
ORCA ENERGY LIMITED

ACN 009 121 644

NOTICE OF GENERAL MEETING

The General Meeting of the Company will be held at Level 1, 35 Richardson Street, West Perth, Western Australia on Thursday, 30 April 2015 at 9:30am (WST).

This Notice of General Meeting should be read in its entirety. If Shareholders are in doubt as to how they should vote, they should seek advice from their accountant, solicitor or other professional adviser prior to voting.

Should you wish to discuss any matter please do not hesitate to contact the Company by telephone on +61 (0)8 9212 0102.

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ACN 009 121 644

NOTICE OF GENERAL MEETING

Notice is hereby given that a General Meeting of Shareholders of Orca Energy Limited (the **Company**) will be held at Level 1, 35 Richardson Street, West Perth, Western Australia on Thursday, 30 April 2015 at 9:30am (WST) (**Meeting**).

The Explanatory Memorandum to this Notice provides additional information on matters to be considered at the Meeting. The Explanatory Memorandum and the Proxy Form form part of this Notice.

The Directors have determined pursuant to regulation 7.11.37 of the Corporations Regulations 2001 (Cth) that the persons eligible to vote at the Meeting are those who are registered as Shareholders on Tuesday, 28 April 2015 at 4.00 pm (WST).

Terms and abbreviations used in this Notice and Explanatory Memorandum are defined in Schedule 1.

AGENDA

1. Resolution 1 – Disposal of interest in Cooper Basin Assets

To consider and, if thought fit, to pass, with or without amendment, the following resolution as an **ordinary resolution**:

“That, for the purposes of ASX Listing Rule 11.2 and for all other purposes, approval is given for the disposal by the Company of its interest in the Cooper Basin Assets on the terms and conditions set out in the Explanatory Memorandum.”

Voting Exclusion: The Company will disregard any votes cast on this Resolution by a person who might obtain a benefit, except a benefit solely in the capacity of a holder of ordinary securities, if the Resolution is passed and any associates of those persons. However, the Company need not disregard a vote if it is cast by a person as a proxy for a person who is entitled to vote, in accordance with the directions on the Proxy Form, or, it is cast by the person chairing the meeting as proxy for a person who is entitled to vote, in accordance with a direction on the Proxy Form to vote as the proxy decides.

2. Resolution 2 – Issue of Options to Mr Nathan Rayner

To consider and, if thought fit, to pass, with or without amendment, the following resolution as an **ordinary resolution**:

“That, for the purposes of ASX Listing Rule 10.11 and for all other purposes, approval is given for the Company to issue 7,500,000 Options to Mr Nathan Rayner (or his nominee) on the terms and conditions set out in the Explanatory Statement.”

Voting Exclusion Statement: The Company will disregard any votes cast on this Resolution by Mr Rayner (and his nominee) and any of their associates. However, the Company need not disregard a vote if it is cast by a person as a proxy for a person who is entitled to vote, in accordance with the directions on the Proxy Form, or, it is cast by the person chairing the meeting as proxy for a person who is entitled to vote, in accordance with a direction on the Proxy Form to vote as the proxy decides.

Voting Prohibition Statement:

A person appointed as a proxy must not vote, on the basis of that appointment, on this Resolution if:

- (a) the proxy is either:
 - (i) a member of the Key Management Personnel; or
 - (ii) a Closely Related Party of such a member; and
- (b) the appointment does not specify the way the proxy is to vote on this Resolution.

However, the above prohibition does not apply if:

- (a) the proxy is the Chair; and
- (b) the appointment expressly authorises the Chair to exercise the proxy even though this Resolution is connected directly or indirectly with remuneration of a member of the Key Management Personnel.

3. Resolution 3 – Issue of Options to Consultant

To consider and, if thought fit, to pass, with or without amendment, the following resolution as an **ordinary resolution**:

“That, for the purposes of ASX Listing Rule 7.1 and for all other purposes, approval is given for the Company to issue 3,000,000 Options on the terms and conditions set out in the Explanatory Statement.”

Voting Exclusion: The Company will disregard any votes cast on this Resolution by any person who may participate in the proposed issue and a person who might obtain a benefit, except a benefit solely in the capacity of a holder of ordinary securities, if the Resolution is passed and any associates of those persons. However, the Company need not disregard a vote if it is cast by a person as a proxy for a person who is entitled to vote, in accordance with the directions on the Proxy Form, or, it is cast by the person chairing the meeting as proxy for a person who is entitled to vote, in accordance with a direction on the Proxy Form to vote as the proxy decides.

Voting Prohibition Statement:

A person appointed as a proxy must not vote, on the basis of that appointment, on this Resolution if:

- (a) the proxy is either:
 - (i) a member of the Key Management Personnel; or
 - (ii) a Closely Related Party of such a member; and
- (b) the appointment does not specify the way the proxy is to vote on this Resolution.

However, the above prohibition does not apply if:

- (a) the proxy is the Chair; and
- (b) the appointment expressly authorises the Chair to exercise the proxy even though this Resolution is connected directly or indirectly with remuneration of a member of the Key Management Personnel.

Dated 31 March 2015

BY ORDER OF THE BOARD



Aaron Bertolatti
Company Secretary

ORCA ENERGY LIMITED

ACN 009 121 644

EXPLANATORY MEMORANDUM

1. Introduction

This Explanatory Memorandum has been prepared for the information of Shareholders in connection with the business to be conducted at the Meeting to be held at Level 1, 35 Richardson Street, West Perth, Western Australia on Thursday, 30 April 2015 at 9.30am (WST).

This Explanatory Memorandum should be read in conjunction with and forms part of the accompanying Notice. The purpose of this Explanatory Memorandum is to provide information to Shareholders in deciding whether or not to pass the Resolutions set out in the Notice.

A Proxy Form is located at the end of the Explanatory Memorandum.

2. Action to be taken by Shareholders

Shareholders should read the Notice and this Explanatory Memorandum carefully before deciding how to vote on the Resolutions.

2.1 Proxies

A Proxy Form is attached to the Notice. This is to be used by Shareholders if they wish to appoint a representative (a 'proxy') to vote in their place. All Shareholders are invited and encouraged to attend the Meeting or, if they are unable to attend in person, sign and return the Proxy Form to the Company in accordance with the instructions thereon. Lodgment of a Proxy Form will not preclude a Shareholder from attending and voting at the Meeting in person.

Please note that:

- (a) a member of the Company entitled to attend and vote at the Meeting is entitled to appoint a proxy;
- (b) a proxy need not be a member of the Company; and
- (c) a member of the Company entitled to cast two or more votes may appoint two proxies and may specify the proportion or number of votes each proxy is appointed to exercise, but where the proportion or number is not specified, each proxy may exercise half of the votes.

The enclosed Proxy Form provides further details on appointing proxies and lodging Proxy Forms.

3. Resolution 1 – Disposal of interest in Cooper Basin Assets

3.1 Background

The Company is an energy and resources company with a focus on investment and development of oil and gas assets. The Company currently has an interest in three projects in the Cooper Basin in South Australia (**Cooper Basin Assets**) and the Seabiscuit Project in Texas, USA (**US Project**).

Orca's business strategy is to accumulate a diverse portfolio of assets that will allow the company to spread risk throughout the portfolio, while increasing its opportunity of success. It is envisaged that the Company would hold no greater than 40% in any project, subject to the size, expense and risk of the opportunity.

The Cooper Basin Assets were acquired in 2009 and 2011 in accordance with the Company's business objectives of an oil exploration and production company, and arose as a result of two separate farm-in agreements that were entered into prior to current management assuming control of the Company towards the end of 2011. Since that time, Orca has transacted and sold parts of the Cooper Basin portfolio of assets in an effort to realise value for shareholders.

Following its acquisition of the US Project in 2011, where shareholder approval for the acquisition was sought and obtained, Orca has maintained its desire to see the highly prospective Seabiscuit prospect drilled in accordance with its stated objectives. Orca remains committed to the US Project and is considering all options available to it, including potentially increasing its exposure to the project, above its current 20% interest. Such decisions will be made over the course of the US summer months as the prospect generators provide clarity on the status of the leases and their ability to secure an operator.

3.2 Proposed Transaction

As announced on 13 March 2015, Orca has entered into a binding Sale Agreement with Senex Energy Limited (ASX: SXY) (**Senex**) to sell its Cooper Basin Assets for approximately \$2,000,000 in cash, with an effective date of 1 January 2015 (**the Disposal**).

A summary of the key terms of the Sale Agreement are set out in Section 3.3 below.

ASX Listing Rule 11.2 provides that where a company proposes to make a significant change in the nature or scale of its activities which involves the disposal of its main undertaking, it must first obtain the approval of its shareholders and otherwise comply with the requirements of ASX.

Resolution 1 seeks Shareholder approval for the Disposal.

3.3 Key Terms

The key terms of the Disposal are as follows:

- (a) The Company (and its wholly owned subsidiary, Komodo Energy Pty Ltd (**Komodo**)) will sell:
 - (i) Komodo's 20% interest in petroleum production licence 251 (PPL 251);
 - (ii) Komodo's 20% interest in petroleum retention licence 117 (PRL 117);

- (iii) the Company's 20% interest in petroleum exploration licence 110 (PEL 110); and
 - (iv) all participating interests (including all rights and obligations) in the joint ventures related to the above licences,
- (being, the Cooper Basin Assets).
- (b) The Sale Agreement is subject to the following Conditions Precedent:
- (i) the Company obtaining any shareholder approvals required under the Corporations Act or Listing Rules;
 - (ii) the parties (and any requisite third party) executing such deeds of assignment, assumption or covenant required to effect the Company's disposal (and Senex's acquisition) of the Cooper Basin Assets; and
 - (iii) the receipt of all government and counterparty approvals necessary or desirable in connection with the Disposal, including approval by the Minister under the *Petroleum and Geothermal Energy Act 2000 (SA)*.
- (c) The value of the consideration payable to the Company for its sale of the Cooper Basin Assets will be approximately \$2,000,000 AUD.
- (d) Subject to completion, the effective date of the Disposal will be deemed 1 January 2015. Senex will be taken to have had the benefit and burden of all rights and obligations relating to the Cooper Basin Assets on and from this date.

3.4 Indicative Timetable

Subject to ASX Listing Rule and Corporations Act requirements, the Company anticipates completion of the Disposal will be in accordance with the following timetable:

Event	Date
ASX announcement of Disposal	13 March 2015
General Meeting to approve Disposal	30 April 2015
Completion of Disposal	On or before 31 May 2015

3.5 Financial effect of the Disposal on the Company

The impact of the Disposal on the Company's balance sheet is set out in the pro forma balance sheet contained in Schedule 2.

There will be no impact on the capital structure of the Company.

3.6 Reasons for the Disposal

The Directors believe that following an assessment of the advantages and disadvantages disclosed below the Disposal is in the best interests of the Company.

Advantages

The Directors believe that the following non-exhaustive list of advantages may be relevant to a Shareholder's decision on how to vote on the proposed Disposal:

- (a) The Company believes that further development capital is required to continue to maintain current oil production rates at PPL 251 (Burrana). In the current low price oil environment, the Company does not see such a deployment of capital providing a commensurate return on its investment;
- (b) After the drilling of the Akela-1 well late last year, further capital will be required in PEL 110 to both evaluate the results and also potentially work up new prospects and leads across the block for future drilling. The Company sees the use of capital on exploration activities as higher risk with no guarantee of results that might benefit shareholders;
- (c) Whilst PRL 117 continues to hold oil reserves, the development of these reserves will require capital and in the current low price oil environment, the Company does not see such a deployment of capital providing a commensurate return on investment; and
- (d) The Disposal of these assets will enable the Company to consider alternative asset acquisitions that the Directors believe will add value to Shareholders;

Disadvantages

The Directors believe that the following non-exhaustive list of disadvantages may be relevant to a Shareholder's decision on how to vote on the proposed Disposal:

- (a) The Company will not be able to participate in or derive any future revenue from production on PPL 251;
- (b) The Disposal involves the Company selling a principal asset, which may not be consistent with the investment objectives of all Shareholders; and
- (c) There is a risk the Company may not be able to locate and complete the acquisition of other suitable investment opportunities within a reasonable time.

3.7 Future activities and direction on completion of the Disposal

The Company's assets following the Disposal will comprise of:

- (a) its interest in the US Project; and
- (b) cash of approximately \$5 million.

After completion of the Disposal, the Company will continue with its exploration activities, focusing on the US Project, as well as pursuing investment opportunities that have potential to generate shareholder return.

In addition, the Company will consider further investment opportunities in the field of oil exploration, production and development, both in Australia and overseas, that it considers are consistent with its existing activities and which the Board believe could have the potential to add value to Shareholders.

In the event Shareholder approval is not obtained and completion of the Disposal is unable to occur the Company intends to continue contributing to its joint venture commitments on the Cooper Basin Assets while assessing other acquisitions that suit the Company's stated objectives.

3.8 Director interests and recommendations

The Directors do not have any material interest in the outcome of the Resolution other than as a result of their interest arising solely in the capacity as security holders.

The Board has approved the proposal to put the Resolution to Shareholders.

Each of the Directors intends to vote all of their Shares in favour of the Resolution.

Based on the information available, all of the Directors consider that the proposed Disposal is in the best interests of the Company and recommend that the Shareholders vote in favour of Resolution 1.

4. Resolution 2 – Issue of Options to Mr Nathan Rayner

4.1 General

The Company has agreed, subject to obtaining Shareholder approval, to issue 7,500,000 Options to Mr Nathan Rayner, a director of the Company, on the terms and conditions set out below. The Options are proposed to be issued to Mr Rayner to retain his services and to provide cost effective remuneration for his ongoing commitment and contribution to the Company.

Resolution 2 seeks Shareholder approval for the grant of the Options to Mr Nathan Rayner (or his nominee(s)).

4.2 Chapter 2E of the Corporations Act

For a public company, or an entity that the public company controls, to give a financial benefit to a related party of the public company, the public company or entity must:

- (i) obtain the approval of the public company's members in the manner set out in sections 217 to 227 of the Corporations Act; and
- (ii) give the benefit within 15 months following such approval,

unless the giving of the financial benefit falls within an exception set out in sections 210 to 216 of the Corporations Act.

The grant of Options constitutes giving a financial benefit and Mr Rayner is a related party of the Company by virtue of being a Director.

An exception to the prohibition in Chapter 2E of the Corporations Act is if the benefit is remuneration to an officer of the Company that would be reasonable given the circumstances of the Company and the officer's circumstances (including the responsibilities of the officer).

The Board considers that the proposed grant of Options to Mr Rayner is reasonable remuneration. Accordingly, shareholder approval for the purposes of Chapter 2E of the Corporations Act is not required.

4.3 ASX Listing Rule 10.11

ASX Listing Rule 10.11 also requires shareholder approval to be obtained where an entity issues, or agrees to issue, securities to a related party, or a person whose relationship with the entity or a related party is, in ASX's opinion, such that approval should be obtained unless an exception in ASX Listing Rule 10.12 applies.

As the grant of the Options involves the issue of securities to a related party of the Company, Shareholder approval pursuant to ASX Listing Rule 10.11 is required unless an exception applies. It is the view of the Directors that the exceptions set out in ASX Listing Rule 10.12 do not apply in the current circumstances.

4.4 Technical Information required by ASX Listing Rule 10.13

Pursuant to and in accordance with ASX Listing Rule 10.13, the following information is provided in relation to Resolution 2:

- (a) the Options will be granted to Mr Nathan Rayner (or his nominee);
- (b) the number of Options to be issued is 7,500,000;
- (c) the Options will be granted no later than 1 month after the date of the Meeting (or such later date to the extent permitted by any ASX waiver or modification of the ASX Listing Rules) and it is intended that issue of the Options will occur on the same date;
- (d) the Options have vesting conditions attached to them and will vest as follows:
 - (i) 2,500,000 Options will vest immediately on the issue date;
 - (ii) 2,500,000 Options will vest six (6) months from the issue date; and
 - (iii) 2,500,000 Options will vest twelve (12) months from the issue date.
- (e) the Options will be issued for nil cash consideration, accordingly no funds will be raised; and
- (f) the terms and conditions of the Options are set out in Schedule 3.

Approval pursuant to ASX Listing Rule 7.1 is not required for the grant of the Options as approval is being obtained under ASX Listing Rule 10.11. Accordingly, the grant of Options to Mr Nathan Rayner (or his nominee) will not be included in the use of the Company's 15% annual placement capacity pursuant to ASX Listing Rule 7.1.

5. Resolution 3 – Issue of Options to Consultant

5.1 General

Resolution 3 seeks Shareholder approval for the issue of 3,000,000 Options to Mr Aaron Bertolatti, a consultant to the Company, to retain his services and to provide cost effective remuneration for his ongoing commitment and contribution to the Company.

ASX Listing Rule 7.1 provides that a company must not, subject to specified exceptions, issue or agree to issue more equity securities during any 12 month period than that amount which represents 15% of the number of fully paid ordinary securities on issue at the commencement of that 12 month period.

The effect of Resolution 3 will be to allow the Company to issue the Options during the period of 3 months after the Meeting (or a longer period, if allowed by ASX), without using the Company's 15% annual placement capacity.

5.2 Technical information required by ASX Listing Rule 7.1

Pursuant to and in accordance with ASX Listing Rule 7.3, the following information is provided in relation to issue of the Options:

- (a) the Options will be granted to Mr Aaron Bertolatti (or his nominee), who is not a related party of the Company;
- (b) the number of Options to be issued is 3,000,000;
- (c) the Options will be granted no later than 3 months after the date of the Meeting (or such later date to the extent permitted by any ASX waiver or modification of the ASX Listing Rules) and it is intended that issue of the Options will occur on the same date;
- (d) the Options have vesting conditions attached to them and will vest as follows:
 - (i) 1,000,000 Options will vest immediately on the issue date;
 - (ii) 1,000,000 Options will vest six (6) months from the issue date; and
 - (iii) 1,000,000 Options will vest twelve (12) months from the issue date.
- (e) the Options will be issued for nil cash consideration, accordingly no funds will be raised; and
- (f) the terms and conditions of the Options are set out in Schedule 3.

Schedule 1 – Definitions

ASIC means Australian Securities and Investments Commission.

ASX means ASX Limited (ACN 008 624 691) and, where the context permits, the Australian Securities Exchange operated by ASX.

Board means the board of Directors.

Chairman means the chairman of the Meeting.

Closely Related Party has the meaning in section 9 of the Corporations Act.

Company or **Orca** means Orca Energy Limited ACN 009 121 644.

Constitution means the constitution of the Company.

Corporations Act means the Corporations Act 2001 (Cth).

Director means a director of the Company.

Explanatory Memorandum means the explanatory memorandum attached to the Notice.

Key Management Personnel means a person having authority and responsibility for planning, directing and controlling the activities of the Company, directly or indirectly, including any Director (whether executive or otherwise) of the Company.

Listing Rules means the listing rules of ASX.

Meeting has the meaning in the introductory paragraph of the Notice.

Notice means this notice of meeting.

Option means an option which entitles the holder to subscribe for one Share.

Proxy Form means the proxy form attached to the Notice.

Resolution means a resolution contained in this Notice.

Schedule means a schedule to this Notice.

Section means a section contained in this Explanatory Memorandum.

Share means a fully paid ordinary share in the capital of the Company.

Shareholder means a shareholder of the Company.

WST means Western Standard Time, being the time in Perth, Western Australia.

In this Notice, words importing the singular include the plural and vice versa.

Schedule 2 – Pro-forma Balance Sheet

	31-Dec 2014	Sale of Cooper Basin Assets	Total
ASSETS			
Current Assets			
Cash and cash equivalents	3,147,374	2,000,000	5,147,374
Trade and other receivables	200,034	-	200,034
Assets Held for Sale	2,000,000	2,000,000	-
Other financial assets	400	-	400
Oil Inventory	11,488	11,488	-
Total Current Assets	5,359,296	11,488	5,347,808
Non-Current Assets			
Exploration and evaluation expenditure	1,989,569	-	1,989,569
Total Non-Current Assets	1,989,569	-	1,989,569
TOTAL ASSETS	7,348,865	11,488	7,337,377
LIABILITIES			
Current Liabilities			
Trade and other payables	427,695	-	427,695
Liabilities associated with assets held for sale	132,000	132,000	-
Provisions	12,684	-	12,684
Total Current Liabilities	572,379	132,000	440,379
TOTAL LIABILITIES	572,379	132,000	440,379
NET ASSETS	6,776,486	120,512	6,896,998
EQUITY			
Issued Capital	28,630,786	-	28,630,786
Reserves	2,255,331	-	2,255,331
Accumulated losses	24,109,631	120,512	23,989,119
TOTAL EQUITY	6,776,486	120,512	6,896,998

Schedule 3 – Terms and Conditions of Options

The Options entitle the holder to subscribe for ordinary fully paid shares in the capital of the Company on the following terms and conditions:

- (a) The Options will expire at 5.00pm Australian Western Standard Time on 31 December 2017 (**Expiry Date**). Any Option not exercised before the Expiry Date will automatically lapse on the Expiry Date.
- (b) Each Option gives the Option holder the right to subscribe for one ordinary share in the capital of the Company. To obtain the right given by each Option, the Option holder must exercise the Options in accordance with the terms and conditions of the Options.
- (c) The exercise price payable upon exercise of each Option will be AUD\$0.015 (**Exercise Price**).
- (d) The Options satisfying the Vesting Conditions shall immediately vest.
- (e) Notwithstanding clause (d), upon the occurrence of a Change in Control Event the Options shall immediately vest.

For the purpose of this clause (e), a “Change in Control Event” means:

- (i) shareholders approving a transaction for the purposes of Listing Rule 11.1:
- (ii) the occurrence of:
 - (A) the offeror under a takeover offer in respect of all Shares announcing that it has achieved acceptances in respect of 50.1% or more of the Shares; and
 - (B) that takeover bid has become unconditional; or
- (iii) the announcement by the Company that:
 - (A) shareholders of the Company have at a Court convened meeting of shareholders voted in favour, by the necessary majority, of a proposed scheme of arrangement under which all Shares are to be either:
 - (1) cancelled; or
 - (2) transferred to a third party; and
 - (B) the Court, by order, approves the proposed scheme of arrangement.
- (f) Once the Options are exercisable the Options may be exercised at any time prior to the Expiry Date.
- (g) An Option holder may exercise their Options by lodging with the Company, before the Expiry Date:

- (i) a written notice of exercise of Options specifying the number of Options being exercised; and
- (ii) a cheque or electronic funds transfer for the Exercise Price for the number of Options being exercised;

(Exercise Notice).

- (h) An Exercise Notice is only effective when the Company has received the full amount of the Exercise Price in cleared funds.
- (i) Within 5 Business Days of receipt of the Exercise Notice accompanied by the Exercise Price, the Company will allot the number of Shares required under these terms and conditions in respect of the number of Options specified in the Exercise Notice.
- (j) All Shares allotted upon the exercise of Options will upon allotment rank pari passu in all respects with other Shares.
- (k) The Company will not apply for quotation of the Options on ASX. However, the Company will apply for quotation by ASX of all Shares allotted pursuant to the exercise of Options within 10 Business Days after the date of allotment of those Shares.
- (l) In the event of any reorganisation (including consolidation, sub-division, reduction or return) of the issued capital of the Company before the expiry of any Options, the number of Options to which an Option holder is entitled or the Exercise Price of the Options or both will be reconstructed (as appropriate) in accordance with the Listing Rules.
- (m) An Option does not confer the right to a change in exercise price or a change in the number of underlying securities over which the Option can be exercised.
- (n) There are no participating rights or entitlements inherent in the Options and optionholders will not be entitled to participate in new issues of capital offered to Shareholders during the currency of the Options. However, the Company will ensure that for the purposes of the proposed issue notice of the new issue will be given to optionholders at least ten (10) Business Days before the record date. This will give optionholders the opportunity to exercise their Options prior to the date for determining entitlements to participate in any such issue.
- (o) The optionholder may nominate a nominee to receive the entitlement of Options.
- (p) The Options shall be freely assignable and transferable, subject to the provisions of Chapter 6D of the Corporations Act and the applicable law.