



ORCAENERGY

ABN 25 009 121 644

AND ITS CONTROLLED ENTITIES

**ANNUAL REPORT
30 JUNE 2015**

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CORPORATE DIRECTORY

Directors

Mr. Greg Bandy – Managing Director
Mr. Jason Bontempo – Non-Executive Director
Mr. Nathan Rayner – Non-Executive Director

Company Secretary

Mr. Aaron Bertolatti

Registered Office

First Floor
35 Richardson Street
West Perth WA 6005

Share Registry

Advanced Share Registry Pty Ltd
110 Stirling Highway
NEDLANDS WA 6009

Auditors

Stantons International Audit and Consulting Pty Ltd
Level 2, 1 Walker Avenue
West Perth WA 6005

Solicitors

Occam Legal
Unit 8, 448 Roberts Road
Subiaco WA 6008

Stock Exchange

Australian Securities Exchange
(Home Exchange: Perth, Western Australia)
ASX Code: **OGY**

Website

www.orcaenergy.com.au



Directors' Report

The Directors present their report for Orca Energy Limited ("Orca Energy", "Orca" or "the Company") and its subsidiaries ("the Group") for the year ended 30 June 2015.

DIRECTORS

The names, qualifications and experience of the Company's Directors in office during the year and until the date of this report are as follows. Directors were in office for the entire year unless otherwise stated.

Mr. Greg Bandy – B.Com, ASXA1 (ASX)

Managing Director

Mr. Bandy has 15 years of experience in retail, corporate and capital markets, both in Australia and overseas. Mr. Bandy worked as a Senior Client Advisor at Montagu Stockbrokers and Patersons Securities for over 10 years before moving to the corporate sector.

A former director of Empire Beer Group Limited, Mr. Bandy oversaw the acquisition of Car Parking Technologies (now Smart Parking Limited ASX: SPZ) before stepping down as an Executive Director. Mr. Bandy is also currently the Managing Director of Red Emperor Resources NL (ASX: RMP).

Mr. Jason Bontempo - B.Com, CA

Non-Executive Director

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 Red Emperor Resources NL (ASX: RMP). Mr Bontempo is a former director of Glory Resources Limited, Matrix Metals Limited and Chameleon Mining NL

Mr. Nathan Rayner - B.Eng, MEngSc, GradCertBusAdmin (appointed 23 October 2014)

Non-Executive Director

Mr. Rayner is a Petroleum Engineer with over 15 years of experience, specialising in managing technical teams, resource evaluations and developing gas projects globally. Mr. Rayner held the position of Evaluation Manager for Addax Petroleum Ltd, based in Geneva, managing its West African new discovery field development planning, appraisal programs and resource portfolio.

Mr. Rayner is currently the Chief Operating Officer of Sunbird Energy Limited (ASX: SNY) and is responsible for delivering the Full Field Development Plan for Sunbird Energy's Ibhuesi Gas Project. Prior to joining Sunbird Energy, Mr. Rayner held the position of Chief Operating Officer with Dart Energy Ltd, based in Singapore. As COO for Dart Energy, he had managerial, operational and technical responsibility for all international exploration, drilling and production activities in Europe, China, India and Indonesia. Mr Rayner is also currently a director of Red Emperor Resources NL (ASX: RMP)

Mr. Jeremy King - LLB (resigned 23 October 2014)

Non-Executive Director

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 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).

COMPANY SECRETARY

Mr. Aaron Bertolatti – B.Com, CA, AGIA (appointed 1 September 2014)

Mr. Bertolatti is a qualified Chartered Accountant and Company Secretary with over 9 years' experience in the mining industry and accounting profession. Mr. Bertolatti has both local and international experience and provides assistance to a number of resource companies with financial accounting and stock exchange compliance. Mr. Bertolatti has significant experience in the administration of ASX listed companies, corporate governance and corporate finance.

Ms. Sara Kelly resigned as company secretary on 1 September 2014.

INTERESTS IN THE SECURITIES OF THE COMPANY

As at the date of this report, the interests of the Directors in the securities of Orca Energy Limited are:

Director	Ordinary Shares	Options – exercisable at \$0.03 each on or before 31-Dec-15	Options – exercisable at \$0.015 each on or before 31-Dec-17
Greg Bandy	-	-	-
Jason Bontempo	-	5,000,000	-
Nathan Rayner	-	-	7,500,000

RESULTS OF OPERATIONS

The Company's net loss after taxation attributable to the members of Orca Energy for the year to 30 June 2015 was \$2,675,077 (2014: net profit \$298,960).



DIVIDENDS

No dividend was paid or declared by the Company during the year and up to the date of this report.

CORPORATE STRUCTURE

Orca Energy Limited is a company limited by shares, which is incorporated and domiciled in Australia.

NATURE OF OPERATIONS AND PRINCIPAL ACTIVITIES

The principal activity of the Company during the financial year was mineral exploration.

REVIEW OF OPERATIONS

PPL 251 & PRL 117 - Cooper Basin, South Australia

Production from the Burrana Field for the period to 31 December 2014 was 17,185 barrels of oil, net to Orca, with the number of barrels sold, net to Orca, being 20,572. Revenue received from barrels sold was \$1,872,573 with total cash received for the period being \$2,272,094, which included payments for barrels sold in the previous period. The Cooper Basin assets were subsequently sold (effective date being 1 January 2015).

PEL 110 - Cooper Basin, South Australia

The Akela-1 exploration well spudded on 29 October 2014 and was drilled to a total depth of 2,676 metres to evaluate stacked oil potential across an interpreted four-way dip-closed structure in the northern flank of the Cooper Basin. The well encountered trace to poor oil shows, with the best oil shows occurring in the Birkhead Formation. A basal sandstone in the Birkhead Formation was identified as a potential hydrocarbon bearing zone however several attempts to sample reservoir fluids from this formation were unsuccessful due to poor borehole conditions. The well was cased and suspended in mid-November for future evaluation.

Reserves Estimate

Licence	Field Name	Entity	Working Interest At 1 July 2014	Working Interest At 30 June 2015
PEL 110		Orca Energy Ltd	20%	-
PRL 117	Fury	Komodo Energy Pty Ltd	20%	-
PPL 251	Burrana	Komodo Energy Pty Ltd	20%	-

PPL 251 (OGY 20%) & PRL 117 (OGY 20%)

Reserves ¹ (Mstb)		2014 ¹	2015	Variation ²
Developed Oil Reserves ¹	1P	51	-	(51)
	2P	149	-	(149)
	3P ³	279	-	(279)
Undeveloped Oil Reserves	1P	51	-	(51)
	2P	149	-	(149)
	3P	279	-	(279)
Total Oil Reserves	1P	102	-	(51)
	2P	298	-	(149)
	3P ³	558	-	(279)

¹ As announced in Orca Energy Ltd Annual Report 2014.

² Reduction due to asset sale

³ Portion of this volume occurs outside the Joint Venture area

PRL 117 (OGY 20%)

Contingent Resources (Mstb)		2014 ¹	2015	Variation ²
Contingent Resources	1C	50	-	(50)
	2C	104	-	(104)
	3C	210	-	(210)

¹ As announced in Orca Energy Ltd Annual Report 2014.

² Reduction due to asset sale



Sale of Cooper Basin Assets

During the year, the Company advised that it had entered into a binding Sales Agreement with Senex Energy Limited to sell its Cooper Basin Assets for approximately \$2,000,000 in cash, with an effective date of 1 January 2015. Orca (and its wholly owned subsidiary, Komodo Energy Pty Ltd (Komodo)) sold to Senex the following permits and associated joint venture interests:

1. Komodo's 20% interest in the Burruna oil field, being petroleum production licence 251 (PPL 251)
2. Komodo's 20% interest in the Fury oil field, being petroleum retention licence 117 (PRL 117)
3. Orca's 20% interest in petroleum exploration licence 110 (PEL 110).

The Transaction was approved by shareholders at an extraordinary general meeting on 30 April 2015 with all funds received by 15 May 2015.

Seabiscuit – Texas

The project generators, NEU Oil & Gas LLC (NEU) and Highland Minerals Inc. (Highland), advised Orca that they were unable to find a JV partner willing to participate in the drilling of the Seabiscuit prospect, either as a financier or operator. Orca continues to monitor the progress being made by NEU and Highland, while acknowledging the difficult current commodity price environment. The Directors have therefore decided to impair the carrying value of this asset to \$300,000 at 30 June 2015.

CORPORATE

- On 23 October 2014 the Company announced the appointment of Nathan Rayner to the Board of Directors following the resignation of Jeremy King.
- On 3 December 2014 500,000 unlisted options, exercisable at \$0.16 expired unexercised.
- 7,500,000 unlisted options were issued to Mr. Nathan Rayner and 3,000,000 to Mr. Bertolatti following receipt of shareholder approval obtained at the Company's General Meeting held on 30 April 2015. Options are exercisable at \$0.015 on or before 31 December 2017.
- Orca announced on 6 May 2015 that it had entered into a Subscription Agreement (Agreement) with two strategic cornerstone investors to raise a total of A\$20m before costs (Placement). The Placement was subject to the Company obtaining all other necessary regulatory and shareholder approvals required under the Corporations Act and the Listing Rules (Approvals Conditions Precedent).

In liaising with the ASX in respect to the Placement and the Approvals Conditions Precedent, the ASX advised the Company of its concerns with the application of Listing Rule 12.3 and that the ASX would exercise its discretion to apply that Listing Rule to the Company, which effectively precluded the Company from undertaking the Placement on the terms proposed. The ASX's application of the applicable Listing Rule was not made apparent in initial discussions with the ASX prior to the announcement of the Placement.

The Company and the Subscribers were unable to agree on an alternative structure for the Placement and as a result the Company was not able to satisfy the Approvals Conditions Precedent. Discussions and negotiations have since been terminated.

- Orca continues to review new opportunities as it has done throughout the year in accordance with its outlined strategic philosophy.

SIGNIFICANT CHANGES IN THE STATE OF AFFAIRS

There have been no significant changes in the state of affairs of the Group during the financial year, other than as set out in this report.

SIGNIFICANT EVENTS AFTER THE REPORTING DATE

On the 18 September 2015, the Company issued 708 Capital Pty Ltd 12,000,000 shares pursuant to a Corporate Services Mandate for services to be provided to Orca over a twelve month period commencing 1 September 2015.

There has not been no other matters or circumstances that have arisen since 30 June 2015 that have 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..

LIKELY DEVELOPMENTS AND EXPECTED RESULTS OF OPERATIONS

The Group will continue its investment in resource projects with the object of identifying commercial resources. The Company intends to pursue acquisition and investment opportunities to secure new projects in the natural resources sector.

ENVIRONMENTAL REGULATIONS AND PERFORMANCE

The Group operates within the resources sector and conducts its business activities with respect for the environment while continuing to meet the expectations of the shareholders, employees and suppliers. The Group's exploration activities are currently regulated by significant environmental regulation under laws of Australia.



Directors' Report

The Group aims to ensure that the highest standard of environmental care is achieved, and that it complies with all relevant environmental legislation. There have been no known breaches by the Group during the year.

SHARE OPTIONS

As at the date of this report there were 38,500,000 unissued ordinary shares under options. The details of the options are as follows:

Number	Exercise Price \$	Expiry Date
28,000,000	\$0.030	31-Dec-15
10,500,000	\$0.015	31-Dec-17
38,500,000		

No option holder has any right under the options to participate in any other share issue of the Company or any other entity.

500,000 options expired unexercised on 3 December 2014.

No options were exercised during or since the year ended 30 June 2015.

INDEMNIFICATION AND INSURANCE OF DIRECTORS AND OFFICERS

The Company has made an agreement indemnifying all the Directors and officers of the Company against all losses or liabilities incurred by each Director or officer in their capacity as Directors or officers of the Company to the extent permitted by the Corporations Act 2001. The indemnification specifically excludes wilful acts of negligence.

The Company paid insurance premiums in respect of Directors' and Officers' Liability Insurance contracts for current officers of the Company, including officers of the Company's controlled entities. The liabilities insured are damages and legal costs that may be incurred in defending civil or criminal proceedings that may be brought against the officers in their capacity as officers of entities in the Group.

During the financial period, Orca Energy Limited paid a premium of \$16,200 (2014: \$18,082) to insure the directors and officers of the Group and its controlled entities.

DIRECTORS' MEETINGS

During the financial year, in addition to regular Board discussions, the number of formal meetings of Directors held during the year and the number of meetings attended by each Director was as follows:

Director	Number of Meetings Eligible to Attend	Number of Meetings Attended
Greg Bandy	2	2
Jason Bontempo	2	2
Jeremy King	-	-
Nathan Rayner	2	2

During the financial year, the Directors also met regularly to discuss all matters associated with investment strategy, review of opportunities, and other Company matters on an informal basis. Circular resolutions were passed as necessary to execute formal Board decisions.

PROCEEDINGS ON BEHALF OF COMPANY

No person has applied for leave of the Court to bring proceedings on behalf of the Company or intervene in any proceedings to which the Company is a party for the purpose of taking responsibility on behalf of the Company for all or any part of those proceedings. The Company was not a party to any such proceedings during the year.

CORPORATE GOVERNANCE

In recognising the need for the highest standards of corporate behaviour and accountability, the Directors of Orca Energy Limited support and have adhered to the principles of sound corporate governance. The Board recognises the recommendations of the Australian Securities Exchange Corporate Governance Council, and considers that Orca Energy is in compliance to the extent possible with those guidelines, which are of importance to the commercial operation of a junior listed resources company. During the financial year, shareholders continued to receive the benefit of an efficient and cost-effective corporate governance policy for the Company.

The Company has established a set of corporate governance policies and procedures which can be found, along with the Company's Corporate Governance Statement, on the Orca Energy website: www.orcaenergy.com.au.

AUDITOR INDEPENDENCE AND NON-AUDIT SERVICES

Section 307C of the Corporations Act 2001 requires the Company's auditors to provide the Directors of Orca Energy with an Independence Declaration in relation to the audit of the financial report. A copy of that declaration is included at page 31 of the annual report. There were no non-audit services provided by the Company's auditor.



AUDITED REMUNERATION REPORT

This report, which forms part of the directors' report, outlines the remuneration arrangements in place for the key management personnel ("KMP") of Orca Energy Limited for the financial year ended 30 June 2015. The information provided in this remuneration report has been audited as required by Section 308(3C) of the Corporations Act 2001.

The remuneration report details the remuneration arrangements for KMP who are defined as those persons having authority and responsibility for planning, directing and controlling the major activities of the Group, directly or indirectly, including any director (whether executive or otherwise) of the Group.

Details of Key Management Personnel

Mr. Greg Bandy	Managing Director
Mr. Jason Bontempo	Non-Executive Director
Mr. Nathan Rayner	Non-Executive Director - appointed 23 October 2014
Mr. Jeremy King	Non-Executive Director - resigned 23 October 2014
Mr. Aaron Bertolatti	Company Secretary – appointed 1 September 2014

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.

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 and production 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.

Retirement allowances for directors

Superannuation contributions required under the Australian Superannuation Guarantee Legislation continue to be made and are deducted from the directors' overall fee entitlements where applicable.

Details of Remuneration

Details of the nature and amount of each element of the remuneration of each Director and Executive of the Company for the year ended 30 June 2015 are as follows:

2015	Short term			Options	Superannuation \$	Other Benefits \$	Total \$	Option related %
	Base Salary \$	Directors Fees \$	Consulting Fees \$	Share Based Payments \$				
Directors								
Greg Bandy	180,000	-	-	-	17,100	9,305	206,405	-
Jason Bontempo	-	36,000	-	-	-	1,867	37,867	-
Jeremy King ¹	-	18,000	-	-	-	857	18,857	-
Nathan Rayner ²	-	24,774	-	15,791	-	1,931	42,496	37.2
Aaron Bertolatti ³	-	-	40,758	6,316	-	2,240	49,314	12.8
	180,000	78,774	40,758	22,107	17,100	16,200	354,939	

¹ Mr. King resigned as a Non-Executive Director on 23 October 2014.

² Mr. Rayner was appointed as a Non-Executive Director on 23 October 2014.

³ Mr. Bertolatti was appointed as Company Secretary on 1 September 2014 Director on 23 October 2014.

There were no other executive officers of the Company during the financial year ended 30 June 2015.

2014	Short term			Options	Superannuation \$	Other Benefits \$	Total \$	Option related %
	Base Salary \$	Directors Fees \$	Consulting Fees \$	Share Based Payments \$				
Directors								
Gregory Bandy	197,500	-	-	82,504	17,775	5,563	303,342	27.19
Jeremy King	-	41,430	-	20,626	-	5,563	67,619	30.50
Jason Bontempo	-	67,700	-	41,252	-	5,563	114,515	36.00
Denis Patten ¹	-	6,000	-	-	810	1,393	8,203	-
Arthur Pitts ¹	-	-	-	-	-	-	-	-
	197,500	115,130	-	144,382	18,585	18,082	493,679	-



Directors' Report

¹ Mr. Patten and Mr. Pitts resigned on 25 October 2013.

There were no other executive officers of the Company during the financial year ended 30 June 2014.

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

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

Shareholdings of Key Management Personnel

The number of shares in the Company held during the financial year by each Director and specified executives of the Group, including their personally related parties, is set out below. There were no shares granted during the reporting year as compensation.

2015	Balance at the start of the year	Granted during the year as compensation	On exercise of share options	Other changes during the year	Balance at the end of the year
Greg Bandy	-	-	-	-	-
Jason Bontempo	-	-	-	-	-
Jeremy King	50,000	-	-	(50,000) ¹	-
Nathan Rayner ²	-	-	-	-	-
Aaron Bertolatti	-	-	-	-	-

¹ Mr. King resigned as a Non-Executive Director on 23 October 2014.

² Mr. Rayner was appointed as a Non-Executive Director on 23 October 2014.

All equity transactions with key management personnel other than arising from the exercise of remuneration options have been entered into under terms and conditions no more favourable than those the Company would have adopted if dealing at arm's length.

Option holdings of Key Management Personnel

The numbers of options over ordinary shares in the Company held during the financial year by each Director of Orca Energy Limited and specified executives of the Group, including their personally related parties, are set out below:

2015	Balance at the start of the year	Granted during the year as compensation	Exercised during the year	Other changes during the year	Balance at the end of the year	Exercisable	Un-exercisable
Greg Bandy	10,000,000	-	-	-	10,000,000	10,000,000	-
Jason Bontempo	5,000,000	-	-	-	5,000,000	5,000,000	-
Jeremy King	2,500,000	-	-	(2,500,000)	-	-	-
Nathan Rayner	-	7,500,000	-	-	7,500,000	2,500,000	5,000,000 ¹
Aaron Bertolatti	-	3,000,000	-	-	3,000,000	1,000,000	2,000,000 ²

¹ 2,500,000 Options granted vest and are exercisable on 30 September 2015 and 2,500,000 Options granted vest and are exercisable on 30 April 2016.

² 1,000,000 Options granted vest and are exercisable on 30 September 2015 and 1,000,000 Options granted vest and are exercisable on 30 April 2016.

Options Affecting Remuneration

The terms and conditions of options affecting remuneration in the current or future reporting years are as follows:

2015	Grant Date	Grant Number	Expiry date/last exercise date	Fair Value per option at grant date	Exercise price per option	Value of options at grant date ¹	Number of options vested	Vested	Max value yet to vest
Directors									
Greg Bandy	-	-	-	-	-	-	-	-	-
Jason Bontempo	-	-	-	-	-	-	-	-	-
Jeremy King	-	-	-	-	-	-	-	-	-
Nathan Rayner	30/04/2015	7,500,000	31/12/2017	\$0.004	\$0.015	\$30,085	2,500,000	33.33%	\$14,294
Aaron Bertolatti	30/04/2015	3,000,000	31/12/2017	\$0.004	\$0.015	\$12,033	1,000,000	33.33%	\$5,717
		10,500,000				\$42,118	3,500,000		\$20,011

¹ The value at grant date has been calculated in accordance with AASB 2 *Share based payments*

Options granted as part of remuneration have been valued using the Black Scholes option pricing model that takes into account the exercise price, the term of the option, the impact of dilution, the share price at grant date and expected price volatility of the underlying share and the risk free interest rate for the term of the option.

No option holder has any right under the options to participate in any other share issue of the Company or any other entity. Options granted carry no dividend or voting rights. For details on the valuation of options, including models and assumptions used, please refer to note 22.



Directors' Report

Service Agreements

Executive Directors

The Company has a service agreement with Mr Greg Bandy as Managing Director. The key terms are summarised as follows;

- Remuneration: \$180,000
- Termination: with reason, 3 months
- Termination: without reason, 12 months
- No fixed term (however 6 months notice required)

Non-executive Directors

On appointment to the Board, all non-executive directors enter into a service agreement with the Group in the form of a letter of appointment. The letter summarises the Board policies and terms, including compensation of \$36,000 per annum, relevant to the director. There is no termination clause included in the letter.

Loans to Directors and Executives

There were no loans to Directors and executives during the financial year ended 30 June 2015.

Voting and comments made at the Company's 2014 Annual General Meeting

Orca Energy Limited received 99.5% of "yes" votes on its remuneration report for the 2014 financial year. The Company did not receive any specific feedback at the AGM or throughout the year on its remuneration practices.

END OF AUDITED REMUNERATION REPORT

Signed on behalf of the board in accordance with a resolution of the Directors.

Greg Bandy
Managing Director

Perth, Western Australia
23 September 2015



Consolidated Statement of Profit or Loss and Other Comprehensive Income
for the year ended 30 June 2015

	Note	30 June 2015 \$	30 June 2014 \$
Continuing operations			
Consultancy fees		(149,009)	(240,523)
Corporate compliance expenses		(151,974)	(224,172)
Depreciation expense	10	-	(12,146)
Employee benefits expense		(251,430)	(342,274)
Exploration impairment		(1,689,579)	(2,158,006)
Foreign exchange gain/(loss)		627,549	(38,159)
Share based payments	22	(22,107)	(214,134)
Other expenses		(84,865)	(190,153)
Total expenses		<u>(1,721,415)</u>	<u>(3,419,567)</u>
Other income	3	<u>8,520</u>	<u>55,604</u>
Loss before income tax from continuing operations		(1,712,895)	(3,363,963)
Income tax expense		-	-
Loss after income tax from continuing operations		(1,712,895)	(3,363,963)
Discontinued operations			
(Loss)/profit for the year from discontinued operations	24	<u>(962,182)</u>	<u>3,662,923</u>
(Loss)/profit for the year		(2,675,077)	298,960
Other comprehensive income			
Items that may be reclassified to profit and loss			
Other Comprehensive Income		-	-
Other comprehensive income for the year net of tax		<u>-</u>	<u>-</u>
Total comprehensive (loss)/profit for the year		<u>(2,675,077)</u>	<u>298,960</u>
(Loss)/profit attributable to:			
Owners of the parent		(2,675,077)	298,960
Non-controlling interests		-	-
		<u>(2,675,077)</u>	<u>298,960</u>
Total comprehensive (Loss)/profit attributable to:			
Owners of the parent		(2,675,077)	298,960
Non-controlling interests		-	-
		<u>(2,675,077)</u>	<u>298,960</u>
(Loss)/profit per share			
From continuing and discontinued operations			
Basic and diluted (loss)/earnings per share (cents)	20	(0.59)	0.06
From continuing operations			
Basic and diluted loss per share (cents)	20	(0.38)	(0.73)

The above Statement of Profit or Loss and Other Comprehensive Income should be read in conjunction with the accompanying notes.

**Consolidated Statement of Financial Position as at 30 June 2015**

	Note	2015 \$	2014 \$
Current Assets			
Cash and cash equivalents	6	4,858,280	2,768,502
Trade and other receivables	7	34,116	635,422
Other assets	8	-	19,776
Other financial assets	9	400	400
Oil inventory		-	88,348
Total Current Assets		4,892,796	3,512,448
Non-Current Assets			
Plant and equipment	10	-	-
Exploration and evaluation expenditure	11	300,000	2,473,570
Oil and gas properties	12	-	2,404,118
Total Non-Current Assets		300,000	4,877,688
Total Assets		5,192,796	8,390,136
Current Liabilities			
Trade and other payables	13	210,823	608,194
Provisions	14	12,684	27,683
Total Current Liabilities		223,507	635,877
Non-Current Liabilities			
Provisions	14	-	132,000
Total Non-Current Liabilities		-	132,000
Total Liabilities		223,507	767,877
Net Assets		4,969,289	7,622,259
Equity			
Issued capital	15	28,630,786	28,630,786
Reserves	16	2,277,438	2,255,331
Accumulated losses	17	(25,938,935)	(23,263,858)
Total Equity		4,969,289	7,622,259

The above Consolidated Statement of Financial Position should be read in conjunction with the accompanying notes.

**Consolidated Statement of Changes in Equity for the year ended 30 June 2015**

	Issued capital \$	Accumulated losses \$	Option reserve \$	Total \$
Balance at 1 July 2013	30,669,331	(23,562,818)	2,041,197	9,147,710
Total comprehensive income for the year				
Profit for the year	-	298,960	-	298,960
Other Comprehensive Income	-	-	-	-
Total comprehensive income for the year	-	298,960	-	298,960
Transactions with owners in their capacity as owners				
Securities reduced due to share buy-back during the year (including transaction costs)	(2,038,545)	-	-	(2,038,545)
Share based payments	-	-	214,134	214,134
Balance at 30 June 2014	28,630,786	(23,263,858)	2,255,331	7,622,259
Balance at 1 July 2014	28,630,786	(23,263,858)	2,255,331	7,622,259
Total comprehensive loss for the year				
Loss for the year	-	(2,675,077)	-	(2,675,077)
Other Comprehensive Income	-	-	-	-
Total comprehensive loss for the year	-	(2,675,077)	-	(2,675,077)
Transactions with owners in their capacity as owners				
Share based payments	-	-	22,107	22,107
Balance at 30 June 2015	28,630,786	(25,938,935)	2,277,438	4,969,289

The above Consolidated Statement of Changes in Equity should be read in conjunction with the accompanying notes.

**Consolidated Statement of Cash Flows for the year ended 30 June 2015**

	Note	2015 \$	2014 \$
Cash flows from operating activities			
Receipts from sales and related debtors		2,272,094	2,340,361
Payments to suppliers and employees		(1,760,630)	(1,487,197)
Interest received		8,520	51,108
Other revenue		-	4,496
Net cash provided by operating activities	6	519,984	908,768
Cash flows from investing activities			
Exploration and evaluation expenditure		(825,563)	(13,282)
Payment for development of oil and gas properties		(275,233)	(1,160,597)
Net proceeds from sale of interests in tenements (including closing adjustments)		2,017,059	-
Refund of exploration expenditure		-	1,654,673
Net cash provided by investing activities		916,263	480,794
Cash flows from financing activities			
Unmarketable parcel buy-back		-	(173,018)
Payment of share issue costs		-	(25,527)
Net cash used in financing activities		-	(198,545)
Net increase in cash and cash equivalents		1,436,247	1,191,017
Cash and cash equivalents at beginning of year		2,768,502	1,615,645
Effects of exchange rate changes on cash and cash equivalents		653,531	(38,160)
Cash and cash equivalents at the end of the year	6	4,858,280	2,768,502

The above Consolidated Statement of Cash Flows should be read in conjunction with the accompanying notes.



1. Corporate Information

The financial report of Orca Energy Limited (“Orca Energy”, “Orca” or “the Company”) for the year ended 30 June 2015 was authorised for issue in accordance with a resolution of the Directors on 23 September 2015. Orca Energy is a company limited by shares incorporated in Australia whose shares are publicly traded on the Australian Securities Exchange. The nature of the operations and the principal activities of the Company are described in the Directors’ Report.

2. Summary of Significant Accounting Policies

The principal accounting policies adopted in the preparation of the financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

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’).

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 2015 of \$2,675,077 (2014: \$298,960 profit) and experienced net cash inflows from operating activities of \$519,984 (2014: inflow of \$908,768). As at 30 June 2015, the Group had working capital of \$4,669,289 (2014: \$2,876,571). 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. 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.

(a) Basis of consolidation

The consolidated financial statements incorporate all of the assets, liabilities and results of the parent (Orca Energy Limited) and all of the subsidiaries. Subsidiaries are entities the parent controls. The parent controls an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. A list of the subsidiaries is provided in note 19 (c).

The assets, liabilities and results of all subsidiaries are fully consolidated into the financial statements of the Group from the date on which control is obtained by the Group. The consolidation of a subsidiary is discontinued from the date that control ceases. Intercompany transactions, balances and unrealised gains or losses on transactions between Group entities are fully eliminated on consolidation. Accounting policies of subsidiaries have been changed and adjustments made where necessary to ensure uniformity of the accounting policies adopted by the Group.

Equity interests in a subsidiary not attributable, directly or indirectly, to the Group are presented as “non-controlling interests”. The Group initially recognises non-controlling interests that are present ownership interests in subsidiaries and are entitled to a proportionate share of the subsidiary’s net assets on liquidation at either fair value or at the non-controlling interests’ proportionate share of the subsidiary’s net assets. Subsequent to initial recognition, non-controlling interests are attributed their share of profit or loss and each component of other comprehensive income. Non-controlling interests are shown separately within the equity section of the statement of financial position and statement of comprehensive income

(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.

(e) Fair Value of Assets and Liabilities

The Group measures some of its assets and liabilities at fair value on either a recurring or non-recurring basis, depending on the requirements of the applicable Accounting Standard. Fair value is the price the Group would receive to sell an asset or would have to pay to transfer a liability in an orderly (ie unforced) transaction between independent, knowledgeable and willing market participants at the measurement date.

As fair value is a market-based measure, the closest equivalent observable market pricing information is used to determine fair value. Adjustments to market values may be made having regard to the characteristics of the specific asset or liability. The fair values of assets and liabilities that are not traded in an active market are determined using one or more valuation techniques. These valuation techniques maximise, to the extent possible, the use of observable market data.

To the extent possible, market information is extracted from either the principal market for the asset or liability (ie the market with the greatest volume and level of activity for the asset or liability) or, in the absence of such a market, the most advantageous market available to the entity at the end of the reporting period (ie the market that maximises the receipts from the sale of the asset or minimises the payments made to transfer the liability, after taking into account transaction costs and transport costs). For non-financial assets, the fair value measurement also takes into account a market participant's ability to use the asset in its highest and best use or to sell it to another market participant that would use the asset in its highest and best use.

The fair value of liabilities and the entity's own equity instruments (excluding those related to share-based payment arrangements) may be valued, where there is no observable market price in relation to the transfer of such financial instruments, by reference to observable market information where such instruments are held as assets. Where this information is not available, other valuation techniques are adopted and, where significant, are detailed in the respective note to the financial statements.

Valuation techniques

In the absence of an active market for an identical asset or liability, the Group selects and uses one or more valuation techniques to measure the fair value of the asset or liability. The Group selects a valuation technique that is appropriate in the circumstances and for which sufficient data is available to measure fair value. The availability of sufficient and relevant data primarily depends on the specific characteristics of the asset or liability being measured. The valuation techniques selected by the Group are consistent with one or more of the following valuation approaches:

- Market approach: valuation techniques that use prices and other relevant information generated by market transactions for identical or similar assets or liabilities.
- Income approach: valuation techniques that convert estimated future cash flows or income and expenses into a single discounted present value.
- Cost approach: valuation techniques that reflect the current replacement cost of an asset at its current service capacity.
- Each valuation technique requires inputs that reflect the assumptions that buyers and sellers would use when pricing the asset or liability, including assumptions about risks. When selecting a valuation technique, the Group gives priority to those techniques that maximise the use of observable inputs and minimise the use of unobservable inputs.



Inputs that are developed using market data (such as publicly available information on actual transactions) and reflect the assumptions that buyers and sellers would generally use when pricing the asset or liability are considered observable, whereas inputs for which market data is not available and therefore are developed using the best information available about such assumptions are considered unobservable.

Fair value hierarchy

AASB 13 requires the disclosure of fair value information by level of the fair value hierarchy, which categorises fair value measurements into one of three possible levels based on the lowest level that an input that is significant to the measurement can be categorised into as follows:

Level 1

Measurements based on quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date.

Level 2

Measurements based on inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly or indirectly

Level 3

Measurements based on unobservable inputs for the asset or liability.

The fair values of assets and liabilities that are not traded in an active market are determined using one or more valuation techniques. These valuation techniques maximise, to the extent possible, the use of observable market data. If all significant inputs required to measure fair value are observable, the asset or liability is included in Level 2. If one or more significant inputs are not based on observable market data, the asset or liability is included in Level 3.

The Group would change the categorisation within the fair value hierarchy only in the following circumstances:

- i. if a market that was previously considered active (Level 1) became inactive (Level 2 or Level 3) or vice versa; or
- ii. if significant inputs that were previously unobservable (Level 3) became observable (Level 2) or vice versa.

When a change in the categorisation occurs, the Group recognises transfers between levels of the fair value hierarchy (i.e. transfers into and out of each level of the fair value hierarchy) on the date the event or change in circumstances occurred.

(f) 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.



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.

(g) 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

(h) 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.

(i) 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.

(j) 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.

(k) 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.

(l) Revenue recognition

Revenue is recognised and measured at the fair value of the consideration received or receivable to the extent it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured. The following specific recognition criteria must also be met before revenue is recognised;

Sale of oil and gas

Revenue is recognised when the significant risks and rewards of ownership of the product have passed to the buyer and the amount of revenue can be measured reliably. Risks and rewards are considered to have passed to the buyer at the time of delivery of the product to the customer. For oil sales this is generally when crude is delivered by truck or pipeline.

Interest revenue

Revenue is recognised as interest accrues using the effective interest method. This is a method of calculating the amortised cost of a financial asset and allocating the interest income over the relevant period using the effective interest rate, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to the net carrying amount of the financial asset.

(m) 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.

(n) Interests in joint ventures

Joint arrangements represent the contractual sharing of control between parties in a business venture where unanimous decisions about relevant activities are required. Separate joint venture entities providing joint ventures with an interest to net assets are classified as a "joint venture" and accounted for using the equity method.

Joint venture operations represent arrangements whereby joint operators maintain direct interests in each asset and exposure to each liability of the arrangement. The Group's interests in the assets, liabilities, revenue and expenses of joint operations are included in the respective line items of the consolidated financial statements.

Gains and losses resulting from sales to a joint operation are recognised to the extent of the other parties' interests. When the Group makes purchases from a joint operation, it does not recognise its share of the gains and losses from the joint arrangement until it resells those goods/assets to a third party.

(o) 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.

(p) 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 22.

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 share-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.

(q) Oil inventories

Oil inventories represent the value at balance date of hydrocarbons in storage tanks or pipelines. Oil inventories are stated at the lower of cost and net realisable value. Net realisable value is calculated based on the estimated costs of production.

(r) Provisions for Rehabilitation Costs

The Group records the present value of the estimated cost of legal and constructive obligations to restore operating locations in the period which the obligation arises. The nature of rehabilitation activities includes the removal of facilities, abandonment of wells and restoration of affected areas.

Typically, the obligation arises when the asset is installed at the production location. When the liability is initially recorded, the estimated cost is capitalised by increasing the carrying amount of the related asset. Over time, the liability is increased for the change in the present value based on a risk adjusted pre-tax discount rate appropriate to the risks inherent in the liability. The unwinding of the discount is recorded as an accretion charge within finance costs. The carrying amount is capitalised and amortised over the useful life of the related asset.

Costs incurred which relate to an existing condition caused by past operations, and which do not have a future economic benefit, are expensed. The estimated costs of rehabilitation are reviewed annually and adjusted as appropriate for changes in legislation, technology or other circumstances.

(s) Oil and gas properties

Oil and gas properties are carried at cost and include capitalised project expenditure, development expenditure and costs associated with lease and well equipment. The Group uses the units of production method to amortise costs carried forward in relation to its oil and gas properties. For this approach the calculations are based on Proved and Probable (2P) reserves as determined by the Group's reserves determination. Impairment of the carrying value of oil and gas properties is assessed based on Proved and Probable (2P) reserves on a cash-generating unit basis.

(t) Critical accounting judgements and key sources of estimation uncertainty

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.

In the application of the Group's accounting policies, which are described in note 2, 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:



Recoverability of exploration and evaluation expenditure

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.

Recoverability of oil and gas properties

In determining the recoverable amount of assets, in the absence of quoted market prices, estimations are made regarding the present value of future cashflows using asset specific discount rates. For oil and gas properties, expected future cashflow estimation is based on reserves, future production profiles, commodity prices, foreign exchange rates, operating costs and any future development costs necessary to produce reserves. Estimates of future commodity prices are based on market consensus prices where available. A recoverable amount is then determined by discounting the expected net cash flows to their present values.

Rehabilitation obligations

The Group records the present value of the estimated cost of legal and constructive obligations to restore operating locations in the period in which the obligation arises. The nature of rehabilitation activities includes the removal of facilities, abandonment of wells and restoration of affected areas.

Typically, the obligation arises when the asset is installed at the production location. When the liability is initially recorded, the estimated cost is capitalised by increasing the carrying amount of the related asset. Over time, the liability is increased for the change in the present value based on a risk adjusted pre-tax discount rate appropriate to the risks inherent in the liability. The unwinding of the discount is recorded as an accretion charge within finance costs. The carrying amount capitalised is amortised over the useful life of the related asset.

Costs incurred which relate to an existing condition caused by past operations, and which do not have a future economic benefit, are expensed. The estimated costs of rehabilitation are reviewed annually and adjusted as appropriate for changes in legislation, technology or other circumstances.

Deferred tax assets

The Group recognises deferred tax assets when it becomes probable that sufficient taxable income will be derived in future periods against which to offset these assets. At each reporting date, the Group assesses the level of expected future cash flows from the business and the probability associated with realising these cash flows, and makes an assessment of whether the deferred tax assets of the Group should be recognised.

(u) New and amended standards adopted by the Group

None of the new standards and amendments to standards that are mandatory for the first time for the financial year beginning 1 July 2014 affected any of the amounts recognised in the current period or any prior period, although it caused minor changes to the Group's disclosures.

(v) New standards and interpretations not yet adopted

A number of new standards, amendments to standards and interpretations issued by the AASB which are not yet mandatorily applicable to the Group have not been applied in preparing these consolidated financial statements. Those which may be relevant to the Group are set out below. The Group does not plan to adopt these standards early.

- *AASB 9 Financial Instruments and associated Amending Standards (applicable for annual reporting period commencing 1 January 2018)*

The Standard will be applicable retrospectively (subject to the comment on hedge accounting below) and includes revised requirements for the classification and measurement of financial instruments, revised recognition and derecognition requirements for financial instruments and simplified requirements for hedge accounting.

Key changes made to this standard that may affect the Group on initial application include certain simplifications to the classification of financial assets, simplifications to the accounting of embedded derivatives, and the irrevocable election to recognise gains and losses on investments in equity instruments that are not held for trading in other comprehensive income.

The directors anticipate that the adoption of AASB 9 will not have a material impact on the Group's financial instruments.

- *AASB 15: Revenue from Contracts with Customers (applicable to annual reporting periods commencing on or after 1 January 2017).*

When effective, this Standard will replace the current accounting requirements applicable to revenue with a single, principles-based model. Except for a limited number of exceptions, including leases, the new revenue model in AASB 15 will apply to all contracts with customers as well as non-monetary exchanges between entities in the same line of business to facilitate sales to customers and potential customers.

The core principle of the Standard is that an entity will recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for the goods or services. To achieve this objective, AASB 15 provides the following five-step process:

- identify the contract(s) with a customer;
- identify the performance obligations in the contract(s);
- determine the transaction price;



Orca Energy Limited

Notes to the Consolidated Financial Statements for the year ended 30 June 2015

- allocate the transaction price to the performance obligations in the contract(s); and
- recognise revenue when (or as) the performance obligations are satisfied.

This Standard will require retrospective restatement, as well as enhanced disclosures regarding revenue. The directors anticipate that the adoption of AASB 15 will not have a material impact on the Group's revenue recognition and disclosures.

▪ *Other standards not yet applicable*

There are no other standards that are not yet effective and that would be expected to have a material impact on the entity in the current or future reporting periods and on foreseeable future transactions

	2015 \$	2014 \$
3. Profit/(loss) from discontinuing continuing operations (note 24)		
Revenue		
Oil sales revenue	1,872,573	3,101,300
Other income		
Other revenue	8,520	55,604
Profit on farm down	-	1,840,000
	1,881,093	4,996,904
4. Cost of sales from discontinuing continuing operations (note 24)		
Operating costs	910,286	715,606
Amortisation of oil and gas properties	679,352	562,771
	1,589,638	1,278,377
5. Income Tax		
(a) Income tax expense		
Major component of tax expense for the year:		
Current tax	-	-
Deferred tax	-	-
	-	-
(b) Numerical reconciliation between aggregate tax expense recognised in the statement of comprehensive income and tax expense calculated per the statutory income tax rate.		
A reconciliation between tax expense and the product of accounting loss before income tax multiplied by the Company's applicable tax rate is as follows:		
(Loss)/Profit from before income tax expense	(2,675,077)	298,960
Tax at the Australian rate of 30%	(802,523)	89,688
Add tax effect of:		
Revenue losses and other deferred tax balances not recognised	357,442	258,014
Other non-allowable items	514,470	658,518
	69,389	1,006,220
Less tax effect of:		
Other non-assessable items	-	(552,000)
Losses recouped not previously recognised	(69,389)	-
Allowable items	-	(454,220)
Income tax expense	-	-
(c) Deferred tax liabilities		
Exploration expenditure	-	(374,584)
Development and production assets	-	(29,274)
Deferred tax assets		
Carry forward revenue losses	-	403,858
	-	-
(d) Unrecognised deferred tax assets:		
Carry forward revenue losses	2,507,107	2,172,637
Carry forward capital losses	1,356,430	1,356,430
Capital raising costs	36,077	71,615
Financial assets	3,030	3,031
Other	11,088	21,957
	3,913,732	3,625,670



Orca Energy Limited

Notes to the Consolidated Financial Statements for the year ended 30 June 2015

The benefit for tax losses will only be obtained if:

- i. the Company derives future assessable income in Australia of a nature and of an amount sufficient to enable the benefit from the deductions for the losses to be realised; and
- ii. the Company continues to comply with the conditions for deductibility imposed by tax legislation in Australia; and
- iii. no changes in tax legislation in Australia adversely affect the Company in realising the benefit from the deductions for the losses.

(e) Tax consolidation:

Orca Energy Limited and its wholly owned Australian resident subsidiaries have formed a tax consolidated group with effect from 1 July 2009. Orca Energy Limited is the head entity of the tax consolidated group.

(f) Tax losses

The Group has \$8,357,023 gross tax losses arising in Australia that are available to offset against future profit of the Company in which the losses arose. Utilisation of these tax losses is subject to satisfaction of either the continuity of ownership or same business test in accordance with Australian Tax requirements. Deferred tax assets have not been recognised in respect of these losses.

	2015 \$	2014 \$
6. Cash And Cash Equivalents		
Reconciliation of cash		
Cash comprises of:		
Cash at bank	4,858,280	2,768,502
Reconciliation of operating (loss) after tax to net cash flow from operations		
(Loss)/Profit after tax	(2,675,077)	298,960
<i>Non-cash items</i>		
Depreciation	-	12,146
Amortisation	-	562,771
Share based payments expense	22,107	214,134
Profit on the sale of tenement	(29,823)	-
Foreign exchange differences	(58,803)	38,159
Movement in financial assets	-	2,200
Profit on farm down of asset	-	(1,840,000)
Impairment	2,964,520	2,158,006
<i>Change in assets and liabilities</i>		
(Decrease)/increase in trade and other receivables	601,305	(488,831)
(Decrease)/increase in inventory	88,348	(88,348)
(Decrease)/increase in prepayments	19,777	(6,013)
(Decrease)/increase in trade and other payables	(397,371)	34,525
(Decrease)/increase in provisions	(14,999)	11,059
Net cash flow provided by operating activities	519,984	908,768
7. Trade and Other Receivables - Current		
Trade debtors	-	623,658
GST receivable	34,116	11,764
	34,116	635,422
Trade debtors, prepayments and GST receivable are non-interest bearing and generally receivable on 30 day terms. They are neither past due nor impaired. The amount is fully collectible. Due to the short term nature of these receivables, their carrying value is assumed to approximate their fair value.		
8. Other Assets		
Prepayments	-	19,776
	-	19,776
9. Other financial assets		
Investment in listed entity	400	400
	400	400
10. Plant and equipment		
At cost	-	94,049
Accumulated depreciation	-	(94,049)
	-	-



Orca Energy Limited

Notes to the Consolidated Financial Statements for the year ended 30 June 2015

	2015 \$	2014 \$
Reconciliation		
Reconciliations of the carrying amounts of plant and equipment at the beginning and end of the current and previous financial years:		
Opening Balance	-	12,146
Additions	-	-
NBV of Disposals	-	-
Depreciation expense	-	(12,146)
Closing balance	-	-
11. Deferred Exploration and Evaluation Expenditure		
Opening Balance	2,473,570	6,045,863
Expenditure capitalised during the year	712,219	53,327
Expenditure written off during the year	(2,885,789)	(2,158,006)
Assets transferred to oil and gas properties	-	(1,467,614)
Closing balance	300,000	2,473,570
¹ The project generators, NEU Oil & Gas LLC and Highland Minerals Inc., advised Orca that they were unable to find another JV partner willing to participate in the drilling of the Seabiscuit prospect, either as a financier or operator. As a result of this, and the difficult current commodity price environment, the Board assessed the fair value of the asset to be \$300,000 at year end.		
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.		
12. Oil and gas properties		
Opening Balance		
Assets transferred to oil and gas properties	2,404,118	1,467,614
Additions	275,233	1,497,074
Disposals ¹	(2,000,000)	-
Amortisation/impairment	(679,351)	(560,570)
Closing balance	-	2,404,118
¹ Orca Energy (and its wholly owned subsidiary, Komodo Energy Pty Ltd (Komodo)) sold to Senex Energy Limited the following permits and associated joint venture interests during the year ended 30 June 2015:		
1. Komodo's 20% interest in Burruna oil field, being petroleum production licence 251 (PPL 251)		
2. Komodo's 20% interest in Fury oil field and petroleum retention licence 117 (PRL 117)		
3. Orca's 20% interest in petroleum exploration licence 110 (PEL 110).		
13. Trade and Other Payables		
Trade payables	67,241	290,374
Other payables and accruals	143,582	317,820
	210,823	608,194
14. Provisions		
(a) Current Provisions		
Employee benefits	12,684	27,683
(b) Non-current Provisions		
Rehabilitation provision	-	132,000
15. Issued Capital		
(a) Issued and paid up capital		
Issued and fully paid 451,382,876 (2014: 451,382,876)	28,629,986	28,629,986
Converting preference shares 100 (2014: 100)	800	800
	28,630,786	28,630,786



Orca Energy Limited

Notes to the Consolidated Financial Statements for the year ended 30 June 2015

	30 June 2015		30 June 2014	
	No.	\$	No.	\$
(b) Movements in ordinary shares on issue				
Opening balance	451,382,876	28,629,986	575,033,775	30,668,531
Share buy-back Senex Energy	-	-	(115,000,000)	(1,840,000)
Unmarketable parcel buy-back	-	-	(8,650,899)	(173,018)
Transaction costs relating to buy-back	-	-	-	(25,527)
Closing balance	451,382,876	28,629,986	451,382,876	28,629,986

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

(c) Movements in converting preference shares

Opening balance	2,006	800	2,006	800
Closing balance	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.

(d) Capital risk management

The Company's capital comprises share capital, reserves less accumulated losses amounting to a net equity of \$4,969,289 at 30 June 2015. The Company manages its capital to ensure its ability to continue as a going concern and to optimise returns to its shareholders. The Company was ungeared at year end and not subject to any externally imposed capital requirements. Refer to note 21 for further information on the Company's financial risk management policies.

(e) Share Options

As at 30 June 2015 there were 38,500,000 unissued ordinary shares under options. The details of the options are as follows:

Number	Exercise Price \$	Expiry Date
28,000,000	\$0.030	31-Dec-15
10,500,000	\$0.015	31-Dec-17
38,500,000		

No option holder has any right under the options to participate in any other share issue of the Company or any other entity.

500,000 options expired unexercised on 3 December 2014. No options were exercised during or since the year ended 30 June 2015.

	2015 \$	2014 \$
16. Reserves		
Option, share based payments and option premium reserves	2,277,438	2,255,331
Movements in Reserves		
Opening balance	2,255,331	2,041,197
Movement	22,107	214,134
Closing balance	2,277,438	2,255,331

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 the remuneration report. This reserve also includes options issued at a premium on equity raising. Refer to note 22 for Share Based Payments during the year.

17. Accumulated losses

Movements in accumulated losses were as follows:

Opening balance	(23,263,858)	(23,562,818)
(Loss)/profit for the year	(2,675,077)	298,960
Closing balance	(25,938,935)	(23,263,858)

18. Auditor's Remuneration

The auditor of Orca Energy Limited is Stantons International Audit and Consulting Pty Ltd

Amounts received or due and receivable for:

- an audit or review of the financial report	29,607	43,156
	29,607	43,156



Orca Energy Limited

Notes to the Consolidated Financial Statements for the year ended 30 June 2015

	2015 \$	2014 \$
19. Key Management Personnel Disclosures		
(a) Remuneration of Key Management Personnel		
Details of the nature and amount of each element of the emolument of each Director and Executive of the Company for the financial year are as follows:		
Short term employee benefits	299,532	312,630
Share based payments	22,107	144,382
Other benefits	16,200	18,082
Other employee expense (superannuation)	17,100	18,585
Total remuneration	354,939	493,679

(b) Other transactions with key management personnel

Mr. Jason Bontempo charged reimbursements of expenses, at cost, paid on behalf of the Company of \$1,607 during the year.

Mr. Aaron Bertolatti charged reimbursements of expenses, at cost, paid on behalf of the Company of \$1,249 during the year.

Transactions with key management personnel were made at arm's length at normal market prices and normal commercial terms. There were no other transactions with key management personnel for the year ended 30 June 2015.

(c) Subsidiaries

The consolidated financial statements include the financial statements of Orca Energy Limited and the subsidiaries listed in the following table:

Name of Entity	Country of Incorporation	Equity Holding	
		2015	2014
Komodo Energy Pty Limited	Australia	100%	100%
Crestwood Pty Ltd	Australia	100%	-
Sugarbay Investments Pty Limited	Australia	100%	100%

¹ Crestwood Pty Ltd was incorporated on 5 September 2014

(d) Loans to/from related parties

There were no loans made or outstanding to directors of Orca Energy and other key management personnel of the Group, including their personally related parties.

20. (Loss)/Profit per Share

Basic profit/(Loss) per share amounts are calculated by dividing net profit/(Loss) for the year attributable to ordinary equity holders of the parent by the weighted average number of ordinary shares outstanding during the year.

The following reflects the loss and share data used in the total operations basic and diluted earnings per share computations:

(Loss)/profit attributable to owners of the parent	(2,675,077)	298,960
(Loss)/profit for the year from discontinued operations	(962,182)	3,662,923
		<hr/>
		Number of Shares
Weighted average number of ordinary shares used in calculating basic loss per share:	451,382,876	461,775,748
Effect of dilution:		
Share options		-
Adjusted weighted average number of ordinary shares used in calculating diluted loss per share:	451,382,876	461,775,748
		<hr/>
Profit/(loss) per share		
From continuing operations (cents)	(0.59)	0.06
From discontinued operations (cents)	(0.38)	(0.73)

There have been no other transactions involving ordinary shares or potential ordinary shares since the reporting date and before the completion of these financial statements.

21. Financial Risk Management

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.

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 2 to the financial statements.



(a) Liquidity Risk

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.

(b) Interest Rate Risk

Interest rate risk arises from the possibility that changes in interest rates will affect future cash flows or the fair value of financial instruments.

The Company's exposure to market risk for changes to interest rate risk relates primarily to its earnings on cash. The Company manages the risk by investing in short term deposits.

Interest rate sensitivity

The following table demonstrates the sensitivity of the Company's statement of profit or loss and other comprehensive income to a reasonably possible change in interest rates, with all other variables constant.

Change in Basis Points	Effect on Post Tax Loss (\$) Increase/(Decrease)		Effect on Equity including retained earnings (\$) Increase/(Decrease)	
	2015	2014	2015	2014
Increase 75 basis points	36,437	20,764	36,437	20,764
Decrease 75 basis points	(36,437)	(20,764)	(36,437)	(20,764)

A sensitivity of 75 basis points has been used as this is considered reasonable given the current level of both short term and long term Australian Dollar interest rates. The change in basis points is derived from a review of historical movements and management's judgement of future trends.

(c) Credit Risk Exposures

Credit risk refers to the risk that counterparty will default on its contractual obligations resulting in financial loss to the Group. The Group has adopted the policy of dealing with creditworthy counterparties and obtaining sufficient collateral or other security where appropriate, as a means of mitigating the risk of financial loss from defaults. The Group measures credit risk on a fair value basis. The Group does not have any significant credit risk exposure to a single counterparty or any group of counterparties having similar characteristics.

The carrying amount of financial assets recorded in the financial statements, net of any provisions for losses, represents the Group's maximum exposure to credit risk without taking account of the fair value of any collateral or other security obtained.

	2015	2014
	\$	\$
Cash and cash equivalents AA	4,858,280	2,768,502
	4,858,280	2,768,502

(d) 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.

No dividends were paid in 2015 and no dividends are expected to be paid in 2015. 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.

(e) Price risk

The Group is exposed to oil and gas commodity price risk. The price of oil and gas can be volatile and influenced by factors beyond the Group's control. As the Group is engaged in exploration and development activities, no sales of commodities are forecast for the next 12 months, and accordingly, no hedging or derivative transactions have been used to manage commodity price risk. Price risk will not have a significant impact on the financial report.

(f) Foreign exchange risk

The Group operates internationally and is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to the US dollar.

Foreign currency sensitivity analysis

The following table details the Group's sensitivity to a 10% increase and decrease in the US dollar against the Australian dollar based on the carrying amounts of the Group's foreign currency denominated monetary assets at the balance date.

2015	US dollar Movement (in AUD)	
	Increase	Decrease
Profit or loss	280,800	(280,800)
Other equity	280,800	(280,800)



(g) Fair value estimation

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

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.

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.

30 June 2015	Level 1	Level 2	Level 3	Total
	\$	\$	\$	\$
Financial Assets				
Financial assets at fair value through profit and loss	400	-	-	400
	<u>400</u>	<u>-</u>	<u>-</u>	<u>400</u>
30 June 2014	Level 1	Level 2	Level 3	Total
	\$	\$	\$	\$
Financial Assets				
Financial assets at fair value through profit and loss	400	-	-	400
	<u>400</u>	<u>-</u>	<u>-</u>	<u>400</u>

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.

22. Share Based Payments

(a) Recognised share based payment transactions

Share based payment transactions recognised either as operational expenses in the statement of comprehensive income or as capital raising costs in the equity during the year were as follows:

	2015	2014
	\$	\$
Employee, consultants and Director share based payments	22,107	214,134
	<u>22,107</u>	<u>214,134</u>

(b) Employee, Consultant and Director share based payments

The fair value at grant date of options granted during the year was determined using the Black Scholes option pricing model that takes into account the exercise price, the term of the option, the share price at grant date and expected price volatility of the underlying share and the risk free interest rate for the term of the option.

The table below summarises options granted, exercised and expired during the year ended 30 June 2015:

Grant Date	Expiry date	Exercise price per option	Balance at start of the year Number	Granted during the year Number	Exercised during the year Number	Expired during the year Number	Balance at end of the year Number	Exercisable at end of the year Number
30/04/2015	31/12/2017	\$0.015	-	10,500,000	-	-	10,500,000	3,500,000 ¹
				10,500,000	-	-	10,500,000	3,500,000

¹ Employees and Directors were granted 10,500,000 options exercisable at \$0.015 each on or before 31 December 2017 in three tranches:

- 3,500,000 options are exercisable immediately;
- 3,500,000 vest and are exercisable on 30 September 2015; and
- 3,500,000 vest and are exercisable on 30 April 2016

The expense recognised in respect of the above options granted during the year was \$22,107.

The model inputs, not included in the table above, for options granted during the year ended 30 June 2015 included:

- options were granted for no consideration;
- expected life of options was 2.7 years;
- share price at grant date was \$0.011



Orca Energy Limited

Notes to the Consolidated Financial Statements for the year ended 30 June 2015

- d) expected volatility was 70%;
- e) expected dividend yield of nil; and
- f) a risk free interest rate of 2.50.

The table below summarises options granted, exercised and expired during the year ended 30 June 2014:

Grant Date	Expiry date	Exercise price per option	Balance at start of the year Number	Granted during the year Number	Exercised during the year Number	Expired during the year Number	Balance at end of the year Number	Exercisable at end of the year Number
28/11/13	31/12/2015	\$0.03	-	28,000,000	-	-	28,000,000	28,000,000
				28,000,000	-	-	28,000,000	28,000,000

The expense recognised in respect of the above options granted during the year was \$214,134.

(c) Share-based payment to suppliers

There were no options granted to suppliers during the years ended 30 June 2015 and 30 June 2014.

23. Operating Segments

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 oil and gas. During the year ended 30 June 2015 the Group operated in the following Geographic Segments: Australia and USA. (2014: Australia and USA).

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.

	2015 \$	2014 \$
(a) Revenue/ other income by geographical region		
Revenue/ other income attributable to external customers is disclosed below, based on the location of the external customer:		
Australia	1,881,093	4,996,904
USA	-	-
Unallocated items – interest and other income	-	-
Total revenue	1,881,093	4,996,904

(b) (Loss)/Profit by geographical region

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

Australia	(985,498)	2,456,966
USA	(1,689,579)	(2,158,006)
Unallocated items – interest and other income	-	-
Total (Loss)/Profit	(2,675,077)	298,960

(c) Assets by geographical region

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

Australia	4,892,796	6,390,126
USA	300,000	2,000,010
Total Assets	5,192,796	8,390,136



Orca Energy Limited

Notes to the Consolidated Financial Statements for the year ended 30 June 2015

	2015 \$	2014 \$
(d) Liabilities by geographical region		
The location of the segment liabilities is disclosed below by geographical location of the assets:		
Australia	223,507	757,446
USA	-	10,431
Total Liabilities	223,507	767,877

24. Discontinued Operations

(a) Disposal of Cooper Basin Assets

During the year, the Company advised that it had entered into a binding Sales Agreement with Senex Energy Limited to sell its Cooper Basin Assets for approximately \$2,000,000 in cash, with an effective date of 1 January 2015. Orca (and its wholly owned subsidiary, Komodo Energy Pty Ltd (Komodo) sold to Senex the following permits and associated joint venture interests:

1. Komodo's 20% interest in the Burruna oil field, being petroleum production licence 251 (PPL 251)
2. Komodo's 20% interest in the Fury oil field, being petroleum retention licence 117 (PRL 117)
3. Orca's 20% interest in petroleum exploration licence 110 (PEL 110).

The Transaction was approved by shareholders at an extraordinary general meeting on 30 April 2015 with all funds received by 15 May 2015.

(b) Analysis of (loss)/profit for the year from discontinued operations

i) (Loss)/profit for the year from discontinued operations

Revenue	1,872,573	3,101,300
Cost of sales	(1,589,638)	(1,278,377)
Gross profit from discontinued operations	282,935	1,822,923
Profit on sale of the asset	29,823	-
Profit on farm down of Asset	-	1,840,000
Exploration expenditure written off	(1,274,940)	-
(Loss)/profit before tax	(962,182)	3,662,923
Attributed income tax expense	-	-

(Loss)/profit for the year from discontinued operations
(attributable to the owners of the company)

(962,182) 3,662,923

ii) Cash flows from discontinued operations

Net Cash inflows from operating activities	1,533,771	1,716,652
Net Cash inflows from investing activities	916,263	480,794
Net Cash inflows from financing activities	-	-
Net Cash inflows	2,450,034	2,197,446

iii) Cash consideration received

Cash at settlement	1,931,704
Adjusting Balance (Net of revenue/expenditure from effective date)	85,355
Total disposal consideration	2,017,059
Net Cash inflows from investing activities	
Less carrying amount of net assets of discontinued operation	(1,987,236)
Estimated gain on disposal before income tax	29,823

25. Commitments and Contingent Liabilities

The Directors are not aware of any material commitments, contingent liabilities or assets at the reporting date.

26. Subsequent Events

On the 18 September 2015, the Company issued 708 Capital Pty Ltd 12,000,000 shares pursuant to a Corporate Services Mandate for services to be provided to Orca over a twelve month period commencing 1 September 2015.

There has not been no other matters or circumstances that have arisen since 30 June 2015 that have significantly affected, or may significantly affect, the operations of the Group, the results of those operations, or the state of affairs of the Group in subsequent financial years.



Orca Energy Limited

Notes to the Consolidated Financial Statements for the year ended 30 June 2015

27. Dividends

No dividend was paid or declared by the Company in the year ended 30 June 2015 or the period since the end of the financial year and up to the date of this report. The Directors do not recommend that any amount be paid by way of dividend for the financial year ended 30 June 2015.

	2015 \$	2014 \$
28. Parent Entity Information		
The following details information related to the parent entity, Orca Energy Limited, at 30 June 2015. The information presented here has been prepared using consistent accounting policies as presented in note 2.		
Current assets	4,892,786	2,843,083
Total assets	<u>4,892,786</u>	<u>4,824,709</u>
Current liabilities	<u>(2,004,696)</u>	<u>(133,491)</u>
Total liabilities	<u>(2,004,696)</u>	<u>(133,491)</u>
Net assets	<u>2,888,090</u>	<u>4,691,218</u>
Issued capital	28,630,786	28,630,786
Reserves	2,277,438	2,255,331
Accumulated losses	<u>(28,020,134)</u>	<u>(26,194,899)</u>
	<u>2,888,090</u>	<u>4,691,218</u>
Loss of the parent entity	(1,825,233)	(1,758,038)
Other comprehensive income for the year	-	-
Total comprehensive loss of the parent entity	<u>(1,825,233)</u>	<u>(1,758,038)</u>

The parent company has not provided any guarantees and does not have any contingent liabilities.



Directors' Declaration

In accordance with a resolution of the Directors of Orca Energy Limited, I state that:

1. In the opinion of the Directors:
 - a) the financial statements and notes of Orca Energy Limited for the year ended 30 June 2015 are in accordance with the Corporations Act 2001, including:
 - i. giving a true and fair view of the Company's consolidated financial position as at 30 June 2015 and of its performance for the year ended on that date; and
 - ii. complying with Accounting Standards (including the Australian Accounting Interpretations), the Corporations Regulations 2001 and other mandatory professional reporting requirements; and
 - b) the financial statements and notes also comply with International Financial Reporting Standards as disclosed in note 2.
2. There are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.
3. This declaration has been made after receiving the declarations required to be made by the Directors in accordance with sections of 295A of the Corporations Act 2001 for the financial year ended 30 June 2015.

On behalf of the Board

Greg Bandy
Managing Director

Perth, Western Australia
23 September 2015

23 September 2015

Board of Directors
Orca Energy Limited
35 Richardson 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 2015, 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

**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 2015, 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 2, 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.

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 2015 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 2.

Report on the Remuneration Report

We have audited the remuneration report included in pages 6 to 8 of the directors' report for the year ended 30 June 2015. 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 2015 complies with section 300A of the *Corporations Act 2001*.

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Stantons International Audit & Consulting Pty Ltd



Martin Michalik
Director

West Perth, Western Australia
23 September 2015



ASX Additional Information

Additional information required by the Australian Stock Exchange Ltd and not shown elsewhere in this report is as follows. The information is current at 9 September 2015.

Distribution of Share Holders

	Ordinary Shares	
	Number of Holders	Number of Shares
1 - 1,000	36	4,550
1,001 - 5,000	63	241,730
5,001 - 10,000	59	493,919
10,001 - 100,000	726	34,221,692
100,001 - and over	366	416,420,985
TOTAL	1,250	451,382,876

There were 537 holders of ordinary shares holding less than a marketable parcel.

Top Twenty Share Holders

The names of the twenty largest holders of quoted equity securities are listed below:

Name	Number of shares	%
SEVENTY THREE PTY LTD <KING SUPER FUND NO 3 A/C>	62,000,000	13.74
J & J BANDY NOMINEES PTY LTD <J & J BANDY SUPER FUND A/C>	47,750,000	10.58
SAMBOR NOMINEES PTY LTD <SUSANNE & MONIAK SAMBOR A/C>	22,500,000	4.98
HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED	18,962,051	4.20
MR JAMES ANTHONY GLEESON	16,000,000	3.54
FIRST INVESTMENT PARTNERS PTY LTD	13,000,000	2.88
MORGRAE PTY LTD <HUMPHREY SUPER FUND A/C>	8,000,000	1.77
MS MERLE SMITH + MS KATHRYN SMITH <THE MINI PENSION FUND A/C>	8,000,000	1.77
HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED <EUROCLEAR BANK SA NV A/C>	7,700,000	1.71
SEEFELD INVESTMENTS PTY LTD <THE SEEFELD A/C>	6,100,000	1.35
SANCOAST PTY LTD	4,697,107	1.04
SONIC HOLDINGS PTY LTD <THE AUSTIN FAMILY FUND A/C>	4,400,001	0.97
SONIC HOLDINGS PTY LTD <SONIC HOLDINGS UNIT A/C>	4,275,000	0.95
MR SIMON WILLIAM TRITTON <INVESTMENT A/C>	4,100,000	0.91
MGL CORP PTY LTD	4,000,000	0.89
MR JOHN BOARDMAN	4,000,000	0.89
MS INGRID JOAN OLSEN	3,995,033	0.89
MR DAVID BANDY	3,405,082	0.75
MIBRO (NT) PTY LTD <MIBRO (NT) A/C>	3,400,000	0.75
MR ROBERT MICHAEL BAKER <ROBERT BAKER FAMILY A/C>	3,200,000	0.71
	249,484,274	55.27

Substantial Shareholders

Name	Number of shares	%
SEVENTY THREE PTY LTD <KING SUPER FUND NO 3 A/C>	62,000,000	13.74
J & J BANDY NOMINEES PTY LTD <J & J BANDY SUPER FUND A/C>	47,750,000	10.58
	109,750,000	24.32

Unquoted Equity Securities

Options

Class	Number	Holder with more than 20%
Options over ordinary shares exercisable at \$0.03 on or before 31 December 2015	28,000,000	- JAMEKER Pty Ltd <AKJ Family A/C> 10,000,000 options - Max Capital Pty Ltd 7,500,000 options
Options over ordinary shares exercisable at \$0.015 on or before 31 December 2017	10,500,000	- Mrs Allison Jane Rayner <Rayner Investment Trust A/C> 7,500,000 options - Mrs Jaimie Marie Bertolatti 3,000,000 options

On-Market Buy Back

There is no current on-market buy back.

Voting Rights

All ordinary shares carry one vote per share without restriction. Options have no voting rights.



ASX Additional Information

Use of Proceeds

In accordance with listing rule 4.10.19, the Company confirms that it has used cash and assets in a form readily convertible to cash in a way consistent with its business objectives during the financial year ended 30 June 2015.

Restricted Securities subject to escrow period

There are no securities on issue subject to escrow.

TENEMENT TABLE

Tenement Reference	Location	Working Interest
Seabiscuit (Matagorda) Project	Texas	20%

Holder: Oil & Gas Beneficial percentage interests held in farm-in or farm-out agreements.