ORCA ENERGY

and Controlled Entities
(ABN 25 009 121 644)

Annual Report
For the Year Ended
30 June 2013

CONTENTS

DIRECTORS

Gregory Bandy (Executive Director)
Jeremy King (Non-Executive Director)
Jason Bontempo (Non-Executive Director)
Denis Patten (Non-Executive Director)
Arthur Pitts (Alternate Director)

COMPANY SECRETARY

Shannon Robinson
Rebecca Sandford

REGISTERED OFFICE

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PRINCIPAL OFFICE

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AUDITORS

Stantons International
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1 Walker Avenue
West Perth WA 6005

AUSTRALIAN SECURITIES EXCHANGE

Orca Energy Limited shares (OGY) are listed on the Australian Securities Exchange.

Your Directors present their report on Orca Energy Limited ("Company") and its controlled entities ("Group") for the financial year ended 30 June 2013.

DIRECTORS

The names of Directors in office at any time during or since the end of the financial year are:

Gregory Bandy
Jeremy King
Jason Bontempo
Denis Patten
Arthur Pitts (Alternate Director)

Directors have been in office since the start of the financial year to the date of this report unless otherwise stated.

PRINCIPAL ACTIVITIES

The principal activity of the Group during the financial year was resource and oil and gas exploration. In June 2013 the Company entered into an agreement with Joint Venture operator Senex Energy Limited to farm down its final 20% participating interest in PEL115 in the Cooper Basin, South Australia conditional on shareholder approval and other regularity requirements Other than mentioned above, there were no significant changes in the nature of the entity's principal activities during the financial year.

RESULTS

The loss of the Group attributable to members amounted to $566,756 (2012: $2,447,527).

The Group's basic loss per share for the financial year ended 30 June 2013 was 0.1 cents per share (2012: 0.6 cents).

FINANCIAL POSITION

The Group's working capital, being current assets less current liabilities, was $3,089,701 as at 30 June 2013 (2012: $3,654,947).

DIVIDENDS

The Directors do not recommend the payment of a dividend and no amount has been paid or declared by way of a dividend to the date of this report.

REVIEW OF OPERATIONS

PEL 115 – COOPER BASIN, SOUTH AUSTRLIA (20% INTEREST)

In January 2012, Orca entered into an agreement to farm-out 22% of its Cooper Basin block, PEL 115, to joint venture partner and operator, Senex Energy Limited (ASX: SXY) in return for a dedicated unconventional gas exploration well and a portion of the fracture stimulation program. During the year Senex successfully completed a hydraulic fracture stimulation of the unconventional gas exploration well, Kingston Rule-1, which was drilled in 2012. A total of five zones were fracture stimulated as part of the program; four zones in the Patchawarra Formation tight gas sands and one zone in the Epsilon Formation.

Orca announced on the 11th March that gas was flowing to surface at Kingston Rule-1 unconventional gas exploration well at a constrained rate of 1.2 mmscfd during clean up and flow back activities. Gas flow from the well had been constrained by a 32/64-inch choke and wellhead pressure continued to increase.

On the 25th March Orca announced that the Joint Venture had successfully completed fracture stimulation operations at Hornet-1, a 2004 Victoria Petroleum well, where gas shows were observed in the Epsilon and Patchawarra Formations. In total six zones were stimulated in the Patchawarra Formation between the depths of 2,484 metres and 2,678 metres where gas flowed to surface at a rate of more than 2 mmscfd during clean up and flow back activities.

Senex prepared an initial assessment of the resources associated with the Hornet-1 well and surrounding area in May 2013 (the Hornet Field), which straddles the PEL 115 Hornet Block and PEL 516 (SXY 100%). The Contingent Resource associated within the Hornet Block of PEL 115 was 176BCF gross (35BCF net to Orca) and was assessed with a high level of confidence due to data gathered from Hornet-1 and Kingston Rule-1 in 2013.

In June, the Company announced that it has agreed to sell its 20% participating interest in PEL 115 to Senex Energy in exchange for a package of benefits worth approximately $7 million that includes a free carry for a portion of Orca's oil exploration and development in the southern Cooper Basin.

Under the terms of the agreement with Senex, Orca will retain its 20% interest in two key assets within PEL 115, namely the Fury oil discovery and the Burruna-1 oil exploration well. The parties are in the process of applying for a separate licence for the Fury and Burruna blocks (refer Figure 1), which will be known as the Fury Joint Venture and operate under the terms of the existing PEL 115 joint venture (Senex 80% and Operator, Orca 20%).

The consideration for the sale, effective 1 June 2013, encompasses a range of operational, financial and corporate benefits for Orca that equate to approximately $7 million. They include:

- Cancellation of Senex's 19.99% interest in Orca (115,000,000 shares placed to Senex at 3.5c per share in January 2012)
- Reimbursement of Orca's costs for work associated with the Kingston Rule-1 and Hornet-1 unconventional gas exploration wells in PEL 115
- Free carry for Orca's 20% share of costs for the completion and initial production test of the Fury-1 well
- Free carry of Orca's 20% share of costs to drill, case and suspend a proposed horizontal well in the Fury or Burruna Block
- Free carry of Orca's share of costs for the current Dundinna 3D seismic survey in PEL 110 (Senex 60% and Operator, Orca 20%)

The sale will leave Orca with a cash position in excess of $3m and free carried for the majority of its current Cooper Basin activities for the next 12 months.

REVIEW OF OPERATIONS (cont)

Orca also retains a "back-in" right to participate in any other conventional oil wells proposed by Senex in the PEL 115 block (outside of Fury and Burruna) before the current expiry date of the permit on 12 May 2014.

Fury-1 (OGY 20%)

Background

Victoria Petroleum drilled the Fury-1 oil discovery in 2009 to assess the oil charged Murta Member. The presence of an oil column over an 18m gross interval was interpreted from the wire line logs, MDT data and sidewall cores. An additional oil sand was also confirmed in the Permian Epsilon Formation. Production testing was to begin once a workover rig became available and the close proximity of the Mirage Oil Field production facilities offered the opportunity for a pipeline connection from the Fury-1 oil discovery to the Mirage Oil Field. The testing program was delayed, however, due to abnormally high rains that saw large parts of the Cooper Basin under water for over a year. Subsequent review and analysis by Senex concluded that an additional 11 metres of net pay could be accessed via a recompletion and extra perforations.

On 13th June, Orca announced that the Fury-1 oil exploration well was to be completed and placed on a 10 day initial production test (IPT). The test was to evaluate deliverability of the resource within the Fury oil field.

Subsequent to the financial year-end the Joint Venture announced the Fury-1 oil exploration well successfully tested an 18-metre gross oil column within the Murta Formation with initial flow rates of up to 75 barrels of oil per day. A hydraulic pump unit and surface facilities have been installed and test results are being evaluated with a view to bringing the well on line for long-term production.

Burruna-2 (OGY 20%)

Background

Burruna-1 was drilled in 1982 and encountered both oil and gas shows in the Murta, Epsilon and Merrimelia Formations. Since then, multiple nearby fields have produced oil from the Murta Formation. The closest well, Mirage-1 in PPL 213, has produced over 240,000 barrels of oil and recently Fury-1, also in the Fury Joint Venture area, successfully tested an 18-metre gross oil column within the Murta Formation. Burruna-2 has been located to maximize the Murta Formation interval and 18 metres of core will be cut to assist with the planning and design of future production enhancement techniques.

REVIEW OF OPERATIONS (cont)

Subsequent to the year-end and as per the Sales Agreement between the two companies, Senex free-carried carried Orca through the drilling of the Burruna-2 oil exploration well, designed to test the hydrocarbon potential of the Murta Formation and secondary targets in the Namur Sandstones, Epsilon Formation and Merrimelia Formation.

The well, located within the newly formed “Fury Joint Venture” area (OGY 20%, SXY 80%) and approximately 320 metres north east of the Burruna-1 exploration well (refer Figure 1), was confirmed as a future oil producer after wireline logs confirmed a 5.3 metre net pay interval in the mid Namur Formation. A subsequent drill stem test resulted in oil free-flowing to surface at a rate of over 750 barrels per day with no associated water.
During drilling at Burruna-2, Senex cut 18 metres of core through the Murta Formation, which will be analysed to aid in the design of production enhancement techniques. Free oil was observed with the recovered core and hydrocarbon fluorescence was noted over agross interval of 14 metres, further confirming the potential of the regionally extensive Murta Formation to deliver incremental production within the Joint Venture acreage.

Figure 1.

REVIEW OF OPERATIONS (cont)

PEL110 – COOPER BASIN, SOUTH AUSTRLIA (20% INTEREST)

During the financial year Orca's JV partner and operator, Senex Energy Limited, announced the commencement of its Dundinna 3D seismic program targeting conventional oil and gas across the northern Cooper Basin.

Approximately 176.7km2 of 3D seismic will be acquired and processed across PEL 110 which currently has 7 leads and prospects identified in the Birkhead and Hutton Formations, with good stratigraphic similarities to nearby discoveries along the margin. PEL 110 is considered to be in a prospective position on the western flank of the South Australian Cooper Basin and is majority owned by Senex who holds a 60% interest in the block.

Under the sales agreement announced with Senex on 13th June, Orca will be free carried through this entire program.

The PEL 110 project is located north of the Keleary and Telopea oil and gas fields and west of the James oil field (refer Figure 2.) Completion of this 3D seismic survey will be a significant further step forward in the exploration of PEL 110.

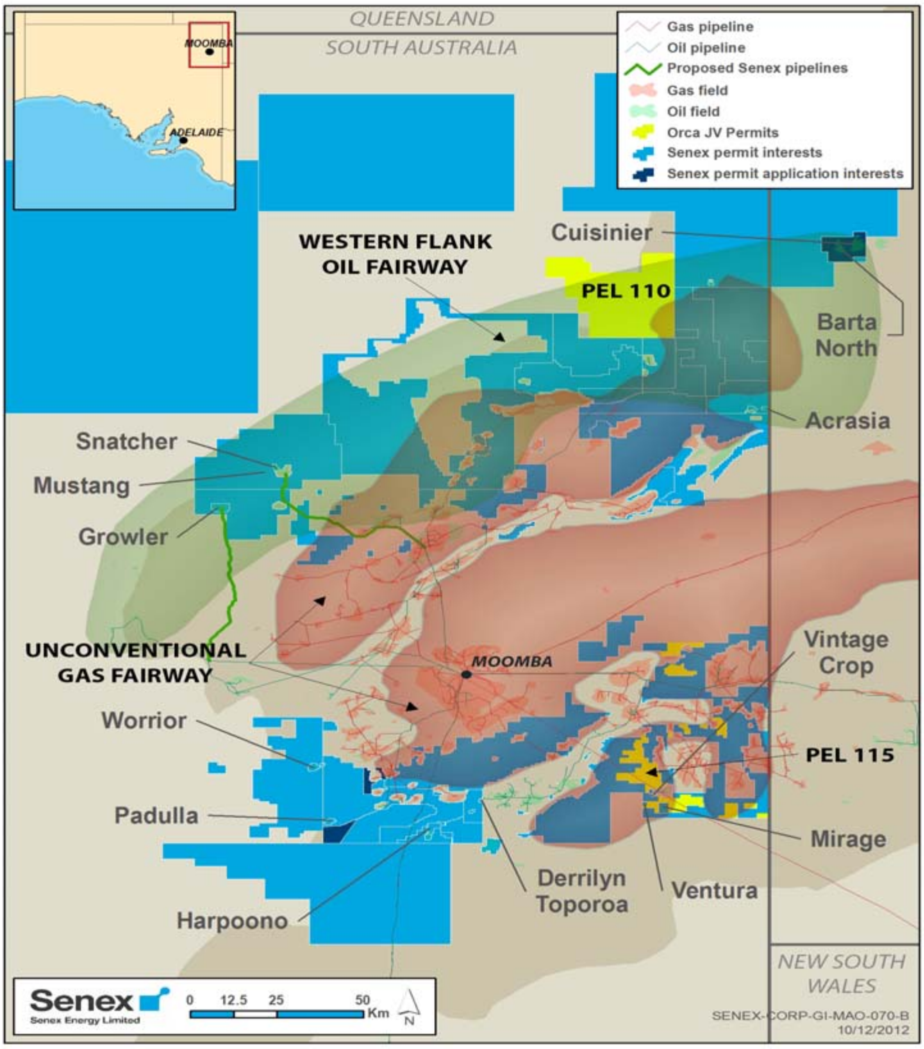

Figure 2.

REVIEW OF OPERATIONS (cont)

SEABISCUIT (MATAGORDA) PROJECT – TEXAS

Acquired by Orca in 2011 the Seabiscuit Project is a large structural closure with an area of approximately 1,750 acres. It is located in an ideal geological setting on trend with recently drilled wells flowing at sustained rates of 20 million cubic feet of natural gas and 200 barrels of oil per day, without any fracture stimulation. The JV intends to drill a 17,500ft well to test the Seabiscuit trap that has been estimated by the operator, Dan A. Hughes Company, to contain prospective resources of more than 300 billion cubic feet of natural gas (Bcf) and 2 million barrels of oil (MMbo) or condensate (mid case). Depending on reservoir thickness and column, the Seabiscuit Project could contain prospective resources of more than 1 trillion cubic feet of natural gas (Tcf) and 10 million barrels of oil (MMbo) or condensate (high case).

During the 2011/2012 US winter, Orca's JV partner and operator, Dan A. Hughes Company (Hughes) decided to postpone the drilling of the Arnold-Kain #1 well in Matagorda County citing poor weather conditions. Hughes has recently begun working on this prospect again with the intention of commencing construction operations in October and to spud in the first quarter of 2014. Orca expects Hughes to make a formal proposal to drill the Arnold-Kain #1 Well in Q3 2013.

CORPORATE ACTIVITIES

On 7th August 2013 Orca Energy Limited held a General Meeting seeking approval of the sale of the 20% participating interest in PEL115 to Senex Energy Limited. This resolution was passed on a show of hands.

CHANGES IN STATE OF AFFAIRS

During the year ended 30 June 2013 there was no significant change in the Group's state of affairs other than that referred to in the financial statements or notes thereto.

FUTURE DEVELOPMENTS

Further information as to likely developments in the operations of the Group and expected results of those operations, would, in the opinion of the Directors, be speculative and prejudicial to the interests of the Group and its shareholders.

ENVIRONMENTAL ISSUES

The Group is aware of its environmental obligations with regards to its exploration activities and ensures that it complies with all regulations when carrying out any exploration work. The Group is not aware of any environmental breaches during the current year.

INFORMATION ON DIRECTORS

Gregory Bandy	**Executive Director**
Experience	Mr. Greg Bandy has over 12 years' experience in retail, corporate and capital markets, both in Australia and overseas. Mr Bandy is also currently a Director of Red Emperor Resources NL (ASX|AIM: RMP) and a former director of Smart Parking Limited (ASX: SPZ) (formerly Car Parking Technologies Limited, formerly Empire Beer Group Limited (ASX: CPZ, EEE)).
Interest in Shares and Options	Nil
Directorships	Red Emperor Resources NL (01/08/2010- present) Smart Parking Limited (formerly Car Parking Technologies Limited, formerly Empire Beer Group Limited) (18/06/2009- 16/02/2011)
Jeremy King	**Non-Executive Director**
Experience	Mr. Jeremy King is a corporate lawyer with over 12 years' experience in domestic and international legal, financial and corporate matters. He has extensive corporate experience, particularly in relation to cross-border private equity, leveraged buy-out acquisitions and acting for banks, financial institutions and corporate issuers in respect of various debt and equity capital raisings. Mr King is currently also a director of, Smart Parking Limited (ASX: SPZ) (formerly Car Parking Technologies Limited) and Continuation Investments Limited (ASX: COT) and a former director of Glory Resources Ltd (ASX: GLY).
Interest in Shares and Options	50,000 fully paid ordinary shares
Directorships	Smart Parking Limited (formerly Car Parking Technologies Limited, formerly Empire Beer Group Limited) (01.08/2012 - present) Continuation Investments Limited (08/03/2012 – present) Glory Resources Limited (30/03/2010- 1/01/2012)

Jason Bontempo	**Non-Executive Director**
Experience	Mr Bontempo has worked in investment banking and corporate advisory since qualifying as a Chartered Accountant with Ernst & Young in 1997. Mr Bontempo has worked for investment banks in Australia and the UK and has been closely involved with the advising and financing of companies in the resources industry specialising in asset sales and AIM / ASX listings. Mr Bontempo is also currently a director of Glory Resources Limited and Matrix Metals Limited.
Interest in Shares and Options	Nil
Directorships	Glory Resources Limited (24/05/2010 - present) Matrix Metals Limited (22/12/2010 - present) Red Emperor Resources NL (24/01/2011 - present) African Iron Limited (16/02/2007 - 10/01/2011) Kupang Resources NL (formerly Chameleon Mining Limited) (13/09/2010-1/03/2012) International Goldfields Limited (formerly Corvette Resources Limited) (17/04/2008 – 1/01/2012)
Denis Patten	**Non-Executive Director**
Experience	Mr Patten has extensive experience in oil and gas exploration, development and production and was a founding director of Queensland Gas Company Limited, retiring from the board in 2007. Mr Patten's experience in the energy and resources industries spans more than 40 years and includes the development of major resources in Australia and internationally. He has held senior executive positions with ASEA Australia, CMPS&F, PT CMP Indonesia and a number of major Australian onshore oil and gas drilling companies. Mr Patten is currently the chairman of Senex Energy Limited (ASX: SXY).
Interest in Shares and Options	Nil
Directorships	Senex Energy Limited (ASX: SXY) – March 2008 to present
Arthur Pitts	**Alternate Director**
Experience	Mr Pitts has been involved in the oil and gas industry in a range of commercial and management roles in Australia and Asia, both upstream and downstream, for 30 years. Mr Pitts is currently commercial manager with Senex Energy Limited, having previously held a similar role with QGC – a BG Group business.
Interest in Shares and Options	1,000,000 Ordinary Fully Paid Shares
Directorships	Nil

COMPANY SECRETARY

Ms Shannon Robinson
Joint Company Secretary
Qualifications: LLB, B.Com (Accounting), ACIS, AAICD

Ms Robinson is an employee of Okap Ventures. Ms Robinson specialises in providing corporate advice in relation to acquisitions, takeovers, capital raisings, listing of companies including on ASX and AIM, due diligence reviews and compliance and managing legal issues associated with the activities undertaken by Okap Ventures' clients. Ms Robinson acts as the company secretary of a number of ASX and AIM listed companies. Ms Robinson is an associate of the Chartered Secretaries Australia and a member of AMPLA and has previously worked as a corporate lawyer at boutique law firms.

Ms Rebecca Sandford
Joint Company Secretary
Qualifications: B.Bus

Ms Sandford is an employee of Okap Ventures. Okap Ventures specialise in corporate advisory and financial management services. Ms Sandford's experience at Okap Ventures includes acquisitions, takeovers, capital raisings, listing of companies on ASX, due diligence reviews and compliance. Ms Sandford acts as the company secretary of a number of ASX and AIM listed companies. Ms Sandford is a member of the Chartered Secretaries Australia.

REMUNERATION REPORT

Key Management Personnel Details (audited)
The following persons had authority and responsibility for planning, directing and controlling the activities of the Group during the current and prior financial years. The key management personnel of the Group are also that of the company.

Gregory Bandy	Executive Director
Jeremy King	Non-Executive Director
Jason Bontempo	Non-Executive Director
Denis Patten	Non-Executive Director
Arthur Pitts	Alternate Director

a) Remuneration Policy
The Board of Directors is responsible for determining and reviewing compensation arrangements for the executive team. The Board will assess the appropriateness of the nature and amount of emoluments of such officers on a periodic basis by reference to relevant employment market conditions with the overall objective of ensuring maximum stakeholder benefit from the retention of a high quality Board and executive team. The Board reviewed the remuneration policy in August 2011.

Except as detailed, no Director has received or become entitled to receive, during or since the financial year, a benefit because of a contract made by the Company or a related body corporate with a Director, a firm of which a Director is a member or an entity in which a Director has a substantial financial interest.

This excludes a benefit included in the aggregate amount of emoluments received or due and receivable by Directors or the fixed salary of a full time employee of the Company.

The Group is an exploration entity, and therefore speculative in terms of performance. Consistent with attracting and retaining talented Executives, Directors and Senior Executives are paid market rates associated with individuals in similar positions, within the same industry. Options are issued to Directors and executives as performance incentives and to align Director, executive and shareholder goals.

The maximum aggregate amount of fees that can be paid to Non-Executive Directors is subject to approval by shareholders at the Annual General Meeting. Fees for Non-Executive Directors are not linked to the performance of the Company.

b) Director and Executive Remuneration (audited)

The Directors of the Group received the following amounts of compensation for the current year as set out below. There was no compensation of any type, to the Directors, other than as reported below for the provision of management services.

Director/Key Management Personnel	Year	Short-Term Salary & Fees $	Post Employment Superannuation $	Share Based Payments $	Other Benefits $	Total $	Performance Related %	Value of Options Remuneration %
Gregory Bandy	2013	123,333	10,800	-	4,705	138,838	-	-
Jeremy King	2013	36,000	-	-	4,705	40,705	-	-
Jason Bontempo	2013	42,000	3,780	-	4,705	50,485	-	-
Denis Patten	2013	36,580	3,832	-	4,705	45,117	-	-
Arthur Pitts	2013	-	-	-	-	-	-	-
		237,913	18,412		18,820	275,145		

Director/Key Management Personnel	Year	Short-Term Salary & Fees $	Post Employment Superannuation $	Share Based Payments $	Other Benefits $	Total $	Performance Related %	Value of Options Remuneration %
Gregory Bandy	2012	108,327	7,200	-	4,391	119,918	-	-
Jeremy King	2012	31,500	-	-	4,391	35,891	-	-
Jason Bontempo	2012	39,240	-	-	4,859	44,099	-	-
Denis Patten	2012	9,000	-	-	1,256	10,256	-	-
Arthur Pitts	2012	-	-	-	-	-	-	-
		188,067	7,200		14,897	210,164		

Notes:

The fees paid to Director related entities were for the provision of management services of the particular Director, to the Group as follows:

a) Bushwood Nominees Pty Ltd, an entity associated with Jeremy King.
b) BR Corporation Pty Ltd, an entity associated with Jason Bontempo.

c) Value of Options Issued to Directors and Executives (audited)

There were no options issued, granted, exercised or lapsed for Directors during the period (2012- Nil).

d) Options and Rights Over Equity Instruments Granted as Compensation (audited)

There were no options issued, granted, exercised or lapsed for Directors during the period (2012- Nil).

e) Service Agreements (audited)

The Company has entered into an Executive Service Agreement with Executive Director, Mr Greg Bandy, on the terms set out below:

- Remuneration: $120,000
- Termination: with reason, 3 months
- Termination: without reason, 12 months
- No fixed term (however 6 months notice required)

The Non-Executive directors have letters of employment which provides an annual fee of $36,000 per annum for their services (subject to review). There is no termination notice period or termination benefit specified in the letter.

INDEMNIFYING OFFICERS

The Company currently has a policy in place for directors and officers insurance. During the financial year ended 30 June 2013, the Company paid an insurance premium of $18,820 (2012: $16,328) for directors and officers liability insurance.

MEETINGS OF DIRECTORS

The number of Directors' meetings (including committees) held during the financial year and the number of meetings attended by each Director are:

	Directors' Meetings	
Director	**Number Eligible to Attend**	**Meetings Attended**
Gregory Bandy	1	1
Jeremy King	1	1
Jason Bontempo	1	1
Denis Patten	1	1
Arthur Pitts	1	1

There were no audit committee meetings held during or since the end of the financial year, as the audit committee function is performed by the Board as a whole.

OPTIONS

Share Options Granted to Directors and Executives

During and since the end of the year ended 30 June 2013 up to the date of this report, there were no share options issued to Directors and Executives of the Company as remuneration.

Un-issued Shares Under Option

At the date of this report, there are no unissued ordinary shares of the Company under option to Directors and Executives of the Company.

At the date of this report unissued ordinary shares of the Company under option to those other than Directors and Executives of the Company are:

Expiry Date	Exercise Price	Number Shares
11 December 2014	$0.16	500,000

The holders of these options do not have the right, by virtue of the option, to participate in any share issue or any other body corporate or registered scheme.

Shares Issued on Exercise of Options

There were no shares issued upon the exercise of options during the financial year ended 30 June 2013.(2012-Nil)

During the financial year ended 30 June 2013 (30 June 2012: Nil) there were nil compensation options exercised into fully paid ordinary shares.

There has been no issue of ordinary shares as a result of the exercise of options since the end of the financial year.

AUDITORS INDEPENDENCE DECLARATION

The auditor's independence declaration for the year ended 30 June 2013 has been received and can be found on page 16 of the financial report.

NON AUDIT SERVICES

Non-audit services have been provided by the auditor of the company during the year for the preparation of an independent experts report $7,500 (2012- Nil).

SUBSEQUENT EVENTS

Subsequent to the year end the Company held an EGM whereby the resolution regarding the sale of its 20% participating interest in PEL 115 to Senex Energy in exchange for a package of benefits worth approximately $7 million that includes a free carry for a portion of Orca's oil exploration and development in the southern Cooper Basin was passed.

Under the terms of the agreement with Senex, Orca will retain its 20% interest in two key assets within PEL 115, namely the Fury oil discovery and the Burruna-1 oil exploration well. The parties are in the process of applying for a separate licence for the Fury and Burruna blocks (refer Figure 1), which will be known as the Fury Joint Venture and operate under the terms of the existing PEL 115 joint venture (Senex 80% and Operator, Orca 20%).

The consideration for the sale, effective 1 June 2013, encompasses a range of operational, financial and corporate benefits for Orca that equate to approximately $7 million. They include:

- Cancellation of Senex's 19.99% interest in Orca (115,000,000 shares placed to Senex at 3.5c per share in January 2012)
- Reimbursement of Orca's costs for work associated with the Kingston Rule-1 and Hornet-1 unconventional gas exploration wells in PEL 115
- Free carry for Orca's 20% share of costs for the completion and initial production test of the Fury-1 well

SUBSEQUENT EVENTS (Continued)

- Free carry of Orca's 20% share of costs to drill, case and suspend a proposed horizontal well in the Fury or Burruna Block
- Free carry of Orca's share of costs for the current Dundinna 3D seismic survey in PEL 110 (Senex 60% and Operator, Orca 20%)

The sale will leave Orca with a cash position in excess of $3m and free carried for the majority of its current Cooper Basin activities for the next 12 months.

Orca also retains a "back-in" right to participate in any other conventional oil wells proposed by Senex in the PEL 115 block (outside of Fury and Burruna) before the current expiry date of the permit on 12 May 2014.

Subsequent to the financial year-end the Joint Venture announced the Fury-1 oil exploration well successfully tested an 18-metre gross oil column within the Murta Formation with initial flow rates of up to 75 barrels of oil per day. A hydraulic pump unit and surface facilities have been installed and test results are being evaluated with a view to bringing the well on line for long-term production.

Additionally as per the Sales Agreement between the two companies, Senex free-carried carried Orca through the drilling of the Burruna-2 oil exploration well, designed to test the hydrocarbon potential of the Murta Formation and secondary targets in the Namur Sandstones, Epsilon Formation and Merrimelia Formation.

The well, located within the newly formed "Fury Joint Venture" area (OGY 20%, SXY 80%) and approximately 320 metres north east of the Burruna-1 exploration well (refer Figure 1), was confirmed as a future oil producer after wireline logs confirmed a 5.3 metre net pay interval in the mid Namur Formation. A subsequent drill stem test resulted in oil free-flowing to surface at a rate of over 750 barrels per day with no associated water.

Apart from the above, there has not been any matter or circumstance that has arisen since 30 June 2013 that has significantly affected, or may significantly affect, the operations of the Company, the results of those operations, or the state of affairs of the Company in subsequent financial years.

Signed on behalf of the Board of Directors.

Gregory Bandy
Executive Director
Perth, 26 September 2013

Stantons International Audit and Consulting Pty Ltd
trading as
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Chartered Accountants and Consultants

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26 September 2013

Board of Directors
Orca Energy Limited
1 Havelock Street
West Perth WA 6005

Dear Directors

RE: ORCA ENERGY LIMITED

In accordance with section 307C of the Corporations Act 2001, I am pleased to provide the following declaration of independence to the directors of Orca Energy Limited.

As Audit Director for the audit of the financial statements of Orca Energy Limited for the year ended 30 June 2013, I declare that to the best of my knowledge and belief, there have been no contraventions of:

(i) the auditor independence requirements of the Corporations Act 2001 in relation to the audit; and

(ii) any applicable code of professional conduct in relation to the audit.

Yours faithfully

STANTONS INTERNATIONAL AUDIT AND CONSULTING PTY LTD
(Trading as Stantons International)
(An Authorised Audit Company)

Martin Michalik
Director

West Perth, Western Australia
26 September 2013

Liability limited by a scheme approved
under Professional Standards Legislation

Member of Russell Bedford International

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INDEPENDENT AUDITOR'S REPORT
TO THE MEMBERS OF
ORCA ENERGY LIMITED

Report on the Financial Report

We have audited the accompanying financial report of Orca Energy Limited, which comprises the consolidated statement of financial position as at 30 June 2013, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information and the directors' declaration of the consolidated entity comprising the company and the entities it controlled at the year's end or from time to time during the financial year.

Directors' responsibility for the Financial Report

The directors of the company are responsible for the preparation and fair presentation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the financial report that is free from material misstatement, whether due to fraud or error. In note 3, the directors also state, in accordance with Australian Accounting Standard AASB 101 Presentation of Financial Statements, that the financial report, comprising the financial statements and notes, complies with International Financial Reporting Standards.

Auditor's responsibility

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. These Auditing Standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

Our audit did not involve an analysis of the prudence of business decisions made by directors or management.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Liability limited by a scheme approved under Professional Standards Legislation

Member of Russell Bedford International

Independence

In conducting our audit, we have complied with the independence requirements of the *Corporations Act 2001*.

Auditor's opinion

In our opinion:

(a) the financial report of Orca Energy Limited is in accordance with the *Corporations Act 2001*, including:

   (i) giving a true and fair view of the consolidated entity's financial position as at 30 June 2013 and of its performance for the year ended on that date; and
   (ii) complying with Australian Accounting Standards and the Corporations Regulations 2001.

(b) the consolidated financial report also complies with International Financial Reporting Standards as disclosed in note 3.

Report on the Remuneration Report

We have audited the remuneration report included in pages 12 to 14 of the directors' report for the year ended 30 June 2013. The directors of the Company are responsible for the preparation and presentation of the remuneration report in accordance with section 300A of the *Corporations Act 2001.* Our responsibility is to express an opinion on the remuneration report, based on our audit conducted in accordance with Australian Auditing Standards

Auditor's opinion
In our opinion the remuneration report of Orca Energy Limited for the year ended 30 June 2013 complies with section 300A of the *Corporations Act 2001.*

STANTONS INTERNATIONAL AUDIT AND CONSULTING PTY LTD
(Trading as Stantons International)
(An Authorised Audit Company)

Stantons International Audit & Consulting Pty Ltd

Martin Michalik
Director

West Perth, Western Australia
26 September 2013

The directors of the company declare that:

1. the financial statements and notes, as set out on pages 21 to 53, are in accordance with the *Corporations Act 2001* and:
    a. comply with Accounting Standards;
    b. are in accordance with International Financial Reporting Standards issued by the International Accounting Standards Board, as stated in Note 3 to the financial statements; and
    c. give a true and fair view of the financial position as at 30 June 2013 and of the performance for the year ended on that date of the company and consolidated group;

The Chief Executive Officer and Company Secretary have each declared that:

a. the financial records of the company for the financial year have been properly maintained in accordance with s 286 of the *Corporations Act 2001*;
b. the financial statements and notes for the financial year comply with the Accounting Standards; and
c. the financial statements and notes for the financial year give a true and fair view;

In the directors' opinion there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.

Signed in accordance with a resolution of the Directors made pursuant to s.295(5) of the *Corporations Act 2001*.

Gregory Bandy
Executive Director
Perth, 26 September 2013

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE YEAR ENDED 30 JUNE 2013

	Note	Consolidated 2013 $	Consolidated 2012 $
Revenue			
Interest revenue	5	100,867	84,451
Other revenue	5	-	117,466
		100,867	201,917
Consultancy fees		(48,000)	(137,920)
Corporate compliance expenses		(282,697)	(394,945)
Depreciation expense	12(b)	(13,012)	(25,552)
Employee benefits expense	5	(231,653)	(193,718)
Exploration expenditure written off	13	-	(1,966,923)
Foreign exchange gain		5,348	93,779
Gain on deconsolidation of subsidiary	23	-	178,472
General and administrative expense		(21,257)	(57,439)
Occupancy expenses		(12,127)	(20,194)
Travel expenses		(17,433)	(15,129)
Other expenses		(46,792)	(109,875)
Loss before income tax expense		(566,756)	(2,447,527)
Income tax expense	6	-	-
Net loss attributable to members of Orca Energy		(566,756)	(2,447,527)
Other comprehensive income			
Items that may be reclassified subsequently to profit and loss			
Exchange differences arising on translation of foreign operations	18(b)	-	(279,026)
Income tax expense on items other comprehensive income	6	-	-
Total other comprehensive income		-	(279,026)
Total comprehensive loss for the year		(566,756)	(2,726,553)
Loss attributable to:			
Owners of the parent		(566,756)	(2,447,527)
Non-controlling interests		-	-
		(566,756)	(2,447,527)
Total comprehensive loss attributable to:			
Owners of the parent		(566,756)	(2,726,553)
Non-controlling interests		-	-
		(566,756)	(2,726,553)
Basic and diluted loss per share (cents per share)	19	(0.1)	(0.6)

The accompanying notes form part of these financial statements.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2013

	Note	Consolidated 2013 $	Consolidated 2012 $
ASSETS			
Current Assets			
Cash and cash equivalents	8	1,615,645	3,948,466
Trade and other receivables	9	8,193	80,309
Other assets	10	13,763	13,355
Other financial assets	11	2,600	2,600
Assets held for sale	32	2,460,251	-
Total Current Assets		4,100,452	4,044,730
Non-Current Assets			
Plant and equipment	12	12,146	25,158
Exploration and evaluation expenditure	13	6,045,863	6,034,361
Total Non-Current Assets		6,058,009	6,059,519
TOTAL ASSETS		10,158,461	10,104,249
LIABILITIES			
Current Liabilities			
Trade and other payables	14	994,126	376,491
Provisions	15	16,625	13,292
Total Current Liabilities		1,010,751	389,783
TOTAL LIABILITIES		1,010,751	389,783
NET ASSETS		9,147,710	9,714,466
EQUITY			
Issued capital	16	30,669,331	30,669,331
Reserves	18	2,041,197	2,041,197
Accumulated losses	17	(23,562,818)	(22,996,062)
TOTAL EQUITY		9,147,710	9,714,466

The accompanying notes form part of these financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 30 JUNE 2013

	Issued Capital	Accumulated Losses	Option Reserve	Foreign Exchange Translation Reserve	Total Equity
	$	$	$	$	$
Consolidated					
Balance at 30 June 2011	**22,184,964**	**(20,548,535)**	**2,041,197**	**279,026**	**3,956,652**
Total comprehensive loss for the year					
Loss	-	(2,447,527)	-	-	(2,447,527)
Other comprehensive income					
Foreign currency translation differences	-	-	-	(279,026)	(279,026)
Total comprehensive loss for the year	-	(2,447,527)	-	(279,026)	(2,726,553)
Transactions with owners recorded directly in equity					
Securities issued during the period (net of transaction costs)	8,484,367	-	-	-	8,484,367
Total Contributions by and distributions to owners	8,484,367	-	-	-	8,484,367
Balance at 30 June 2012	**30,669,331**	**(22,996,062)**	**2,041,197**	**-**	**9,714,466**
Total comprehensive loss for the year					
Loss	-	(566,756)	-	-	(566,756)
Other comprehensive income					
Foreign currency translation differences	-	-	-	-	-
Total comprehensive loss for the year	-	(566,756)	-	-	(566,756)
Transactions with owners recorded directly in equity					
Securities issued during the period (net of transaction costs)	-	-	-	-	-
Total Contributions by and distributions to owners	-	-	-	-	-
Balance at 30 June 2013	**30,669,331**	**(23,562,818)**	**2,041,197**	**-**	**9,147,710**

The accompanying notes form part of these financial statements.

	Note	Consolidated 2013 $	Consolidated 2012 $
Cash flows from operating activities			
Payments to suppliers and employees		(638,203)	(912,961)
Interest received		100,867	84,541
Interest paid		-	(2,928)
Net cash (used in) operating activities	28(a)	(537,336)	(831,348)
Cash flows from investing activities			
Exploration and evaluation expenditure		(1,795,485)	(1,341,269)
Payment for plant and equipment		-	(8,700)
Receipt from sale of investments		-	144,866
Net cash (used in) investing activities		(1,795,485)	(1,205,103)
Cash flows from financing activities			
Proceeds from issue of securities		-	6,025,000
Share issue costs		-	(390,632)
Net cash provided by financing activities		-	5,634,368
Net (decrease) increase in cash and cash equivalents		(2,332,821)	3,597,917
Cash and cash equivalents at beginning of the financial year		3,948,466	350,605
Net foreign exchange differences		-	(56)
Cash and cash equivalents at end of financial year	8	1,615,645	3,948,466

The accompanying notes form part of these financial statements.

1 General information

Orca Energy Limited (the Company) is a listed public company, incorporated in Australia and operating in Australia and the USA.

Separate financial statements for Orca Energy Limited as an individual entity are no longer presented as the consequence of a change to the *Corporations Act 2001*, however, required financial information for Orca Energy Limited as an individual entity is included in Note 24.

2 New accounting standards for application in future periods

The AASB has issued a number of new and amended Accounting Standards and Interpretations that have mandatory application dates for future reporting periods, some of which are relevant to the Group
At the date of the authorization of the financial statements, the standards and Interpretations listed below were in issue but not yet effective.

Standard/Interpretation	Effective for annual reporting periods beginning on or after	Expected to be initially applied in the financial year ending
AASB 9 'Financial Instruments', AASB 200911 'Amendments to Australian Accounting Standards arising from AASB 9' and AASB 2010-7 'Amendments to Australian Accounting Standards arising from AASB 9 (December 2010)'	1 January 2013	30 June 2014
AASB 10 'Consolidated Financial Statements'	1 January 2013	30 June 2014
AASB 11 'Joint Arrangements'	1 January 2013	30 June 2014
AASB 12 'Disclosure of Interests in other Entities'	1 January 2013	30 June 2014
AASB 127 'Separate Financial Statements' (2011)	1 January 2013	30 June 2014
AASB 128 'Investments in Associates and Joint Ventures' (2011)	1 January 2013	30 June 2014
AASB 13 'Fair Value Measurement' and AASB 2011-8 'Amendments to Australian Accounting Standards arising from AASB 13'	1 January 2013	30 June 2014
AASB 119 'Employee Benefits' (2011) and AASB 2011-10 'Amendments to Australian Accounting Standards arising from AASB 19 (2011)'	1 January 2013	30 June 2014
AASB 2010-8 'Amendments to Australian Accounting Standards – Deferred Tax: recovery of Underlying Assets'	1 January 2012	30 June 2013
AASB 2011-4 'Amendments to Australian Accounting Standards to Remove Individual Key Management Personnel Disclosure Requirements'	1 July 2013	30 June 2014
AASB 2011-7 'Amendments to Australian Accounting Standards arising from the Consolidation and Joint Arrangements standards'	1 January 2013	30 June 2014
AASB 2011-9 'Amendments to Australian Accounting Standards – Presentation of Items of Other Comprehensive Income'	1 July 2012	30 June 2013
Interpretation 20 'Stripping Costs in the Production Phase of a Surface Mine' and AASB 2011-12 'Amendments to Australian Accounting Standards arising from Interpretation 20'.	1 January 2013	30 June 2014

New Accounting Standards for Application in Future Periods (continued)

The Group has decided not to early adopt any of the new and amended pronouncements. Of the above new and amended Standards and Interpretations the Group's assessment of those new and amended pronouncements that are relevant to the Group but applicable in future reporting periods is set out below:

AASB 9: Financial Instruments (December 2010) and AASB 2010-7: Amendments to Australian Accounting Standards arising from AASB 9 (December 2010) [AASB 1, 3, 4, 5, 7, 101, 102, 108, 112, 118, 120, 121, 127, 128, 131, 132, 136, 137, 139, 1023 & 1038 and Interpretations 2. 5, 10, 12, 19 & 127] (applicable for annual reporting periods commencing on or after 1 January 2013).

These Standards are applicable retrospectively and include revised requirements for the classification and measurement of financial instruments, as well as recognition and derecognition requirements for financial instruments.

The key changes made to accounting requirements include:

- simplifying the classifications of financial assets into those carried at amortised cost and those carried at fair value;
- simplifying the requirements for embedded derivatives;
- removing the tainting rules associated with held-to-maturity assets;
- removing the requirements to separate and fair value embedded derivatives for financial assets carried at amortised cost;
- allowing an irrevocable election on initial recognition to present gains and losses on investments in equity instruments that are not held for trading in other comprehensive income. Dividends in respect of these investments that are a return on investment can be recognised in profit or loss and there is no impairment or recycling on disposal of the instrument
- requiring financial assets to be reclassified where there is a change in an entity's business model as they are initially classified based on: (a) the objective of the entity's business model for managing the financial assets; and (b) the characteristics of the contractual cash flows; and
- requiring an entity that chooses to measure a financial liability at fair value to present the portion of the change in its fair value due to changes in the entity's own credit risk in other comprehensive income, except when that would create an accounting mismatch. If such a mismatch would be created or enlarged, the entity is required to present all changes in fair value (including the effects of changes in the credit risk of the liability) in profit or loss.

The Group has not yet been able to reasonably estimate the impact of these pronouncements on its financial statements.

AASB 10: Consolidated Financial Statements, AASB 11: Joint Arrangements, AASB 12: Disclosure of Interests in Other Entities, AASB 127: Separate Financial Statements (August 2011), AASB 128: Investments in Associates and Joint Ventures (August 2011) and AASB 2011-7: Amendments to Australian Accounting Standards arising from the Consolidation and Joint Arrangements Standards [AASB 1, 2, 3, 5, 7, 9, 2009-11, 101, 107, 112, 118, 121, 124, 132, 133, 136, 138, 139, 1023 & 1038 and Interpretations 5, 9, 16 & 17] (applicable for annual reporting periods commencing on or after 1 January 2013).

AASB 10 replaces parts of AASB 127: Consolidated and Separate Financial Statements (March 2008, as amended) and Interpretation 112: Consolidation - Special Purpose Entities. AASB 10 provides a revised definition of control and additional application guidance so that a single control model will apply to all investees. The Group has not yet been able to reasonably estimate the impact of this Standard on its financial statements.

AASB 11 replaces AASB 131: Interests in Joint Ventures (July 2004, as amended). AASB 11 requires joint arrangements to be classified as either "joint operations" (whereby the parties that have joint control of the arrangement have rights to the assets and obligations for the liabilities) or 'joint ventures" (where the parties that have joint control of the arrangement have rights to the net assets of the arrangement). Joint ventures are required to adopt the equity method of accounting (proportionate consolidation is no longer allowed).

AASB 12 contains the disclosure requirements applicable to entities that hold an interest in a subsidiary, joint venture, joint operation or associate. AASB 12 also introduces the concept of a "structured entity", replacing the 'special purpose entity" concept currently used in Interpretation 112, and requires specific disclosures in respect of any investments in unconsolidated structured entities. This Standard will only affect disclosures and is not expected to significantly impact the Group.

New Accounting Standards for Application in Future Periods (continued)

To facilitate the application of AASBs 10, 11 and 12, revised versions of AASB 127 and AASB 128 have also been issued. These Standards are not expected to significantly impact the Group.

AASB 13: Fair Value Measurement and AASB 2011-8: Amendments to Australian Accounting Standards arising from AASB 13 [AASB 1, 2, 3, 4, 5, 7, 9, 2009-11, 2010-7, 101, 102, 108, 110, 116, 117, 118, 119, 120, 121, 128, 131, 132, 133, 134, 136, 138, 139, 140, 141, 1004, 1023 & 1038 and Interpretations 2, 4, 12, 13, 14, 17, 19, 131 & 132] (applicable for annual reporting periods commencing on or after 1 January 2013).

AASB 13 defines fair value, sets out in a single Standard a framework for measuring fair value, and requires disclosures about fair value measurements.

3 Significant accounting policies

Statement of compliance

The financial report is a general purpose financial report which has been prepared in accordance with the *Corporations Act 2001*, Accounting Standards and Interpretations, and complies with other requirements of the law.

Accounting Standards include Australian equivalents to International Financial Reporting Standards (‘A-IFRS’). Compliance with the A-IFRS ensures that the consolidated financial statements and notes of the Group comply with International Financial Reporting Standards (‘IFRS’).

The financial statements were authorised for issue by the Directors on 26 September 2013.

Basis of preparation

The financial report has been prepared on the basis of historical cost, except for the revaluation of certain non-current assets and financial instruments. Cost is based on the fair values of the consideration given in exchange for assets. All amounts are presented in Australian dollars unless otherwise stated.

Going concern

This report has been prepared on the going concern basis, which contemplates the continuity of normal business activity and the realisation of assets and the settlement of liabilities in the normal course of business.

The Group has incurred a net loss after tax for the year ended 30 June 2013 of $566,756 (2012: $2,447,527) and experienced net cash outflows from operating activities of $537,336 (2012: $831,348). As at 30 June 2013, the Group had working capital of $3,089,701 (2012: $3,654,947).

The Directors believe that there are sufficient funds to meet the Group’s working capital requirements. .

The Directors have reviewed the business outlook and are of the opinion that the use of the going concern basis of accounting is appropriate as they believe the Group will achieve the matters set out above. As such, the Directors believe that they will continue to be successful in securing additional funds through debt or equity issues as and when the need to raise working capital arises.

Notwithstanding this, there is significant uncertainty whether the Group will be able to continue as a going concern.

Should the Group be unable to continue as a going concern, it may be required to realise its assets and extinguish its liabilities other than in the normal course of business and at amounts different from those stated in the financial report.

The financial report does not include any adjustments relating to the recoverability and classification of recorded asset amounts or to the amounts and classification of liabilities that may be necessary should the Group be unable to continue as a going concern.

3 Significant accounting policies (Continued)

(a) Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities (including special purpose entities) controlled by the Company (its subsidiaries). Control is achieved where the Company has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

The results of subsidiaries acquired or disposed of during the year are included in the statement of profit or loss and other comprehensive income from the effective date of acquisition or up to the effective date of disposal, as appropriate. Where necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with those used by other members of the Group.

All intra-group transactions, balances, income and expenses are eliminated in full on consolidation. In the separate financial statements of the Company, intra-group transactions ('common control transactions') are generally accounted for by reference to the existing (consolidated) book value of the items. Where the transaction value of common control transactions differ from their consolidated book value, the difference is recognised as a contribution by or distribution to equity participants by the transacting entities.

Non-controlling interests in the net assets (excluding goodwill) of consolidated subsidiaries are identified separately from the Group's equity therein. Non-controlling interests consist of the amount of those interests at the date of the original business combination and the non-controlling interest's share of changes in equity since the date of the combination. Losses applicable to the minority in excess of the non-controlling interest's interest in the subsidiary's equity are allocated against the interests of the Group except to the extent that the minority has a binding obligation and is able to make an additional investment to cover the losses.

(b) Business combinations

Acquisitions of subsidiaries and businesses are accounted for using the purchase method. The cost of the business combination is measured as the aggregate of the fair values (at the date of exchange) of assets given, liabilities incurred or assumed, and equity instruments issued by the Group in exchange for control of the acquiree, plus any costs directly attributable to the business combination. The acquiree's identifiable assets, liabilities and contingent liabilities that meet the conditions for recognition under AASB 3 'Business Combinations' are recognised at their fair values at the acquisition date, except for non-current assets (or disposal groups) that are classified as held for sale in accordance with AASB 5 'Non-current Assets Held for Sale and Discontinued Operations', which are recognised and measured at fair value less costs to sell.

Goodwill arising on acquisition is recognised as an asset and initially measured at cost, being the excess of the cost of the business combination over the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities recognised. If, after reassessment, the Group's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities exceeds the cost of the business combination, the excess is recognised immediately in profit or loss. The non-controlling interest of shareholders in the acquiree is initially measured at the non-controlling interest's proportion of the net fair value of the assets, liabilities and contingent liabilities recognised.

(c) Cash and cash equivalents

Cash comprises cash on hand and demand deposits. Cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value. Bank overdrafts are shown within borrowings in current liabilities in the statement of financial position.

(d) Employee benefits

A liability is recognised for benefits accruing to employees in respect of wages and salaries, annual leave, long service leave, and sick leave when it is probable that settlement will be required and they are capable of being measured reliably.

Liabilities recognised in respect of employee benefits expected to be settled within 12 months, are measured at their nominal values using the remuneration rate expected to apply at the time of settlement.
Liabilities recognised in respect of employee benefits which are not expected to be settled within 12 months are measured as the present value of the estimated future cash outflows to be made by the Group in respect of services provided by employees up to reporting date.

3 Significant accounting policies (Continued)

(e) Financial assets

Investments are recognised and derecognised on trade date where the purchase or sale of an investment is under a contract whose terms require delivery of the investment within the timeframe established by the market concerned, and are initially measured at fair value, net of transaction costs except for those financial assets classified as at fair value through profit or loss which are initially measured at fair value.

Subsequent to initial recognition, investments in subsidiaries are measured at cost in the company financial statements.

Other financial assets are classified into the following specified categories: 'loans and receivables'. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial asset and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset, or, where appropriate, a shorter period. Income is recognised on an effective interest rate basis for debt instruments other than those financial assets 'at fair value through profit or loss'.

Loans and receivables

Trade receivables, loans, and other receivables that have fixed or determinable payments that are not quoted in an active market are classified as 'loans and receivables'. Loans and receivables are measured at amortised cost using the effective interest method less impairment. Interest is recognised by applying the effective interest rate.

Impairment of financial assets

Financial assets, other than those at fair value through profit or loss, are assessed for indicators of impairment at each reporting date. Financial assets are impaired where there is objective evidence that as a result of one or more events that occurred after the initial recognition of the financial asset the estimated future cash flows of the investment have been impacted. For financial assets carried at amortised cost, the amount of the impairment is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade receivables where the carrying amount is reduced through the use of an allowance account. When a trade receivable is uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against the allowance account. Changes in the carrying amount of the allowance account are recognised in profit or loss.

3 Significant accounting policies (Continued)

With the exception of available-for-sale equity instruments, if, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent the carrying amount of the investment at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

(f) Foreign currency

Foreign currency transactions

All foreign currency transactions during the financial year are brought to account using the exchange rate in effect at the date of the transaction. Foreign currency monetary items at reporting date are translated at the exchange rate existing at reporting date. Non-monetary assets and liabilities carried at fair value that are denominated in foreign currencies are translated at the rates prevailing at the date when the fair value was determined.

Exchange differences are recognised in profit or loss in the period in which they arise except that:

Foreign operations

On consolidation, the assets and liabilities of the Group's overseas operations are translated at exchange rates prevailing at the reporting date. Income and expense items are translated at the average exchange rates for the period unless exchange rates fluctuate significantly. Exchange differences arising, if any, are recognised in the foreign currency translation reserve, and recognised in profit or loss on disposal of the foreign operation.

(g) Goods and services tax

Revenues, expenses and assets are recognised net of the amount of goods and services tax (GST), except:

i) where the amount of GST incurred is not recoverable from the taxation authority, it is recognised as part of the cost of acquisition of an asset or as part of an item of expense; or
ii) for receivables and payables which are recognised inclusive of GST.

The net amount of GST recoverable from, or payable to, the taxation authority is included as part of receivables or payables. Cash flows are included in the cash flow statement on a gross basis. The GST component of cash flows arising from investing and financing activities which is recoverable from, or payable to, the taxation authority is classified as operating cash flows.

(h) Impairment of assets

At each reporting date, the Group reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where the asset does not generate cash flows that are independent from other assets, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised in profit or loss immediately.

Where an impairment loss subsequently reverses, the carrying amount of the asset (cash-generating unit) is increased to the revised estimate of its recoverable amount, but only to the extent that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (cash-generating unit) in prior years. A reversal of an impairment loss is recognised in profit or loss immediately.

3 Significant accounting policies (Continued)

(i) Income tax

Current tax

Current tax is calculated by reference to the amount of income taxes payable or recoverable in respect of the taxable profit or tax loss for the period. It is calculated using tax rates and tax laws that have been enacted or substantively enacted by reporting date. Current tax for current and prior periods is recognised as a liability (or asset) to the extent that it is unpaid (or refundable).

Deferred tax

Deferred tax is accounted for using the statement of financial position liability method in respect of temporary differences arising from differences between the carrying amount of assets and liabilities in the financial statements and the corresponding tax base of those items.

In principle, deferred tax liabilities are recognised for all taxable temporary differences. Deferred tax assets are recognised to the extent that it is probable that sufficient taxable amounts will be available against which deductible temporary differences or unused tax losses and tax offsets can be utilised. However, deferred tax assets and liabilities are not recognised if the temporary differences giving rise to them arise from the initial recognition of assets and liabilities (other than as a result of a business combination) which affects neither taxable income nor accounting profit. Furthermore, a deferred tax liability is not recognised in relation to taxable temporary differences arising from goodwill.

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries, branches, associates and joint ventures except where the Group is able to control the reversal of the temporary differences and it is probable that the temporary differences will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with these investments and interests are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period(s) when the asset and liability giving rise to them are realised or settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by reporting date. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the reporting date, to recover or settle the carrying amount of its assets and liabilities.

Deferred tax assets and liabilities are offset when they relate to income taxes levied by the same taxation authority and the company/Group intends to settle its current tax assets and liabilities on a net basis.

Current and deferred tax for the period

Current and deferred tax is recognised as an expense or income in the statement of profit or loss and other comprehensive income, except when it relates to items credited or debited directly to equity, in which case the deferred tax is also recognised directly in equity, or where it arises from the initial accounting for a business combination, in which case it is taken into account in the determination of goodwill or excess.

(j) Payables

Trade payables and other accounts payable are recognised when the Group becomes obliged to make future payments resulting from the purchase of goods and services.

(k) Revenue recognition

Interest revenue

Interest revenue is recognised on a time proportionate basis that takes into account the effective yield on the financial asset.

3 Significant accounting policies (Continued)

(l) Exploration and evaluation expenditure

Exploration and evaluation activities in the area of interest have not at the reporting date reached a stage which permits a reasonable assessment of the existence or otherwise of economically recoverable reserves and active and significant operations in, or in relation to, the area of interest are continuing.

Capitalised exploration costs are reviewed each reporting date to whether an indication of impairment exists. If any such indication exists, the recoverable amount of the capitalised exploration costs is estimated to determine the extent of the impairment loss (if any). Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but only to the extent that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in previous years.

Where a decision is made to proceed with development, accumulated expenditure is tested for impairment and transferred to development properties, and then amortised over the life of the reserves associated with the area of interest once mining operations have commenced. Exploration and evaluation expenditure incurred by the Group subsequent to the acquisition of the rights to explore is expensed as incurred.

(m) Interests in joint ventures

Reimbursement of the joint venture operator's costs

In many cases, the entity also incurs certain general overhead expenses in carrying out activities on behalf of the joint venture. As these costs can often not be specifically identified, joint venture agreements allow the operator to recover the general overhead expenses incurred by charging an overhead fee that is based on a fixed percentage of the total costs incurred for the year, often in the form of a management fee. Although the purpose of this recharge is very similar to the reimbursement of direct costs, the entity is not acting as an agent in this case. Therefore, the general overhead expenses and the overhead fee are recognised in the statement of profit or loss and other comprehensive income as an expense and income respectively.

Jointly controlled assets

A jointly controlled asset involves joint control and offers joint ownership by the Group and other venturers of assets contributed to or acquired for the purpose of the joint venture, without the formation of a corporation, partnership or other entity. Where the Group's activities are conducted through jointly controlled assets, the Group recognises its share of the jointly controlled assets and liabilities it has incurred, its share of liabilities incurred jointly with other venturers, related revenue and operating costs in the financial statements and a share of their production.

Jointly controlled entities

A jointly controlled entity is a corporation, partnership or other entity in which each venturer holds an interest. A jointly controlled entity operates in the same way as other entities, except that a contractual arrangement established joint control. A jointly controlled entity controls the assets of the joint venture, earns its own income and incurs its own liabilities and expenses. Interests in jointly controlled entities are accounted for using the equity method.

Under the equity method, the investment in the joint venture is carried in the statement of financial position at cost plus acquisition changes it the Group's share of net assets of the joint venture. Goodwill relating to the joint venture is included in the carrying amount of the investment and is neither amortised nor individually tested for impairment.

The statement of profit or loss and other comprehensive income reflects the Group's share of the results of operations of the joint venture. Where there has been a change recognised directly in the equity of the joint venture, the Group recognises its share of any changes and discloses this when applicable, in the statement of changes in equity. Unrealised gains and losses resulting from transactions between the Group and the joint venture are eliminated to the extent of the interest in the joint venture.

The share of the joint venture's net profit is shown on the face of the statement of profit or loss and other comprehensive income. This is the profit attributable to venturers in the joint venture. The financial statements of the joint controlled entities are prepared for the same reporting period as the parent entity. Where necessary, adjustments are made to bring the accounting policies in line with those of the Group.

3 Significant accounting policies (Continued)

(n) Plant and equipment

Plant and equipment, leasehold improvements and equipment under finance lease are stated at cost less accumulated depreciation and impairment. Cost includes expenditure that is directly attributable to the acquisition of the item. In the event that settlement of all or part of the purchase consideration is deferred, cost is determined by discounting the amounts payable in the future to their present value as at the date of acquisition.

Depreciation is provided on property, plant and equipment, including freehold buildings but excluding land. Depreciation is calculated on a straight line basis so as to write off the net cost or other revalued amount of each asset over its expected useful life to its estimated residual value. Leasehold improvements are depreciated over the period of the lease or estimated useful life, whichever is the shorter, using the straight line method. The estimated useful lives, residual values and depreciation method are reviewed at the end of each annual reporting period, with the effect of any changes recognised on a prospective basis.

(o) Share based payments

Equity-settled share-based payments with employees and others providing similar services are measured at the fair value of the equity instrument at the grant date. Fair value is measured by use of a Black Scholes model. The expected life used in the model has been adjusted, based on management's best estimate, for the effects of non-transferability, exercise restrictions, and behavioural considerations. Further details on how the fair value of equity-settled share-based transactions has been determined can be found in Note 27.

The fair value determined at the grant date of the equity-settled share-based payments is expensed on a straight-line basis over the vesting period, based on the Group's estimate of shares that will eventually vest. No amount has been recognised in the financial statements in respect of the other equity-settled shared-based payments.

Equity-settled share-based payment transactions with other parties are measured at the fair value of the goods and services received, except where the fair value cannot be estimated reliably, in which case they are measured at the fair value of the equity instruments granted, measured at the date the entity obtains the goods or the counterparty renders the service.

For cash-settled share-based payments, a liability equal to the portion of the goods or services received is recognised at the current fair value determined at each reporting date.

4 Critical accounting judgements and key sources of estimation uncertainty

In the application of the Group's accounting policies, which are described in Note 3, management is required to make judgments, estimates and assumptions about carrying values of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstance, the results of which form the basis of making the judgments. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Key Sources of estimation uncertainty

The following the key assumptions concerning the future, and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year:

<u>Recoverability of exploration and evaluation expenditure</u>

The recoverability of the exploration and evaluation expenditure recognised as a non-current asset is dependent upon the successful development, or alternatively sale, of the respective tenements which comprise the assets.

	Consolidated 2013 $	Consolidated 2012 $
5 Loss from continuing operations		
Revenue		
Interest revenue	100,867	84,451
Profit on sale of asset	-	117,466
	100,867	201,917
Employee benefits expense		
Salaries	213,688	179,777
Superannuation	14,632	7,275
Other	3,333	6,666
	231,653	193,718
Share based payments	-	100,000

6 Income taxes

(a) The components of tax expense comprise:

	2013	2012
Current tax	-	-
Deferred tax expense	-	-
Income tax expense reported in statement of profit or loss and other comprehensive income	-	-

(b) The prima facie tax benefit on loss from ordinary activities before income tax is reconciled to the income tax as follows:

	2013	2012
Prima facie tax benefit on loss from ordinary activities before income tax at 30% (2012: 30%)	(170,027)	(734,258)
Add tax effect of:		
Revenue losses and other deferred tax balances not recognised	169,672	782,278
Other non-allowable items	355	42,796
	170,027	90,816
Less tax effect of:		
Other non-assessable items	-	(90,816)
Income tax expense reported in statement of profit or loss and other comprehensive income	-	-

(c) Deferred tax not recognised at 30 June relates to the following:

	2013	2012
Deferred tax liabilities:		
Exploration expenditure	(1,208,560)	(579,306)
Deferred tax assets:		
Carry forward revenue losses	1,208,560	579,306
	-	-

6 Income taxes (Continued)

	Consolidated 2013 $	Consolidated 2012 $
(d) Unrecognised deferred tax assets:		
Carry forward revenue losses	2,747,502	2,512,963
Carry forward capital losses	1,356,430	1,352,415
Capital raising costs	127,816	194,549
Financial assets	2,370	2,370
Other	20,067	18,202
	4,254,185	4,080,499

The tax benefits of the above deferred tax assets will only be obtained if:

i) the company derives future assessable income of a nature and of an amount sufficient to enable the benefits to be utilised;
ii) the company continues to comply with the conditions for deductibility imposed by law; and
iii) no changes in income tax legislation adversely affect the company in utilising the benefits.

(e) Tax consolidation:
Orca Energy Limited and its wholly owned Australian resident subsidiary have formed a tax consolidated group with effect from 1 July 2009. Orca Energy Limited is the head entity of the tax consolidated group.

7 Remuneration of auditors

Auditor of the company		
Audit or review of the financial report	25,096	37,087
	25,096	37,087

8 Cash and cash equivalents

Cash on hand and at bank	1,615,645	3,948,466
	1,615,645	3,948,466

9 Trade and other receivables

GST recoverable	8,193	78,834
Other	-	1,475
	8,193	80,309

As at 30 June 2012 and 2011, current trade and other receivables do not contain impaired assets and are not past due. It is expected that these amounts will be received when due.

10 Other assets

Prepayments	13,763	13,355

	Consolidated 2013 $	Consolidated 2012 $
11 Other financial assets		
Investments carried at fair market value		
Current		
Investment in listed entity	2,600	2,600
Total other financial assets	2,600	2,600

As at 30 June 2013 the Company held 100,000 shares in Peak Oil & Gas Limited (formerly Raisama Energy Limited) (2012: 100,000 shares)

12 Plant and equipment

	Consolidated 2013 $	Consolidated 2012 $
(a) At cost	94,049	94,049
Accumulated depreciation	(81,903)	(68,891)
	12,146	25,158

(b) Reconciliation

Reconciliations of the carrying amounts of plant and equipment at the beginning and end of the current and previous financial years:

	Consolidated 2013 $	Consolidated 2012 $
Carrying amount at the beginning of the year	25,158	83,660
Additions	-	8,700
NBV of Disposals	-	(41,650)
Depreciation expense	(13,012)	(25,552)
Carrying amount at the end of the year	12,146	25,158

13 Exploration and evaluation expenditure

	Consolidated 2013 $	Consolidated 2012 $
Carrying amount at the beginning of the year	6,034,361	3,774,144
Expenditure capitalised during the year	2,471,753	4,227,140
Expenditure written off during the year	-	(1,966,923)
Assets transferred to held for sale	(2,460,251)	-
Carrying amount at the end of the year	6,045,863	6,034,361

The ultimate recoupment of costs carried forward for exploration and evaluation phases is dependent on the discovery of commercial viable oil and gas reserves or other natural mineral deposits and the successful development and commercial exploitation or sale of the respective exploration and evaluation areas of interest.

13 Exploration and evaluation expenditure (Continued)

(a) Farm in for PEL115

Interests in jointly controlled assets

Komodo Energy Pty Ltd, jointly with other participants, owns certain exploration and production assets. Komodo Energy Pty Ltd's share is 20%.

Summarised financial statement information for the Group's share of jointly controlled assets and operations is disclosed below:

	Consolidated 2013 $	Consolidated 2012 $
Exploration and evaluation expenditure	1,804,164	1,794,094

* The company also contributed $2,019,498 during the year to PEL115. This amount is classified as held for sale and will be reimbursed as part of the farmdown of the asset (refer Note 32).

(b) Farm-in for PEL110

Interests in jointly controlled assets

On 18 November 2009, Orca Energy Limited entered into a farm-in agreement with Cooper Energy Limited to earn a potential 20% participatory interest of the PEL110 petroleum exploration licence. To date, the Company has contributed $577,678 as part of the farm-in agreement of which $136,925 is included in exploration expenditure and $440,753 is included in assets held for sale (refer Note 32).

(c) USA Assets

Interests in jointly controlled assets

On 12 July 2011, the Company executed a binding Term Sheet to acquire a 20% interest in the Matagorda Project located in Matagorda County, Texas ("Matagorda Project"), an oil and gas project located within the prolific lower Frio trend of the Texas Gulf Coast. To date, the Company has contributed $4,104,774 as part of the joint venture and acquisition agreement.

14 Trade and other payables	Consolidated 2013 $	Consolidated 2012 $
Trade payables	46,500	39,295
Other payables and accruals*	947,626	337,196
	994,126	376,491

*Included in other payables and accruals are amounts owing to operators of PEL 115 ($371,332) and PEL 110 ($440,753). As a result of the shareholder's approval of the farmdown of the PEL 115 subsequent to year end these amounts will now be free-carried (Refer to Note 31 for additional detail) and therefore not be paid.

15 Provisions

Employee benefits	16,625	13,292

		Consolidated 2013 $	Consolidated 2012 $
16	**Issued capital**		
a)	Fully paid ordinary shares 575,033,775 (2012: 575,033,775)	30,668,531	30,668,531
b)	Converting preference shares 100 (2012: 100)	800	800
		30,669,331	30,669,331

In December 2011 Orca Energy completed a 1:20 share consolidation. The current and prior year figures below are reflected on a post consolidation basis.

	2013 No.	2013 $	2012 No.	2012 $
(a) Fully paid ordinary shares				
Balance at beginning of the year	575,033,775	30,668,531	4,350,671,434	22,184,164
Shares issued pursuant to Placement– 18 August 2011	-	-	2,000,000,000	2,000,000
Shares issued Vendors pursuant to acquisition – 18 August 2011	-	-	2,750,000,000	2,750,000
Shares issued to Consultant– 13 December 2011	-	-	100,000,000	100,000
Share Consolidation 20:1 Ratio	-	-	(8,740,637,659)	-
Shares issued to Senex Energy Limited- 1 February 2012	-	-	115,000,000	4,025,000
Transaction costs relating to issue of shares	-	-	-	(390,633)
Balance at the end of the year	575,033,775	30,668,531	575,033,775	30,668,531

Fully paid ordinary shares carry one vote per share and carry the rights to dividends.

(b) Converting preference shares

	2013 No.	2013 $	2012 No.	2012 $
Balance at beginning of the year	2,006	800	2,006	800
Balance at the end of the year	2,006	800	2,006	800

The converting preference shares do not have any voting rights but are entitled to the payment of a dividend. The conversion terms for these shares have now expired.

	Consolidated 2013 $	Consolidated 2012 $
17 Accumulated losses		
Balance at beginning of the year	(22,996,062)	(20,548,535)
Net loss attributable to the members of the company	(566,756)	(2,447,527)
Balance at the end of the year	(23,562,818)	(22,996,062)
18 Reserves		
Option, share based payments and option premium reserves (a)	2,041,197	2,041,197
Foreign exchange translation reserve (b)	-	-
	2,041,197	2,041,197
(a) Option, share based payments and option premium reserves		
Balance at beginning of the year	2,041,197	2,041,197
Movement	-	-
Balance at the end of the year	2,041,197	2,041,197

Share based payment reserve

The share based payments reserve arises on the grant of share options to Directors, Executives and senior employees as part of their remuneration and to consultants for services provided. Further information about share-based payments to employees is made in Note 27 to the financial statements. This reserve also includes options issued at a premium on equity raising.

Share Options and Option Premium Reserves

There were no unlisted options issued during the year. A total of 500,000 shares under option are on issue at 30 June 2013 (2012: 4,375,000).

Options carry no rights to dividends and have no voting rights. During the financial year nil (2012: nil) options were exercised, the details of which are set out below.

18 Reserves (Continued)

	2013 No.	2013 $	2012 No.	2012 $
Quoted options with exercise price of $0.025 and expiry date of 31 August 2011				
Balance at beginning of financial year	-	1,175,266	1,471,850,104	1,175,266
Lapse of Options	-	-	(1,471,850,104)	-
Balance at end of financial year	-	1,175,266	-	1,175,266

	2013 No.	2013 $	2012 No.	2012 $
Unquoted options on issue				
Balance at beginning of financial year	4,375,000	865,931	170,000,000	865,931
Lapse of Options	(3,875,000)	-	(77,500,000)	-
Option Consolidation 20:1	-	-	(87,875,000)	-
Lapse of Options	-	-	(250,000)	-
Balance at end of the year	500,000	865,931	4,375,000	865,931

	Consolidated 2013 $	Consolidated 2012 $
(b) Foreign exchange translation reserve		
Balance at beginning of the year	-	279,026
Translation of foreign operations	-	(279,026)
Balance at the end of the year	-	-

Foreign currency translation reserve

The foreign currency translation reserve records exchange differences arising on translation of a foreign controlled subsidiary.

19 Loss per share

	2013 Cents per Share	2012 Cents per Share
Basic/diluted loss per share	(0.1)	(0.6)

(a) Basic/diluted loss per share

The loss and weighted average number of ordinary shares used in this calculation of basic / diluted loss per share are as follows:

	Consolidated 2013 $	Consolidated 2012 $
Loss	(566,756)	(2,447,527)
	2013 No.	**2012 No.**
Weighted average number of ordinary shares for the purposes of basic / diluted loss per share	575,033,775*	388,348,640*

* Based on post-consolidation shareholdings

As the Group is in a loss position the options outstanding at 30 June 2013 have no dilutive effects on the earnings per share calculation.

20 Commitments for expenditure

(a) SEABISCUIT (MATAGORDA) PROJECT – TEXAS

The Seabiscuit Project is a large structural closure with an area of approximately 1,750 acres. It is located in an ideal geological setting on trend with recently drilled wells flowing at sustained rates of 20 million cubic feet of natural gas and 200 barrels of oil per day, without any fracture stimulation. The JV intends to drill a 17,500ft well to test the Seabiscuit trap that has been estimated by the operator, The JV anticipates spudding the first exploration well in Q1, 2014. (currently estimated to be approximately $2,200,000).

(b) PEL 110

During financial year Orca's JV partner and operator, Senex Energy Limited, announced the commencement of its Dundinna 3D seismic program targeting conventional oil and gas across the northern Cooper Basin.

Approximately 176.7km2 of 3D seismic will be acquired and processed across PEL 110 which currently has 7 leads and prospects identified in the Birkhead and Hutton Formations, with good stratigraphic similarities to nearby discoveries along the margin. PEL 110 is considered to be in a prospective position on the western flank of the South Australian Cooper Basin and is majority owned by Senex who holds a 60% interest in the block.

Under the sales agreement with Senex for PEL115, Orca will be free carried through this entire program (Refer Note 31).

20 Commitments for expenditure (Continued)

(c) PEL115 – COOPER BASIN, SOUTH AUSTRLIA (20% INTEREST)

In June, the Company announced that it has agreed to sell its 20% participating interest in PEL 115 to Senex Energy in exchange for a package of benefits worth approximately $7 million that includes a free carry for oil exploration and development in the southern Cooper Basin including PEL 115.

Under the terms of the agreement with Senex, Orca will retain its 20% interest in two key assets within PEL 115, namely the Fury oil discovery and the Burruna-1 oil exploration well. The parties will apply for a separate licence for the Fury and Burruna blocks, which will be known as the Fury Joint Venture and operate under the terms of the existing PEL 115 joint venture (Senex 80% and Operator, Orca 20%).

21 Contingent liabilities and assets

The Directors are not aware of any material contingent liabilities or assets at reporting date (2012: Nil).

22 Interests in exploration licences

At the date of this financial report, the Group had interests in the following exploration licences:

	2013	2012
	%	%
Licence details		
PEL 115	20	20
PEL 110 (subject to farm-in)*	-	-
USA	20	20

* Has the right to earn 20% subject to farm-in conditions refer to Note 31
^ The company now holds a 20% interest in Burruna-1 oil exploration well and the Fury oil discovery (refer Note 31).

23 Subsidiaries and Associates

		Ownership interest	
Name of entity	**Country of incorporation**	**2013**	**2012**
		%	**%**
Company			
Orca Energy Limited	Australia		
Subsidiaries and Associates			
Komodo Energy Pty Ltd	Australia	100	100
Sugarbay Investments Pty Ltd	Australia	100	100

(i) On 17 November 2011, the Group disposed of its final 25% of its interest in Business Sphere LLC to Raisama Energy Limited, reducing its continuing interest to nil. The proceeds on disposal were 870,000 shares Raisama Limited. The group subsequently sold 770,000 of the shares (along with the 430,000 previously owned shares) recording a profit of $117,466 (Note 5).

(ii) The Group deconsolidated its former subsidiary White Valley Oil LLC during the year, reducing its continuing interest to nil.

23 Subsidiaries and Associates (continued)

The net liabilities of White Valley Oil LLC at the date of deconsolidation were as follows:

	2012
	$
Net liabilities deconsolidated	(178,472)
Gain on deconsolidation	178,472
Total consideration	-

	Company 2013	Company 2012
	$	$
24 Parent entity disclosures		
(a) Financial position		
ASSETS		
Current Assets		
Cash and cash equivalents	1,602,255	3,935,076
Trade and other receivables	21,956	92,189
Other assets	2,600	2,600
Assets held for sale	440,753	-
Total Current Assets	2,067,564	4,029,865
Non-Current Assets		
Other financial assets	3,069,619	3,984,979
Plant and equipment	12,146	25,158
Exploration and evaluation expenditure	136,924	136,924
Total Non-Current Assets	3,218,689	4,147,061
TOTAL ASSETS	5,286,253	8,176,926
LIABILITIES		
Current Liabilities		
Trade and other payables	512,036	137,798
Provisions	16,625	13,292
Total Current Liabilities	528,661	151,090
TOTAL LIABILITIES	528,661	151,090
NET ASSETS	4,757,592	8,025,836
EQUITY		
Issued capital	30,669,332	30,669,332
Reserves	2,041,197	2,041,197
Accumulated losses	(27,952,937)	(24,684,693)
TOTAL EQUITY	4,757,592	8,025,836

24(a) Parent entity disclosures- Financial Position (Continued)

	Consolidated 2013 $	Consolidated 2012 $
Financial performance		
Net loss attributable to members of Orca Energy	(3,268,244)	(1,147,623)
Other comprehensive income	**-**	**-**
Total other comprehensive income	-	-
Total comprehensive loss for the year	(3,268,244)	(1,147,623)

(b) Commitments

PEL 110

During the financial year Orca's JV partner and operator, Senex Energy Limited, announced the commencement of its Dundinna 3D seismic program targeting conventional oil and gas across the northern Cooper Basin. Approximately 176.7km2 of 3D seismic will be acquired and processed across PEL 110 which currently has 7 leads and prospects identified in the Birkhead and Hutton Formations. PEL 110 is considered to be in a prospective position on the western flank of the South Australian Cooper Basin. Under the sales agreement announced with Senex on 14th June, Orca will be free carried through this entire program.

25 Segment information

The Group has identified its operating segments based on the internal reports that are reviewed and used by the Board of Directors (chief operating decision makers) in assessing performance and determining the allocation of resources. The Group's primary segment is one business, being exploration and evaluation of mineral, gas and uranium resources.

During the year ended 30 June 2013 the Group operated in the following Geographic Segments: Australia and USA. (2012: Australia, USA and Kyrgyzstan).

Basis of accounting for purposes of reporting by operating segments

Accounting policies adopted
Unless stated otherwise, all amounts reported to the Board of Directors as the chief decision maker with respect to operating segments are determined in accordance with accounting policies that are consistent to those adopted in the annual financial statements of the Group.

Inter-segment loans payable and receivable are initially recognised at the consideration received net of transaction costs. If inter-segment loans receivable and payable are not on commercial terms, these are not adjusted to fair value based on market interest rates.

Segment assets
Where an asset is used across multiple segments, the asset is allocated to the segment that receives the majority of economic value from the asset. In the majority of instances, segment assets are clearly identifiable on the basis of their nature and physical location.

Unless indicated otherwise in the segment assets note, investments in financial assets, deferred tax assets and intangible assets have not been allocated to operating segments.

Segment liabilities
Liabilities are allocated to segments where there is a direct nexus between the incurrence of the liability and the operations of the segment. Borrowings and tax liabilities are generally considered to relate to the Group as a whole and are not allocated. Segment liabilities include trade and other payables.

Unallocated items
The following items of revenue, expense, assets and liabilities are not allocated to operating segments as they are not considered part of the core operations of any segment:

- impairment of assets and other non-recurring items of revenue or expense

(a) Revenue by geographical region

Revenue attributable to external customers is disclosed below, based on the location of the external customer:

	Consolidated 2013 $	**Consolidated 2012 $**
Australia	-	-
USA	-	-
Kyrgyzstan	-	117,466
Unallocated items	100,867	84,451
Total revenue	100,867	201,917

25 Segment information (Cont)

(b) Loss by geographical region

The location of the segment loss is disclosed below by geographical location:

	Consolidated 2013 $	Consolidated 2012 $
Australia	(562,454)	(2,443,454)
USA	(4,302)	(4,073)
Kyrgyzstan	-	-
Unallocated items	-	-
Total loss	(566,756)	(2,447,527)

(c) Assets by geographical region

The location of the segment assets is disclosed below by geographical location of the assets:

Australia	6,053,687	5,987,252
USA	4,104,774	4,116,997
Kyrgyzstan	-	-
Unallocated items	-	-
Total assets	10,158,461	10,104,249

(d) Liabilities by geographical region

The location of the segment liabilities is disclosed below by geographical location of the liabilities:

Australia	1,002,870	253,966
USA	7,881	135,817
Kyrgyzstan	-	-
Unallocated items	-	-
Total liabilities	1,010,751	389,783

26 Interests of Key Management Personnel (KMP)

Refer to the remuneration report contained in the directors’ report for details of the remuneration paid or payable to each member of the Group’s key management personnel for the year ended 30 June 2013.

The totals of remuneration paid to KMP of the Company and Group during the year are as follows:

Short-term employee benefits	237,913	188,067
Post-employment benefits	18,412	7,200
Other benefits	18,820	14,897
	275,145	210,164

26 Interests of Key Management Personnel (KMP) (Continued)

KMP Shareholdings

The number of ordinary shares in Orca Energy Limited held by each KMP of the Group during the financial year is as follows:

2013

Key management personnel	Balance at beginning of year	Granted as Remuneration	Options exercised	Other changes	Balance at end of year
Greg Bandy	-				
Jason Bontempo	-				
Jeremy King	50,000	-	-	-	50,000
Denis Patten	-	-	-	-	-
Arthur Pitts (Alternate director)	1,000,000	-	-	-	1,000,000
	1,050,000	**-**	**-**	**-**	**1,050,000**

2012

Key management personnel	Balance at beginning of year	Granted as Remuneration	Options exercised	Other changes	Balance at end of year
Greg Bandy*	-				
Jason Bontempo*	-				
Jeremy King*	1,000,000	-	-	(950,000)	50,000
Denis Patten*	-	-	-	-	-
Arthur Pitts (Alternate director)*	-	-	-	1,000,000**	1,000,000
	1,000,000	**-**	**-**	**50,000**	**1,050,000**

*Shares held at time of share consolidation on 28/12/2012

** Shares purchased during the year on a post share consolidation basis.

26 Interests of Key Management Personnel (KMP) (Continued)

KMP Option holdings

KMP of the group held no options during the year (2012: Nil).

Other KMP Transactions

There have been no other transactions involving equity instruments other than those described above. For details of other transactions with KMP, refer to Note 30 (d): Related Party Transactions.

27 Share based payments

There were no options granted as share based payments to key management personnel outstanding at 30 June 2013 (2012: Nil).

	2013		2012	
	Number options	WAEP	Number options	WAEP
Balance at beginning of year	4,375,000	$0.24	170,000,000	$0.002
Option consolidation	-	-	(83,125,000)	-
Expired during the year	(3,875,000)	($0.26)	(82,500,000)	($0.002)
Balance at end of the year	500,000	$0.16	4,375,000	$0.24
Exercisable at end of the year	500,000		4,375,000	

i) The options outstanding at 30 June 2013 had a weighted average exercise price of $0.16 (2012: $0.24) and remaining lives of 0.5 years (2012: between 0.5 & 2.5 years).
ii) Included under employee benefits expense in the statement of profit or loss and other comprehensive income is $nil (2012: nil) related to equity-settled share based payment transactions.

Options exercised

During the financial year ended 30 June 2013 there were no compensation options exercised (2012: Nil).

	Consolidated 2013 $	Consolidated 2012 $
28 Notes to the cash flow statement		
(a) Reconciliation of loss for the year to net cash flows from operating activities		
Loss for the year	(566,756)	(2,447,527)
Non-cash flows in operating loss:		
Depreciation	13,012	25,552
Loss on sale of fixed assets	-	41,650
Share based payments expense	-	100,000
Foreign exchange differences	(5,348)	(236,370)
Gain on deconsolidation of subsidiary	-	(178,472)
Profit on sale of asset	-	(117,466)
Write-off exploration expenditure	-	1,966,923
Changes in net assets and liabilities, net of effects from acquisition of businesses:		
(Increase)/decrease in assets:		
Receivables	72,116	(61,659)
Prepayments	(408)	8,518
Increase/(decrease) in liabilities:		
Payables	(53,285)	113,713
Provisions	3,333	(46,210)
Net cash outflow from operating activities	(537,336)	(831,348)

(b) Non-cash financing and investing activities

During the financial year ended 30 June 2013, nil shares were issued (2012: 2,750,000).

29 Financial instruments

(a) Financial risk management objectives

The Group does not enter into or trade financial instruments, including derivative financial instruments, for speculative purposes. The use of financial derivatives is governed by the Group's policies approved by the Board of Directors, which provide written principles on the use of financial derivatives. The Group's activities expose it primarily to the financial risks of changes in foreign currency exchange rates. The Group has not entered into any derivative financial instruments.

(b) Significant accounting policies

Details of the significant accounting policies and methods adopted, including the criteria for recognition, the basis of measurement and the basis on which income and expenses are recognised, in respect of each class of financial asset, financial liability and equity instrument are disclosed in Note 3 to the financial statements.

(c) Foreign currency risk management

The Group undertakes certain transactions denominated in foreign currencies, hence exposures to exchange rate fluctuations arise.

29 Financial instruments (Continued)

(d) Interest rate risk management

The Group is exposed to interest rate risk as it invests funds at both fixed and floating interest rates.

(e) Maturity profile of financial instruments

The following table details the Group's exposure to interest rate risk as at 30 June:

	Average interest rate	Floating interest rate	Fixed interest rate maturing in: <1 year	1 – 5 years	Non-interest bearing	Total
	%	$	$	$	$	$
2013						
Financial assets						
Cash and cash equivalents	3.5%	1,615,645	-	-	-	1,615,645
Trade and other receivables	N/A	-	-	-	8,193	8,193
Other financial assets	N/A	-	-	-	2,600	2,600
		1,615,645	-	-	10,793	1,626,438
Financial liabilities						
Trade and other payables	N/A	-	-	-	994,126	994,126
		-	-	-	994,126	994,126
Net financial assets		**1,615,645**	**-**	**-**	**(983,333)**	**632,312**

	Average interest rate	Floating interest rate	Fixed interest rate maturing in: <1 year	1 – 5 years	Non-interest bearing	Total
	%	$	$	$	$	$
2012						
Financial assets						
Cash and cash equivalents	3.5%	3,948,466	-	-	-	3,948,466
Trade and other receivables	N/A	-	-	-	80,309	80,309
Other financial assets	N/A	-	-	-	2,600	2,600
		3,948,466	-	-	82,909	4,031,375
Financial liabilities						
Trade and other payables	N/A	-	-	-	376,491	376,491
		-	-	-	376,491	376,491
Net financial assets		**3,948,466**	**-**	**-**	**(293,582)**	**3,654,884**

29 Financial instruments (Continued)

(f) Credit risk management

The Group does not have any significant credit risk exposure to any single counterparty or any group of counterparties having similar characteristics. The credit risk on liquid funds and derivative financial instruments is limited because the counterparties are banks with high credit-ratings assigned by international credit-rating agencies.

(g) Liquidity risk management

The Group manages liquidity risk by maintaining adequate reserves, banking facilities and reserve borrowing facilities by continuously monitoring forecast and actual cash flows and matching the maturity profiles of financial assets and liabilities.

(h) Capital risk management

When managing capital, management's objective is to ensure the entity continues as a going concern as well as to maintain optimal returns to shareholders and benefits for other stakeholders. Management also aims to maintain a capital structure that ensures the lowest cost of capital available to the entity. In order to maintain or adjust the capital structure, the entity may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares, enter into joint ventures or sell assets. The entity does not have a defined share buy-back plan.

No dividends were paid in 2012 and no dividends are expected to be paid in 2013. There is no current intention to incur debt funding on behalf of the Company as on-going exploration expenditure will be funded via cash reserves, equity or joint ventures with other companies. The Company is not subject to any externally imposed capital requirements.

(i) Fair value of financial instruments

The Directors consider that the carrying amount of financial assets and financial liabilities recorded in the financial statements approximates their fair value.

(j) Liquidity risk management

Interest rate risk, foreign currency risk and price risk

The Group has performed sensitivity analysis relating to its exposure to interest rate risk and foreign currency risk at balance date. This sensitivity analysis demonstrates the effect on the current year results and equity which could result from a change in these risks.

Interest rate sensitivity analysis

At 30 June 2013, the effect on loss and equity as a result of a 2% increase in the interest rate, with all other variables remaining constant would be a decrease in loss by $32,313 (2012: $48,950) and an increase in equity by $32,313 (2012: 48,950).

Foreign currency risk sensitivity analysis

The Group undertakes certain transactions denominated in foreign currencies, hence it has exposure to exchange rate fluctuations. Exchange rate exposures are managed by holding all funds in Australian dollars and only remitting funds to foreign operations as needed to reduce the foreign currency exposure.

29 Financial instruments (Continued)

A 10 percent strengthening of the Australian dollar against the following currency at 30 June 2013 would have increased (decreased) equity and profit or loss by the amounts shown below. This analysis assumes that all other variables, in particular interest rates, remain constant. The analysis is performed on the same basis for 2012.

	Consolidated	
	Equity	**Loss**
	$	**$**
30 June 2013		
USD	1,224	(1,112)
30 June 2012		
USD	134	(134)

A 10 percent weakening of the Australian dollar against the above currency at 30 June would have had the equal but opposite effect on the above currency to the amounts shown above, on the basis that all other variables remain constant.

Price risk sensitivity analysis

As the Company does not derive revenue from sale of products, the effect on profit and equity as a result of changes in the price risk is not considered material. The fair value of the mineral projects will be impacted by commodity price changes (predominantly oil and gas) and could impact future revenues once operational. However, management monitor current and projected commodity prices.

Financial risk management objectives

The Group's corporate treasury function provides services to the business, co-ordinates access to domestic and international financial markets, monitors and manages the financial risks relating to the operations of the Group through internal risk reports which analyse exposures by degree and magnitude of risks. These risks include market risk (including currency risk, fair value interest rate risk and price risk), credit risk, liquidity risk and cash flow interest rate risk.

Financial risk management

	Level 1	Level 2	Level 3	Total
2013	**$**	**$**	**$**	**$**
Financial assets				
Shares in ASX listed entity	2,600	-	-	**2,600**
	2,600	**-**	**-**	**2,600**
2012				
Financial assets				
Shares in ASX listed entity	2,600	-	-	**2,600**
	2,600	**-**	**-**	**2,600**

Included within Level 1 of the hierarchy are listed investments. The fair values of these financial assets and liabilities have been based on the closing quoted prices at reporting date, excluding transaction costs. In valuing unlisted investments, included in Level 2 of the hierarchy, valuation techniques such as those using comparisons to similar investments for which market observable prices are available have been adopted to determine the fair values of these investments. Derivative instruments are included in Level 2 of the hierarchy with the fair values being determined using valuation techniques incorporating observable market data relevant to the hedged position.

30 Related party transactions

(a) Company

Loans provided by the Company to subsidiary companies for the year ended 30 June 2013 amounted to $6,118,831 (2012: $4,347,456).

(b) Subsidiaries

Refer to Note 23.

(c) Key management personnel

Refer to Note 26.

(d) Transactions with related parties

During the year, the Group paid $28,960 (2012: Nil) to Glory Resources Limited for the reimbursement of occupancy costs of which Mr Jason Bontempo is a director.

During the year, the Group paid $15,300 to Senex Energy for the reimbursement of director's expenses. Also, the group paid or had payable $2,019,498 to Senex Energy Limited as operator of PEL115. Mr Denis Patten and Mr Arthur Pitts are directors of Senex Energy Limited.

There were no other transactions with related parties during the year that were not in the ordinary course of business.

31 Subsequent events

Subsequent to the year end the Company held an EGM whereby the resolution regarding the sale of its 20% participating interest in PEL 115 to Senex Energy in exchange for a package of benefits worth approximately $7 million that includes a free carry for a portion of Orca's oil exploration and development in the southern Cooper Basin was passed.

Under the terms of the agreement with Senex, Orca will retain its 20% interest in two key assets within PEL 115, namely the Fury oil discovery and the Burruna-1 oil exploration well. The parties are in the process of applying for a separate licence for the Fury and Burruna blocks (refer Figure 1), which will be known as the Fury Joint Venture and operate under the terms of the existing PEL 115 joint venture (Senex 80% and Operator, Orca 20%).

The consideration for the sale, effective 1 June 2013, encompasses a range of operational, financial and corporate benefits for Orca that equate to approximately $7 million. They include:

- Cancellation of Senex's 19.99% interest in Orca (115,000,000 shares placed to Senex at 3.5c per share in January 2012)
- Reimbursement of Orca's costs for work associated with the Kingston Rule-1 and Hornet-1 unconventional gas exploration wells in PEL 115
- Free carry for Orca's 20% share of costs for the completion and initial production test of the Fury-1 well
- Free carry of Orca's 20% share of costs to drill, case and suspend a proposed horizontal well in the Fury or Burruna Block
- Free carry of Orca's share of costs for the current Dundinna 3D seismic survey in PEL 110 (Senex 60% and Operator, Orca 20%)

The sale will leave Orca with a cash position in excess of $3m and free carried for the majority of its current Cooper Basin activities for the next 12 months.

31 Subsequent events (cont)

Orca also retains a “back-in” right to participate in any other conventional oil wells proposed by Senex in the PEL 115 block (outside of Fury and Burruna) before the current expiry date of the permit on 12 May 2014.

Subsequent to the financial year-end the Joint Venture announced the Fury-1 oil exploration well successfully tested an 18-metre gross oil column within the Murta Formation with initial flow rates of up to 75 barrels of oil per day. A hydraulic pump unit and surface facilities have been installed and test results are being evaluated with a view to bringing the well on line for long-term production.

Additionally as per the Sales Agreement between the two companies, Senex free-carried carried Orca through the drilling of the Burruna-2 oil exploration well, designed to test the hydrocarbon potential of the Murta Formation and secondary targets in the Namur Sandstones, Epsilon Formation and Merrimelia Formation.

The well, located within the newly formed “Fury Joint Venture” area (OGY 20%, SXY 80%) and approximately 320 metres north east of the Burruna-1 exploration well (refer Figure 1), was confirmed as a future oil producer after wireline logs confirmed a 5.3 metre net pay interval in the mid Namur Formation. A subsequent drill stem test resulted in oil free-flowing to surface at a rate of over 750 barrels per day with no associated water.

Apart from the above, there has not been any matter or circumstance that has arisen since 30 June 2013 that has significantly affected, or may significantly affect, the operations of the Company, the results of those operations, or the state of affairs of the Company in subsequent financial years.

32 Assets held for sale

On the 14th June 2013 the group entered into an agreement with Senex Energy Limited regarding the sale of its 20% participating interest in PEL115. The transaction required shareholder approval which was subsequently received on the 7th August 2013. (Refer to Note 31 for details of the transaction). At 30 June 2013 the below assets were classified as held for sale as they were costs which would be reimbursed or accrued payables which were subsequently free-carried.

	Consolidated 2013 $
PEL 110	440,753
PEL 115	2,019,498
	2,460,251

Corporate Governance

The Board of Directors are responsible for the overall strategy, governance and performance of Orca Energy Limited and its controlled entities. The Group is an exploration Group whose strategy is to add substantial shareholder value through the acquisition, exploration, development and commercialisation of its projects. The Board has adopted a corporate governance framework which it considers to be suitable given the size, history and strategy of the Group.

Principles of Best Practice Recommendations

In accordance with ASX Listing Rule 4.10, Orca Energy Limited is required to disclose the extent to which it has followed the Principles of Best Practice Recommendations during the financial year. Where Orca Energy Limited has not followed a recommendation, this has been identified and an explanation for the departure has been given. Further details can be found on the Group's website.

	BEST PRACTICE RECOMMENDATION	**COMMENT**
1.	***Lay solid foundations for management and oversight***	
1.1	Companies should establish the functions reserved to the board and those delegated to senior executives and disclose those functions.	Satisfied. Refer the Corporate Governance section on the Group website.
1.2	Companies should disclose the process for evaluation the performance of senior executives.	Satisfied.
1.3	Provide the information indicated in *Guide to Reporting on Principle 1.*	Satisfied. Refer to Director's report and the Corporate Governance section on the Group website.
2.	***Structure the board to add value***	
2.1	A majority of the board should be independent directors.	Not Satisfied. The Board consists of one executive director and three non-executive directors and one alternate director. Mr Patten and his alternate director, Mr Pitts are nominated by the Company's major shareholder.
2.2	The chairperson should be an independent director.	Satisfied.
2.3	The roles of chairperson and chief executive officer should not be exercised by the same individual.	The full Board consider all operational matters for the Company.
2.4	The board should establish a nomination committee.	Not satisfied. The Board considers that given the current size of the board, this function is efficiently achieved with full Board participation. Accordingly, the Board has resolved not to establish a nomination committee at this stage.
2.5	Disclose the process for performance evaluation of the board, its committees and individual directors, and key executives.	Not satisfied. The Group has not yet established formal performance review measures for key executives nor has it established a nomination committee given the size and stage of the Group's operations.
2.6	Provide the information indicated in *Guide to Reporting on Principle 2.*	Satisfied. Refer to Director's report and the Corporate Governance section on the Group website.

	BEST PRACTICE RECOMMENDATION	COMMENT
		In addition, the Board or individual Directors may seek independent external professional advice as considered necessary at the expense of the Group, subject to prior consultation with the Chairman. A copy of any such advice received is made available to all members of the Board.
3.	***Promote ethical and responsible decision-making***	
3.1	Companies should establish a code of conduct to guide the directors, the chief executive officer (or equivalent), the chief financial officer (or equivalent) and any other key executives as to: (a) the practices necessary to maintain confidence in the group's integrity; and (b) the practices necessary to take into account their legal obligations and the reasonable expectations of their stakeholders (c) the responsibility and accountability of individuals for reporting and investigating reports of unethical practices.	Satisfied. Refer the Corporate Governance section on the Group website.
3.2	Companies should establish a policy concerning diversity and disclose the policy or a summary of that policy. The policy should include requirements for the board to establish measureable objectives for achieving gender diversity and for the board to assess annually both the objectives and progress in achieving them.	Not Satisfied. The Group recognises that a talented and diverse workforce is a key competitive advantage and that an important contributor to the Group's success is the quality, diversity and skills of its people. Under the Group's Code of Conduct, employees must not harass, discriminate or support others who harass and discriminate against colleagues or members of the public on the grounds of sex, pregnancy, marital status, age, race (including their colour, nationality, descent, ethnic or religious background), physical or intellectual impairment, homosexuality or transgender. Such harassment or discrimination may constitute an offence under legislation. Due to the small scale of the Group's operations and the limited number of employees, the Group has not yet established a Diversity Policy. However, as the Group develops the Board will consider adopting such a policy.
3.3	Companies should disclose in each annual report the measureable objectives for achieving gender diversity set by the board in accordance with the diversity policy and progress in achieving them.	Not Satisfied. Given the size of the Group, the Group has not yet set measurable objectives for achieving gender diversity. In addition, the Board will review progress against any objectives identified on an annual basis.
3.4	Companies should disclose in each annual	Satisfied. Given the size of the Board and the Group,

	BEST PRACTICE RECOMMENDATION	COMMENT
	report the proportion of women employees in the whole organisation, women in senior executive positions and women on the board.	the Board considers that this function is efficiently achieved with the current Board. In addition Ms Sandford and Ms Robinson are joint Company Secretaries and Chief Financial Officer. The Group does not currently have any employees.
3.5	Provide the information indicated in *Guide to Reporting on Principle 3.*	Satisfied. Refer the Corporate Governance section on the Group website.
4.	***Safeguard integrity in financial reporting***	
4.1	The board should establish an audit committee.	Not Satisfied. The Directors believe that it would not increase efficiency or effectiveness to have a separate audit committee, and that audit matters are of such significance that they should be considered by the full Board. The Board may seek independent external professional advice as considered necessary if it requires assistance in this area.
4.2	Structure the audit committee so that it consists of: (a) only non-executive directors; (b) a majority of independent directors; (c) an independent chairperson, who is not chairperson of the board; and (d) at least three members.	Not satisfied. Refer 4.1.
4.3	The audit committee should have a formal charter.	Not satisfied. Refer 4.1.
4.4	Provide the information indicated in *Guide to Reporting on Principle 4.*	Satisfied. Refer to Director's report.
5.	***Make timely and balanced disclosure***	
5.1	Establish written policies and procedures designed to ensure compliance with ASX Listing Rule disclosure requirements and to ensure accountability at a senior executive level for that compliance and disclose those policies or a summary of those policies.	Satisfied. Continuous disclosure policy is available in the Corporate Governance section on the Group website.
5.2	Provide the information indicated in *Guide to Reporting on Principle 5.*	Satisfied. Refer 5.1
6.	***Respect the rights of shareholders***	
6.1	Design a communications policy for promoting effective communication with shareholders and encouraging their participation at general meetings and disclose the policy or a summary of that policy.	Satisfied. Communications with Shareholders policy is available in the Corporate Governance section on the Group website.
6.2	Provide the information indicated in *Guide to Reporting on Principle 6.*	Satisfied. Refer to the Group website.
7.	***Recognise and manage risk***	
7.1	The Group should establish policies for the oversight and management of material business risks and disclose a summary of those policies.	Satisfied. Risk management policy is available in the Corporate Governance section on the Group website.

	BEST PRACTICE RECOMMENDATION	COMMENT
7.2	The Board should design and implement the risk management and internal control system to manage the group's material business risks and report on whether those risks are being managed effectively. The Board should disclose that management has reported to it as to the effectiveness of the Group's management of its material business risks.	Satisfied. Refer 7.1 & 7.3
7.3	The board should disclose whether it has received assurances from the chief executive officer (or equivalent) and the chief financial officer (or equivalent) that the declaration provided in accordance with section 295A of the Corporations Act is founded on a sound system of risk management and internal control and that the system is operating effectively in all material respects in relation to financial reporting risks.	Satisfied.
7.4	Provide the information indicated in *Guide to Reporting on Principle 7.*	Satisfied. Refer 7.1
8.	***Remunerate fairly and responsibly***	
8.1	The board should establish a remuneration committee.	Not satisfied. The Board considered this recommendation and formed the view that it would not increase efficiency or effectiveness to have a separate committee, and that remuneration matters are of such significance that they should be considered by the full Board. The Board may seek independent external professional advice as considered necessary if it requires assistance in this area.
8.2	Clearly distinguish the structure of non-executive directors' remuneration from that of executives.	Details of remuneration are outlined in the Directors' report.
8.3	Provide the information indicated in *Guide to Reporting on Principle 8.*	Satisfied.

Additional information required by the Australian Securities Exchange Limited Listing Rules and not disclosed elsewhere in this report. This additional information was applicable as at 23 September 2013.

1. DISTRIBUTION OF SECURITY HOLDERS

Analysis of numbers of listed equity security holders by size of holding:

Category	Number of Shareholders	Number of Shares
1 - 1,000	165	63,864
1,001 - 5,000	518	1,751,669
5,001 - 10,000	400	3,283,564
10,001 - 100,000	1,139	45,175,969
100,001 and over	445	524,758,709
	2,667	**575,033,775**

Number of shareholders holding less than a marketable parcel of ordinary shares: 1,634 shareholders amounting to 15,458,876 shares.

2. STATEMENT OF RESTRICTED SECURITIES

There are no restricted securities.

3. SUBSTANTIAL SHAREHOLDERS

Rank	Name	Number of Shares	% of Issued Capital
1	Senex Energy Limited	115,000,000	19.99
2	J & J Bandy Nominees Pty Ltd	46,625,000	8.30
3	Percy Holdings Limited	42,500,000	7.39
4	Seventy Three Pty Ltd	42,250,000	7.34

4. UNQUOTED SECURITIES

The Company has the following unquoted securities:

Number	Class
500,000	Unlisted Options ($0.16; 03/12/2014)

5. VOTING RIGHTS

The voting rights attaching to the ordinary shares, set out in the Company's Constitution, are:
At meetings of members, each member is entitled to vote in person or by proxy, attorney or representative; and
On a show of hands, every person present who is a member has one vote, and on a poll every member present has a vote for each fully paid share.

6. ON-MARKET BUY-BACK

There is no current on-market buy-back.

7. STATEMENT OF TOP 20 HOLDERS OF LISTED EQUITY SECURITIES AS AT 23 SEPTEMBER 2013

Fully paid ordinary shares

Rank	Name	Number of Shares	% of Issued Capital
1	Senex Energy Limited	115,000,000	19.99
2	J & J Bandy Nominees Pty Ltd	46,625,000	8.30
3	Percy Holdings Limited	42,500,000	7.39
4	Seventy Three Pty Ltd	42,250,000	7.34
5	HSBC Custody Nominees	16,956,051	2.95
6	James Anthony Gleeson	16,640,625	2.89
7	Sonic Holdings Pty Ltd	10,000,001	1.74
8	Ms Merle Smith & Ms Kathryn Smith	9,000,000	1.56
9	Seefeld Investments Pty Ltd	5,666,733	0.98
10	Gordon Family Superannuation Pty Ltd	4,000,000	0.69
11	Mr Ian Morton & Mrs Deborah Morton	3,890,252	0.67
12	Seivad Investments Pty Ltd	3,288,033	0.57
13	Mr Simon William Tritton	3,100,000	0.53
14	Bushwood Nominees Pty Ltd	2,953,125	0.51
15	Hardmail Pty Ltd	2,875,000	0.50
16	Miss Evey Mulyadi	2,592,834	0.45
17	The Fence Masters Pty Ltd	2,500,001	0.43
18	Sofia Services Pty Ltd	2,000,000	0.43
19	Berpaid Pty Ltd	2,500,000	0.43
20	Ms Sonia Zinni & Mr Anthony Stuart Baker	2,500,000	0.43
		336,837,655	**58.78**

TAX STATUS

The Company is treated as a public company for taxation purposes.

FRANKING CREDITS

The Company has nil franking credits.

TENEMENT SCHEDULE

Project	Interest
Australia	
PEL 115	20.0%
PEL 110 *	20.0%-
USA	
Matagorda	20%

* Has the right to earn 20% subject to farm-in conditions