Consolidated Income Statements (unaudited)

ORCA EXPLORATION GROUP INC. (formerly EastCoast Energy Corporation)

(thousands of US dollars except per share amounts)	Note	THREE MONTHS ENDED 31-Mar 2007	31-Dec 2006	31-Mar 2006
Revenue		**3,831**	4,722	2,073
COST OF SALES				
Production and distribution expenses		**(264)**	(220)	(165)
Depletion expense		**(915)**	(886)	(324)
Gross profit		**2,652**	3,616	1,584
Other income		**97**	14	16
Administrative expenses		**(2,248)**	(2,023)	(1,293)
Foreign exchange losses		**(71)**	(1)	(41)
Profit before taxation		**430**	1,606	266
Taxation	*1*	**(302)**	(581)	(183)
Profit after taxation		**128**	1,025	83
Profit per share				
Basic (US$)		**–**	0.05	–
Diluted (US$)		**–**	0.04	–

See accompanying notes to the interim consolidated financial statements.

Consolidated Balance Sheets (unaudited)

ORCA EXPLORATION GROUP INC. (formerly EastCoast Energy Corporation)

(thousands of US dollars)	Note	As at 31-Mar 2007	As at 31-Dec 2006
ASSETS			
Current assets			
Cash and cash equivalents		**14,736**	20,678
Trade and other receivables		**5,713**	4,275
		20,449	24,953
Natural gas properties and other equipment	*2*	**29,085**	18,951
		49,534	43,904
LIABILITIES			
Current liabilities			
Trade and other payables		**9,879**	4,523
Non current liabilities			
Deferred taxes		**1,351**	1,229
Deferred Additional Profits Tax		**321**	263
SHAREHOLDERS' EQUITY			
Capital stock	*3*	**34,494**	34,469
Capital reserve		**1,123**	1,182
Accumulated income		**2,366**	2,238
		37,983	37,889
		49,534	43,904

Contractual obligations and committed capital investment (Note 6)

Post balance sheet events (Note 7)

See accompanying notes to the interim consolidated financial statements.

Consolidated Statements of Cash Flows (unaudited)

ORCA EXPLORATION GROUP INC. (formerly EastCoast Energy Corporation)

	THREE MONTHS ENDED		
(thousands of US dollars)	31-Mar 2007	31-Dec 2006	31-Mar 2006
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit after taxation	**128**	1,025	83
Adjustments for:			
Depletion and depreciation	**941**	906	351
Stock-based compensation	**(59)**	84	96
Deferred taxation	**122**	362	113
Deferred Additional Profits Tax	**58**	60	28
	1,190	2,437	671
(Increase)/decrease in trade and other receivables	**(1,438)**	(622)	818
Increase/(decrease) in trade and other payables	**1,068**	(891)	(576)
Net cash flows from operating activities	**820**	924	913
CASH FLOWS USED IN INVESTING ACTIVITIES			
Acquisition of natural gas properties and other equipment	**(11,077)**	(3,409)	(851)
Proceeds from sale of vehicle	**2**	–	–
Increase in trade and other payables	**4,288**	479	107
Net cash used in investing activities	**(6,787)**	(2,930)	(744)
CASH FLOWS FROM FINANCING ACTIVITIES			
Net proceeds from rights issue	**–**	18,087	–
Proceeds from exercise of options	**25**	17	87
Net cash flow from financing activities	**25**	18,104	87
(Decrease)/Increase in cash and cash equivalents	**(5,942)**	16,098	256
Cash and cash equivalents at the beginning of the period	**20,678**	4,580	3,198
Cash and cash equivalents at the end of the period	**14,736**	20,678	3,454

See accompanying notes to the interim consolidated financial statements.

Statements of Changes in Shareholders' Equity (unaudited)

ORCA EXPLORATION GROUP INC. (formerly EastCoast Energy Corporation)

(thousands of US dollars)	Capital stock	Capital reserve	Accumulated (loss)/income	Total
Note	*3*			
Balance as at 31 December 2005	16,237	764	(339)	**16,662**
Rights issue net of share issue costs	18,087	–	–	**18,087**
Options exercised	145	–	–	**145**
Profit for the year	–	–	2,577	**2,577**
Stock–based compensation	–	418	–	**418**
Balance as at 31 December 2006	34,469	1,182	2,238	**37,889**
Options exercised	25	–	–	**25**
Profit for the period	–	–	128	**128**
Stock-based compensation	–	53	–	**53**
Stock-based compensation forfeiture	–	(112)	–	**(112)**
Balance as at 31 March 2007	**34,494**	**1,123**	**2,366**	**37,983**

See accompanying notes to the interim consolidated financial statements.

Notes to the Consolidated Financial Statements

Basis of preparation

The interim consolidated financial statements are measured and presented in US dollars as the main operating cash flows are linked to this currency through the commodity price.

The same accounting policies and methods of computation have been followed as the consolidated financial statements at 31 December 2006. The interim consolidated financial statements for the three months ended 31 March 2007 should be read in conjunction with the audited financial statements and related notes for the year ended 31 December 2006.

Management is required 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 from these estimates.

Statement of Compliance

These interim consolidated financial statements of Orca Exploration Group Inc ("Orca Exploration" or the "Company" (formerly EastCoast Energy Corporation) including comparatives, have been prepared in accordance with IAS 34 of the International Financial Reporting Standards ("IFRS") and interpretations issued by the Standing Interpretations Committee of the IASB.

These principles may differ in certain respects from those in Canada. These differences are summarised in note 4.

1 TAXATION

As at 31 March 2007, there were temporary differences between the carrying value of the assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Accordingly a deferred tax liability has been recognised for the quarter ended 31 March 2007.

	THREE MONTHS ENDED		
Figures in US$'000	31 Mar 2007	31 Dec 2006	31 Mar 2006
Profit before taxation	**430**	1,606	266
Provision for income tax calculated at the statutory rate of 30%	**129**	482	80
Add/(deduct) the tax effect of non-deductible income tax items:			
Other income	**(29)**	(3)	(5)
Administrative and operating expenses	**143**	50	53
Stock based compensation	**19**	24	29
Other	**40**	28	26
	302	**581**	**183**
The tax charge may be analysed as follows:			
Current tax	**180**	219	70
Deferred tax	**122**	362	113
	302	**581**	**183**

The deferred income tax liability is based on the following timing differences:

Figures in US$'000	31 Mar 2007	31 Dec 2006	31 Mar 2006
Differences between tax base and carrying value of natural gas properties	**1,172**	992	575
Income tax grossed-up in revenue	**455**	451	76
Provision for stock appreciation rights	**(180)**	(135)	–
Additional profits tax	**(96)**	(79)	(32)
	1,351	1,229	619

2 NATURAL GAS PROPERTIES AND OTHER EQUIPMENT

Figures in US$'000	Natural gas properties	Leasehold improvements	Computer equipment	Vehicles	Fixtures & fittings	Total
Costs						
As at 1 January 2007	21,701	156	63	65	41	22,026
Additions	11,045	–	28	4	–	11,077
Disposals	–	–	–	(5)	–	(5)
As at 31 March 2007	**32,746**	**156**	**91**	**64**	**41**	**33,098**
Depletion/Depreciation						
As at 1 January 2007	2,880	94	42	33	26	3,075
Charge for the period	915	13	6	5	2	941
Accumulated depreciation on disposal	–	–	–	(3)	–	(3)
As at 31 March 2007	**3,795**	**107**	**48**	**35**	**28**	**4,013**
Net Book Values						
At 31 March 2007	**28,951**	**49**	**43**	**29**	**13**	**29,085**
At 31 December 2006	18,821	62	21	32	15	18,951

In determining the depletion charge, it is estimated by the independent reserve engineers that future development costs of US$123.8 million will be required to bring the total proved reserves to production.

3 CAPITAL STOCK

Number of shares (thousands)	Authorised	Issued	Valuation at par value
CLASS A			
As at 31 December 2006 and 31 March 2007	**50,000**	**1,751**	**983**
CLASS B			
As at 31 December 2006	50,000	25,023	33,486
Stock options exercised	–	30	25
Normal course issuer bid	–	–	–
As at 31 March 2007	**50,000**	**25,053**	**33,511**
Total Class A and Class B as at 31 March 2007	**100,000**	**26,804**	**34,494**

All of the issued capital stock is fully paid. In January 2007, the Company initiated a normal course issuer bid to purchase up to 1,085,379 Class B shares between 31 January 2007 and 31 December 2007, subject to a maximum usage of US$2.2 million of funds. As at 31 March 2007 no shares had been repurchased under the issuer bid.

Stock Options

The table below details the outstanding share options and the movements for the three months ended 31 March 2007:

Thousands of options	Number of Options	Exercise Price (Cdn$)
Outstanding as at 1 January 2007	**2,022**	**1.00 to 6.80**
Granted	300	8.00
Forfeited	(200)	6.80
Exercised	(30)	1.00
Outstanding as at 31 March 2007	**2,092**	**1.00 to 8.00**

The weighted average remaining life and weighted average exercise prices of options at 31 March 2007 were as follows:

OPTIONS OUTSTANDING			OPTIONS EXERCISABLE		
Exercise Price (Cdn$)	Number Outstanding as at 31 March 2007	Weighted Average Remaining Contractual Life	Exercise Price (Cdn$)	Number Exercisable as at 31 March 2007	Weighted Average Exercise Price (Cdn$)
1.00	1,792	7.4	1.00	1,792	1.00
8.00	300	4.7	8.00	–	8.00

The stock option plan provides for the granting of stock options to directors, officers and employees. The exercise price of each stock option is determined as the closing market price of the common shares on the day prior to the day of grant. Each stock option granted permits the holder to purchase one common share at the stated exercise price. In accordance with IFRS2, the Company records a charge to the income statement using the Black-Scholes fair valuation option pricing model. The valuation is dependent on a number of estimates, including the risk free interest rate, the level of stock volatility, together with an estimate of the level of forfeiture.

On 14 January 2007, the Company issued 300,000 options to a newly appointed officer at a price of Cdn$8.00 per option. These options have a term of 5 years and vest in three equal annual instalments starting on 14 January 2008. In the valuation of these stock options the following assumptions have been made: risk free rate of interest equal to 3.75%, stock volatility 60% with a 33% level of forfeiture. A charge of US$53,000 has been recognised in the income statement for the period ended 31 March 2007.

Stock Appreciation Rights

Thousands of stock appreciation rights	Options	Price (Cdn$)
Outstanding as at 1 January 2007 (i)	400	4.00
Granted (ii)	300	8.70
Granted (ii)	300	8.00
Outstanding as at 31 March 2007	1,000	4.00 to 8.70

(i) Maximum liability of Cdn$1.2 million

(ii) No maximum liability

On 2 January 2007, the Company issued 300,000 stock appreciation rights to a consultant at an exercise price of Cdn$8.70 per right. These stock appreciation rights have a term of 5 years and vest in three equal annual installments starting on 2 January 2008. A further 300,000 stock appreciation rights were issued on the 14 January 2007 to a newly appointed officer at an exercise price of Cdn$8.00 per right. These stock appreciation rights have a term of 5 years and vest in three equal annual installments starting on 14 January 2008. There is no profit cap associated with the stock appreciation rights granted during the quarter.

In accordance with IFRS2, the Company records a charge to the income statement using the Black-Scholes fair valuation option pricing model every reporting period with a resulting liability being recognised in the balance sheet. In the valuation of these stock appreciation rights the following assumptions have been made: the risk free rate of interest equal to 3.75%, stock volatility 60% with a 33% level of forfeiture.

4 RECONCILIATION TO CANADIAN GAAP

The consolidated financial statements have been prepared in accordance with the IFRS basis of accounting, which differ in some respects from those in Canada. Any difference in accounting principles as they pertain to the accompanying Consolidated Financial Statements were immaterial except as described below:

a) Taxation

On 31 August 2004, the Company was spun off from a predecessor company pursuant to a scheme of arrangement. Under Canadian GAAP, a deferred tax liability has to be recognised for the taxable temporary differences arising from the initial recognition of an asset or liability under any scenario. IFRS does not permit the setting up of a deferred tax liability for all taxable temporary differences arising from the initial recognition of an asset or liability except in a business combination.

b) Stock-based compensation

The Company's prior year bonus scheme incorporates stock appreciation rights ("rights") that have a maximum pay out of Cdn$1.2 million. During the quarter a further 600,000 stock appreciation rights have been granted. Under IFRS as these rights are a cash-settled share-based transaction the fair value of the rights is calculated using a Black-Scholes option pricing model every reporting period. Under Canadian GAAP, the fair value is calculated using the intrinsic value method whereby the rights are valued at the market price less the rights price at each reporting period. Under both IFRS and Canadian GAAP, the fair value is expensed over the service period of the rights.

The application of Canadian GAAP would have the following effect on the balance sheet:

	31-Mar-07		31-Dec-06	
	IAS	CDN	IAS	CDN
Current assets	**20,449**	**20,449**	24,953	24,953
Natural gas properties and other equipment	**29,085**	**30,688**	18,951	20,594
	49,534	**51,137**	43,904	45,547
Current liabilities	**9,879**	**9,765**	4,523	4,523
Non-current liabilities	**1,672**	**3,434**	1,492	3,266
Capital stock	**34,494**	**34,494**	34,469	34,469
Reserves	**3,489**	**3,444**	3,420	3289
	49,534	**51,137**	43,904	45,547
Profit before taxation	**430**	**516**	4,261	4,114

In Canada, three new Canadian accounting standards with respect to comprehensive income (CICA HB 1530), financial instruments – recognition and measurement (CICA HB 3855) and hedges (CICA HB 3865) were effective January 1, 2007. The new standards require a statement of comprehensive income comprised of net income plus other comprehensive income. The Company does not have any comprehensive income to report on the adoption of the new standards.

5 RELATED PARTY TRANSACTIONS

One of the non-executive Directors is a partner at a law firm. The Company has made a provision of US$25,000 for services provided on legal services during the quarter. The transactions with this related party were made at the exchange amount.

6 CONTRACTUAL OBLIGATIONS AND COMMITTED CAPITAL INVESTMENT

Capital Investment

During 2006 the Company committed to drilling a development well, SS-10 and to undertake some remedial Q1 2007. The development well SS-10 was spudded on 28 April 2007. A total of US$10.2 million has been incurred on these projects during the first quarter of 2007 and approximately US$7 million is expected to be incurred to complete SS-10 in Q2 2007.

The Company has committed to the installation of an additional pressure reduction station and the laying of 8 kilometers of new low pressure pipeline in the first half of 2007. This work is required to increase security of supply and to meet forecast increases in demand from both existing and new industrial customers. The work is estimated to cost US$2.2 million. By the end of the first quarter of 2007 a total of US$0.4 million had already been spent of the committed capital.

Shortfall Gas

Under the terms of the contracts with Kioo Ltd., Tanzania Breweries Ltd. and Karibu Textile Mills Ltd., the Company is liable to pay penalties in the event that there is a shortfall in the Additional Gas supply in excess of 5% of the contracted quantity. The penalties equate to the difference between the price of gas and an alternative feedstock multiplied by the notional daily quantities. The maximum penalty for shortfall gas is a total of US$1.1 million for these three contracts and the remedy is payable as a credit against future monthly invoices.

Protected Gas

Under the terms of the PSA, in the event that there is a shortfall 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) 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 (9.0 bcf as at 31 March 2006). The Company is actively monitoring the reservoir and does not anticipate that a liability will occur in this respect. However, Songas has the right to request reasonable security on all Additional Gas sales.

Songas has written to the Company confirming that, subject to certain conditions, security will not be required for the supply of Additional Gas to the Ubungo Power Plant, for the supply of up to 15 mmscf/d for additional power generation and up to 10 mmscf/d for the industrial sector for a period of five years. As the current emergency power generation operating in the country could take demand above 15 mmscf/d for power generation, Songas has confirmed that the Company may sell 17 mmscf/d for power generation over the next two years without the need for security.

The Company is looking to agree a security mechanism with Songas that provides clear guidance as to how Songas will operate their rights to security. It is anticipated that, under certain circumstances, the Company and TPDC may have to allocate a proportion of the Additional Gas revenues to an escrow account, in the event of a forecast Protected Gas insufficiency. It is forecast that the principle terms of the security mechanism will be finalised by the end of Q2 2007.

Back in

TPDC has indicated that they wish to exercise their right to 'back in' to the field development by contributing 20% of the costs of the future wells including SS-10 in return for a 20% increase in the profit share for the production emanating from these wells. The implications and workings of the 'back in' are still to be discussed in detail with TPDC. For the purpose of the reserves certification, it has been assumed that they will 'back in' for 20% and this is reflected in the Company's net reserve position. However, the financial statements do not take account of any re-imbursement for the SS-10 capital expenditure, pending the finalisation of the terms of the 'back in'.

Office

The Company has a five year rental agreement that expires on 30 November 2007 for the use of the offices in Dar es Salaam at a cost of approximately US$102,000 per annum.

Management expects to fund its committed capital investments in 2007 from the proceeds of the rights issue received on 29 December 2006 and cash generated from operations.

7 POST BALANCE SHEET EVENTS

On 7 April 2007 200,000 Class B shares were awarded to a newly appointed officer of the Company. These shares are currently held in escrow. They vest to the officer in three equal annual instalments starting 7 April 2007. At the time the shares were awarded they had a market value of Cdn$1.7 million.