



Orca Exploration Group Inc.
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TSX-V: ORC.A, ORC.B

FOR IMMEDIATE RELEASE

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Orca Exploration announces its result for the quarter ended 30 June 2010

TORTOLA, British Virgin Islands. Orca Exploration Group Inc (“Orca Exploration” or the “Company”) announces its results for the quarter ended 30 June 2010.

Highlights

- Increased profit before taxation by 279% to US\$4.1 million (Q2 2009: US\$1.1 million).
- Increased funds flow from operating activities by 96% to US\$4.9 million (Q2 2009: US\$2.5 million).
- Increased Q2 2010 sales of Additional Gas by 30% to 3,002 MMcf or 33.0 MMcfd (Q2 2009: 2,306 MMcf or 25.3 MMcfd).
- Increased working capital by 19% during the quarter to US\$24.9 million (US\$20.9 million at 31 March 2010).
- Signed a farm in agreement with Petroceltic International plc for a 15% working interest in the B.R268.RG Permit offshore Italy.
- Announced the establishment of a new infrastructure division, EastCoast Transmission and Marketing to develop a gas pipeline network in East Africa.
- Reorganised the Orca Board with the appointment of three experienced non – executive directors namely the Right Honourable Michael Howard QC, Bob Wigley and Beer Van Straten.

Financial and Operating Highlights

	Three months ended or as at			Six months ended or as at		
	30-Jun 2010	30-Jun 2009	Change	30-Jun 2010	30-Jun 2009	Change
Financial (US\$'000) except where otherwise stated						
Revenue	9,017	5,501	64%	17,276	9,944	74%
Profit before taxation	4,092	1,079	279%	7,365	1,401	426%
Operating netback (<i>US\$/mcf</i>)	2.37	2.17	9%	2.27	2.18	4%
Cash and cash equivalents	18,319	9,072	102%	18,319	9,072	102%
Working capital	24,941	9,939	151%	24,941	9,939	151%
Shareholders' equity	73,942	65,477	13%	73,942	65,477	13%
Profit per share - basic (<i>US\$</i>)	0.09	0.01	800%	0.15	0.01	1,400%
Profit per share - diluted (<i>US\$</i>)	0.08	0.01	700%	0.15	0.01	1,400%
Funds flow from operating activities	4,937	2,514	96%	9,226	3,981	132%
Funds per share from operating activities - basic (<i>US\$</i>)	0.17	0.09	89%	0.31	0.13	138%
Funds per share from operating activities - diluted (<i>US\$</i>)	0.16	0.08	100%	0.30	0.13	131%
Net cash flows from operating activities	3,472	1,728	101%	4,939	3,632	36%
Net cash flows per share from operating activities - basic (<i>US\$</i>)	0.12	0.06	100%	0.17	0.12	42%
Net cash flows per share from operating activities - diluted (<i>US\$</i>)	0.11	0.06	83%	0.16	0.12	33%
Outstanding Shares ('000)						
Class A shares	1,751	1,751	0%	1,751	1,751	0%
Class B shares	27,743	27,788	0%	27,743	27,788	0%
Options	2,797	2,797	0%	2,797	2,797	0%
Operating						
Additional Gas sold (<i>MMcf</i>) - industrial	562	613	(8%)	1,048	973	8%
Additional Gas sold (<i>MMcf</i>) - power	2,440	1,693	44%	5,096	3,263	56%
Additional Gas sold (<i>MMcfd</i>) - industrial	6.2	6.7	(7%)	5.8	5.4	7%
Additional Gas sold (<i>MMcfd</i>) - power	26.8	18.6	44%	28.2	18.0	56%
Average price per mcf (<i>US\$</i>) - industrial	9.45	7.02	35%	9.38	7.35	28%
Average price per mcf (<i>US\$</i>) - power	2.56	2.36	8%	2.56	2.37	8%

Chairman & CEO's Letter to Shareholders

To increase shareholder value, Orca Exploration will focus on three growth strategies:

- Maximise and monetise the value in existing assets in Tanzania;
- Increase assets by exploring and developing new high impact hydrocarbon opportunities; and
- Development of infrastructure capacity in East Africa.

Our goal is clear – to grow long term shareholder value and have that value recognised. Over the first half of 2010, Orca has taken important steps to maximise the potential of its Tanzanian gas business and to create additional upside through participation in new exploration and development projects. Our growth activities have included:

- Working with other stakeholders in Tanzania to increase the deliverability of Songo Songo gas;
- Planning for the drilling of the low risk, high potential Songo Songo West exploration prospect in 2011;
- Establishing the EastCoast Transmission and Marketing division of Orca as a catalyst for natural gas expansion in East Africa;
- Farming in on the appraisal drilling of the Elsa-2 well and the evaluation of 11 adjacent exploration prospects in the Italian Adriatic; and
- Working to secure a new low risk high impact oil exploration prospect.

Orca has the financial strength to engage in these vigorous growth initiatives. We have a strong balance sheet and increasing cash reserves. The Company had US\$18 million in cash reserves at the end of June and funds flow is expected to increase at approximately US\$2 million per month until the end of 2010.

This strong cash position will be supplemented with the proceeds of up to approximately US\$18 million from the rights issue which is due to close in October 2010.

Strong and growing funds flow in Tanzania

During the second quarter of 2010, Orca's gas production and marketing in Tanzania generated funds flow of US\$4.9 million, an 96% increase compared with the same period in 2009.

Gas sales volumes will continue to increase in Q3 2010 as textile production takes advantage of the availability of cheap cotton and there is greater demand for gas in electricity generation as the country's hydro generation output declines during the dry season.

However, the need to increase gas throughput (currently restricted to 90 MMcfd) remains urgent as there have been recent occasions when demand for gas exceeded the infrastructure capacity. Orca is working with all stakeholders to accelerate the development of Tanzania's infrastructure to relieve this situation.

The Company is an active participant in the project led by Songas Limited to maximise the capacity of the existing system to 140 MMcfd through the construction of new processing trains and the optimisation of pipeline pressures. This is forecast to be operational by the end of 2012.

EastCoast Transmission and Marketing

To lead in the development of natural gas markets in East Africa, Orca recently announced the creation of a new infrastructure division, EastCoast Transmission and Marketing. This will accelerate the commercialisation of the Tanzanian gas reserves above 140 MMcfd whilst also creating a new revenue stream for the Company.

The first EastCoast Transmission and Marketing project being evaluated is the feasibility of a 207 kilometer onshore pipeline that could run parallel to the existing onshore pipeline from the Songo Songo field area to Dar es Salaam.

New gas discoveries will further increase the need for an expanded transmission infrastructure. If there is success with the drilling of Songo Songo West the next EastCoast Transmission project could be the construction of a new 25-kilometer offshore pipeline

to bring Songo Songo West gas to market. Interest in Tanzania's potential new gas reserves continues to grow. In recent months a number of larger energy companies including BG Plc, Statoil and Exxon Mobil have been examining opportunities to drill for gas offshore. Significant infrastructure expansion and additions throughout East Africa would be needed to transport gas that these companies discover. Ultimately it is envisioned that an EastCoast Transmission pipeline could be extended along the coast north to Mombasa and south to Mtwara near the border with Mozambique adjacent to the Mnazi Bay gas discovery.

Orca is in a unique position to lead such an infrastructure project. Orca is well established and has positive working relationships with the Government of Tanzania, Tanzanian Petroleum Development Corporation (TDPC) and the energy regulator, EWURA. The Company is currently in discussion with a number of both equity and debt providers about the financing of a new infrastructure company and is keen to have a significant East Africa finance component.

Low risk appraisal well in Italy

During Q2 2010, Orca signed a farm-in agreement with Petroceltic International Plc to participate in the drilling of a low risk appraisal well offshore Italy in the Adriatic. The area has significant oil exploration upside.

Under the terms of the farm-in agreement, the Company will fund 30% of the Elsa-2 appraisal well up to a maximum of US\$11.5 million to earn a 15% working interest in the permit. Thereafter, Orca will fund all future costs relating to the well and the permit in proportion to its participating interest. Orca has also agreed to pay Petroceltic fifteen per cent (15%) of the back costs in relation to the well up to a maximum of US\$0.5 million.

The Elsa field was discovered in 1992 by AGIP with the drilling of the Elsa-1 well which encountered an oil column of 65 meters in the Lower Cretaceous Maiolica Formation at a depth of approximately 4,500 meters. The Elsa-2 appraisal well has the primary objective of confirming the commercial production potential of the reservoir when flow tested. Positive results from Elsa-2 will be followed by a 3D seismic survey over the field.

However recent worldwide concerns about offshore drilling caused by the blowout of the Macondo well in the U.S. Gulf has led the Italian government to pass a law exclude drilling in the Italian seas within 5 miles of the coastline and within 12 miles around the perimeter of protected Marine Parks. In view of this, Petroceltic has applied to suspend the current timing requirement that the Elsa-2 well was to be spud prior to 31 October 2010. The permit will remain suspended until such time as the Ministry of Environment issues a decree of environmental compatibility for the drilling program and the partners apply for the permit to be reinstated. Orca is not liable to any costs associated with the drilling of Elsa 2 until a rig contract is signed, but anticipates that this could occur in 2011.

In addition to interest earned by the drilling of Elsa-2 Orca's farm-in agreement with Petroceltic provides an opportunity for Orca to participate on a ground floor basis for 15% of an additional 11 exploration blocks in the Central Adriatic.

Gas sales and financial results

The Company's natural gas production and marketing operations in Tanzania continue to provide Orca with a solid financial and operating foundation. Gas sales to the power sector remained strong during Q2 despite increased production of hydro electricity during the rainy season.

Orca's funds flow are forecast to continue to grow in the second half of 2010 bringing anticipated funds flow for the year to approximately US\$17 million. The Company's second quarter G&A expenditures were in line with 2009 at US\$2.4 million. This was achieved at the same time as sales volumes increased 30%.

Strategy driven action

Your Company's recently strengthened Board of Directors, Orca's management and all employees are poised to take the Company to a new level of activity, growth and performance over the course of 2010 and 2011. Your Company is taking action to use its long life cash flows in Tanzania to expand production and transportation infrastructure and to increase reserves by the drilling of a relatively low risk exploration well at Songo Songo West.

In Italy, Orca looks forward to building a significant oil business in this proven and stable hydrocarbon basin commencing with the drilling of the Elsa-2 appraisal well as soon as the legal structure permits. To balance our current portfolio we have also signed a production sharing agreement for a high impact low risk exploration licence in a third jurisdiction. The ratification of that agreement will further strengthen your Company's portfolio, providing a fresh opportunity to add value.

We are committed to grow long term shareholder value and to have that value recognized to the benefit of our shareholders. Together, we are taking action to deliver on Orca's renewed growth agenda.

Consolidated Statement of Comprehensive Income (unaudited)

ORCA EXPLORATION GROUP INC.

	Three months ended		Six months ended	
	30-Jun 2010	30-Jun 2009	30-Jun 2010	30-Jun 2009
<i>(thousands of US dollars except per share amounts)</i>				
Revenue	9,017	5,501	17,276	9,944
Cost of sales				
Production and distribution expenses	(1,079)	(596)	(2,166)	(901)
Depletion expense	(931)	(909)	(1,910)	(1,662)
	7,007	3,996	13,200	7,381
Administrative expenses	(2,408)	(2,941)	(5,141)	(5,986)
Net financing (charges)/income	(507)	24	(694)	6
Profit before taxation	4,092	1,079	7,365	1,401
Taxation	(1,484)	(700)	(2,817)	(1,190)
Profit and comprehensive income	2,608	379	4,548	211
Profit per share				
Basic (US\$)	0.09	0.01	0.15	0.01
Diluted (US\$)	0.08	0.01	0.15	0.01

Consolidated Statement of Financial Position (unaudited)

ORCA EXPLORATION GROUP INC

As at (thousands of US dollars)	30-Jun 2010	31-Dec 2009
ASSETS		
Current assets		
Cash and cash equivalents	18,319	14,543
Trade and other receivables	13,098	9,181
	31,417	23,724
Non-current assets		
Exploration and evaluation asset	763	760
Property, plant and equipment	60,894	61,793
	61,657	62,553
	93,074	86,277
EQUITY AND LIABILITIES		
Current liabilities		
Trade and other payables	6,476	6,889
Non-current liabilities		
Deferred income taxes	10,836	9,068
Deferred additional profits tax	1,820	1,460
	19,132	17,417
Equity attributable to owners		
Capital stock	66,267	66,267
Other components of equity	5,343	4,809
Accumulated income/(loss)	2,332	(2,216)
	73,942	68,860
	93,074	86,277

Consolidated Statement of Cash Flows (unaudited)

ORCA EXPLORATION GROUP INC

<i>(thousands of US dollars)</i>	Three months ended		Six months ended	
	30-Jun 2010	30-Jun 2009	30-Jun 2010	30-Jun 2009
CASH FLOWS FROM OPERATING ACTIVITIES				
Profit after taxation	2,608	379	4,548	211
Adjustment for :				
Depletion and depreciation	988	940	2,019	1,717
Stock-based compensation	379	414	534	710
Deferred income taxes	781	700	1,768	1,190
Deferred additional profits tax	183	92	360	180
Interest income	(2)	(11)	(3)	(27)
	4,937	2,514	9,226	3,981
Decrease/(increase) in trade and other receivables	661	(718)	(3,917)	4,159
Decrease in trade and other payables	(2,126)	(68)	(370)	(4,508)
Net cash flows from operating activities	3,472	1,728	4,939	3,632
CASH FLOWS USED IN INVESTING ACTIVITIES				
Exploration and evaluation expenditures	-	(67)	(3)	(106)
Property, plant and equipment expenditures	(889)	(1,682)	(1,120)	(3,534)
Interest income	2	11	3	27
Increase/(decrease) in trade and other payables	217	(628)	(43)	(1,377)
Net cash used in investing activities	(670)	(2,366)	(1,163)	(4,990)
CASH FLOWS USED IN FINANCING ACTIVITIES				
Normal course issuer bid	-	-	-	(156)
Net cash flow used in financing activities	-	-	-	(156)
Increase/(decrease) in cash and cash equivalents	2,802	(638)	3,776	(1,514)
Cash and cash equivalents at the beginning of the period	15,517	9,710	14,543	10,586
Cash and cash equivalents at the end of the period	18,319	9,072	18,319	9,072

Statement of Changes in Shareholders' Equity (unaudited)

ORCA EXPLORATION GROUP INC

<i>(thousands of US dollars)</i>	Capital stock	Other components of equity	Accumulated loss	Total
Balance as at 1 January 2009	66,537	3,715	(5,540)	64,712
Stock-based compensation	-	710	-	710
Normal course issuer bid	(168)	12	-	(156)
Total comprehensive income for the period	-	-	211	211
Balance as at 30 June 2009	66,369	4,437	(5,329)	65,477

<i>(thousands of US dollars)</i>	Capital stock	Other components of equity	Accumulated Income/(loss)	Total
Balance as at 1 January 2010	66,267	4,809	(2,216)	68,860
Stock-based compensation	-	534	-	534
Total comprehensive income for the period	-	-	4,548	4,548
Balance as at 30 June 2010	66,267	5,343	2,332	73,942

Orca Exploration is an international public company engaged in natural gas exploration, development and supply in Tanzania, oil appraisal in Italy and the acquisition of an additional new oil exploration opportunity in another proven hydrocarbon basin. Orca Exploration trades on the TSXV under the trading symbols ORC.B and ORC.A.

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Neither the TSX Venture Exchange nor its Regulation Service Provider (as that term is defined in the policies of the TSX Venture Exchange) accepts responsibility for the adequacy or accuracy of this release.

Forward Looking Statements

This disclosure contains certain forward-looking statements that involve substantial known and unknown risks and uncertainties, certain of which are beyond Orca's control, including 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 and obtaining required approvals of regulatory authorities. 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 estimates and, accordingly, no assurances can be given that any of the events anticipated by the forward-looking estimates will transpire or occur, or if any of them do so, what benefits, including the amounts of proceeds, that Orca will derive therefrom. The forward-looking statements contained in this press release 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.