Orca Exploration Group Inc.
PO Box 3152
Road Town
Tortola
British Virgin Islands

TSX-V: ORC.A, ORC.B

FOR IMMEDIATE RELEASE

26 August 2011

Orca Exploration announces its result for the quarter ended 30 June 2011

TORTOLA, British Virgin Islands. Orca Exploration Group Inc ("Orca Exploration" or the "Company") announces its results for the quarter ended 30 June 2011.

Highlights

- Increased sales of Additional Gas by 6% to 3,653 MMcf or 40.2MMcfd (Q2 2010: 3,002 MMcf or 33.0 MMcfd). In the last ten days of June, sales increased to an average of 53 MMcfd.
- Increased working capital by 2% during the quarter to US$57.1 million (US$55.8 million at 31 March 2011).
- Signed a Re-rating Agreement with Songas Limited to increase the Songo Songo gas processing capacity from 90 MMcfd to 110 MMcfd. This has increased the infrastructure capacity to 102 MMcfd (restricted by the pipeline capacity and downstream pressure requirements).
- Made good progress with the Songas Expansion Project that will see infrastructure capacity increase to 140 MMcfd with the addition of new gas processing units and pipeline compression.
- Signed a Portfolio Gas Sales Agreement with TANESCO for the sale of Additional Gas to the power sector for the period until June 2023.
- Continued to strengthen Orca's management team by recruiting a new chief operating officer.

.

Financial and Operating Highlights

	Three months ended or as at			Six months ended or as at		
	30-Jun 2011	30-Jun 2010	Change	**30-Jun 2011**	30-Jun 2010	Change
Financial (US$'000) except where otherwise stated						
Revenue	**8,296**	9,017	(8%)	**17,936**	17,276	4%
Profit before taxation	**1,341**	4,092	(67%)	**5,371**	7,365	(27%)
Operating netback *(US$/mcf)*	**1.80**	2.37	(24%)	**1.98**	2.27	(13%)
Cash and cash equivalents	**48,993**	18,319	167%	**48,993**	18,319	167%
Working capital	**57,070**	24,941	129%	**57,070**	24,941	129%
Shareholders' equity	**100,956**	73,942	37%	**100,956**	73,942	37%
Earnings per share - basic *(US$)*	**0.01**	0.09	(89%)	**0.08**	0.15	(47%)
Earnings per share - diluted *(US$)*	**0.01**	0.08	(88%)	**0.08**	0.15	(47%)
Funds flow from operating activities	**3,292**	5,001	(34%)	**8,239**	9,541	(14%)
Funds per share from operating activities - basic *(US$)*	**0.09**	0.17	(47%)	**0.24**	0.32	(25%)
Funds per share from operating activities - diluted *(US$)*	**0.09**	0.16	(44%)	**0.23**	0.31	(26%)
Net cash flows from operating activities	**2,142**	3,672	(42%)	**5,638**	5,190	9%
Net cash flows per share from operating activities - basic *(US$)*	**0.06**	0.12	(50%)	**0.16**	0.18	(11%)
Net cash flows per share from operating activities - diluted *(US$)*	**0.06**	0.12	(50%)	**0.16**	0.17	(6%)
Outstanding Shares ('000)						
Class A shares	**1,751**	1,751	0%	**1,751**	1,751	0%
Class B shares	**32,939**	27,743	19%	**32,939**	27,743	19%
Options	**2,557**	2,797	(9%)	**2,557**	2,797	(9%)
Additional Gas sold *(MMcf)* - industrial	**688**	562	22%	**1,237**	1,048	18%
Additional Gas sold *(MMcf)* - power	**2,965**	2,440	22%	**5,759**	5,096	13%
Additional Gas sold *(MMcfd)* - industrial	**7.6**	6.2	22%	**6.8**	5.8	18%
Additional Gas sold *(MMcfd)* - power	**32.6**	26.8	22%	**31.8**	28.2	13%
Average price per mcf *(US$)* - industrial	**10.28**	9.45	9%	**9.90**	9.38	6%
Average price per mcf *(US$)* - power	**2.64**	2.56	3%	**2.63**	2.56	3%

Chairman & CEO's Letter to Shareholders

By the end of the Q2, Orca Exploration Group Inc. ("Orca" or the "Company") had successfully concluded a re-rating agreement with TANESCO and Songas to increase natural gas production from the Songo Songo gas field to a maximum of 102 MMcfd. This positive development comes at a time of urgent demand within Tanzania for increased natural gas production for power generation.

Currently Tanzania does not have enough generating capacity to meet its needs. Daily power shedding and rolling blackouts are having a negative effect on the nation's industrial capacity, its economy and the livelihoods and well-being of millions of Tanzanians. The failure of this year's long rains in East Africa has seen hydro power fall from 50% to below 20% of the total power generation in Tanzania.

At the same time demand for power continues to grow. The government's announced intention is to have 2,780 MW of power by 2015. This is a huge jump from the current installed capacity of 1,117 MW. However it provides ample opportunity for companies like Orca to play a significant role in helping to develop the country's natural gas resources to the mutual benefit of Tanzanians and the Company's investors.

Over the last 20 years Orca, and its predecessor companies EastCoast Energy, PanAfrican Energy and Ocelot International, have been key players in the development of Tanzania's first and largest natural gas development. We have a commitment to the development and efficient use of Tanzania's natural gas resources and are engaged in exploration to increase the nation's natural gas reserves. To sustain the development of Tanzania's energy resources Orca has been instrumental in raising new capital, operating the Songo Songo gas field and its processing plant and distributing natural gas for power and industrial development. Orca is working with key players to help alleviate Tanzania's energy shortages and to partner in the development of the country's energy resources.

Sustainable growth

Orca recorded gas sales of 40.2 MMcfd in the second quarter an increase of 22% compared with the same period in 2010. During the last10 days of June, the Company's gas sales increased to an average of 53 MMcfd when the gas processing capacity was re-rated leading to increased infrastructure capacity.

During Q2 Orca assisted in the planning for the Songas Expansion Project which is intended to boost infrastructure capacity to 140 MMcfd. The Company has also indicated to the Government that it is looking at ways of increasing Songo Songo production to 200 MMcfd from the existing field for a short period until other gas discoveries in Tanzania come on stream. Orca will be actively involved in this process both as operator of the gas processing plant and principal user of the infrastructure.

To provide for sustainable gas production increases Orca is planning to take a number of actions over the next 18 months:

- Drilling of a new onshore deviated well (SS-A) and an upgrade of SS-10 to increase deliverability to approximately 150 – 160 MMcfd by the end of 2011;
- Workover of SS-5 and SS-9 to increase deliverability to 250 - 260 MMcfd by the end of 2012;
- Drilling of the high potential Songo Songo West (SSW) exploration prospect in 2012;
- Negotiation of contracts with Songas and TANESCO for the Songas Expansion Project which has the potential to expand infrastructure capacity to 140 MMcfd

Current power sector demand

The April and May long rains failed to replenish the reservoirs that the country depends on to generate up to 550 MWs. As a consequence Tanzania's installed hydro power capacity is now dramatically reduced. To address this shortfall, TANESCO recently re-commissioned a 112 MW gas fired power plant in Dar es Salaam (owned and operated by Symbion Power LLC). This will increase the total generation potentially consuming Orca's Additional Gas to 301 MWs (or approximately 66 MMcfd at peak load).

Further additions to Tanzania's generating capacity are scheduled for next year. TANESCO has contracted Jacobsen Elektro to install a new 105 MW plant (maximum demand of 22 MMCfd) in Dar es Salaam and this is forecast to be operational by the end of Q1 2012.

Longer term power sector needs

During Q2 2011, a long term (to June 2023) Portfolio Gas Sales Agreement (PGSA) was signed between Orca and TANESCO. Under the PGSA, Orca is obligated, subject to infrastructure capacity, to sell a maximum of approximately 37 MMcfd for use in any of the power plants except those operated by Songas at Ubungo. The current basic wellhead gas price of US$ 2.02/ Mcf is due to increase to approximately US$2.70/Mcf on 1 July 2012.

Expanding infrastructure

As reported above, during Q2 2011 the Company signed a Re-rating Agreement with TANESCO and Songas to operate the gas processing plant on Songo Songo Island at levels of up to 110 MMcfd (the pipeline and pressure requirements at the Ubungo power plant restrict the infrastructure capacity to a maximum of 102 MMcfd). The agreement is expected to remain in force for the period until the Songas Expansion Project is operational. Under the terms of this agreement, the Company will effectively pay 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.

Corrosion and deliverability update

Following a corrosion logging survey it was determined that Orca currently has the capacity to deliver 113 MMcfd from the five producing Songo Songo gas wells. However, in Q1 2011, it was concluded that SS-9 may need to be taken out of production by the end of Q1 2012, subject to the results of re-logging of the well in September 2011.

The Company is currently looking to contract a land rig to drill a new high producing onshore deviated well. At the same time the SS-10 well will be upgraded to increase deliverability. The contracting of a land rig to undertake this work programme within a tight timeframe is critical and there may be the need to mobilise a rig from outside of the country. It is forecast that a rig contract will be signed during September. The estimated capital cost for this programme is US$35 million. An experienced drilling team has been assembled to carry out the work and long lead items have been ordered.

Italian delineation well

The Company intends to participate in the drilling of the La Tosca gas exploration well in the Po Valley Basin in Q1 2012 as the first step in delineating the prospectivity of the Longastrino block. In the event of a discovery, it is anticipated that 3D seismic will be acquired over several potential leads in the Longastrino block. Additional drilling will be conducted if the seismic interpretation is positive.

The Company is still optimistic that the Italian government will ultimately issue a decree of environmental compatibility and allow further offshore drilling to re-commence in the Central Adriatic. The drilling of the Elsa-2 well is an excellent opportunity to participate in an appraisal project where there is a known 65 meter oil column that was drilled in 1992. This prospect is particularly attractive at the current oil price. The Company has no obligation to pay any costs until a rig contract has been signed and there is no time limit in the farm in agreement with Petroceltic plc. In addition, the farm in provides the Company with significant upside through the ability to participate in the exploration of 11 adjacent blocks at a 15% working interest.

Financing

Funds flow from operating activities declined to US$3.3 million (Q2 2010: US$5.0 million) primarily due to the depletion of the cost recovery pool and the payment of past marketing costs to Tanzania Petroleum Development Corporation (TDPC) in accordance with the terms of the Production Sharing Agreement.

The Company's cost pool in Tanzania was depleted early in Q2 2011. This resulted in a reduction in the percentage of net revenue attributable to the Company that will continue until there is any significant expenditure on the drilling activities which will commence in Q3 2011. TPDC is still in the process of auditing the historic cost recovery pool and this may lead to adjustments in the future. Orca will also see a reduction in the net revenue allocated to the Company now that a significant proportion of production is coming from the deemed TPDC backed-in well (SS-10).

With sales volumes expected to increase as a consequence of the re-rating, cash flows should strengthen for the remainder of 2011. From July 2012, the base power price is also due to increase by circa US$0.68/mcf which will have a beneficial impact on revenues.

The capital work programme for the remainder of 2011 is estimated to be US$40 million – US$48 million compared with a current cash balance of US$49.0 million. This programme includes the drilling of the deviated SS-A well, the enhancement of SS-10 and the purchase of long lead time items for the drilling of Songo Songo West. Whilst there is expected to be sufficient funds to undertake the 2011 work programme taking into account self generated cash flows for the balance of the year, the Company will look to secure a financing facility and/or raise new equity to cover planned 2012 capital expenditure.

Board of Directors and leadership additions

I would like to welcome Robin Gaeta to our Board of Directors. He was elected to the Board at our Annual General Meeting in June. Robin brings broad experience in natural gas development and power generation in the Americas, Europe and Africa to the table. He has served as an executive with Shell in various roles and most recently as the head of new market development for Shell Global LNG with responsibility for the development of innovative smaller scale LNG value chains.

We also welcome Dale Rollins who has joined Orca as Chief Operating Officer (COO). As COO he will have broad management responsibilities including direction of all aspects of Orca's day-to-day operations, leading the implementation of Board strategies, targets and plans, and working collaboratively on developing the Company's asset portfolio. Prior to joining Orca Mr. Rollins had a highly successful 27-year career that included senior oil and gas management responsibilities in Nigeria, Russia, Australia, Europe and the United States.

We would like to thank Peter Clutterbuck for his years of service as both an officer and director of the Company. Peter played a pivotal role in the development of our natural gas projects in Tanzania and we thank him for his many contributions.

The task at hand

Orca is by far the largest producer and seller of natural gas in East Africa and it is well positioned to continue to play a key role in developing East African gas markets and infrastructure. We have partnered in developing Tanzania's natural gas resources over the past two decades and we are committed to continue to play our part in ensuring that Tanzania has adequate power to support a growing economy.

We are also aware of the expectations and trust our shareholders have placed in the Company and we are working together at all levels to deliver on those expectations. We look forward to implementing our corporate action plans for the balance of 2011.

Condensed Consolidated Interim Statement of Comprehensive Income (unaudited)

ORCA EXPLORATION GROUP INC.

	Three months ended		Six months ended	
(*thousands of US dollars except per share amounts*)	**30-Jun 2011**	30-Jun 2010	**30-Jun 2011**	**30-Jun 2010**
Revenue	**8,296**	9,017	**17,936**	**17,276**
Cost of sales				
Production and distribution expenses	**(1,183)**	(1,079)	**(2,209)**	**(2,166)**
Depletion expense	**(1,728)**	(931)	**(3,310)**	**(1,910)**
	5,385	7,007	**12,417**	**13,200**
General and administrative expenses	**(3,487)**	(2,408)	**(6,337)**	**(5,141)**
Net finance costs	**(557)**	(507)	**(709)**	**(694)**
Profit before taxation	**1,341**	4,092	**5,371**	**7,365**

Taxation	**(958)**	(1,484)	**(2,598)**	**(2,817)**
Profit after taxation and comprehensive income	**383**	2,608	**2,773**	**4,548**

Earnings per share

Basic (US$)	**0.01**	**0.09**	**0.08**	**0.15**
Diluted (US$)	**0.01**	**0.08**	**0.08**	**0.15**

Condensed Consolidated Interim Statement of Financial Position (unaudited)

ORCA EXPLORATION GROUP INC

AS AT *(thousands of US dollars)*	**30-Jun 2011**	31-Dec 2010
ASSETS		
Current Assets		
Cash and cash equivalents	**48,993**	45,519
Trade and other receivables	**18,323**	13,583
Taxation Receivable	**4,625**	4,009
Prepayments	**789**	409
	72,730	63,520
Non- Current Assets		
Exploration and evaluation assets	**1,480**	942
Property, plant and equipment	**58,951**	59,946
	60,431	60,888
Total Assets	**133,161**	124,408
EQUITY AND LIABILITIES		
Current Liabilities		
Trade and other payables	**13,750**	9,156
Taxation payable	**1,910**	2,000
	15,660	11,156
Non-Current Liabilities		
Deferred income taxes	**13,497**	12,809
Deferred additional profits tax	**3,048**	2,260
	16,545	15,069
Total Liabilities	**32,205**	26,225
Equity		
Capital stock	**85,100**	85,100
Contributed surplus	**5,288**	5,288
Accumulated income	**10,568**	7,795
	100,956	98,183
Total Equity and Liabilities	**133,161**	124,408

Condensed Consolidated Interim Statement of Cash Flows (unaudited)

ORCA EXPLORATION GROUP INC

(thousands of US dollars)	Three months ended **30-Jun 2011**	Three months ended 30-Jun 2010	Six months ended **30-Jun 2011**	Six months ended 30-Jun 2010
CASH FLOWS FROM OPERATING ACTIVITIES				
Profit after taxation	**383**	2,608	**2,773**	4,548
Adjustment for :				
Depletion and depreciation	**1,776**	988	**3,406**	2,019
Gain on disposal of vehicle	**-**	-	**(5)**	-
Stock-based compensation	**(163)**	(10)	**(90)**	286
Deferred income taxes	**150**	781	**688**	1,768
Deferred additional profits tax	**595**	183	**788**	360
Interest income	**(1)**	(2)	**(4)**	(3)
Unrealised foreign exchange loss	**552**	453	**683**	563
	3,292	5,001	**8,239**	9,541
(Increase)/decrease in trade and other receivables	**(4,431)**	614	**(5,318)**	(2,911)
Decrease/(increase) in taxation receivable	**846**	(703)	**(616)**	(851)
(Increase)/decrease in prepayments	**(408)**	408	**(380)**	(627)
Increase/(decrease) in trade and other payables	**4,035**	(1,704)	**3,803**	(364)
(Decrease)/increase in taxation payable	**(1,192)**	56	**(90)**	402
Net cash flows from operating activities	**2,142**	3,672	**5,638**	5,190
CASH FLOWS USED IN INVESTING ACTIVITIES				
Exploration and evaluation expenditures	**(314)**	-	**(538)**	(3)
Property, plant and equipment expenditures	**(1,279)**	(889)	**(2,411)**	(1,120)
Interest received	**1**	2	**4**	3
Proceeds from sale of vehicle	**-**	-	**5**	-
Increase/(decrease) in trade and other payables	**754**	217	**860**	(43)
Net cash used in investing activities	**(838)**	(670)	**(2,080)**	(1,163)
CASH FLOWS USED IN FINANCING ACTIVITIES				
Net cash flow used in financing activities	**-**	-	**-**	-
Increase in cash and cash equivalents	**1,304**	3,002	**3,558**	4,027
Cash and cash equivalents at the beginning of the period	**47,776**	15,517	**45,519**	14,543
Effect of change in foreign exchange	**(87)**	(200)	**(84)**	(251)
Cash and cash equivalents at the end of the period	**48,993**	18,319	**48,993**	18,319

Condensed Consolidated Interim Statement of Changes in Shareholders' Equity

(unaudited)

ORCA EXPLORATION GROUP INC

(thousands of US dollars)	**Capital stock**	**Contributed surplus**	**Accumulated (loss)/income**	**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**

(thousands of US dollars)	**Capital stock**	**Contributed surplus**	**Accumulated income**	**Total**
Balance as at 1 January 2011	85,100	5,288	7,795	98,183
Total comprehensive income for the period	-	-	2,773	2,773
Balance as at 30 June 2011	**85,100**	**5,288**	**10,568**	**100,956**

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.

For further information please contact:

W. David Lyons,
Chairman and CEO
+44-7717-100-200
wdlyons@orcaexploration.com

Nigel A. Friend,
CFO
+44-7798-502316
nfriend@orcaexploration.com

Dale Rollins,
COO
+44-7713-358467
drollins@orcaexploration.com

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.