only and there is no guarantee that the estimated reserves will be recovered. As a consequence, actual results may differ materially from those anticipated in the forward-looking statements. Although management believes that the expectations reflected in the forward-looking statements are reasonable, it cannot guarantee future results, levels of activity, performance or achievement since such expectations are inherently subject to significant business, economic, operational, competitive, political and social uncertainties and contingencies.

These forward-looking statements involve substantial known and unknown risks and uncertainties, certain of which are beyond Orca's control, and many factors could cause Orca's actual results to differ materially from those expressed or implied in any forward-looking statements made by Orca, including, but not limited to: failure to receive payments from TANESCO; risk that the NNGIP is not completed on the time frame anticipated or at all; risk that the TPDC, the Ministry of Energy and Minerals and the Company are unable to agree on commercial terms for future incremental gas sales and consequently the Company cannot expand the Songo Songo development beyond the existing Songas infrastructure and supply gas to the NNGIP; risk that additional gas volumes available to the NNGIP from third parties will replace all or a portion of the volumes currently nominated by TANESCO under the PGSA until additional gas-fired power generation is brought onstream to consume all of the Company's available gas production; risk that the Company is unable to successfully negotiate and sign definitive documentation for the IFC financing on the terms anticipated or at all; risk that the Company is unable to successfully negotiate and sign definitive documentation for the IFC financing and/or obtain other external financing and is therefore unable to proceed with the entire Offshore Programme as planned; risk that the Offshore Programme does not commence on the timing anticipated or at all; risk that the Offshore Programme is not completed as planned and the actual cost to undertake the Offshore Programme exceeds the Company's estimates; risk that the well workovers under the Offshore Programme are unsuccessful and determined to be infeasible; risk that the contingencies related to the development work for the full field development plan for Songo Songo are not satisfied; risk that the Company is unable to successfully negotiate an operating line with one or more local Tanzania banks to provide additional sources of financing; potential negative effect on the Company's rights under the PSA and other agreements relating to its business in Tanzania as a result of the National Natural Gas Policy and the Petroleum Act, 2015 (received Presidential decree on 4th August 2015), as well as the risk that such legislation will create additional costs and time connected with the Company's business in Tanzania; risk that, without extending or replacing the Re-Rating Agreement, Songas may de-rate the plant back to its original capacity, resulting in a material reduction in the Company's sales volumes of Additional Gas; risk that Songas may dispute the amount of its share of capital expenditures associated with the workovers of SS-5, SS-7, and SS-9 relating to the operatorship of the field and the assurance of Protected Gas volumes which may result in the Company funding all of the expenditures until the matter is resolved; risk that the Company will be required to pay additional taxes and penalties; the impact of general economic conditions in the areas in which Orca 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; competition for, among other things, capital, drilling equipment and skilled personnel; failure to obtain required equipment for drilling; delays in drilling plans; failure to obtain expected results from drilling of wells; effect of changes to the PSA on the Company; changes in laws; imprecision in reserve estimates; the production and growth potential of the Company's assets; obtaining required approvals of regulatory authorities; risks associated with negotiating with foreign governments; inability to access sufficient capital; failure to successfully negotiate agreements; and risk that the Company will not be able to fulfil its obligations. In addition there are risks and uncertainties associated with oil and gas operations, therefore Orca's actual results, performance or achievement could differ materially from those expressed in, or implied by, these forward-looking statements and, accordingly, no assurances can be given that any of the events anticipated by these forward-looking statements will transpire or occur, or if any of them do so, what benefits Orca will derive therefrom. Readers are cautioned that the foregoing list of factors is not exhaustive.

Such forward-looking statements are based on certain assumptions made by Orca in light of its experience and perception of historical trends, current conditions and expected future developments, as well as other factors Orca believes are appropriate in the circumstances, including, but not limited to, that the NNGIP is completed; the TPDC, the Ministry of Energy and Minerals and the Company are able to agree on commercial terms for future incremental gas sales and the Company can expand Songo Songo development beyond the existing Songas infrastructure and supply gas to the NNGIP; the Company is able to successfully negotiate and sign definitive documentation for the IFC financing and/or other external financing so it can undertake the Offshore Programme; the Offshore Programme will commence on the timing anticipated; the estimated cost to undertake the Offshore Programme; the Company is able to successfully negotiate an operating line with one or more local Tanzania banks to provide additional sources of financing; that there will continue to be no restrictions on the movement of cash from Mauritius or Tanzania; that the Company will have sufficient cash flow, debt or equity sources or other financial resources required to fund its capital and operating expenditures and requirements as needed; that the Company will have adequate funding to continue operations; that the Company will successfully negotiate agreements; receipt of required regulatory approvals; the ability of Orca to increase production at a consistent rate; infrastructure capacity; commodity prices will not further deteriorate significantly; the ability of Orca to obtain equipment and services in a timely manner to carry out exploration, development and exploitation activities; future capital expenditures; availability of skilled labour; timing and amount of capital expenditures; uninterrupted access to infrastructure; the impact of increasing competition; conditions in general economic and financial markets; effects of regulation by governmental agencies; that the Company's appeal of various tax assessments will be successful; that the enactment of the Petroleum Act, 2015 in Tanzania will not impair the Company's rights under the PSA to develop and market natural gas in Tanzania; current or, where applicable, proposed industry conditions, laws and regulations will continue in effect or as anticipated as described herein; and other matters.

The forward-looking statements contained in this MD&A are made as of the date hereof and Orca undertakes no obligation to update publicly or revise any forward-looking statements or information, whether as a result of new information, future events or otherwise, unless so required by applicable securities laws.

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 STANDARDISED AND THEREFORE MAY NOT BE COMPARABLE TO SIMILAR MEASUREMENTS OF OTHER ENTITIES.

- FUNDS FLOW FROM OPERATING ACTIVITIES IS A TERM THAT REPRESENTS CASH FLOW FROM OPERATIONS BEFORE WORKING CAPITAL CHANGES. IT IS A KEY MEASURE AS IT DEMONSTRATES THE COMPANY'S ABILITY TO GENERATE CASH NECESSARY TO ACHIEVE GROWTH THROUGH CAPITAL INVESTMENTS.
- 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 OPERATING ACTIVITIES PER SHARE IS CALCUALATED ON THE BASIS OF THE FUNDS FLOW FROM OPERATIONS DIVIDED BY THE WEIGHTED AVERAGE NUMBER OF SHARES.
- CASH FLOW FROM OPERATING ACTIVITIES PER SHARE IS CALCULATED AS CASH FLOW FROM OPERATIONS DIVIDED BY THE WEIGHTED AVERAGE NUMBER OF SHARES.

ADDITIONAL INFORMATION REGARDING ORCA EXPLORATION IS AVAILABLE UNDER THE COMPANY'S PROFILE ON SEDAR AT www.sedar.com.

NATURE OF OPERATIONS

The Company's principal operating asset is its interest in a Production Sharing Agreement ("PSA") with the Tanzania Petroleum Development Corporation ("TPDC") and the Government of Tanzania in the United Republic of Tanzania. This PSA covers the exploration, development, production and marketing of certain gas from the Songo Songo Block offshore Tanzania.

The gas in the Songo Songo field is divided between "Protected Gas" as defined and "Additional Gas" as defined. The "Protected Gas" is owned by TPDC and is sold under a 20-year gas agreement (until July 2024) to Songas Limited ("Songas"). Songas is the owner of the infrastructure that enables the gas to be processed and delivered to Dar es Salaam, which includes a gas processing plant on Songo Songo Island.

Songas utilizes the Protected Gas as feedstock for its gas turbine electricity generators at Ubungo, for onward sale to the Wazo Hill Cement Plant and for electrification of some villages along the pipeline route. The Company receives no revenue for the Protected Gas delivered to Songas and operates the field and gas processing plant on a 'no gain no loss' basis.

Under the PSA, the Company has the right to produce and market all gas in the Songo Songo Block in excess of the Protected Gas requirements ("Additional Gas").

The Tanzania Electric Supply Company Limited ("TANESCO") is a parastatal organization which is wholly-owned by the Government of Tanzania, with oversight by the Ministry of Energy and Minerals ("MEM"). TANESCO is responsible for the generation, transmission and distribution of electricity throughout Tanzania. Natural gas has become an integral component of TANESCO's power generation fuel mix as a more reliable source of supply over seasonal hydro power and a more cost effective alternative to liquid fuels. The Company currently supplies gas directly to TANESCO by way of a Portfolio Gas Supply Agreement ("PGSA") and indirectly through the supply of Protected Gas and Additional Gas to Songas which in turn generates and sells power to TANESCO. The state utility is the Company's largest customer and the gas supplied by the Company to TANESCO today fires approximately 60% of the electrical power generated in Tanzania.

In addition to gas supplied to Songas and TANESCO for the generation of power, the Company has developed and supplies an industrial gas market in the Dar es Salaam area consisting of some 38 industrial customers.

BUSINESS RISKS

See "Business Risks" in MD&A for the year-ended 31 December 2014 for a complete discussion of business risks of the Company.

Collectability of Receivables

The Company evaluates the collectability of its receivables on the basis of payment history, frequency and predictability, as well as Management's assessment of the customer's willingness and ability to pay. Both Songas and the Company have been impacted by TANESCO's inability to pay.

Amounts collected with respect to the long-term receivable in the future will be reflected in earnings when payment is received. Notwithstanding this provision, the Company and TANESCO continue to operate in accordance with the terms of the Portfolio Gas Supply Agreement whereby natural gas continues to be delivered by the Company and TANESCO payments remain current on current deliveries. This provision against the TANESCO net long-term receivable will not prejudice the Company's rights to payment in full or its ability to pursue collection in accordance with the terms of the agreement with TANESCO.

At 30 June 2015, TANESCO owed the Company US$55.8 million excluding interest (of which arrears were US$52.2 million) compared to US$59.8 million (including arrears of US$52.2 million) as at 31 December 2014. During the quarter, the Company received a total of US$10.3 million (Q4 2014: US$1.8 million) from TANESCO against sales totaling US$9.9 million (Q4 2014: US$11.2 million). TANESCO current receivables as at 30 June 2015 amounted to US$3.7 million (Q4 2014 US$7.7 million). Since the quarter end, TANESCO has paid the Company US$2.2 million, and as at the date of this report the total TANESCO receivable is US$57.2 million (of which US$52.2 million has been provided for). The amounts owed do not include interest billed to TANESCO.

As at 30 June 2015, Songas owed the Company US$19.1 million (Q4 2014: US$43.2 million), whilst the Company owed Songas US$3.4 million (Q4 2014: US$30.4 million). There was no contractual right to offset these amounts at 30 June 2015. Amounts due to Songas primarily relate to pipeline tariff charges payable of US$1.8 million (Q4 2014: US$28.9 million), whereas the amounts due to the Company are mainly for sales of gas of US$3.0 million (Q4 2014: US$23.9 million) and for the operation of the gas plant of US$16.1 million (Q4 2014: US$19.3 million). The operation of the gas plant is conducted at cost and the charges are billed to Songas on a flow through basis without profit margin.

As at 30 June 2015 there was a net Songas receivable balance of US$15.7 million (Q4 2014: US$12.7 million). A provision for doubtful debts of US$9.8 million (Q4 2014: US$9.8 million) has been recognised against the gas plant operation receivable of US$16.1 million (Q4 2014: US$19.3 million). All amounts due to and from Songas have been summarized in the net Songas balance (see Note 14 – Trade and Other Payables, to the unaudited condensed consolidated interim financial statements).

Access to Songas processing and transportation

Whilst the Company operates the Songo Songo gas processing plant, Songas is the owner of plant and pipeline system which transports natural gas from Songo Songo to Dar es Salaam. The Company's ability to deliver gas to its customers in Dar es Salaam is dependent upon it having access to the Songas infrastructure. Although there are agreements with Songas to allow the Company to process and transport gas, there is no assurance that these rights could not be challenged or curtailed by Songas. The inability to access Songas plant and processing faciities would materially impair the Company's ability to realise revenue from natural gas sales.

As a result of the Ubungo power plant re-rating that occurred in 2011 pursuant to the Re-Rating Agreement, the capacity of the Songas gas processing plant was increased to a maximum of 110 MMcfd (restricted to 102 MMcfd because of pipeline and pressure requirements). The Re-Rating Agreement expired on 31 December 2012 and, although it was initially extended to 31 December 2013, no new agreement is currently in place.

Without the Re-Rating Agreement, Songas may de-rate plant capacity to 70 MMcfd (the capacity originally agreed to), which would result in a material reduction in the Company's sales volumes of Additional Gas.

Songo Songo Development Programme

On 15 June 2015, the Company announced that that it is proceeding with the first phase of the Songo Songo development programme (the "Offshore Programme") following World Bank board approval of the International Finance Corporation ("IFC") financing. IFC has received approval by the board of World Bank for an investment by IFC of up to US$60 million in the Company's operating subsidiary, PanAfrican Energy Tanzania Limited. The investment is currently contemplated as a subordinated, income participating loan with flexible repayment terms and a maximum tenor of approximately 10 years. Completion of the IFC financing is subject to the completion of definitive documentation and final internal approvals of Orca and IFC. Initial drawdown of the facility will be subject to a number of terms and conditions.

Subsequent to the approval of the IFC financing, the Company entered into a drilling contract with Paragon Offshore plc for the use of its M826 Mobile Drilling Workover Rig, as well the provision of associated services, in order to execute the offshore phase of the development programme for the Songo Songo gas field. The Paragon M826 Mobile Drilling Workover Rig was selected to operate in the somewhat unique shallow water operating environment around Songo Songo Island.

The drilling contract provides for a commencement date between 1 August 2015 and 21 September 2015, with the exact date being the date the complete drilling is pre-loaded on the Company's first well location in Songo Songo. The contract carries a minimum duration of 90 days and a minimum financial commitment of US$21 million excluding withholding tax. The Company's commitments under the drilling contract are not subject to completion of the IFC financing or funding of such financing.

The Company currently anticipates operations in connection with the Offshore Programme commencing by September 2015. Operations are planned to include workovers (being the removal and replacement of production tubing strings) on three existing wells (SS-5, SS-7 and SS-9) under the Operatorship Agreement with Songas to address the operational requirement to either restore or abandon the wells, and provide assurance of Protected Gas volumes to TPDC/Songas. In addition, the Offshore Programme contemplates the drilling of one new well (SS-J). The Company also retains the option to drill a further two wells, subject to the success of the workovers. Whilst the Company has sufficient cash to fund the minimum rig commitment, it does require the completion of IFC or other external financing to undertake the entire programme as planned. Total cost of the programme is estimated to be approximately US$120 million, which cost includes US$12 million in contingencies associated with the potential sidetracking of SS-5 and SS-9 in the event that the workovers are unsuccessful. Drilling and workover operations are subject to risk and there is no assurance that the Offshore Programme can be completed as planned and at the estimated cost. There is the possibility that one or both SS-5 and SS-9 well workovers will be unsuccessful and sidetracks determined to be infeasible to the point that one or both wells will need to be abandoned and new well bores drilled at either location. The estimated cost of the Offshore Programme does not include this contingency. Under the Operatorship Agreement between the Company and Songas, the Company operates the Songo Songo field and Songas gas processing plant on a 'no gain no loss' basis. The Company is currently negotiating an operating line with one or more local Tanzania banks to provide additional sources of finance to fund an additional well if required. There is no assurance that such additional finance, if required, can be arranged on terms acceptable to the Company. This could result in the curtailment of the full Offshore Programme due to the inavailability of additional finance.

The Petroleum Act, 2015

Subsequent to the end of the quarter, in July 2015 the Tanzania Parliament passed The Petroleum Act, 2015, and passed into law by Presidential decree on 4 August 2015. The bill repeals earlier legislation, provides a regulatory frameworkover mid-stream and downstream gas activity and as well consolidate and put in place a single, effective and comprehensive legal framework for regulating the oil and gas industry in the country. The bill also provides for the creation of an upstream regulator, the Petroleum Upstream Regulatory (PURA). The mid and downstream petroleum as well as gas activities are proposed to be regulated by the current authority, the Energy and Water Utilities Regulatory Authority (EWURA).

The bill also confers upon on the Tanzania Petroleum Development Corporation ("TPDC"), the status of the National Oil Company, mandated with the task of managing the country's commercial interest in the petroleum operations as well as mid and downstream natural gas activities. The bill vests TPDC with exclusive rights in the entire petroleum upstream value chain and the natural gas mid and downstream value chain. However, the exclusive rights of the National Oil Company does not extended to mid and downstream petroleum supply operations.

The draft Petroleum Act made available to the Company indicates that there is a provision which recognises the Company's PSA under this new legislation. The Company is however currently reviewing this new legislation to determine potential impact on its business in Tanzania, if any.

CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

The preparation of the Company's unaudited condensed consolidated interim financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenue and expenses during the period. Actual results could differ materially from these estimates. In preparing these unaudited condensed consolidated interim financial statements, the significant judgements made by the management in applying the Company's accounting policies and the key sources of estimation uncertainty were the same as those applied to the consolidated financial statements as at and for the year ended 31 December 2014. See "Critical Accounting Estimates and Judgements" in the MDA for the year ended 31 December 2014 for a complete discussion.

Collectability of Receivables

Management reviews the accounts receivable aging and payment history on a weekly basis. Accounts which are in excess of 60-days in arrears are identified as potential doubtful accounts. When sustained arrears performance is exhibited over a quarter, together with an assessment by management of the customer's willingness and ability to pay, an account is deemed "doubtful" and a provision against that account is made for the reporting period based on an assessment of that amount of arrears which are unlikely to be paid in the immediate future. Both Songas and the Company have been impacted by TANESCO's inability to pay.

Notwithstanding the previous reclassification of TANESCO arrears as a long-term receivable and the subsequent provision against same (see Note 12 – Trade and Other Receivables), the Company and TANESCO continue to operate in accordance with the terms of the PGSA and in accordance with the understanding between the Company and TANESCO whereby natural gas continues to be delivered by the Company and TANESCO would pay for current deliveries on a current basis with payments to be applied firstly to pay for the current deliveries and excess amounts applied to accumulated arrears.

Historically TANESCO has paid outstanding quarterly balances in full subsequent to each quarter. The delays in payments from TANESCO first began in late 2011 as a result of TANESCO experiencing financial difficulties due to its dependence on high cost power generation based on liquid fuels following severe droughts in Tanzania. TANESCO's financial difficulties increased as a result being mandated by the Government under an Emergency Power Plan to provide additional power generation. Whilst the Company received assurances from the Government of Tanzania that it was arranging financing for TANESCO, the receivables continued to build to levels where it became apparent in 2013 that some time would be required for the ultimate payment of the arrears.

In Q2 2013 the Company reclassified all amounts of the TANESCO receivable in excess of 60 days in arrears as a long-term receivable. Having established a long-term receivable, the Company then estimated the discount to apply reflecting the estimated cost of the delay in timing of receipts. In parallel with the reclassification, the Company, through a series of meetings with TANESCO, reached an understanding with the state utility that the Company would continue to supply gas only if TANESCO remained current on payments for current gas deliveries, and any excess payments received over and above the current balances would be applied to the arrears balance.

In late 2013, the Company issued formal demands to TANESCO for payment, and in April 2014 issued a formal Notice of Dispute as a first step in the collection process set out in the PGSA.

In April 2014 and again in May, TANESCO advised the Company of its intention to make weekly payments of TZS 3 billion (approximately US$1.4 million at current exchange rates) against ongoing deliveries of gas, and undertook to obtain outside financing and pay the balance of the arrears by the end of 2014. Weekly payments substantially ceased during Q4 and TANESCO failed to clear the arrears by year-end 2014. Following certain changes to senior officials within TANESCO and the Ministry of Energy and Minerals (which has statutory oversight of TANESCO), weekly payments resumed in Q1 2015 and have continued, though erratically, on into Q2. TANESCO has confirmed its understanding with the parties that payments would be applied firstly to pay for the current gas deliveries and that remaining amounts, if any, would be applied to the accumulated arrears. As at 30 June 2015 TANESCO was up to date with payments for gas delivered in 2015.

The Company has a substantial "Tax Recoverable" balance. This arises from the revenue sharing mechanism within the PSA which entitles the Company to a share of revenue equivalent to its tax charge, grossed up at the prevailing rate. These amounts are collected by way of an offset against TPDC's share of revenue, as and when the Company pays its tax.

Results for the quarter and six months ended 30 June 2015

SUMMARY

The Company recorded income for the quarter of US$3.6 million and US$1.9 million for the six months ended 30 June 2015. Several factors contributed to these results. Total Protected and Additional Gas production averaged 83.2 MMcfd, substantially unchanged from Q2 2014. Demand for gas by Industrial and Power customers was down compared with Q2 2014. Accordingly, sales of Additional Gas for the quarter averaged 44.5 MMcfd, down 11% from Q2 2014 (50.0 MMcfd), being below the 50 MMcfd threshold that entitles the Company for a 55% share of Profit Gas revenues. As a result, the Company received a 40% share of Profit Gas revenues for the third successive quarter compared with 55% for the first nine months of 2014.

In monetary terms revenue for the quarter was down 33% at US$12.5 million (Q2 2014: US$ 18.9 million) and down 31% for the six months at US$22.3 million (US$32.3 million). Funds flow from operating activities was US$4.9 million, down 58% over Q2 2014, and US$8.6 million for the six months, down 50% over the prior year six month period reflecting both the reduction in revenue and share of Profit Gas. Funds flow increased 32% over Q1 2015, commensurate with a 29% increase increase in revenue quarter over quarter.

Having made only one payment during Q4, TANESCO resumed payments in Q1 which continued, albeit erratically, on into Q2. As at 30 June 2015 TANESCO was current with respect to all gas supplied by the Company during the six months ending on that date. The US$52.2 million impairment against the long-term TANESCO receivable charged in Q4 2014 remains unchanged, as does the US$9.8 million provision for doubtful accounts against the Songas operatorship receivable. During the period, however, there was a significant reduction in both receivables and payables relating to Songas.

RESTATEMENT OF PREVIOUSLY ISSUED CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

Orca has restated its condensed consolidated interim financial statements as at and for the three and six months ended 30 June 2014.

In the course of preparing the Company's consolidated financial statements for the year ended 31 December 2014, errors were discovered involving the computation of Tanzania income tax from 2005 through and to 30 September 2014. In addition, the Company corrected reported finance income and finance costs previously recognized on overdue trade receivables for 2013 and 2014. The restatement adjustments are described in the paragraphs following the tables below.

The following tables present the impact of the restatement adjustments on the Company's previously reported condensed consolidated interim financial statements of financial position as at and for the three and six months ended 30 June 2014. The "Restated" columns for 2014 reflect final adjusted balances after the restatement.

Effect on Condensed Consolidated Interim Statement of Comprehensive Income (unaudited)

	THREE MONTHS ENDED 30 JUNE 2014			SIX MONTHS ENDED 30 JUNE 2014		
(US$'000 except per share amounts)	**As reported**	**Adjustment**	**Restated**	**As reported**	**Adjustment**	**Restated**
REVENUE	19,074	(221)	18,853	32,772	(442)	32,330
Expenses						
Production and distribution expenses	(1,386)	–	(1,386)	(2,646)	–	(2,646)
Depletion expense	(3,214)	–	(3,214)	(6,777)	–	(6,777)
	14,474	(221)	14,253	23,349	(442)	22,907
General and administrative expenses	(3,357)	(25)	(3,382)	(7,151)	(50)	(7,201)
Net finance costs	(730)	(60)	(790)	(2,565)	(118)	(2,683)
Income before tax	**10,387**	**(306)**	**10,081**	**13,633**	**(610)**	**13,023**
Income tax	(3,860)	(84)	(3,944)	(5,520)	(192)	(5,712)
Net income	**6,527**	**(390)**	**6,137**	**8,113**	**(802)**	**7,311**
Foreign currency translation gain from foreign operations	176	–	176	163	–	163
Total comprehensive income for the period	**6,703**	**(390)**	**6,313**	**8,276**	**(802)**	**7,474**
Earnings per share						
Basic	0.19	(0.01)	0.18	0.23	(0.02)	0.21
Diluted	0.19	(0.01)	0.18	0.23	(0.02)	0.21
Weighted average shares outstanding (millions)						
Basic	34.8	–	34.8	34.8	–	34.8
Diluted	35.4	–	35.4	35.4	–	35.4

Effect on Condensed Consolidated Interim Statement of Financial Position (unaudited)

	AS AT 30 JUNE 2014		
US$'000	As reported	Adjustment	Restated
ASSETS			
Current Assets			
Cash and cash equivalents	38,694	–	38,694
Trade and other receivables	41,259	3,838	45,097
Tax recoverable	14,955	(4,160)	10,795
Prepayments	576	–	576
	95,484	(322)	95,162
Non-Current assets			
Long-term trade receivable	36,580	(3,838)	32,742
Exploration and evaluation assets	5,564	–	5,564
Property, plant and equipment	84,006	–	84,006
	126,150	(3,838)	122,312
Total Assets	**221,634**	**(4,160)**	**217,474**
EQUITY AND LIABILITIES			
Current Liabilities			
Trade and other payables	58,073	975	59,048
Tax payable	185	6,623	6,808
	58,258	7,598	65,856
Non-Current Liabilities			
Deferred income taxes	12,292	(5,484)	6,808
Deferred Additional Profits Tax	22,556	–	22,556
	34,848	(5,484)	29,364
Total Liabilities	**93,106**	**2,114**	**95,220**
Equity			
Capital stock	85,428	–	85,428
Contributed surplus	6,482	–	6,482
Accumulated other comprehensive loss	(140)	–	(140)
Accumulated income	36,758	(6,274)	30,484
	128,528	(6,274)	122,254
Total Equity and Liabilities	**221,634**	**(4,160)**	**217,474**

Effect on Condensed Consolidated Interim Statement of Cash Flows (unaudited)

	THREE MONTHS ENDED 30 JUNE 2014			SIX MONTHS ENDED 30 JUNE 2014		
US$'000	As reported	Adjustment	Restated	As reported	Adjustment	Restated
CASH FLOWS FROM OPERATING ACTIVITIES						
Net income/(loss)	**6,527**	**(390)**	**6,137**	**8,113**	**(802)**	**7,311**
Adjustment for :						
Depletion and depreciation	3,374	–	3,374	7,089	–	7,089
Provision for doubtful debts	635	(562)	73	3,206	(1,202)	2,004
Loss on disposal of fixture fittings	7	–	7	7	–	7
Stock-based compensation	85	–	85	362	–	362
Deferred income taxes	1,127	(723)	404	160	(1,421)	(1,261)
Deferred Additional Profits Tax	1,156	–	1,156	877	–	877
Interest expense	–	–	–	24	–	24
Unrealised foreign exchange loss	355	60	415	532	118	650
Funds flow from operating activities	**13,266**	**(1,615)**	**11,651**	**20,370**	**(3,307)**	**17,063**
Increase in trade and other receivables	(6,236)	–	(6,236)	(6,860)	–	(6,860)
(Increase)/decrease in tax recoverable	(591)	221	(370)	(370)	441	71
Decrease/(increase) in prepayments	136	–	136	(295)	–	(295)
(Decrease)/increase in trade and other payables	(4,378)	–	(4,378)	3,513	–	3,513
Decrease/(increase) in tax payable	(554)	832	278	(1,773)	1,664	(109)
Decrease/(increase) in long-term receivable	5,612	562	6,174	(6,669)	1,202	(5,467)
Net cash flows from operating activities	**7,255**	**–**	**7,255**	**7,916**	**–**	**7,916**
CASH FLOWS USED IN INVESTING ACTIVITIES						
Property, plant and equipment expenditures	213	–	213	(270)	–	(270)
Net cash used in investing activities	**213**	**–**	**213**	**(270)**	**–**	**(270)**
CASH FLOWS USED IN FINANCING ACTIVITIES						
Medium term loan	–	–	–	(1,659)	–	(1,659)
Interest paid	–	–	–	(24)	–	(24)
Net cash flow used in financing activities	**–**	**–**	**–**	**(1,683)**	**–**	**(1,683)**
Increase in cash and cash equivalents	7,468	–	7,468	5,963	–	5,963
Cash and cash equivalents at the beginning of the period	31,058	–	31,058	32,588	–	32,588
Effect of change in foreign exchange on cash in hand	168	–	168	143	–	143
Cash and cash equivalents at the end of the period	**38,694**	**–**	**38,694**	**38,694**	**–**	**38,694**

Effect on Accumulated Income (unaudited)

	AS AT 30 JUNE 2014		
US$'000	**As reported**	**Adjustment**	**Restated**
ACCUMULATED INCOME			
Balance, beginning of period	28,645	(5,472)	23,173
Net income	8,113	(802)	7,311
Balance, end of period	36,758	(6,274)	30,484

Net changes to prior periods

The following is a description of the matters corrected in the restatement adjustments.

Incorrect computation of Tanzania income tax

The Songo Songo PSA, which governs substantially all of the Company's business in Tanzania, provides a mechanism to keep the Company whole for income taxes paid in Tanzania. Pursuant to the PSA, the Company is reimbursed for all income tax payable on income derived from Petroleum Operations (as defined) by way of an "adjustment factor", under which the Company is allocated additional Profit Gas of a value equal to the taxes payable, thus reducing the allocation to the Company's partner in the field, TPDC. The adjustment factor is determined by grossing up tax payable on the current year's profit, to the level necessary for the Company to remain neutral in the payment of income tax.

Computation of the adjustment factor, over a number of years, incorrectly included tax paid in respect of prior years' taxes in the gross up calculation instead of only including tax payable in relation to the current period profits. The net effect of which was to overstate reported revenue, deferred tax expense, net income and funds flow from operating activities, as well as tax recoverable and deferred income taxes payable.

In Tanzania, taxpayers are required to pay at least 80% of the estimated years' taxes in four quarterly instalments during the year, with a final tax payment for the balance owing to be made in the following year after completion of the financial statements. The PSA requires that taxable income for any year include the tax paid in respect of the previous year. The calculation of taxable income for any given year incorrectly included only the final payment for the previous year, rather than the sum of all of the five payments. This resulted in the understatement of taxable income.

The combined effect of these errors was an understatement of taxable income and a cumulative underpayment of tax from 2005 to 30 June 2014 of US$5.1 million, which the Company has reported and paid. The Tanzania Revenue Authority ("TRA") has raised an assessment for associated penalties and interest on overdue taxes. The calculation of these penalties is currently under discussion with TRA, but is not expected to exceed the initial estimate of US$1.5 million; these will not be recoverable under the PSA. The estimated penalties and interest have been included in the restatement reflected in the periods to which they relate.

The cumulative impact of the income tax errors, including applicable penalties and interest, as at 30 June 2014 results in a decrease in accumulated income of US$5.6 million, a decrease in tax recoverable from TPDC of US$4.2 million, an increase in tax payable of US$6.6 million, a decrease in deferred income taxes payable of US$5.2 million.

Elimination of Finance Income and Finance Costs relating to TANESCO receivables

The Company is correcting reported finance income and finance costs previously recognized on overdue trade receivables for 2013 and 2014. Finance income and finance costs in the amount of US$0.6 million were eliminated in for the three months ended 30 June 2014 and US$1.2 million for the six months ending 30 June 2014.

As the finance income was fully provided for as finance cost, there is no impact on the net loss after tax, accounts receivable or cash flows from operating activities for either the three or six months ended 30 June 2014. The Company determined that the recognition of finance income, reflecting interest on amounts overdue from TANESCO, coupled with a full provision of the same amount was in error, as collection was not probable.

Foreign exchange

The Company is correcting reported trade and other payables in relation to the calculation of foreign exchange on amounts due to TPDC whereby payments made to TPDC are required to be made in the currency collected for gas sales. The cumulative impact on the condensed consolidated interim financial statements to 30 June 2014 results in an increase in trade and other payables of US$1.0 million, a decrease in deferred income taxes of US$0.3 million and a decrease in accumulated income of US$0.7 million.

Cumulative impact of combined income tax, finance income and foreign exchange errors

The cumulative impact of the combined income tax, finance income and foreign exchange errors, including applicable penalties and interest, on the condensed consolidated interim financial statements to 30 June 2014 results in a decrease of revenue from US$32.8 million to US$32.3 million, a minor increase in general and administrative expenses and an increase in net finance costs from US$2.6 million to US$2.7 million, an increase in income tax expense from US$5.5 million to US$5.7 million, a decrease in net income from US$8.1 million to US$7.3 million, a decrease in tax recoverable from TPDC from US$15.0 million to US$10.8 million, an increase in trade and other payables from US$58.1 million to US$59.0 million, an increase in tax payable from US$0.2 million to US$6.8 million (including interest and penalties), a decrease in deferred income taxes from US$12.3 million to US$6.8 million, and a decrease in accumulated income from US$36.8 million to US$30.5 million.

OPERATING VOLUMES

The total production volume of Protected Gas and Additional Gas for the quarter ended 30 June 2015 was 7,572 MMcf (Q2 2014: 7,666 MMcf) or 83.2 MMcfd (Q2 2014: 84.2 MMcfd), net of approximately 0.3 MMcfd consumed locally for fuel gas. The Additional Gas sales volumes for the quarter were 4,056 MMcf (Q2 2014: 4,549 MMcf) or average daily volumes of 44.5 MMcfd (Q2 2014: 50.0 MMcfd). This represents a decrease in average daily volumes of 11% over the prior year and a decrease of 9% over the prior quarter, Q1 2015 (49.1 MMcfd).

The reduction in Additional Gas volumes for Q2 over the prior year period is a result of declining overall field productivity and reduced nominations by TANESCO. TANESCO nominations continued to decrease during Q2 compared to Q2 2014, which contributed to the reduction in Additional Gas volumes for Q2 compared with Q1 2015.

The Company's sales volumes were split between the Industrial and Power sectors as follows:

	THREE MONTHS ENDED 30 JUNE		SIX MONTHS ENDED 30 JUNE	
	2015	2014	**2015**	2014
Gross sales volume (MMcf)				
Industrial sector	**1,015**	1,046	**1,939**	2,210
Power sector	**3,041**	3,503	**6,536**	7,511
Total sales volumes	**4,056**	4,549	**8,475**	9,721
Gross average daily sales volume (MMcfd)				
Industrial sector	**11.1**	11.5	**10.7**	12.2
Power sector	**33.4**	38.5	**36.1**	41.5
Total daily sales volume	**44.5**	50.0	**46.8**	53.7

Industrial sector

Current quarter Industrial sales volume decreased by 3% to 1,015 MMcf (11.1 MMcfd) from 1,046 MMcf (11.5 MMcfd) in Q2 2014. The decrease is primarily due to decrease in natural gas consumption by an edible oil company and some textile companies in Dar es Salaam as a result of unscheduled maintenance. Industrial gas volumes increased by 10% over Q1 2015 (925 MMcf or 10.3 MMcfd) as a result of fewer days of maintenance work by a major cement company in Dar es Salaam compared with Q1.

Industrial sales decreased by 12% in the first six months of 2015 compared with the same period in 2014. The decrease is primarily due to unscheduled maintenance work by some major Industrial customers in the first half of 2015.

Power sector

Power sector sales volumes decreased by 13% to 3,041 MMcf or 33.4 MMcfd, compared to 3,503 MMcf or 38.5 MMcfd in Q2 2014 as a result of decrease in production from the Songo Songo field due to infrastructure constraints and TANESCO's non-renewal of power generation contract with an emergency power plant. Maximum gas production has decreased from 95 MMcfd in Q2 2014 to 88 MMcfd in Q2 2015. In accordance with the PGSA with TANESCO, a decrease in field gas production impacts on the volumes available to the state utility. Power sales volumes were also down by 13% over Q1 2015 (3,494 MMcf or 38.8 MMcfd) principally as a result of reduced nominations by TANESCO in early part of the quarter owing to seasonal increases in hydro availability during the period. Sales volume to the Power sector in the first six months of 2015 have decreased by 13% compared with the same period in 2014 due to decrease in production from the field and non-renewal of power generation contract by TANESCO with an emergency power plant that was consuming Additional Gas. Sales to Songas are made under the Amended and Restated Gas Agreement ("ARGA"), which is not in full force and effect. As at the date of this report, the ARGA remains unsigned; however, the parties thereto, in certain respects, are conducting themselves as though the ARGA is in full force and effect.

SONGO SONGO DELIVERABILITY

As at 30 June 2015, the Company had a field productive capacity of approximately 88 MMcfd, with the expansion of production volumes limited to 102 MMcfd by the available Songas infrastructure. Production wells SS-3, SS-5 and SS-9 remain suspended pending workovers. SS-4 continues to be monitored and may have to be suspended in the future. In June 2015, the Company commenced the first phase of a development programme at Songo Songo which, when completed is expected to expand the deliverability of the field to in excess of the existing Songas infrastructure. See "Contractual Obligations and Committed Capital Investment".

COMMODITY PRICES

The commodity prices achieved in the different sectors during the quarter are shown in the table below:

	THREE MONTHS ENDED 30 JUNE		SIX MONTHS ENDED 30 JUNE	
US$/mcf	**2015**	2014	**2015**	2014
Average sales price				
Industrial sector [(1)]	**7.45**	9.27	**7.49**	8.66
Power sector	**3.47**	3.65	**3.48**	3.58
Weighted average price	**4.46**	4.94	**4.40**	4.73

(1) *In Q1 2014 the Company recognized income of US$0.4 million deferred from 2010 under a take-or-pay provision in an Industrial contract. Under the contract the customer has three years in which to utilise the deferred income, after which it is released to revenue. This has been deducted from revenue in calculating the average sales prices achieved in the quarter.*

Industrial sector

The average Industrial gas price for the quarter was US$7.45/mcf down 20% from Q2 2014 (US$9.27/mcf) and down 1% from Q1 2015 (US$7.54/mcf). Whilst the majority of Industrial contract prices are tied to Heavy Fuel Oil ("HFO") prices, the contracts incorporate price floors and ceilings, both of which are increased 2% in January each year. Accordingly, the 42% decline in average HFO prices from Q2 2014 to Q2 2015 (10% increase from Q1 2015 to Q2 2015) was largely mitigated by price floors. The decrease over the same period for the prior year is primarily due to change in sales mix that offset the impact of annual indexation and an increase in the proportion of lower priced sales volumes in the total Industrial sales mix. The 1% decrease in Industrial prices from Q1 2015 to Q2 2015 is a result of a slight decline in the HFO prices in Q2 2015 over Q1 2015 and change in sales mix. The average price in the first half of 2015 was US$7.49/mcf down 14% from US$8.66/mcf for the same period in 2014.

Power sector

The average sales price to the Power sector was US$3.47/mcf for the quarter, down 5% compared with US$3.65/mcf in the prior year period, and down 1% compared to the Q1 2015 price of US$3.49/mcf. The decreases are the result of annual price indexation which is applied in July each year, and reduced sales to the Power sector which in turn reduced the amount of sales subject to an escalated well head price in accordance with the terms of the PGSA. Higher volumes in both prior comparative periods, Q2 2014 and Q1 2015, resulted in a large proportion of gas being sold at these premium prices. The average price to the Power sector for the first six months of 2015 was US$3.48/mcf is down by 3% compared with US$3.58/mcf for the same period in 2014. A reduction in the sales volume subject to the escalated well head price effectively offset an increase associated with the annual price indexation.

OPERATING REVENUE

The Additional Gas sales volumes for the Q2 2015 were 44.5 MMcfd (Q1 2015: 49.1 MMcfd), less than the 50 MMcfd threshold entitling the Company to a 55% share of Profit Gas revenue (net of Cost Gas recoveries from revenue). As in Q1 2015 when Additional Gas sales volumes fell to 49.1 MMcfd, the Company's share of Profit Gas revenue fell to 40%.

Overall the Company's share of Net Revenue in Q2 2015 was 77.5% (Q1 2015: 60%) as a result of increased Cost Gas due to the level of capital expenditure, leading to a reduced level of Profit Gas to be shared with TPDC. The allocation of revenue to the Company may be analysed as follows:

	THREE MONTHS ENDED 30 JUNE		SIX MONTHS ENDED 30 JUNE	
US$'000	**2015**	2014	**2015**	2014
Gross sales revenue	**18,104**	24,150	**37,282**	48,067
Gross tariff for processing plant and pipeline infrastructure	**(2,962)**	(3,115)	**(6,123)**	(6,841)
Gross revenue after tariff ("Net Revenues")	**15,142**	21,035	**31,159**	41,226
Analysed as to:				
Company Cost Gas	**9,065**	3,971	**14,397**	6,243
Company Profit Gas	**2,431**	9,386	**6,705**	19,242
Cost Pool adjustment	**–**	2,994	**–**	2,994
Company operating revenue	**11,496**	16,351	**21,102**	28,479
TPDC share of revenue	**3,646**	4,684	**10,057**	12,747
	15,142	21,035	**31,159**	41,226

The Company's total revenues for the quarter, and the six months ended 30 June 2015, amounted to US$12,553 and US$22,273 respectively, after adjusting the Company's operating revenues of US$11,496 and US$21,102 by:

i) subtracting US$1,599 for income tax for the current period and US$2,598 for the six months. The Company is liable for income tax in Tanzania, but the income tax is recoverable out of TPDC's Profit Gas when the tax is payable. To account for this, revenue is adjusted to include the current income tax charge grossed up at 30%; and,

ii) subtracting US$542 and US$1,427 for deferred Additional Profits Tax charged in the quarter and for the six months – this tax is considered a royalty and is presented as a reduction in revenue.

2014 Cost Pool Adjustment

The following table shows the impact on the Company's operating revenue in Q2 2014 of adjusting the cost pool during that period. The net amount was recovered from TPDC's share of revenue for the quarter as follows:

US$'000	Q2 2014
Non-recoverable costs	(1,024)
Recoverable costs 2011-2013	7,360
Cost Gas recorded in the period	6,336
Reduction in Profit Gas in the period	(3,342)
Net impact on Company share of operating revenue	2,994

Revenue presented on the Consolidated Statement of Comprehensive Loss may be reconciled to the operating revenue as follows:

	THREE MONTHS ENDED 30 JUNE		SIX MONTHS ENDED 30 JUNE	
US$'000	**2015**	2014 – Restated	**2015**	2014 – Restated
Industrial sector	**7,554**	11,373	**14,525**	21,201
Power sector	**10,550**	12,777	**22,757**	26,866
Gross sales revenue	**18,104**	24,150	**37,282**	48,067
Processing and transportation tariff	**(2,962)**	(3,115)	**(6,123)**	(6,841)
TPDC share of revenue	**(3,646)**	(4,684)	**(10,057)**	(12,747)
Company operating revenue	**11,496**	16,351	**21,102**	28,479
Additional Profits Tax charge	**(542)**	(1,156)	**(1,427)**	(3,341)
Current income tax adjustment	**1,599**	3,658	**2,598**	7,192
Revenue	**12,553**	18,853	**22,273**	32,330

The 30% decrease in Company operating revenue compared to Q2 2014 is the result of several factors. An 11% decrease in sales volumes and a 10% decrease in weighted average gas prices have contributed to an overall 25% decrease in Gross Sales Revenue. At the same time TPDC's share of revenue decreased 22% to US$3.6 million (Q2 2014: US$4.7 million) as a result of the increased Cost Gas recoveries during Q2 2015, following the increased capital spending in preparation for workovers and drilling.

The Company operating revenue for the six months ended 30 June is down 26%, primarily as a result of 13% decrease in total volumes sold in Q2 2015 compared with the same period last year and a 7% decrease in weighted average gas prices. In addition, TPDC share of revenue decreased by 21% to US$10.1 million from US$12.7 million during the same period in previous year as a result of increased Cost Gas recoveries in 2015.

With the increased scope of investment contemplated in the new development plan, the total Additional Profits Tax ("APT") expected to be paid over the life of the licence has been reduced. However the 60% reduction in APT is primarily due to a reduction in Profit Gas, a consequence of reduced sales volumes and increased Cost Gas.

PROCESSING AND TRANSPORTATION TARIFF

The Company effectively pays a tariff of US$0.30/mcf for sales between 70 MMcfd and 90 MMcfd and US$0.40/mcf for volumes above 90 MMcfd in addition to the regulated tariff of US$0.59/mcf payable to Songas. The Q2 2015 charge relating to the additional tariff was US$0.4 million (Q2 2014: US$0.4 million; Q4 2014: US$0.5 million). The additional tariff remained flat in Q2 2015 compared with the same quarter last year as a result of lower sales volumes subjected to premium price in both quarters.

PRODUCTION AND DISTRIBUTION EXPENSES

Well maintenance costs are allocated between Protected Gas and Additional Gas in proportion to their respective sales during the period. The total cost of maintenance for the quarter was US$82 (Q2 2014: US$349). The amount allocated for Additional Gas was US$43 (Q2 2014: US$315).

Other field and operating costs include an apportionment of the annual PSA licence costs, regulatory fees, insurance, some costs associated with the evaluation of the reserves, and the cost of personnel which are not recoverable from Songas. The relative decline in share of well maintenance and other field operating costs for the six months ending 30 June 2015 compared to the prior period in 2014 is the consequence of the cost associated with engineering and preparation of work-over plans for the SS-5 and SS-9 wells being expensed in the first half of 2014.

Distribution costs represent the direct cost of maintaining the ring main distribution pipeline and pressure reduction station (security, insurance and personnel). Ring main distribution costs were US$460 (Q2 2014: US$522) for the quarter. These production and distribution costs are summarized in the table below:

	THREE MONTHS ENDED 30 JUNE		SIX MONTHS ENDED 30 JUNE	
US$'000	**2015**	2014	**2015**	2014
Share of well maintenance	**43**	315	**143**	440
Other field and operating costs	**140**	549	**903**	1,101
	183	864	**1,046**	1,541
Ringmain distribution costs	**460**	522	**953**	1,105
Production and distribution expenses	**643**	1,386	**1,999**	2,646

OPERATING NETBACKS

The netback per mcf before general and administrative costs, overhead, tax and APT may be analysed as follows:

	THREE MONTHS ENDED 30 JUNE		SIX MONTHS ENDED 30 JUNE	
US$/mcf	**2015**	2014	**2015**	2014
Gas price – Industrial	**7.45**	9.27	**7.49**	8.66
Gas price – Power	**3.47**	3.65	**3.48**	3.58
Weighted average price for gas	**4.46**	4.94	**4.40**	4.73
Tariff	**(0.72)**	(0.68)	**(0.72)**	(0.70)
TPDC share of revenue	**(0.90)**	(0.84)	**(1.19)**	(1.22)
Net selling price	**2.84**	3.42	**2.49**	2.81
Well maintenance and other operating costs	**(0.05)**	(0.19)	**(0.12)**	(0.15)
Distribution costs	**(0.11)**	(0.20)	**(0.11)**	(0.16)
Operating netback	**2.68**	3.03	**2.26**	2.50

The operating netback decreased by 12% from US$3.03/mcf in Q2 2014 to US$2.68/mcf in Q2 2015. This was the result of a 10% decrease in the weighted average gas price, a 74% decrease in well maintenance and other operating costs and a 7% increase in the TPDC share of revenue.

Despite a relatively flat weighted average gas price in Q2 2015 and Q1 2015, the operating netback increased 35% to US$2.68/mcf in Q2 2015 (Q1 2015: US$1.1.98/mcf), primarily as a result of 38% decrease in TPDC Profit Gas share quarter over quarter.

The 10% decrease in the weighted average selling price to US$4.46/mcf (Q2 2014: US$4.94/mcf) results primarily from a 40% decrease in average HFO prices in Q2 2015 compared with the prior year quarter which was largely mitigated by price floors (included in the contracts of most Industrial customers). This resulted in lower average Industrial prices and a 13% drop in the sales volumes to the Power sector which led to a reduction in the average Power sales price.

GENERAL AND ADMINISTRATIVE EXPENSES

Administrative expenses ("G&A") may be analysed as follows:

	THREE MONTHS ENDED 30 JUNE		SIX MONTHS ENDED 30 JUNE	
US$'000	**2015**	2014 – Restated	**2015**	2014 – Restated
Employee & related costs	**1,271**	1,331	**2,755**	3,154
Stock based compensation	**(168)**	85	**961**	362
Office costs	**951**	866	**1,674**	1,596
Marketing & business development costs	**130**	3	**141**	18
Reporting, regulatory & corporate	**924**	1,072	**1,674**	2,021
Tax penalties	**–**	25	**–**	50
General and administrative expenses	**3,108**	3,382	**7,205**	7,201

G&A includes the costs of running the natural gas distribution business in Tanzania which is recoverable as Cost Gas and which is relatively fixed in nature. Excluding stock based compensation. G&A averaged US$1.0 million (Q2 2014: US$1.1 million) per month during the second quarter.

STOCK BASED COMPENSATION

The breakdown of the costs incurred in relation to stock based compensation is detailed in the table below:

	THREE MONTHS ENDED 30 JUNE		SIX MONTHS ENDED 30 JUNE	
US$'000	**2015**	2014	**2015**	2014
Stock appreciation rights	**(85)**	85	**678**	362
Restricted stock units	**(83)**	–	**283**	–
Stock-based compensation	**(168)**	85	**961**	362

No stock options were outstanding as at 30 June 2015 compared to 400,000 as at 31 December 2014. No options were granted during the quarter (Q4 2014: nil).

2,610,000 stock appreciation rights ("SARs") were outstanding as at 30 June 2015 and 31 December 2014. 555,511 Restricted Stock Units ("RSUs") with an award price of CDN$0.001 were outstanding as at 30 June 2015 compared with 645,199 at 31 December 2014, a result of exercises during the period. As SARs and RSUs are settled in cash, they are re-valued at each reporting date using the Black-Scholes option pricing model with the resulting liability being recognised in trade and other payables. In the valuation of SARs and RSUs at the reporting date, the following assumptions have been made: a risk free rate of interest of 1.50%; stock volatility of 48.7% to 52.6%; 0% dividend yield; 0% forfeiture; and a closing price of CDN$3.40 per Class B share.

As at 30 June 2015, a total accrued liability of US$4.1 million (Q2 2014: US$0.8 million, Q1 2015 US$4.5 million) has been recorded in relation to SARs and RSUs which is included in other payables, the increase over the prior year quarter primarily the result of the additional SARs and RSUs outstanding. The Company recognised a credit in the quarter relating to stock based compensation of US$0.2 million (Q2 2014: expense US$0.1 million, Q1 2015 US$1.1 million) in G&A expenses.

The decrease in stock based compensation expense for the quarter over 31 March 2015 is the result of the share price decreasing to CDN$3.40 (Q1 2015: CDN$3.55).

NET FINANCE COSTS

The movement in net financing costs is summarized in the table below:

	THREE MONTHS ENDED 30 JUNE		SIX MONTHS ENDED 30 JUNE	
US$'000	**2015**	2014 – Restated	**2015**	2014 – Restated
Interest charged on overdue trade receivables	**3**	–	**7**	7
Finance income	**3**	–	**7**	7
Interest expense	**–**	–	**–**	(24)
Net foreign exchange gain/(loss)	**182**	(790)	**(1,649)**	(735)
Provision for doubtful debts	**–**	–	**–**	(1,931)
Finance costs	**182**	(790)	**(1,649)**	(2,690)
Net finance income/(expense)	**185**	(790)	**(1,642)**	(2,683)

The decrease in interest expense for the six months ended 30 June 2015 as compared to the prior year period is the result of repaying the bank loan in full by the end of February 2014.

The foreign exchange gain/(loss) reflects the impact of depreciation in the value of the Tanzanian Shilling against the US Dollar during the period on outstanding customer/supplier balances and bank accounts in Tanzanian Shillings.

TAXATION

Income Tax

As at 30 June 2015, there were temporary differences between the carrying value of the assets and liabilities for financial reporting purposes and the amounts used for taxation purposes under the Income Tax Act 2004. Applying the 30% Tanzanian tax rate, the Company has recognised deferred income tax of US$7.4 million (31 December 2014: US$7.6 million). During the quarter there was a deferred tax charge of US$0.4 million compared with a charge of US$0.4 million in Q2 2014. The deferred tax has no impact on cash flow until it becomes a current income tax, at which point the tax is paid and recovered from TPDC's share of Profit Gas.

Additional Profits Tax

The effective Additional Profits Tax ("APT") rate of 20.7% (Q2 2014: 22.3 %) has been applied to Profit Gas of US$2.4 million (Q2 2014: US$9.4 million) for the quarter. Accordingly, US$0.5 million (Q2 2014: US$1.2 million) has been netted off revenue for the quarter and US$1.4 million (2014: US$3.3 million) has been netted off revenue for the six months ended 30 June 2015.

The 2014 current period and year-to-date APT charges include a reduction of US$0.9 million, reflecting the impact of recovering downstream costs on cumulative Profit Gas; this is the APT relating to the US$3.3 million Profit Gas adjustment identified in the Cost Pool adjustment detailed under Operating Revenue.

DEPLETION AND DEPRECIATION

Natural gas properties are depleted using the unit of production method based on the production for the period as a percentage of the total future production from the Songo Songo proven reserves. As at 31 December 2014 the proven reserves estimated to be produced over the term of the PSA, as evaluated by the independent reservoir engineers McDaniel & Associates Consultants Ltd., were 450 Bcf (2013: 476 Bcf). A depletion expense of US$3.0 million (Q2 2014: US$3.2 million) for the quarter has been recorded in the accounts; the reduction compared to Q2 2014 is the result of a 11% decrease in sales volumes offset by a 4% increase in the average depletion rate to US$0.73/mcf (Q2 2014: US$0.70/mcf).

FUNDS FLOW FROM OPERATING ACTIVITIES

Funds flow from operating activities before working capital changes was US$4.9 million, a decrease of 58% over Q2 2014, and US$8.6 million for the six months, down 50% over the prior year six month period reflecting both the reduction in revenue and share of Profit Gas. Funds flow increased 32% over Q1 2015, commensurate with a 29% increase increase in revenue quarter over quarter.

	THREE MONTHS ENDED 30 JUNE		SIX MONTHS ENDED 30 JUNE	
US$'000	**2015**	2014 – Restated	**2015**	2014 – Restated
Funds flow from operating activities	**4,889**	11,651	**8,601**	17,063
Working capital adjustments (1)	**(7,733)**	(4,396)	**(4,070)**	(9,147)
Cash flows from operating activities	**(2,844)**	7,255	**4,531**	7,916
Cash used in investing activities	**(1,471)**	213	**(2,610)**	(270)
Cash used in financing activities	**(57)**	–	**(57)**	(1,683)
(Decrease)/Increase in cash	**(4,372)**	7,468	**1,864**	5,963
Effect of change in foreign exchange on cash in hand	**2,660**	168	**1,005**	143
Net (decrease)/increase in cash	**(1,712)**	7,636	**2,869**	6,106

(1) See Condensed Consolidated Interim Statement of Cash Flows

The decline in funds flow from operating activities to US$4.9 million in the quarter (Q2 2014 US$11.7 million) is mainly a consequence of the fall in revenue. The fall in revenue is the result of 10% decline in the both the volume and weighted average price of Additional Gas sold during the quarter, as a consequence of the fall in the price of HFO and lower volume nominations by TANESCO.

As at 30 June 2015, against the back ground of an ever devaluing Tanzanian Shilling, the Company crystallized losses by converting the majority of its cash to US dollars . A significant proportion of the unrealized foreign exchange gain on cash in hand relates to the reversal of the unrealized loss on cash in hand recorded in Q1 2015.

CAPITAL EXPENDITURE

The Company incurred US$4.1 million in capital expenditures in relation to engineering, planning, procurement and rig mobilization for a series of well workovers and subsequent drilling activities during Q2 2015 (Q2 2014: nil), plus a further US$0.3 million (Q2 2014: nil) in relation to Songo Songo infrastructure.

	THREE MONTHS ENDED 30 JUNE		SIX MONTHS ENDED 30 JUNE	
US$'000	**2015**	2014	**2015**	2014
Geological and geophysical and well drilling	**4,135**	–	**5,119**	–
Pipelines and infrastructure	**275**	(222)	**430**	83
Other equipment	**47**	9	**47**	187
	4,457	(213)	**5,596**	270

WORKING CAPITAL

Working capital as at 30 June 2015 was US$38.1 million (31 December 2014: US$34.1 million) and may be analysed as follows:

	AS AT			
US$'000		**30 June 2015**		31 December 2014
Cash		**60,528**		57,659
Trade and other receivables		**22,512**		49,324
TANESCO	3,688		7,671	
Songas	3,019		23,864	
Other trade debtors	7,218		7,532	
Songas gas plant operations	16,117		19,300	
Other receivables	2,286		773	
Provision for doubtful accounts	(9,816)		(9,816)	
Tax recoverable		**4,917**		11,815
Prepayments		**769**		642
		88,726		119,440
Trade and other payables		**48,231**		76,747
TPDC	29,920		33,409	
Songas	1,834		28,871	
Other trade payables	4,886		1,961	
Deferred income	2,780		2,780	
Accrued liabilities	8,811		9,726	
Tax payable		**2,428**		8,545
Working capital (1)		**38,067**		34,148

Notes:

(1) *Working capital as at 30 June 2015 includes a TANESCO receivable (excluding interest) of US$3.7 million (31 December 2014: US$7.7 million). Management has placed a doubtful debt provision against the long-term receivables in excess of 60 days totaling US$52.2 million (31 December 2014: US$52.2 million). The total of long- and short-term TANESCO receivables, including interest, as at 30 June 2015 was US$61.9 million (31 December 2014: US$64.3 million). The financial statements do not recognise the interest receivable from TANESCO as it does not meet IAS 18 income recognition criteria. The Company is however actively pursuing the collection of all the receivables and the interest that has been charged to TANESCO.*

Working capital as at 30 June 2015 increased 11% over 31 December 2014, the Company having incurred US$5.6 million in capital expenditure in the six month period. Other significant points are:

- There are no restrictions on the movement of cash from Mauritius or Tanzania, and currently the majority of cash is outside of Tanzania. As at the date of this report, approximately 89% of the Company's cash was held substantially in US$ outside of Tanzania.
- Of the US$7.2 million relating to other trade debtors, US$5.0 million had been received as at the date of this report.
- The balance of US$29.9 million payable to TPDC represents the balance of its accumulated share of revenue as at 30 June 2015, prior to recovery of the tax recoverable balance of US$4.9 million. Recoverable tax is deducted from the sum due to TPDC as the Company pays income tax.
- At 30 June 2015, TANESCO owed the Company US$55.8 million excluding interest (of which arrears were US$52.2 million) compared to US$59.8 million (including arrears of US$52.2 million) as at 31 December 2014. During the quarter, the Company received a total US$10.3 million (Q4 2014: US$1.8 million) from TANESCO against sales totaling US$9.9 million (Q4 2014: US$11.2 million). Current TANESCO receivables as at 30 June 2015 amounted to US$3.7 million (Q4 2014 US$7.7 million). Since the quarter end, TANESCO has paid the Company US$2.2 million, and as at the date of this report the total TANESCO receivable is US$57.2 million (of which US$52.2 million has been provided for). The amounts owed do not include interest billed to TANESCO.

SHAREHOLDERS' EQUITY AND OUTSTANDING SHARE DATA

There were 34,895,510 million shares outstanding as at 30 June 2015 which may be analysed as follows:

	AS AT	
Number of shares ('000)	**30 June 2015**	31 December 2014
Shares outstanding		
Class A shares	**1,751**	1,751
Class B shares	**33,144**	33,164
Class A and Class B shares outstanding	**34,895**	34,915
Convertible securities		
Options	**–**	400
Fully diluted Class A and Class B shares	**34,895**	35,315
Weighted average		
Class A and Class B shares	**34,905**	34,863
Convertible securities		
Options	**–**	–
Weighted average diluted Class A and Class B shares	**34,905**	34,863

As at 19 August 2015, there were a total of 1,750,517 Class A Common Voting Shares ("Class A shares") and 34,895,510 Class B Subordinated Voting Shares ("Class B shares") outstanding.

RELATED PARTY TRANSACTIONS

One of the non-executive Directors is a partner at a law firm retained by the Company for legal services. During the quarter, the Company incurred US$0.2 million (Q2 2014: US$0.1 million) and for the six months ended 30 June US$0.3 million (2014: US$0.1 million) to this firm for services provided. The transactions with this related party were made at the exchange amount.

The Chief Financial Officer provided services to the Company through a consulting agreement with a personal services company, during the quarter the Company incurred US$0.1 million (Q2 2014 US$0.1 million) and for the six months ended 30 June 2015 US$0.2 million (2014: US$0.2 million) to this firm for services provided.

As at 30 June 2015 the Company has a total of US$0.2 million (Q2 2014: US$ 0.1 million) recorded in trade and other payables in relation to the related parties.

CONTRACTUAL OBLIGATIONS AND COMMITTED CAPITAL INVESTMENT

Protected Gas

Under the terms of the original gas agreement for the Songo Songo project ("Gas Agreement"), in the event that there is a shortfall/insufficiency in Protected Gas as a consequence of the sale of Additional Gas, then the Company is liable to pay the difference between the price of Protected Gas (US$0.55/MMbtu escalated) and the price of an alternative feedstock multiplied by the volumes of Protected Gas up to a maximum of the volume of Additional Gas sold (136.2 Bcf as at 30 June 2015). The Company did not have a shortfall during the reporting period and does not anticipate a shortfall arising during the term of the Protected Gas delivery obligation to July 2024.

Re-Rating Agreement

In 2011, the Company signed a re-rating agreement with TANESCO and Songas (the "Re-Rating Agreement") to increase the gas processing capacity to a maximum of 110 MMcfd (the pipeline and pressure requirements at the Ubungo power plant restrict the infrastructure capacity to a maximum of 102 MMcfd). Under the terms of the Re-Rating Agreement, the Company effectively pays an additional tariff of US$0.30/mcf for sales between 70 MMcfd and 90 MMcfd and US$0.40/mcf for volumes above 90 MMcfd in addition to the tariff of US$0.59/mcf payable to Songas as set by the energy regulator, EWURA.

Under the terms of this agreement, the Company agreed to indemnify Songas for damage to its facilities caused by the re-rating, up to a maximum of US$15 million, but only to the extent that this was not already covered by indemnities from TANESCO's or Songas' insurance policies. The Re-Rating Agreement expired on 31st December 2012 and in September 2013 was extended by Songas to 31 December 2013. At this time, the Company knows of no reason to de-rate the Songas plant. Since 31 December 2013 production has continued within the higher rated limit and, given the Government's interest in pursuing further development and increasing gas production, the Company expects this to continue. However there are no assurances that this will occur.

Capital Commitments

Italy

No activity has occurred on the Adriatic Sea Italy block during 2015 to date. The Elsa-2 appraisal well is now expected to be drilled in 2016 following finalisation of an environmental impact study. The Company will not be liable to any costs associated with the drilling of Elsa-2 until a rig contract is signed. As of the date of this report, there is no rig contract. There are no further capital commitments in Italy.

Songo Songo

There are no contractual work commitments for exploration or development drilling or other field development either in the PSA or otherwise agreed which would give rise to significant non-discretionary capital expenditure at Songo Songo. To date, any significant additional capital expenditure in Tanzania is discretionary and has been dependent on, among other things: (i) agreeing commercial terms with TPDC or other buyers regarding the sale of incremental gas volumes from Songo Songo; (ii) TANESCO receivables being brought up to date, guaranteed or other arrangements for payment satisfactory to the Company, (iii) the establishment of payment guarantees with the World Bank or other multi-lateral lending agencies to secure future receipts under any contracts with Government entities; and (iv) the arrangement of financing with the IFC or other lenders.

Significant additional capital expenditure will be required to both restore and maintain Protected Gas and Additional Gas production levels and fill the existing Songas infrastructure to 105 MMscfd capacity, as well as enable the Songo Songo field to produce 190 MMcfd in line with gas supply requirements requested by TPDC for the NNGIP anticipated to be commissioned later in 2015. In the absence of a commercial agreement with TPDC for volumes dedicated to the NNGIP, but with TANESCO maintaining its payments for current gas deliveries, the Company in June 2015 has proceeded with the first phase of a workover and drilling programme. First phase spending is estimated to be approximately US$150 million, of which the initial US$120 million is to be spent on the Offshore Programme over 2015 to 2017, which spending would be intended to address the operational requirement to restore or abandon SS-5 and SS-9 and restore field deliverability, ensure Protected Gas volumes and provide sufficient natural gas production to fill the Songas plant and pipeline to capacity for the greater portion of the remaining life of the Songo Songo licence. When commercial terms are agreed with TPDC for the supply of gas to the NNGIP and an Additional Gas Plan supporting the incremental sales is ratified, and in so doing justify bringing field production to approximately 190 MMscfd, the Company would contemplate undertaking the balance of the first phase at an additional cost estimated to be approximately US$30 million.

The Offshore Programme is estimated to be approximately US$120 million of which the Company is in the process of concluding a financing with IFC for half. IFC has received approval by the board of World Bank for an investment by IFC of up to US$60 million in the Company's operating subsidiary, PanAfrican Energy Tanzania Limited. The investment is currently contemplated as a subordinated, income participating loan with flexible repayment terms and a maximum tenor of approximately 10 years. Completion of the IFC financing is subject to final agreement of specific terms and the negotiation and signing of definitive documentation. Initial drawdown of the facility will be subject to a number of terms and conditions, including satisfaction by IFC of the sustained payment performance of TANESCO in respect of ongoing gas deliveries by the Company.

Summary of planned capital expenditure

	Tanzania – Songo Songo		Italy	
(US$ millions)	**Offshore Programme**	**Onshore Programme**	**Elsa (1)**	**Total**
Well workovers	70.8	26.0	–	96.8
Development drilling	37.2	–	–	37.2
Exploration/appraisal drilling	–	–	12.3	12.3
Refrigeration and facilities	8.5	4.0	–	12.5
Geological, geophysical and other	3.8		–	3.8
Total capital spending	**120.3**	**30.0**	**12.3**	**162.6**

1) The expenditure in relation to Elsa is not discretionary after a rig contract is signed. At the date of this report no rig contract has been signed.

In June 2015 following World Bank approval of the IFC financing, the Company contracted the Paragon M826 rig. The rig was mobilized on 30 June 2015. As a consequence of the mobilization of the rig the Company has outstanding contractual commitments of US$19.6 million with Paragon. The contractual commitments include the cost of mobilization, demobilization and a minimum hire period. As at the date of this report the Company has placed orders for long lead items totaling US$6 million in relation to the Songo Songo drilling programme.

CONTINGENCIES

With the exception of those related to taxation, contingencies as at 30 June 2015 are unchanged from those reported in the 2014 annual accounts.

Taxation

On 28 May 2015 the Company was advised that its appeal to the Tax Revenue Appeals Board ("TRAB") in relation to an assessment for additional PAYE and penalties totalling US$0.6 million had been unsuccessful. This decision was not unexpected and the Company has appealed to the Tax Revenue Appeals Tribunal ("TRAT"). Based on advice from counsel the Company believes it has a good case and has appealed to the TRAT.

On 24 July 2015, the Company was advised that TRAT has ruled in its favour on the matter of additional withholding taxes claimed by the Tanzania Revenue Authority ("TRA"). This decision followed an earlier judgement by the TRAB which ruled in favour of TRA. TRA has 45 days from the date of the ruling to file a Notice and Statement of Appeal at the Court of Appeal, the highest court in Tanzania. The ruling by the TRAT may also impact on a similar case currently before the Court of Appeal. Based on advice from counsel, should TRA appeal against the latest TRAT ruling, the Company expects a favourable outcome at the Court of Appeal.

In July 2015, TRAB issued a ruling on the Company's 2009 Income Tax Appeal against an assessment for an additional US$2.0 million issued by TRA. The Company had appealed against TRA's refusal to allow a deduction in respect of certain capital expenditures and the resulting assessment for additional tax and penalties amounting to US$1.7 million, and against the disallowance of other expenses leading to an assessment for additional tax and penalties amounting to US$0.7 million. On the first matter TRAB ruled in favour of TRA with respect to 2009 income tax, but allowed that the Company could claim a deduction in subsequent years. On the second matter TRAB ruled in favour of the Company. Based on advice from counsel, the Company has filed a Notice of Appeal at against the first ruling with TRAT.

During the quarter, the Company received a final Assessment for Corporation Tax for the Year of income 2011. On deciding that the assessment has incorrectly imposed an additional tax charge of US$0.5 million, the Company objected the Assessment.

SUMMARY QUARTERLY RESULTS OUTSTANDING

The following is a summary of the results for the Company for the last eight quarters:

	2015		2014				2013	
(US$'000 except where otherwise stated)	**Q2**	**Q1**	**Q4**	**Q3** restated	**Q2** restated	**Q1** restated	**Q4** restated	**Q3** restated
Financials								
Revenue	**12,553**	9,720	9,645	14,631	18,853	13,477	14,829	14,260
Net income/(loss)	**3,566**	(1,677)	(45,616)	4	6,137	1,174	(3,867)	1,383
Earnings/(loss) per share – diluted (US$)	**0.10**	(0.05)	(1.29)	–	0.18	0.03	(0.11)	0.04
Funds flow from operating activities	**4,889**	3,712	8,733	6,641	11,651	5,411	7,412	10,131
Funds flow per share – diluted (US$)	**0.14**	0.11	0.25	0.19	0.33	0.15	0.21	0.29
Operating netback (US$/mcf)	**2.68**	1.86	1.69	2.12	3.03	2.03	2.29	2.26
Working capital	**38,067**	34,870	34,148	42,001	29,306	11,690	20,857	22,896
Shareholders' equity	**78,480**	74,944	76,635	123,004	122,254	115,967	114,780	118,992
Capital expenditures								
Geological and geophysical and well drilling	**4,135**	984	522	273	9	109	(1,370)	391
Pipeline and infrastructure	**275**	155	193	12	(270)	198	397	296
Other equipment	**47**	–	3	39	48	176	1,111	57
Operating								
Additional Gas sold – industrial (MMcf)	**1,015**	925	1,084	1,304	1,046	1,164	1,143	1,092
Additional Gas sold – power (MMcf)	**3,041**	3,494	3,377	3,935	3,503	4,008	4,385	4,959
Average price per mcf – Industrial (US$)	**7.45**	7.54	8.24	8.85	9.27	8.11	8.38	8.43
Average price per mcf – Power (US$)	**3.47**	3.49	3.49	3.60	3.65	3.52	3.68	4.10

PRIOR EIGHT QUARTERS

Throughout the two-year period TANESCO's payment performance has had a material impact on the results of the Company, impacting cash and receivables and leading to a series of provisions impairing income.

During 2015 TANESCO payments have continued to be erratic, however during the six months ended 30 June 2015 TANESCO payments have kept pace with gas deliveries. At 30 June 2015 TANESCO owed the Company a total of US$55.8 million excluding interest, of which US$52.2 million is in arrears and fully provided against. The financial statements do not recognise the interest receivable from TANESCO as it does not meet IAS 18 income recognition criteria. However, the Company is actively pursuing the collection of all arrears and interest that has been charged to TANESCO.

Revenues over the two-year period fluctuated quarter over quarter due to overall sales volumes, changing demand for Power sector and Industrial sector volumes, which in turn reflected the average price received for natural gas in each period, and declining productive capacity at Songo Songo. Greater access to hydro power in Q2 2015 resulted in reduced demand by TANESCO. Although sales volumes fell in Q2 2015 compared with Q1 2015 revenue increased, this was a direct consequence of increased investment leading to higher Cost Gas, reduced Profit Gas and consequently lower APT.

Maintenance at TANESCO facilities also reduced Power sector volumes during Q4 2014. Reduced sales volumes to TANESCO results in a reduction in the amount of gas which is sold at premium pricing under the PGSA. A precipitous drop in crude-oil linked HFO prices, mitigated by contractual price floors, and together with changes in the sales mix combined to yield a 20% decline in average Industrial gas prices from Q2 2014 to 30 June 2015.

Revenue in Q4 2014 saw a sharp reduction as sales volumes dropped below 50 MMcfd for the first time since Q2 2011, when the additional volumes sold to TANESCO under the PGSA were brought onstream. Q2 2015 was the third successive quarter in which sales revenue fell below 50 MMcfd, entitling the Company to a 40% share of Profit Gas revenue, rather than the 55% it had been receiving, with a consequent reduction in revenue, funds flow and earnings.

Net income has fluctuated significantly over the last two years. Most significantly as a result of the Company recognising provisions against amounts receivable from TANESCO and Songas. These started with a US$15 million provision in Q2 2013, followed by a series of additional provisions each quarter up to Q1 2014. Q3 2014 was further impacted by a US$3.7 million stock-based compensation charge. The loss of US$46.5 million in Q4 is the result of management's decision to fully provide for the overdue TANESCO receivable which resulted in an additional provision of US$37.0 million, impairment of exploration and evaluation assets and foreign exchange losses primarily resulting from the fall in the value of the Tanzanian Shilling against the US Dollar.

With minimal capital spending over all but the most recent quarter, the Company's cash balances have steadily increased. The US$8.1 million decrease in working capital in Q1 2014 over Q4 2013 was due to a US$12.0 million rise in the TANESCO long-term receivable with the resultant TPDC share of Profit Gas payable being recorded as a current liability.

ORCA EXPLORATION GROUP INC.

FINANCIAL STATEMENTS & NOTES

NOTIFICATION OF CONDENSED UNAUDITED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

In accordance with National Instrument 51-102 released by the Canadian Securities Administrators, the Company discloses that its auditors have not reviewed the condensed unaudited consolidated interim financial statements for the Quarter and six months ended June 30, 2015.

Condensed Consolidated Interim Statement of Comprehensive Income (unaudited)

ORCA EXPLORATION GROUP INC.

		THREE MONTHS ENDED 30 JUNE		SIX MONTHS ENDED 30 JUNE	
			(restated - note 2)		(restated - note 2)
US$'000 except per share amounts	NOTE	**2015**	2014	**2015**	2014
REVENUE	*7, 8*	**12,553**	18,853	**22,273**	32,330
Expenses					
Production and distribution expenses		**(643)**	(1,386)	**(1,999)**	(2,646)
Depletion expense		**(2,962)**	(3,214)	**(6,189)**	(6,777)
		8,948	14,253	**14,085**	22,907
General and administrative expenses		**(3,108)**	(3,382)	**(7,205)**	(7,201)
Net finance income/(expense)	*9*	**185**	(790)	**(1,642)**	(2,683)
Income before tax		**6,025**	10,081	**5,238**	13,023
Income tax	*10*	**(2,459)**	(3,944)	**(3,349)**	(5,712)
Net income		**3,566**	6,137	**1,889**	7,311
Foreign currency translation gain from foreign operations		**27**	176	**13**	163
Total comprehensive income for the period		**3,593**	6,313	**1,902**	7,474
Earnings per share	*16*				
Basic		**0.10**	0.18	**0.05**	0.21
Diluted		**0.10**	0.18	**0.05**	0.21
Weighted average shares outstanding (millions)	*16*				
Basic		**34.9**	34.8	**34.9**	34.8
Diluted		**35.0**	35.4	**34.9**	35.4

See accompanying notes to the unaudited condensed consolidated interim financial statements.

Condensed Consolidated Interim Statement of Financial Position (unaudited)

ORCA EXPLORATION GROUP INC.		AS AT	
US$'000	*NOTE*	**30 June 2015**	31 December 2014
ASSETS			
Current Assets			
Cash and cash equivalents		**60,528**	57,659
Trade and other receivables	*12*	**22,512**	49,324
Tax recoverable	*10*	**4,917**	11,815
Prepayments		**769**	642
		88,726	119,440
Non-Current Assets			
Long-term trade receivable	*12*	**637**	634
Property, plant and equipment	*13*	**77,514**	78,418
		78,151	79,052
Total Assets		**166,877**	198,492
EQUITY AND LIABILITIES			
Current Liabilities			
Trade and other payables	*14*	**48,231**	76,747
Tax payable	*10*	**2,428**	8,545
		50,659	85,292
Non-Current Liabilities			
Deferred income taxes	*10*	**7,352**	7,606
Deferred Additional Profits Tax	*11*	**30,386**	28,959
		37,738	36,565
Total Liabilities		**88,397**	121,857
Equity			
Capital stock	*15*	**85,586**	85,637
Contributed surplus		**6,350**	6,356
Accumulated other comprehensive loss		**(217)**	(230)
Accumulated loss		**(13,239)**	(15,128)
		78,480	76,635
Total Equity and Liabilities		**166,877**	198,492

See accompanying notes to the condensed consolidated Interim financial statements. Nature of Operations (Note 1); Restatement of previously issued condensed consolidated interim financial statements (Note 2); Contractual obligations and committed capital investment (Note 18); Contingencies (Note 19). The unaudited condensed consolidated financial statements were approved by the Board of Directors on 19 August 2015.

W H Smith

Director

Director

Condensed Consolidated Interim Statement of Cash Flows (unaudited)

ORCA EXPLORATION GROUP INC.

		THREE MONTHS ENDED 30 JUNE		SIX MONTHS ENDED 30 JUNE	
			(restated - note 2)		(restated - note 2)
US$'000	*NOTE*	**2015**	2014	**2015**	2014
NET CASH FLOWS FROM OPERATING ACTIVITIES					
Net income		**3,566**	6,137	1,889	7,311
Adjustment for:					
Depletion and depreciation	*13*	**3,146**	3,374	6,500	7,089
Provision for doubtful debts	*9*	**–**	73	–	2,004
Loss on disposal of fixture fittings		**–**	7	–	7
Stock-based compensation	*16*	**(168)**	85	961	362
Deferred income taxes	*10*	**445**	404	(254)	(1,261)
Deferred Additional Profits Tax	*4,11*	**542**	1,156	1,427	877
Interest expense	*9*	**–**	–	–	24
Unrealised foreign exchange (gain)/loss		**(2,642)**	415	(1,922)	650
Funds flow from operating activities		**4,889**	11,651	8,601	17,063
Decrease/(increase) in trade and other receivables		**381**	(6,236)	28,051	(6,860)
Decrease/(increase) in tax recoverable		**6,397**	(370)	6,898	71
Decrease/(increase) in prepayments		**153**	136	(127)	(295)
(Decrease)/increase in trade and other payables		**(8,482)**	(4,378)	(32,772)	3,513
(Decrease)/increase in tax payable		**(6,167)**	278	(6,117)	(109)
(Increase)/decrease in long-term receivable		**(15)**	6,174	(3)	(5,467)
Net cash flows (used in)/from operating activities		**(2,844)**	7,255	4,531	7,916
CASH FLOWS USED IN INVESTING ACTIVITIES					
Property, plant and equipment expenditures	*13*	**(4,457)**	213	(5,596)	(270)
Increase in trade and other payables		**2,986**	–	2,986	–
Net cash used in investing activities		**(1,471)**	213	(2,610)	(270)
CASH FLOWS USED IN FINANCING ACTIVITIES					
Medium term loan		**–**	–	–	(1,659)
Normal course issuer bid	*15*	**(57)**	–	(57)	–
Interest paid	*9*	**–**	–	–	(24)
Net cash flow used in financing activities		**(57)**	–	(57)	(1,683)
(Decrease)/increase in cash		**(4,372)**	7,468	1,864	5,963
Cash and cash equivalents at the beginning of the period		**62,240**	31,058	57,659	32,588
Effect of change in foreign exchange on cash in hand		**2,660**	168	1,005	143
Cash and cash equivalents at the end of the period		**60,528**	38,694	60,528	38,694

See accompanying notes to the unaudited condensed consolidated interim financial statements.

Condensed Consolidated Interim Statement of Changes in Shareholders' Equity (unaudited)

ORCA EXPLORATION GROUP INC.

US$'000	Capital stock	Contributed surplus	Cumulative Translation adjustment	Accumulated Loss	Total
Note	*15*				
Balance as at 1 January 2015	85,637	6,356	(230)	(15,128)	76,635
Normal course issuer bid	(51)	(6)	–	–	(57)
Foreign currency translation adjustment on foreign operations	–	–	13	–	13
Net income	–	–	–	1,889	1,889
Balance as at 30 June 2015	**85,586**	**6,350**	**(217)**	**(13,239)**	**78,480**

US$'000	Capital stock	Contributed surplus	Cumulative Translation adjustment	Accumulated Income	Total
Restated balance as at 1 January 2014	85,428	6,482	(303)	23,173	114,780
Foreign currency translation adjustment on foreign operations	–	–	163	–	163
Net income	–	–	–	7,311	7,311
Restated balance as at 30 June 2014	**85,428**	**6,482**	**(140)**	**30,484**	**122,254**

See accompanying notes to the unaudited condensed consolidated interim financial statements.

Notes to the Condensed Consolidated Interim Financial Statements (unaudited)

General Information

Orca Exploration Group Inc. was incorporated on 28 April 2004 under the laws of the British Virgin Islands. The Company produces and sells natural gas to the power and industrial sectors in Tanzania and has gas and oil exploration interests in Italy.

The condensed consolidated interim financial statements of the Company as at and for the three months and six months ended 30 June 2015 comprise accounts of the Company and all its wholly owned subsidiaries (collectively, the "Company" or "Orca Exploration") and were authorised for issue in accordance with a resolution of the directors on 19 August 2015. These financial statements should be read in conjunction with the audited consolidated financial statements and notes thereto for the year ended 31 December 2014.

1 NATURE OF OPERATIONS

The Company's principal operating asset is its interest in a Production Sharing Agreement ("PSA") with the Tanzania Petroleum Development Corporation ("TPDC") and the Government of Tanzania in the United Republic of Tanzania. This PSA covers the exploration, development, production and marketing of certain gas from the Songo Songo Block offshore Tanzania.

The gas in the Songo Songo field is divided between "Protected Gas" as defined and "Additional Gas" as defined. The "Protected Gas" is owned by TPDC and is sold under a 20-year gas agreement (until July 2024) to Songas Limited ("Songas"). Songas is the owner of the infrastructure that enables the gas to be delivered to Dar es Salaam, which includes a gas processing plant on Songo Songo Island.

Songas utilizes the Protected Gas as feedstock for its gas turbine electricity generators at Ubungo, for onward sale to the Wazo Hill Cement Plant and for electrification of some villages along the pipeline route. The Company receives no revenue for the Protected Gas delivered to Songas and operates the field and gas processing plant on a 'no gain no loss' basis.

Under the PSA, the Company has the right to produce and market all gas in the Songo Songo Block in excess of the Protected Gas requirements ("Additional Gas").

The Tanzania Electric Supply Company Limited ("TANESCO") is a parastatal organization which is wholly-owned by the Government of Tanzania, with oversight by the Ministry of Energy and Minerals ("MEM"). TANESCO is responsible for the generation, transmission and distribution of electricity throughout Tanzania. The Company currently supplies gas directly to TANESCO by way of a Portfolio Gas Supply Agreement ("PGSA") and indirectly through the supply of Protected Gas and Additional Gas to Songas which in turn generates and sells power to TANESCO. The state utility is the Company's largest customer and the gas supplied by the Company to TANESCO today fires approximately 60% of the electrical power generated in Tanzania. See Note 12 – Trade and Other Receivables.

In addition to gas supplied to Songas and TANESCO for the generation of power, the Company has developed and supplies an industrial gas market in the Dar es Salaam area consisting of some 38 industrial customers.

2

RESTATEMENT OF PREVIOUSLY ISSUED CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

Orca has restated its condensed consolidated interim financial statements as at and for the three and six months ended 30 June 2014.

In the course of preparing the Company's consolidated financial statements for the year ended 31 December 2014, errors were discovered involving the computation of Tanzania income tax from 2005 through and to 30 September 2014. In addition, the Company corrected reported finance income and finance costs previously recognized on overdue trade receivables for 2013 and 2014. The restatement adjustments are described in the paragraphs following the tables below.

The following tables present the impact of the restatement adjustments on the Company's previously reported condensed consolidated interim financial statements of financial position as at and for the three and six months ended 30 June 2014. The "Restated" columns for 2014 reflect final adjusted balances after the restatement.

Effect on Condensed Consolidated Interim Statement of Comprehensive Income (unaudited)

	THREE MONTHS ENDED 30 JUNE 2014			SIX MONTHS ENDED 30 JUNE 2014		
(US$'000 except per share amounts)	**As reported**	**Adjustment**	**Restated**	**As reported**	**Adjustment**	**Restated**
REVENUE	19,074	(221)	18,853	32,772	(442)	32,330
Expenses						
Production and distribution expenses	(1,386)	–	(1,386)	(2,646)	–	(2,646)
Depletion expense	(3,214)	–	(3,214)	(6,777)	–	(6,777)
	14,474	(221)	14,253	23,349	(442)	22,907
General and administrative expenses	(3,357)	(25)	(3,382)	(7,151)	(50)	(7,201)
Net finance costs	(730)	(60)	(790)	(2,565)	(118)	(2,683)
Income before tax	**10,387**	**(306)**	**10,081**	**13,633**	**(610)**	**13,023**
Income tax	(3,860)	(84)	(3,944)	(5,520)	(192)	(5,712)
Net income	**6,527**	**(390)**	**6,137**	**8,113**	**(802)**	**7,311**
Foreign currency translation gain from foreign operations	176	–	176	163	–	163
Total comprehensive income for the period	**6,703**	**(390)**	**6,313**	**8,276**	**(802)**	**7,474**
Earnings per share						
Basic	0.19	(0.01)	0.18	0.23	(0.02)	0.21
Diluted	0.19	(0.01)	0.18	0.23	(0.02)	0.21
Weighted average shares outstanding (millions)						
Basic	34.8	–	34.8	34.8	–	34.8
Diluted	35.4	–	35.4	35.4	–	35.4

Effect on Condensed Consolidated Interim Statement of Financial Position (unaudited)

	AS AT 30 JUNE 2014		
US$'000	As reported	Adjustment	Restated
ASSETS			
Current Assets			
Cash and cash equivalents	38,694	–	38,694
Trade and other receivables	41,259	3,838	45,097
Tax recoverable	14,955	(4,160)	10,795
Prepayments	576	–	576
	95,484	(322)	95,162
Non-Current Assets			
Long-term trade receivable	36,580	(3,838)	32,742
Exploration and evaluation assets	5,564	–	5,564
Property, plant and equipment	84,006	–	84,006
	126,150	(3,838)	122,312
Total Assets	221,634	(4,160)	217,474
EQUITY AND LIABILITIES			
Current Liabilities			
Trade and other payables	58,073	975	59,048
Tax payable	185	6,623	6,808
	58,258	7,598	65,856
Non-Current Liabilities			
Deferred income taxes	12,292	(5,484)	6,808
Deferred Additional Profits Tax	22,556	–	22,556
	34,848	(5,484)	29,364
Total Liabilities	93,106	2,114	95,220
Equity			
Capital stock	85,428	–	85,428
Contributed surplus	6,482	–	6,482
Accumulated other comprehensive loss	(140)	–	(140)
Accumulated income	36,758	(6,274)	30,484
	128,528	(6,274)	122,254
Total Equity and Liabilities	221,634	(4,160)	217,474

Effect on Condensed Consolidated Interim Statement of Cash Flows (unaudited)

	THREE MONTHS ENDED 30 JUNE 2014			SIX MONTHS ENDED 30 JUNE 2014		
US$'000	**As reported**	**Adjustment**	**Restated**	**As reported**	**Adjustment**	**Restated**
CASH FLOWS FROM OPERATING ACTIVITIES						
Net income/(loss)	**6,527**	**(390)**	**6,137**	**8,113**	**(802)**	**7,311**
Adjustment for :						
Depletion and depreciation	3,374	–	3,374	7,089	–	7,089
Provision for doubtful debts	635	(562)	73	3,206	(1,202)	2,004
Loss on disposal of fixture fittings	7	–	7	7	–	7
Stock-based compensation	85	–	85	362	–	362
Deferred income taxes	1,127	(723)	404	160	(1,421)	(1,261)
Deferred Additional Profits Tax	1,156	–	1,156	877	–	877
Interest expense	–	–	–	24	–	24
Unrealised foreign exchange loss	355	60	415	532	118	650
Funds flow from operating activities	**13,266**	**(1,615)**	**11,651**	**20,370**	**(3,307)**	**17,063**
Increase in trade and other receivables	(6,236)	–	(6,236)	(6,860)	–	(6,860)
(Increase)/decrease in tax recoverable	(591)	221	(370)	(370)	441	71
Decrease/(increase) in prepayments	136	–	136	(295)	–	(295)
(Decrease)/increase in trade and other payables	(4,378)	–	(4,378)	3,513	–	3,513
(Decrease)/increase in tax payable	(554)	832	278	(1,773)	1,664	(109)
Decrease/(increase) in long-term receivable	5,612	562	6,174	(6,669)	1,202	(5,467)
Net cash flows from operating activities	**7,255**	**–**	**7,255**	**7,916**	**–**	**7,916**
CASH FLOWS USED IN INVESTING ACTIVITIES						
Property, plant and equipment expenditures	213	–	213	(270)	–	(270)
Net cash used in investing activities	**213**	**–**	**213**	**(270)**	**–**	**(270)**
CASH FLOWS USED IN FINANCING ACTIVITIES						
Medium term loan	–	–	–	(1,659)	–	(1,659)
Interest paid	–	–	–	(24)	–	(24)
Net cash flow used in financing activities	**–**	**–**	**–**	**(1,683)**	**–**	**(1,683)**
Increase in cash	7,468	–	7,468	5,963	–	5,963
Cash and cash equivalents at the beginning of the period	31,058	–	31,058	32,588	–	32,588
Effect of change in foreign exchange on cash in hand	168	–	168	143	–	143
Cash and cash equivalents at the end of the period	**38,694**	**–**	**38,694**	**38,694**	**–**	**38,694**

Effect on Accumulated Income (unaudited)

	AS AT 30 JUNE 2014		
US$'000	**As reported**	**Adjustment**	**Restated**
ACCUMULATED INCOME			
Balance, beginning of period	28,645	(5,472)	23,173
Net income	8,113	(802)	7,311
Balance, end of period	36,758	(6,274)	30,484

Net changes to prior periods

The following is a description of the matters corrected in the restatement adjustments.

Incorrect computation of Tanzania income tax

The Songo Songo PSA, which governs substantially all of the Company's business in Tanzania, provides a mechanism to keep the Company whole for income taxes paid in Tanzania. Pursuant to the PSA, the Company is reimbursed for all income tax payable on income derived from Petroleum Operations (as defined) by way of an "adjustment factor", under which the Company is allocated additional Profit Gas of a value equal to the taxes payable, thus reducing the allocation to the Company's partner in the field, TPDC. The adjustment factor is determined by grossing up tax payable on the current year's profit, to the level necessary for the Company to remain neutral in the payment of income tax.

Computation of the adjustment factor, over a number of years, incorrectly included tax paid in respect of prior years' taxes in the gross up calculation instead of only including tax payable in relation to the current period profits. The net effect of which was to overstate reported revenue, deferred tax expense, net income and funds flow from operating activities, as well as tax recoverable and deferred income taxes payable.

In Tanzania, taxpayers are required to pay at least 80% of the estimated years' taxes in four quarterly instalments during the year, with a final tax payment for the balance owing to be made in the following year after completion of the financial statements. The PSA requires that taxable income for any year include the tax paid in respect of the previous year. The calculation of taxable income for any given year incorrectly included only the final payment for the previous year, rather than the sum of all of the five payments. This resulted in the understatement of taxable income.

The combined effect of these errors was an understatement of taxable income and a cumulative underpayment of tax from 2005 to 30 June 2014 of US$5.1 million, which the Company has reported and paid. The Tanzania Revenue Authority has raised an assessment for associated penalties and interest on overdue taxes. The calculation of these penalties is currently under discussion with TRA, but is not expected to exceed the initial estimate of US$1.5 million; these will not be recoverable under the PSA. The estimated penalties and interest have been included in the restatement reflected in the periods to which they relate.

The cumulative impact of the income tax errors, including applicable penalties and interest, as at 30 June 2014 results in a decrease in accumulated income of US$5.6 million, a decrease in tax recoverable from TPDC of US$4.2 million, an increase in tax payable of US$6.6 million, a decrease in deferred income taxes payable of US$5.2 million.

Elimination of Finance Income and Finance Costs relating to TANESCO receivables

The Company is correcting reported finance income and finance costs previously recognized on overdue trade receivables for 2013 and 2014. Finance income and finance costs in the amount of US$0.6 million were eliminated in for the three months ended 30 June 2014 and US$1.2 million for the six months ending 30 June 2014.

As the finance income was fully provided for as finance cost, there is no impact on the net loss after tax, accounts receivable or cash flows from operating activities for either the three or six months ended 30 June 2015. The Company determined that the recognition of finance income, reflecting interest on amounts overdue from TANESCO, coupled with a full provision of the same amount was in error, as collection was not probable.

Foreign exchange

The Company is correcting reported trade and other payables in relation to the calculation of foreign exchange on amounts due to TPDC whereby payments made to TPDC are required to be made in the currency collected for gas sales. The cumulative impact on the condensed consolidated interim financial statements to 30 June 2014 results in an increase in trade and other payables of US$1.0 million, a decrease in deferred income taxes of US$0.3 million and a decrease in accumulated income of US$0.7 million.

Cumulative impact of combined income tax, finance income and foreign exchange errors

The cumulative impact of the combined income tax, finance income and foreign exchange errors, including applicable penalties and interest, on the condensed consolidated interim financial statements to 30 June 2014 results in a decrease of revenue from US$32.8 million to US$32.3 million, a minor increase in general and administrative expenses and an increase in net finance costs from US$2.6 million to US$2.7 million, an increase in income tax expense from US$5.5 million to US$5.7 million, a decrease in net income from US$8.1 million to US$7.3 million, a decrease in tax recoverable from TPDC from US$15.0 million to US$10.8 million, an increase in trade and other payables from US$58.1 million to US$59.0 million, an increase in tax payable from US$0.2 million to US$6.8 million (including interest and penalties), a decrease in deferred income taxes from US$12.3 million to US$6.8 million, and a decrease in accumulated income from US$36.8 million to US$30.5 million.

3

BASIS OF PREPARATION

These condensed consolidated interim financial statements have been prepared on a historical cost basis using the accrual basis of accounting, and are presented in US Dollars. They have been prepared in accordance with IAS 34 Interim Financial Reporting and do not include all of the information required for the full annual financial statements prepared in accordance with International Financial Reporting Standards as issued by the IASB. Selected explanatory notes are included to explain events and transactions that are significant to an understanding of the changes in financial position and performance of the Company during the period and should be read in conjunction with the consolidated financial statements and notes thereto in the Company's 2014 Annual Report approved on 6 May 2015. There have been no changes in the basis of preparation for the three-month and six-month period as at and ended 30 June 2015.

4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Company's accounting policies are set forth in Note 4 to the audited financial statements for the year ended 31 December 2014. There have been no changes in accounting policies for the three-month and six-month period as at and ended 30 June 2015 and these policies have been applied consistently to all periods presented in these condensed consolidated interim financial statements.

A) REVENUE RECOGNITION, PRODUCTION SHARING AGREEMENTS AND ROYALTIES

Pursuant to the terms of the PSA , the Company has exclusive rights to (i) to carry on Exploration Operations in the Songo Songo Gas Field; (ii) to carry on Development Operations in the Songo Songo Gas Field and (iii) either independently or jointly with Tanzania Petroleum Development Corporation ("TPDC"), a "parastatal entity" to sell or otherwise dispose of Additional Gas. Additional Gas is all the gas produced in excess of Protected Gas. Songas utilizes the Protected Gas (maximum 45.1 MMcfd on any given day, non-cumulative) as feedstock for its gas turbine electricity generators at Ubungo, for onward sale to the Wazo Hill cement plant and for electrification of certain villages along the pipeline route. The Company receives no revenue for the Protected Gas delivered to Songas.

The Company recognises revenue related to Additional Gas sales from the sale of gas to all customers, including both TANESCO and Songas, when title passes to the customer at fiscal gas meters which are installed at the respective customer's plant gate in Dar es Salaam. Under the terms of the PSA, the Company pays both its share and the parastatal's share of operating, administrative and capital costs. The Company recovers all reasonably incurred operating, administrative and capital costs including the parastatal's share of these costs from future revenues over several years ("Cost Gas"). The parastatal's share of operating and administrative costs, are recorded in operating and general and administrative costs when incurred and capital costs are recorded in 'Property, plant and equipment'. All recoveries are recorded as Cost Gas in the year of recovery.

The Company has a gas sales contract under which the customer is required to take, or pay for, a minimum quantity of gas. In the event that the customer has paid for gas that was not delivered, the additional income received by the Company is carried on the balance sheet as "deferred income". During the following three years, if the customer consumes volumes in excess of the minimum, it will be charged at the current rate, but may receive a credit for volumes paid but not delivered. At the end of each reporting period the Company reassesses the volumes for which the customer may receive credit, any remaining balance is credited to income.

In any given quarter, the Company is entitled to recover as Cost Gas up to 75% of the net revenue (gross revenue less processing and pipeline tariffs). Any net revenue in excess of the Cost Gas ("Profit Gas") is shared between the Company and TPDC in accordance with the terms of the PSA. Under the PSA the Company's share of Profit Gas is further increased by the amount necessary to fully pay and discharge any liability for taxes on income. Revenue represents the Company's share of Profit Gas and Cost Gas during the period.

Historically TANESCO has paid outstanding quarterly balances in full subsequent to each quarter. The delays in payments from TANESCO first began in late 2011 as a result of TANESCO experiencing financial difficulties due to its dependence on high cost power generation based on liquid fuels following severe droughts in Tanzania. TANESCO's financial difficulties increased as a result being mandated by the Government under an Emergency Power Plan to provide additional power generation. Whilst the Company received assurances from the Government of Tanzania that it was arranging financing for TANESCO, the receivables continued to build to levels where it became apparent in 2013 that some time would be required for the ultimate payment of the arrears.

In Q2 2013 the Company reclassified all amounts of the TANESCO receivable in excess of 60 days in arrears as a long-term receivable. Having established a long-term receivable, the Company then estimated the discount to apply reflecting the estimated cost of the delay in timing of receipts. In parallel with the reclassification, the Company, through a series of meetings with TANESCO, reached an understanding with the state utility that the Company would continue to supply gas only if TANESCO remained current on payments for current gas deliveries, and any excess payments received over and above the current balances would be applied to the arrears balance.

In late 2013, the Company issued formal demands to TANESCO for payment, and in April 2014 issued a formal Notice of Dispute as a first step in the collection process set out in the PGSA.

In April 2014 and again in May, TANESCO advised the Company of its intention to make weekly payments of TZS 3 billion (approximately US$1.4 million at current exchange rates) against ongoing deliveries of gas, and undertook to obtain outside financing and pay the balance of the arrears by the end of 2014. Weekly payments substantially ceased during Q4 and TANESCO failed to clear the arrears by year-end 2014. Following certain changes to senior officials within TANESCO and MEM, weekly payments resumed in Q1 2015 and have continued, though erratically, on into Q2 2015. TANESCO has confirmed the understanding between the parties that payments would be applied firstly to pay for the current gas deliveries and that remaining amounts, if any, would be applied to the accumulated arrears. There is no assurance that consistent weekly payments will be made. See Note 12 – Trade and Other Receivables. As at 30 June 2015 TANESCO was up to date with payments for gas delivered in 2015.

5 USE OF ESTIMATES AND JUDGEMENTS

The preparation of these condensed consolidated interim financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenue and expenses during the period. Actual results could differ materially from these estimates. In preparing these condensed consolidated interim financial statements, the significant judgements made by the management in applying the Company's accounting policies and the key sources of estimation uncertainty were the same as those applied to the consolidated financial statements as at and for the year ended 31 December 2014.

See Note 5 "Uses of Estimates and Judgements" of the audited financial statements for the year ended 31 December 2014 for a full discussion.

A) COLLECTABILITY OF RECEIVABLES

The Company evaluates the collectability of its receivables on the basis of payment history, frequency and predictability, as well as Management's assessment of the customer's willingness and ability to pay. Both Songas and the Company have been impacted by TANESCO's inability to pay.

Notwithstanding the previous reclassification of TANESCO arrears as a long-term receivable and the subsequent provision against same (see Note 12 – Trade and Other Receivables), the Company and TANESCO continue to operate in accordance with the terms of the PGSA and in accordance with the understanding between the Company and TANESCO whereby natural gas continues to be delivered by the Company and TANESCO would pay for current deliveries on a current basis with payments to be applied firstly to pay for the current deliveries and excess amounts applied to accumulated arrears.

In April and in May 2014, TANESCO advised the Company of its intention to make weekly payments of TZS 3 billion (approximately US$1.4 million at current exchange rates) against ongoing deliveries of gas, and undertook to obtain outside financing and pay the balance of the arrears by the end of 2014. Weekly payments substantially ceased during Q4 and TANESCO failed to clear the arrears by year-end 2014. Following certain changes to senior officials within TANESCO and MEM, weekly payments resumed in Q1 2015 and have continued, though erratically, into Q2 2015. TANESCO has confirmed the understanding between the parties that payments would be applied firstly to pay for the current gas deliveries and that remaining amounts, if any, would be applied to the accumulated arrears. There is no assurance that consistent weekly payments will be made. See also Note 12 – Trade and Other Receivables. As at 30 June 2015 TANESCO was up to date with payments for gas delivered in 2015.

B) NEW ACCOUNTING STANDARDS AND INTERPRETATIONS

Future accounting policies

Below is a brief description of new IFRS standards and amendments that are not yet effective and have not been applied in the preparation of these financial statements. There are no other standards or interpretations issued, but not yet adopted, that are anticipated to have a material impact on the Corporation's financial statements.

- On May 28 2014, the IASB issued IFRS 15, "Revenue from Contracts with Customers," which replaces IAS 18 "Revenue," IAS 11 "Construction Contracts," and related interpretations. The new standard is effective for annual periods beginning on or after January 1, 2017, with early adoption permitted. On April 28, 2015, the IASB proposed to defer the effective date by one year to January 1, 2018, which was approved on July 22, 2015. The Company intends to adopt IFRS 15 on the finalized adoption date and is currently evaluating the impact of adopting the standard on its consolidated financial statements.
- On July 24, 2014, the IASB issued the complete IFRS 9, "Financial Instruments" to replace IAS 39, "Financial Instruments: Recognition and Measurement". IFRS 9 is effective for years beginning on or after January 1, 2018 and must be applied retrospectively with some exemptions. Early adoption is permitted if IFRS 9 is adopted in its entirety at the beginning of a fiscal period. The Company is currently evaluating the impact of adopting IFRS 9 on its consolidated financial statements.
- On December 18, 2014, the IASB issued amendments to IAS 1, "Presentation of Financial Statements". These amendments will not require significant changes to the Corporation's current practices but are aimed to facilitate improved financial statement disclosures. The amendments are effective for annual periods beginning on or after January 1, 2016 with early adoption permitted. The Company intends to adopt these amendments in its consolidated financial statements for the annual period beginning on January 1, 2016. The Company does not expect these amendments to have a material impact.

6 RISK MANAGEMENT

The Company, by its activities in oil and gas exploration, development and production, is exposed to the risk associated with the unpredictable nature of the financial markets as well as political risk associated with conducting operations in an emerging market. The Company seeks to manage its exposure to these risks wherever possible. For a complete discussion of risks, please see Note 6 to the Company's audited financial statements for the year-ended 31 December 2014.

I) CREDIT RISK

Credit risk is the risk of financial loss to the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Company's receivables from TANESCO and Songas. The carrying amount of accounts receivable and the long-term receivable represents the maximum credit exposure. As of 30 June 2015 and 31 December 2014, other than the provisions against the long-term TANESCO receivable and gas plant operations charges receivable from Songas, the Company does not have an allowance for doubtful accounts against any other receivables nor was it required to write-off any receivables.

All of the Company's production is currently derived in Tanzania. The sales are made to the Power sector and the Industrial sector. In relation to sales to the Power sector, the Company has a contract with Songas for the supply of gas to the Ubungo power plant and a contract with TANESCO to supply approximately 37 MMcfd in Q2 2015 to fire 147 MW of TANESCO power generation. The contracts with Songas and TANESCO accounted for 58% of the Company's operating revenue during Q2 2015 and US$75.2 million of the short- and long-term receivables prior to provision at 30 June 2015. Songas itself is heavily reliant on the payment of capacity and energy charges by TANESCO for its liquidity.

TANESCO continues to be in financial difficulty, which has resulted in irregular and inconsistent payments for gas deliveries, which in turn has resulted in the provision for the entire amount of arrears due from TANESCO in the amount of US$52.2 million as at 31 December 2014. The provision remains unchanged at 30 June 2015.

Current TANESCO receivables as at 30 June 2015 amounted to US$3.7 million (31 December 2014 US$7.7 million). Since 30 June 2015 TANESCO has paid the Company US$2.2 million in respect of 2015 sales, and as at the date of this report the total TANESCO receivable is US$57.2 million (of which US$52.2 million is provided for).

Sales to the Industrial sector, currently 38 customers, are subject to an internal credit review to minimize the risk of non-payment. As of the date of this report, US$5.0 million of the US$7.2 million due from Industrial customers at the quarter end has been collected. Management expects to collect the balance during Q3.

II) LIQUIDITY RISK

Liquidity risk is the risk that the Company will not have sufficient funds to meet its liabilities. Cash forecasts identifying liquidity requirements of the Company are produced on a regular basis. These are reviewed to ensure sufficient funds exist to finance the Company's current operational and investment cash flow requirements. The Company has US$48.2 million of financial liabilities with regards to trade and other payables of which US$45.2 million is due within one to three months, nil is due within three to six months, and US$3.0 million is due within six to twelve months. See Note 14 – Trade and Other Payables. As at 30 June 2015 the Company had a current tax liability of US$2.4 million.

As at 30 June 2015 a significant proportion of the current liabilities relate to TPDC, the significant liability to Songas brought forward from 2014 having been settled. At 30 June 2015 Songas and the Company had a net receivable from Songas in respect of the gas plant operations. The amounts due to TPDC represent a distribution of its share of Profit Gas; however given the difficulties in collecting from TANESCO, the Company has been settling and intends to continue to settle these amounts on a pro rata basis in accordance with amounts received from TANESCO. See Note 12 – Trade and Other Receivables.

7 SEGMENT INFORMATION

The Company has one reportable industry segment which is international exploration, development and production of petroleum and natural gas. The Company currently has producing and exploration assets in Tanzania and had exploration and appraisal interests in Italy.

	THREE MONTHS ENDED					
			30 June 2015			Restated (note 2) 30 June 2014
US$'000	**Italy**	**Tanzania**	**Total**	**Italy**	**Tanzania**	**Total**
External Revenue	**–**	**12,553**	**12,553**	–	18,853	18,853
Segment Income	**–**	**3,566**	**3,566**	–	6,137	6,137
Non-cash charge [1]	**–**	**–**	**–**	–	73	73
Depletion & Depreciation	**–**	**3,146**	**3,146**	–	3,374	3,374

	SIX MONTHS ENDED					
			30 June 2015			Restated (note 2) 30 June 2014
US$'000	**Italy**	**Tanzania**	**Total**	**Italy**	**Tanzania**	**Total**
External Revenue	**–**	**22,273**	**22,273**	–	32,330	32,330
Segment Income	**–**	**1,889**	**1,889**	–	7,311	7,311
Non-cash charge [1]	**–**	**–**	**–**	–	2,004	2,004
Depletion & Depreciation	**–**	**6,500**	**6,500**	–	7,089	7,089

(1) Non-cash charge represent amounts provided for doubtful accounts receivable from TANESCO and Songas.

	AS AT					
			30 June 2015			31 December 2014
US$'000	**Italy**	**Tanzania**	**Total**	**Italy**	**Tanzania**	**Total**
Total Assets	**1,931**	**164,946**	**166,877**	1,934	196,561	198,492
Total Liabilities	**272**	**88,125**	**88,397**	272	121,585	121,857
Capital Additions	**–**	**5,596**	**5,596**	–	1,312	1,312

8

REVENUE

	THREE MONTHS ENDED 30 JUNE		SIX MONTHS ENDED 30 JUNE	
		Restated (note 2)		Restated (note 2)
US$'000	**2015**	2014	**2015**	2014
Operating revenue	**11,496**	16,351	21,102	28,479
Current income tax adjustment	**1,599**	3,658	2,598	7,192
Additional Profits Tax (Note 11)	**(542)**	(1,156)	(1,427)	(3,341)
Revenue	**12,553**	18,853	**22,273**	32,330

The Company's total revenues for the quarter and the six months ended 30 June 2015 amounted to US$12,553 and US$22,273 respectively after adjusting the Company's operating revenue of US$11,496 and US$21,102 by:

i) Adding US$1,599 for income tax for the current quarter and US$2,598 for the six months. The Company is liable for income tax in Tanzania, but the income tax is recoverable out of TPDC's Profit Gas when the tax is payable. To account for this, revenue is adjusted to include the current income tax charge grossed up at 30% (see Note 10); and

ii) Subtracting US$542 and US$1,427 for deferred Additional Profits Tax charged in the quarter and for six months – this tax is considered a royalty and is presented as a reduction in revenue.

9

NET FINANCE COSTS

	THREE MONTHS ENDED 30 JUNE		SIX MONTHS ENDED 30 JUNE	
		Restated (note 2)		Restated (note 2)
US$'000	**2015**	2014	**2015**	2014
Interest charged on overdue trade receivables	**3**	–	**7**	7
Finance income	**3**	–	**7**	7
Interest expense		–		(24)
Net foreign exchange gain/(loss)	**182**	(790)	**(1,649)**	(735)
Provision for doubtful accounts	**–**	–	**–**	(1,931)
Finance costs	**182**	(790)	**(1,649)**	(2,690)
Net finance costs	**185**	(790)	**(1,642)**	(2,683)

During the year, the Company has billed TANESCO interest for late payments amounting to US$0.5 million for three months ended 30 June 2015 (Q2 2014: US$0.6 million) and US$1.1 million (2014: US$1.2 million) for the six months ended 30 June 2015. The interest income is not recorded in the financial statements because it does not meet IAS 18 revenue recognition criteria. The Company is pursuing collection and amounts will be recognised in earnings when collected.

10 INCOME TAXES

The tax charge is as follows:

US$'000	THREE MONTHS ENDED 30 JUNE 2015	THREE MONTHS ENDED 30 JUNE 2014 Restated (note 2)	SIX MONTHS ENDED 30 JUNE 2015	SIX MONTHS ENDED 30 JUNE 2014 Restated (note 2)
Current tax	**2,015**	3,541	3,604	6,975
Deferred tax recovery	**444**	403	(255)	(1,263)
	2,459	3,944	**3,349**	5,712

Tax of US$3.0 million (Q2 2014: US$1.5 million) was paid during the period in relation to the settlement of the 2014 tax liability, which included additional tax for the first nine months of 2014 relating to the correction detailed in Note 2. In addition, provisional tax payments of US$1.5 million (Q2 2014: US$4.0 million) for the quarter and US$3.0 million (2014: US$8.0 million) for the six months were made. These are presented as a reduction in Tax Payable on the balance sheet. In addition the Company paid US$3.5 million in relation to the correction of taxes covering the period 2005 – 2013. See Note 2.

Tax Rate Reconciliation

US$'000	THREE MONTHS ENDED 30 JUNE 2015	THREE MONTHS ENDED 30 JUNE 2014 Restated (note 2)	SIX MONTHS ENDED 30 JUNE 2015	SIX MONTHS ENDED 30 JUNE 2014 Restated (note 2)
Income before taxation	**6,025**	10,081	**5,238**	13,023
Provision for income tax calculated at the statutory rate of 30%	**1,807**	3,024	**1,571**	3,907
Add the tax effect of non-deductible income tax items:				
Administrative and operating expenses	**547**	524	**986**	1,141
Financing charge	**(27)**	68	**109**	70
Tax penalties	**–**	8	**–**	16
Stock-based compensation	**(51)**	26	**288**	109
Impact of reversing provision against interest	**163**	168	**330**	359
Other permanent differences	**20**	126	**65**	110
	2,459	3,944	**3,349**	5,712

The deferred income tax liability includes the following temporary differences:

	AS AT	
US$'000	**30 June 2015**	31 December 2014
Differences between tax base and carrying value of property, plant and equipment	**(15,754)**	(15,498)
Tax recoverable from TPDC	**(4,127)**	(5,116)
Provision for doubtful debt	**2,945**	2,945
Deferred Additional Profits Tax	**9,116**	8,688
Unrealised exchange losses/other provisions	**468**	1,375
	(7,352)	(7,606)

Tax Recoverable

The Company has a "Tax Recoverable" balance of US$4.9 million as at 30 June 2015 (Q4 2014: US$11.8 million). This arises from the revenue sharing mechanism within the PSA, which entitles the Company to recover from TPDC, by way of a deduction from TPDC's Profit Gas share an amount, the "adjustment factor", equal to the actual income taxes payable by the Company. The recovery is dependent upon payment of income taxes relating to prior period adjustment factors as they are assessed.

	AS AT	
US$'000	**30 June 2015**	31 December 2014
Tax recoverable	**4,917**	11,815

11 ADDITIONAL PROFITS TAX

The Company provides for deferred Additional Profits Tax ("APT") by forecasting the total APT payable as a proportion of the forecast Profit Gas over the term of the PSA. The effective APT rate of 20.7% (Q2 2014 22.9%) has been applied to Profit Gas of US$2.4 million (Q2 2014: US$9.4 million) for the quarter and US$6.7 million (2014: US$19.2 million) for the six months ended 30 June 2015. Accordingly, US$0.5 million (Q2 2014: US$1.2 million) and US$1.4 million (2014: US$3.3 million) has been netted off revenue for the quarter and for the six months ended 30 June 2015.

The 2014 current period and year-to-date APT charges include a reduction of US$0.9 million, reflecting the impact of recovering downstream costs on cumulative Profit Gas to 30 June 2014; this is the APT relating to the US$3.3 million Profit Gas adjustment identified in the 2014 Cost Pool adjustment.

12 TRADE AND OTHER RECEIVABLES

Current Receivables

	AS AT	
US$'000	**30 June 2015**	31 December 2014
TANESCO	**3,688**	7,671
Songas	**3,019**	23,864
Other debtors	**7,218**	7,532
Trade receivables	**13,925**	39,067
Songas gas plant operations	**16,117**	19,300
Other receivables	**2,286**	773
Less provision for doubtful accounts	**(9,816)**	(9,816)
	22,512	49,324

Trade Receivables Age Analysis

	AS AT 30 JUNE 2015				
US$'000	**Current**	**>30 <60**	**>60 <90**	**>90**	**Total**
TANESCO	3,289	399	–	–	3,688
Songas	1,036	1,054	929	–	3,019
Other debtors	3,442	2,636	625	515	7,218
Trade receivables	7,767	4,089	1,554	515	13,925

	AS AT 31 DECEMBER 2014				
US$'000	**Current**	**>30 <60**	**>60 <90**	**>90**	**Total**
TANESCO	3,893	3,778	–	–	**7,671**
Songas	1,107	1,067	1,135	20,555	**23,864**
Other debtors	3,469	2,758	810	495	**7,532**
Trade receivables	8,469	7,603	1,945	21,050	**39,067**

TANESCO

At 30 June 2015, TANESCO owed the Company US$55.8 million excluding interest (of which arrears were US$52.2 million) compared to US$59.8 million (including arrears of US$52.2 million) as at 31 December 2014. During the quarter, the Company received a total of US$10.3 million (Q4 2014: US$1.8 million) from TANESCO against sales totaling US$9.9 million (Q4 2014: US$11.2 million). Current TANESCO receivables as at 30 June 2015 amounted to US$3.7 million (Q4 2014 US$7.7 million). Since the quarter end, TANESCO has paid the Company US$2.2 million, and as at the date of this report the total TANESCO receivable is US$57.2 million (of which US$52.2 million has been provided for). Whilst weekly payments against current deliveries have re-commenced, there is still no set schedule or repayment plan for TANESCO arrears agreed with the Company and payments continue to be irregular and unpredictable.

As a result of increased uncertainty with respect to the timing and amount of ultimate collection of amounts in arrears, the Company recorded a provision for doubtful accounts against the entire long-term receivable of US$52.2 million as at 31 December 2014 and as at 30 June 2015. Amounts collected with respect to the long-term receivable in the future will be reflected in earnings when payment is received. Notwithstanding this provision, the Company and TANESCO continue to operate in accordance with the terms of the Portfolio Gas Supply Agreement and in accordance with the understanding between the Company and TANESCO, whereby natural gas continues to be delivered by the Company and TANESCO pays for current deliveries on a current basis with payments being applied firstly against current deliveries and any excess amount applied to accumulated arrears. This provision against the TANESCO long-term receivable will not prejudice the Company's rights to payment in full or its ability to pursue collection in accordance with the terms of the agreement with TANESCO.

Long-Term Receivables

	AS AT	
US$'000	**30 June 2015**	31 December 2014
TANESCO receivable > 60 days	**52,154**	52,154
Provision for doubtful debts	**(52,154)**	(52,154)
Net TANESCO receivable	**–**	–
VAT bond	**369**	369
Lease deposit	**268**	265
Total long-term receivables	**637**	634

Songas

As at 30 June 2015, Songas owed the Company US$19.1 million (Q4 2014: US$43.2 million), whilst the Company owed Songas US$3.4 million (Q4 2014: US$30.4 million). There was no contractual right to offset these amounts at 30 June 2015. Amounts due to Songas primarily relate to pipeline tariff charges of US$1.8 million (Q4 2014: US$28.9 million), whereas the amounts due to the Company are mainly for sales of gas of US$3.0 million (Q4 2014: US$23.9 million) and for the operation of the gas plant of US$16.1 million (Q4 2014: US$19.3 million). The operation of the gas plant is conducted at cost and the charges are billed to Songas on a flow through basis without profit margin.

As at 30 June 2015 the net amount owed by Songas to the Company was US$15.7 million (Q4 2014: US$12.7 million). A provision for doubtful debts of US$9.8 million (Q4 2014: US$9.8 million) has been recognised against the gas plant operation receivable of US$16.1 million (Q4 2014: US$19.3 million). All amounts due to and from Songas have been summarized in the net Songas balance (see Note 14 – Trade and Other Payables).

Management has reviewed the current provision of US$9.8 million (Q4 2014: US$9.8 million) against the outstanding gas plant operating charges and has decided to retain the provision pending further progress in resolving disputed charges. The provision will be released as and when the Company is able to collect the outstanding debt amounts. Any significant amounts not agreed will likely be pursued by the Company through the mechanisms provided in its agreements with Songas.

As at the date of this report during the current year, the Company has paid US$34.2 million in respect of outstanding tariff charges and has received US$27.9 million in settlement of outstanding gas sales invoices and US$10.6 million towards settlement of outstanding gas plant operations charges.

13

PROPERTY, PLANT AND EQUIPMENT

US$'000	Oil and natural gas interests	Leasehold improvements	Computer equipment	Vehicles	Fixtures & Fittings	Total
Costs						
As at 1 January 2015	140,653	699	1,233	149	1,125	143,859
Additions	5,549	–	47	–	–	5,596
As at 30 June 2015	**146,202**	**699**	**1,280**	**149**	**1,125**	**149,455**
Depletion and Depreciation						
As at 1 January 2015	63,534	170	955	120	662	65,441
Depletion and depreciation	6,189	87	86	5	133	6,500
As at 30 June 2015	**69,723**	**257**	**1,041**	**125**	**795**	**71,941**
Net Book Values						
As at 30 June 2015	**76,479**	**442**	**239**	**24**	**330**	**77,514**
As at 31 December 2014	77,119	529	278	29	463	78,418

In determining the depletion charge, it is estimated that future development costs of US$246 million (31 December 2014: US$252 million) will be required to bring the total proved reserves to production.

During the quarter the Company recorded depreciation of US$0.2 million (Q2 2014: US$0.1 million), and for the six months ended 30 June US$0.3 million (2014: US$0.3 million), in General and Administrative expenses.

14 TRADE AND OTHER PAYABLES

US$'000	**30 June 2015**	31 December 2014
Songas [1]	**1,834**	28,871
Other trade payables	**4,886**	1,961
Trade payables	**6,720**	30,832
TPDC share of Profit Gas	**29,920**	33,409
Deferred income	**2,780**	2,780
Accrued liabilities	**8,811**	9,726
	48,231	76,747

(1) A summary of all Songas balances is presented below. This shows the opening position, movements during the year and details of post quarter end settlements made in cash by the Company and by Songas. See Note 12 – Trade and Other Receivables.

US$'000	**01-Jan-15**	**Transactions**	**Payments and receipts**	**Gross balance 30 June 2015**	**Post quarter end Transactions**	**Post quarter end Payments and receipts**	**Outstanding as at the date of this report**
Pipeline tariff - payable	**(28,871)**	(6,149)	33,186	**(1,834)**	(993)	1,834	**(993)**
Gas sales - receivable	**23,864**	6,173	(27,018)	**3,019**	1,181	(1,945)	**2,255**
Gas plant operation - receivable	**19,300**	3,397	(6,580)	**16,117**	325	(4,016)	**12,426**
Other payable	**(1,574)**	–	–	**(1,574)**	–	–	**(1,574)**
Net balances	**12,719**	3,421	(412)	**15,728**	513	(4,127)	**12,114**

15

CAPITAL STOCK

Through a Normal Course Issuer Bid, the Company repurchased 20,100 of its Class B Shares. There were no changes to the authorised capital stock of the Company during the quarter. The capital stock of the Company is as follows:

	2015		
	Authorised	**Issued**	**Amount**
Number of Shares	*('000)*	*('000)*	*(US$'000)*
Class A			
As at 1 January 2015 and 30 June 2015	50,000	1,751	**983**
Class B			
As at 1 January 2015	100,000	33,164	**84,654**
Normal Course Issuer Bid repurchases	–	(20)	**(51)**
As at 30 June 2015	100,000	33,144	**84,603**
First Preference			
As at 1 January 2015 and 30 June 2015	100,000	–	**–**
Total Class A, Class B and First Preference	250,000	34,895	**85,586**

All of the issued capital stock is fully paid.

Stock Options

Thousands of options or CDN$	**Options**	**Exercise Price**
Outstanding as at 1 January 2015	400	3.18
Forfeited	(400)	3.18
Outstanding as at 30 June 2015	–	–

Stock Appreciation Rights ("SARs")

Thousands of stock appreciation rights or CDN$	**SAR**	**Exercise Price**
Outstanding as at 1 January 2015	2,910	2.12 to 4.20
Expired	(300)	4.20
Outstanding as at 30 June 2015	2,610	2.12 to 2.70

The weighted average remaining life and weighted average exercise prices of options at 30 June 2015 were as follows:

Exercise Price (CDN$)	Number Outstanding as at 30 June 2015 ('000)	Weighted Average Remaining Contractual Life (years)	Number Exercisable as at 30 June 2015 ('000)	Weighted Average Exercise Price (CDN$)
2.12 to 2.70	2,610	3.24	919	2.36

Restricted Stock Units ("RSUs")

The RSUs are fully vested with a term of ten years. RSUs provides the grantee with the entitlement to receive on exercise of an RSU a cash payment equal to the value of a Class B Share at the time of exercise of the RSU less the "Restricted Unit Price".

Thousands of RSUs or CDN$	RSU's	Exercise Price
Outstanding as at 1 January 2015	645	0.01
Exercised	(90)	0.01
Outstanding as at 30 June 2015	555	0.01

As SARs and RSUs are settled in cash, they are re-valued at each reporting date using the Black-Scholes option pricing model with the resulting liability being recognised in trade and other payables. In the valuation of SARs and RSUs at the reporting date, the following assumptions have been made: a risk free rate of interest of 1.5% stock volatility of 48.7% to 52.6%; 0% dividend yield; 0% forfeiture; a closing stock price of CDN$3.40 per share.

	AS AT	
US$'000	**30 June 2015**	31 December 2014
SARs	**2,444**	1,766
RSUs	**1,636**	1,613
	4,080	3,379

As at 30 June 2015, a total accrued liability of US$4.1 million (Q4 2014: US$3.4 million) has been recognised in relation to SARs and RSUs and is included in other payables. The Company recognised a credit in the quarter relating to stock based compensation of US$0.2 million (Q2 2014: US$0.1 million) in G&A expenses.

The increase in stock based compensation liability over 31 December 2014 is the result of the share price increasing to CDN$3.40 (Q4 2014: CDN$2.90), partially offset by the exercise of 89,688 RSUs in Q2 at a cost of US$0.3 million.

16

EARNINGS PER SHARE

	AS AT		AS AT	
Number of shares ('000)	**30 June 2015**	30 June 2014	**30 June 2015**	30 June 2014
Weighted average number of shares outstanding				
Class A and Class B shares	**34,905**	34,823	**34,910**	34,823
Convertible securities				
Stock options	**–**	613	**–**	630
Weighted average diluted Class A and Class B shares	**34,905**	35,436	**34,905**	35,453

The calculation of basic earnings per share is based on net income for the quarter of US$3.6 million (Q2 2014: net income restated US$6.1 million) and a weighted average number of Class A and Class B shares outstanding during the period of 34,905,172 (Q2 2014: 34,823,210). For the six months, earning per share is based on net income of US$1.9 million (Q2 2014: net income restated US$7.3 million) and a weighted average number of Class A and Class B shares outstanding during the period of 34,910,362 (Q2 2014: 34,823,210).

In computing the diluted earnings per share, the effect of stock options is added to the weighted average number of common shares outstanding during the year. For Q2 2015 the effective number was nil (Q2 2014: 613,278) shares, resulting in a diluted weighted average number of Class A and Class B shares of 34,905,172 (Q2 2014: 35,452,729). For the six months the dilution effect of stock options was nil (Q2 2014: 629,519) resulting in a diluted weighted average number of Class A and Class B shares of 34,905,172 (Q2 2014: 35,452,729).

No adjustments were required to the reported earnings from operations in computing diluted per share amounts.

17

RELATED PARTY TRANSACTIONS

One of the non-executive Directors is a partner at a law firm retained by the Company for legal services. During the quarter, the Company incurred US$0.2 million (Q2 2014: US$0.1 million) and for the six months ended 30 June US$0.3 million (2014: US$0.1 million) to this firm for services provided. The transactions with this related party were made at the exchange amount.

The Chief Financial Officer provided services to the Company through a consulting agreement with a personal services company, during the quarter the Company incurred US$0.1 million (Q2 2014: US$0.1 million) and for the six months ended 30 June US$0.2 million (2014: US$0.2 million) to this firm for services provided.

As at 30 June 2015 the Company has a total of US$0.2 million (Q2 2014: US$ 0.1 million) recorded in trade and other payables in relation to the related parties.

18
CONTRACTUAL OBLIGATIONS AND COMMITTED CAPITAL INVESTMENTS

Protected Gas

Under the terms of the original gas agreement for the Songo Songo project ("Gas Agreement"), in the event that there is a shortfall/insufficiency in Protected Gas as a consequence of the sale of Additional Gas, then the Company is liable to pay the difference between the price of Protected Gas (US$0.55/MMbtu escalated) and the price of an alternative feedstock multiplied by the volumes of Protected Gas up to a maximum of the volume of Additional Gas sold (136.2 Bcf as at 30 June 2015). The Company did not have a shortfall during the reporting period and does not anticipate a shortfall arising during the term of the Protected Gas delivery obligation to July 2024.

Re-Rating Agreement

In 2011, the Company signed a re-rating agreement with TANESCO and Songas (the "Re-Rating Agreement") to increase the gas processing capacity to a maximum of 110 MMcfd (the pipeline and pressure requirements at the Ubungo power plant restrict the infrastructure capacity to a maximum of 102 MMcfd). Under the terms of

the Re-Rating Agreement, the Company effectively pays an additional tariff of US$0.30/mcf for sales between 70 MMcfd and 90 MMcfd and US$0.40/mcf for volumes above 90 MMcfd in addition to the tariff of US$0.59/mcf payable to Songas as set by the energy regulator, EWURA.

Under the terms of this agreement, the Company agreed to indemnify Songas for damage to its facilities caused by the re-rating, up to a maximum of US$15 million, but only to the extent that this was not already covered by indemnities from TANESCO's or Songas' insurance policies. The Re-Rating Agreement expired on 31st December 2012 and in September 2013 was extended by Songas to 31 December 2013. At this time, the Company knows of no reason to de-rate the Songas plant. Since 31 December 2013 production has continued within the higher rated limit and, given the Government's interest in pursuing further development and increasing gas production, the Company expects this to continue. However there are no assurances that this will occur.

Capital Commitments

Italy

No activity has occurred on the Adriatic Sea block offshore Italy during 2015. The Elsa-2 appraisal well is now expected to be drilled in 2016 following finalisation of an environmental impact study. The Company will not be liable to any costs associated with the drilling of Elsa-2 until a rig contract is signed. As of the date of this report, there is no rig contract. There are no further capital commitments in Italy.

Tanzania – Songo Songo

In June 2015 the World Bank board approved an IFC investment of up to US$60 million in the Company's operating subsidiary, PanAfrican Energy Tanzania Limited. Subsequent to the approval of the IFC financing, the Company entered into a contract with Paragon Offshore plc for the use of its M826 Drilling Workover Rig, along with the provision of associated services, in order to execute the Offshore Programme. The rig was mobilized on 29 June 2015. As a consequence of the mobilization of the rig the Company has outstanding contractual commitments of US$19.6 million with Paragon. The contractual commitments include the cost of mobilization,demobilization and a minimum hire period. As at the date of this report the Company has placed orders for long lead items totaling US$6 million in relation to the Songo Songo drilling programme.

19 CONTINGENCIES

With the exception of those related to taxation, contingencies as at 30 June 2015 are unchanged from those reported in the 2014 annual accounts.

Taxation

On 28 May 2015 the Company was advised that its appeal to the Tax Revenue Appeals Board ("TRAB") in relation to an assessment for additional PAYE and penalties totalling US$0.6 million had been unsuccessful. This decision was not unexpected and the Company has appealed to the Tax Revenue Appeals Tribunal ("TRAT"). Based on advice from counsel the Company believes it has a good case and has appealed to the TRAT.

On 24 July 2015, the Company was advised that TRAT has ruled in its favour on the matter of additional withholding taxes claimed by the Tanzania Revenue Authority ("TRA"). This decision followed an earlier judgement by the TRAB which ruled in favour of TRA. TRA has 45 days from the date of the ruling to file a Notice and Statement of Appeal at the Court of Appeal, the highest court in Tanzania. The ruling by the TRAT may also impact on a similar case currently before the Court of Appeal. Based on advice from counsel, should TRA appeal against the latest TRAT ruling, the Company expects a favourable outcome at the Court of Appeal.

In July 2015, TRAB issued a ruling on the Company's 2009 Income Tax Appeal against an assessment for an additional US$2.0 million issued by TRA. The Company had appealed against TRA's refusal to allow a deduction in respect of certain capital expenditures and the resulting assessment for additional tax and penalties amounting to US$1.7 million, and against the disallowance of other expenses leading to an assessment for additional tax and penalties amounting to US$0.7 million. On the first matter TRAB ruled in favour of TRA with respect to 2009 income tax, but allowed that the Company could claim a deduction in subsequent years. On the second matter TRAB ruled in favour of the Company. Based on advice from counsel, the Company has filed a Notice of Appeal at against the first ruling with TRAT.

During the quarter, the Company received a final Assessment for Corporation Tax for the Year of income 2011. On deciding that the assessment has incorrectly imposed an additional tax charge of US$0.5 million, the Company objected the Assessment.

Corporate Information

Board of Directors

W. David Lyons
Chairman and
Chief Executive Officer

Queensway
Gibraltar

David W. Ross
Non-Executive Director

Calgary, Alberta
Canada

William H. Smith
Non-Executive Director

Calgary, Alberta
Canada

Glenn D. Gradeen
Non-Executive Director

Calgary, Alberta
Canada

Officers

W. David Lyons
Chairman and
Chief Executive Officer

Queensway
Gibraltar

Robert S. Wynne
Chief Financial Officer

Calgary, Alberta
Canada

Stephen Huckerby
Chief Accounting Officer

St. Peters, Jersey
Channel Islands

David K. Roberts
Vice President of
Operations

Kansas City, Missouri
United States of America

Operating Office

PanAfrican Energy
Tanzania Limited

Oyster Plaza Building, 5th Floor
Haile Selassie Road
P.O. Box 80139, Dar es Salaam
Tanzania
Tel: + 255 22 2138737
Fax: + 255 22 2138938

Registered Office

Orca Exploration
Group Inc.

P.O. Box 3152
Road Town
Tortola
British Virgin Islands

Investor Relations

W. David Lyons
Chairman and
Chief Executive Officer

WDLyons@orcaexploration.com
www.orcaexploration.com

International Subsidiaries

**PanAfrican Energy
Tanzania Limited**

Oyster Plaza Building, 5th Floor
Haile Selassie Road
P.O. Box 80139, Dar es Salaam
Tanzania
Tel: + 255 22 2138737
Fax: + 255 22 2138938

**PAE PanAfrican
Energy Corporation**

1st Floor
Cnr St George/Chazal Streets
Port Louis
Mauritius
Tel: + 230 207 8888
Fax: + 230 207 8833

Orca Exploration Italy Inc.

**Orca Exploration Italy
Onshore Inc.**

P.O. Box 3152,
Road Town
Tortola
British Virgin Islands

Engineering Consultants

McDaniel & Associates
Consultants Ltd.
Calgary, Canada

Auditors

KPMG LLP
Calgary, Canada

Website

orcaexploration.com

Lawyers

Burnet, Duckworth
& Palmer LLP
Calgary, Canada

Transfer Agent

CIBC Mellon
Trust Company
Toronto & Montreal, Canada

ORCA

ORCA

www.orcaexploration.com