Consolidated Income Statements (unaudited)

ORCA EXPLORATION GROUP INC. (formerly EastCoast Energy Corporation)

		THREE MONTHS ENDED			SIX MONTHS ENDED	
(thousands of US dollars except per share amounts)	Note	30-Jun 2007	31-Mar 2007	30-Jun 2006	30-Jun 2007	30-Jun 2006
Revenue		**3,021**	3,831	3,198	**6,852**	5,271
Cost of Sales						
Production and distribution expenses		**(261)**	(264)	(197)	**(525)**	(362)
Depletion expense		**(630)**	(915)	(382)	**(1,545)**	(706)
Gross profit		**2,130**	2,652	2,619	**4,782**	4,203
Other income		**64**	97	14	**161**	30
Administrative expenses		**(2,704)**	(2,248)	(1,562)	**(4,952)**	(2,855)
Foreign exchange losses		**(14)**	(71)	9	**(85)**	(32)
(Loss)/profit before taxation		**(524)**	430	1,080	**(94)**	1,346
Taxation	*1*	**(84)**	(302)	(420)	**(386)**	(603)
(Loss)/profit after taxation		**(608)**	128	660	**(480)**	743
(Loss)/profit per share						
Basic and diluted *(US$)*		**(0.02)**	–	0.03	**(0.02)**	0.03

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 30-Jun 2007	As at 31-Mar 2007	As at 31-Dec 2006
ASSETS				
Current assets				
Cash and cash equivalents		**7,601**	14,736	20,678
Trade and other receivables		**4,931**	5,713	4,275
Inventory		**2,847**	–	–
		15,379	20,449	24,953
Natural gas properties and other equipment	*2*	**43,413**	29,085	18,951
		58,792	49,534	43,904
LIABILITIES				
Current liabilities				
Trade and other payables		**18,429**	9,879	4,523
Non current liabilities				
Deferred income taxes	*1*	**1,694**	1,351	1,229
Deferred additional profits tax		**377**	321	263
SHAREHOLDERS' EQUITY				
Capital stock	*3*	**36,217**	34,494	34,469
Capital reserve		**317**	1,123	1,182
Accumulated income		**1,758**	2,366	2,238
		38,292	37,983	37,889
		58,792	49,534	43,904

Contractual obligations and committed capital investment ***(Note 6)***

Post balance sheet event ***(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			SIX MONTHS ENDED	
(thousands of US dollars)	30-Jun 2007	31-Mar 2007	30-Jun 2006	30-Jun 2007	30-Jun 2006
CASH FLOWS FROM OPERATING ACTIVITIES					
(Loss)/profit after taxation	**(608)**	128	660	**(480)**	743
Adjustments for:					
Depletion and depreciation	**661**	941	410	**1,602**	761
Stock-based compensation	**799**	(59)	96	**740**	192
Deferred taxation	**343**	122	123	**465**	236
Deferred additional profits tax	**56**	58	44	**114**	72
	1,251	1,190	1,333	**2,441**	2,004
Decrease/(increase) in trade and other receivables	**782**	(1,438)	(2,032)	**(656)**	(1,214)
(Increase) in inventory	**(2,847)**	–	–	**(2,847)**	–
Increase in trade and other payables	**1,939**	1,068	1,506	**3,007**	930
Net cash flows from operating activities	**1,125**	820	807	**1,945**	1,720
CASH FLOWS USED IN INVESTING ACTIVITIES					
Petroleum and natural gas properties expenditures	**(14,989)**	(11,077)	(1,034)	**(26,066)**	(1,885)
Proceeds from sale of vehicle	**–**	2	–	**2**	–
Increase/(decrease) in trade and other payables	**6,611**	4,288	(429)	**10,899**	(322)
Net cash used in investing activities	**(8,378)**	(6,787)	(1,463)	**(15,165)**	(2,207)
CASH FLOWS FROM FINANCING ACTIVITIES					
Proceeds from exercise of options	**118**	25	31	**143**	118
Net cash flow from financing activities	**118**	25	31	**143**	118
Decrease in cash and cash equivalents	**(7,135)**	(5,942)	(625)	**(13,077)**	(369)
Cash and cash equivalents at the beginning of the period	**14,736**	20,678	3,454	**20,678**	3,198
Cash and cash equivalents at the end of the period	**7,601**	14,736	2,829	**7,601**	2,829

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
Balance as at 1 January 2006	16,237	764	(339)	**16,662**
Options exercised	118	–	–	**118**
Profit for the period	–	–	743	**743**
Stock-based compensation	–	192	–	**192**
Balance as at 30 June 2006	**16,355**	**956**	**404**	**17,715**

(thousands of US dollars)	Capital stock	Capital reserve	Accumulated (loss)/income	Total
Note	*3/7*			
Balance as at 1 January 2007	34,469	1,182	2,238	**37,889**
New stock issued	1,605	(945)	–	**660**
Options exercised	143	–	–	**143**
Loss for the period	–	–	(480)	**(480)**
Stock-based compensation	–	80	–	**80**
Balance as at 30 June 2007	**36,217**	**317**	**1,758**	**38,292**

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 and six months ended 30 June 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

Under the terms of the PSC with TPDC, the Company is liable to pay income tax at the corporate rate of 30% on profits generated in Tanzania. The amount of tax paid is then recovered in full from TPDC by adjusting their share of profit gas. The table below shows the tax reconciliation for the tax charged in the accounts for the quarter and year to date.

	THREE MONTHS ENDED			SIX MONTHS ENDED	
Figures in US$'000	**30-Jun 2007**	31-Mar 2007	30-Jun 2006	**30-Jun 2007**	30-Jun 2006
(Loss)/profit before taxation	**(524)**	430	1,080	**(94)**	1,346
Provision for income tax calculated at the statutory rate of 30%	**(157)**	129	324	**(28)**	404
Add/(deduct) the tax effect of non-deductible income tax items:					
Administrative and operating expenses	**123**	143	36	**266**	89
Stock-based compensation	**200**	19	29	**219**	58
Other income	**(19)**	(29)	(4)	**(48)**	(9)
Others	**(63)**	40	35	**(23)**	61
	84	302	420	**386**	603
The tax charge may be analysed as follows:					
Current tax	**(259)**	180	297	**(79)**	367
Deferred tax	**343**	122	123	**465**	236
	84	302	420	**386**	603

As at 30 June 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 30 June 2007.

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

Figures in US$'000	**As at 30-Jun 2007**	As at 31-Mar 2007	As at 31-Dec 2006
Differences between tax base and carrying value of natural gas properties and other assets	**2,112**	1,627	1,443
Tax losses	**(80)**	–	–
Provision for liabilities	**(225)**	(180)	(135)
Additional profits tax	**(113)**	(96)	(79)
	1,694	1,351	1,229

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	25,994	–	43	29	–	**26,066**
Disposals	–	–	–	(5)	–	**(5)**
As at 30 June 2007	**47,695**	**156**	**106**	**89**	**41**	**48,087**
Depletion/Depreciation						
As at 1 January 2006	2,880	94	42	33	26	**3,075**
Charge for the period	1,545	25	14	12	6	**1,602**
Accumulated depreciation on disposal	–	–	–	(3)	–	**(3)**
As at 30 June 2007	**4,425**	**119**	**56**	**42**	**32**	**4,674**
Net Book Values						
At 31 December 2006	18,821	62	21	32	15	18,951
As at 30 June 2007	**43,270**	**37**	**50**	**47**	**9**	**43,413**

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 1 January 2007 and 30 June 2007	50,000	1,751	983
CLASS B			
As at 1 January 2007	50,000	25,023	33,486
Issue of new stock	–	200	1,605
Stock options exercised	–	160	143
As at 30 June 2007	**50,000**	**25,383**	**35,234**
Total Class A and Class B as at 30 June 2007	**100,000**	**27,134**	**36,217**

In April 2007, 200,000 Class B shares were awarded to a newly appointed officer. These shares are held in escrow and 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.

Stock Options

The table below details the outstanding share options and the movements for the six months ended 30 June 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
Granted	150	10.00
Granted	510	13.55
Forfeited	(200)	6.80
Exercised	(160)	1.00
Outstanding as at 30 June 2007	**2,622**	**1.00 to 13.55**

The weighted average remaining life and weighted average exercise prices of options at 30 June 2007 were as follows:

Exercise Price (Cdn$)	Number Outstanding as at 30 June 2007 ('000)	Weighted Average Remaining Contractual Life	Number Exercisable as at 30 June 2007 ('000)	Weighted Average Exercise Price (Cdn$)
1.00	1,662	7.40	1,662	1.00
8.00	300	4.70	–	8.00
10.00	150	4.83	–	10.00
13.55	510	4.92	–	13.55

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.

Stock Appreciation Rights

Thousands of stock appreciation rights	Options	Price (Cdn$)
Outstanding as at 1 January 2007 (i)	400	4.00
Granted 2 January 2007 (ii)	300	8.00
Granted 14 January 2007 (ii)	300	8.70
Granted 1 June 2007 (ii)	90	13.55
Outstanding as at 30 June 2007	**1,090**	**4.00 to 13.55**

(i) These stock appreciation rights have a maximum liability of Cdn$3 per right or Cdn$1.2 million in total. The value of the stock appreciation rights depends on the average price of the Class B shares between 1 October and 31 December 2007 and will be paid in February 2008.

(ii) These stock appreciation rights have a term of 5 years and vest in three equal annual installments starting a year after they are granted. There is no maximum liability associated with these rights.

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

There were 1,090,000 stock appreciation rights outstanding as at 30 June 2007. 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:

	30-Jun-07		31-Dec-06	
	IAS	CDN	IAS	CDN
Current assets	15,379	15,379	24,953	24,953
Natural gas properties and other equipment	43,413	45,016	18,951	20,594
	58,792	**60,395**	**43,904**	**45,547**
Current liabilities	18,429	18,477	4,523	4,523
Non current liabilities	2,071	3,833	1,492	3,266
Capital stock	36,217	36,217	34,469	34,469
Reserves	2,075	1,898	3,420	3,289
	58,792	60,395	43,904	45,547
(Loss)/profit before taxation	**(480)**	**(556)**	**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

The Company is committed to completing the drilling of the development well, SS-10 that was spud on 28 April 2007. A total of US$12.9 million was incurred on drilling this well during the second quarter of 2007 and approximately US$10 million is expected to be incurred to complete it in the second half of 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 of which US$1.2 million had already been accrued by 30 June 2007.

Under the terms of the option agreement signed with Tower Resources Plc ("Tower"), the Company is committed to paying for 83.33% of the costs of a 250 – 300 kilometer seismic programme and certain past expenses during the second half of 2007 up to a cap of approximately US$6 million. In the event that the Company exercises its option after reviewing the seismic data, it will earn a 50% working interest in Exploration Area 5 in Uganda in return for funding 83.33% of the cost of two wells. This is capped at between US$10 million and US$15 million depending on whether testing of the wells is required. The Company has to provide a bank guarantee of US$15 million to cover its obligations under the option agreement which is reduced by any actual payments made to Tower.

Management forecasts that the Company will be able to meet its 2007 contractual obligations through the use of the Cdn$34.5 million of gross proceeds from the private placement that was concluded in July 2007 and self-generated cash flows. In addition, the Company has no bank borrowings and there is scope for utilising short term facilities once the longer term contracts for the supply of gas to the power sector are in place.

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 (10.1 bcf as at 30 June 2007). 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.

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.

7 POST BALANCE SHEET EVENT

On 9 July 2007, the Company raised gross proceeds of Cdn$34.5 million by issuing 2.5 million Class B shares by means of a private placement at a price of Cdn$13.80 per share.