ORCA ENERGY

and Controlled Entities
(ABN 25 009 121 644)

Annual Report
For the Year Ended
30 June 2012

CONTENTS

DIRECTORS

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

JOINT COMPANY SECRETARY

Shannon Robinson
Rebecca Sandford

REGISTERED OFFICE

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West Perth WA 6005
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PRINCIPAL OFFICE

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SHARE REGISTRY

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150 Stirling Highway
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AUDITORS

Stantons International
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1 Walker Avenue
West Perth WA 6005

AUSTRALIAN SECURITIES EXCHANGE

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

Your Directors present their report on Orca Energy Limited (formerly Monitor Energy Limited) ("Company") and its controlled entities ("Group") for the financial year ended 30 June 2012.

DIRECTORS

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

Gregory Bandy (appointed 15 August 2011)
Jeremy King (appointed 15 August 2011)
Jason Bontempo (appointed 12 July 2011)
Denis Patten (appointed 27 March 2012)
Arthur Pitts (appointed 27 March 2012)
Mark Gwynne (resigned 15 August 2011)
Paul Kelly (appointed 22 February 2011 and resigned 15 August 2011)
Scott Spencer (resigned 12 July 2011)

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

PRINCIPAL ACTIVITIES

The principal activity of the Group during the financial year was resource and oil and gas exploration. In August 2011, the Company acquired a 20% earn-in interest in the oil and gas Seabiscuit Project in Matagorda County, Texas. In February 2012 the Company farmed down its interest to a 20% participating interest in PEL 115 in the Cooper Basin, South Australia. During the financial year, the Company disposed of its non-core uranium assets in the Kyrgyz Republic. Other than mentioned above, there were no significant changes in the nature of the entity's principal activities during the financial year.

RESULTS

The loss of the Group attributable to members amounted to $2,447,527 (2011: $1,689,024).

The Group's basic loss per share for the financial year ended 30 June 2012 was 0.6 cents per share (2011: 0.04 cents).

FINANCIAL POSITION

The Group's working capital, being current assets less current liabilities, was $3,654,947 as at 30 June 2012 (2011: $98,848).

DIVIDENDS

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

REVIEW OF OPERATIONS

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

In January 2012, Orca farmed out a 22% interest in the Cooper Basin block, PEL 115, to joint venture partner and operator, Senex Energy Limited (ASX: SXY), in return for a dedicated unconventional gas exploration well to be drilled this year.

In January 2012 Senex began a three well unconventional gas program on their 100% owned block, PEL 516 which will then be followed by the drilling of an unconventional gas well on PEL 115, Kingston Rule 1. Orca is free carried for the drilling of this well on PEL 115, and two fracture stimulations and production tests.

The location of block PEL 115 is significantly strategic as it is completely surrounded by PEL 516, where Senex estimates over 100Tcf Gas-in-Place from shales and coals alone (refer to Figure 1).

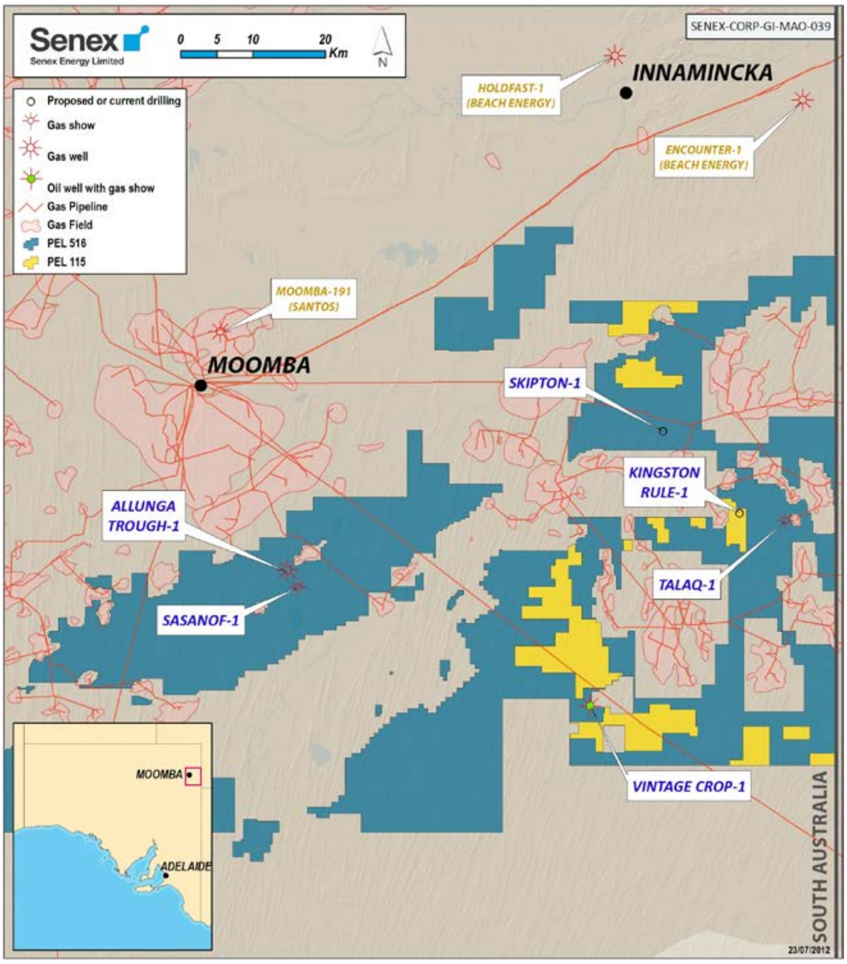

Figure 1: Location of Kingston Rule-1

Kingston Rule-1

The Kingston Rule-1 location in PEL 115 has been selected to target the greatest net thickness of potential shale, siltstone and tight sandstone in the Roseneath-Epsilon-Murteree targets, as well as potential net pay in the Patchawarra tight sand intervals. Review of the Hornet-1 offset well, located 2.5km due south from the Kingston Rule-1 location, has identified net sand pay throughout the well-developed Patchawarra channel sands. Coring intervals for Kingston Rule-1 have been proposed through multiple Patchawarra sands to better understand the petrophysical nature of these tight sand reservoirs. The drilling of Kingston Rule-1 will be followed by a fracture stimulation program to realize the production potential of the unconventional gas reservoirs encountered in this well.

PEL 110 – COOPER BASIN, SOUTH AUSTRLIA (20% INTEREST)

The company has an earn-in right to a 20% participating interest in PEL110, situated on the northwest margin of the Cooper Basin, by funding 40% of the costs of a $100km^2$ 3D seismic program. The proposed program will implement $250km^2$ of 3D seismic which Orca will fund 40% of the first $100km^2$ and then 20% of the remaining $150km^2$.

Equity interests upon completion of the farm-in will be as follows:

Komodo Energy Ltd (100% subsidiary of Orca)	20%
Cooper Energy Ltd	20%
Victoria Oil Exploration (1997) Pty Ltd	60%

The operatorship of PEL 110 has recently been transferred to JV partner and majority (60%) owner Victoria Oil Exploration (1997) Pty Ltd, a wholly-owned subsidiary of Senex Energy. A $250km^2$ seismic program is scheduled to be conducted in 2012/2013 targeting conventional oil and gas along the western flank of the Cooper Basin. Completion of this 3D seismic survey will be a significant further step forward in the exploration of PEL 110.

SEABISCUIT (MATAGORDA) PROJECT – TEXAS

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

CORPORATE ACTIVITIES

On 12 July 2011, Mr. Scott Spencer resigned from the board and Mr. Jason Bontempo was appointed as a Director of the Company.

In August 2011, the Company completed a placement raising $2 million by issue of 2,000,000,000 shares (pre-consolidation). In conjunction with the placement, the Company completed the acquisition of the Seabiscuit Project and issued a further 2,750,000,000 shares (pre-consolidation) to vendors.

On 15 August 2011 Messrs. Greg Bandy and Jeremy King were appointed as Directors of the Company following shareholder approval and Messrs. Mark Gwynne and Paul Kelly resigning.

In December 2011, the Company completed a consolidation of its issued capital on a 1 for 20 basis.

In February 2012, the Company completed a placement to Senex Energy Limited raising approximately $4 million by issue of 115,000,000. This represents 19.99% of the issued capital in Orca (post -share consolidation).

On 27 March 2012, Mr Denis Patten was appointed as a non-executive director of the Company and Mr Arthur Pitts was appointed as Mr Patten's alternate director, following nomination by its substantial shareholder, Senex Energy Limited.

CHANGES IN STATE OF AFFAIRS

During the year ended 30 June 2012 there was no significant change in the Group's state of affairs other than that referred to in the financial statements or notes thereto.

FUTURE DEVELOPMENTS

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

ENVIRONMENTAL ISSUES

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

INFORMATION ON DIRECTORS

Gregory Bandy	**Executive Director (Appointed 15 August 2011)**
Experience	Mr. Greg Bandy has over 12 years' experience in retail, corporate and capital markets, both in Australia and overseas. Mr Bandy is also currently a Director of Red Emperor Resources NL (ASX|AIM: RMP) and a former director of Car Park Technologies Limited (ASX: CPZ) (formerly Empire Beer Group Limited (ASX: EEE)).
Interest in Shares and Options	Nil
Directorships	Red Emperor Resources NL (01/08/2010- present) Car Parking Technologies Limited (formerly Empire Beer Group Limited) (18/06/2009- 16/02/2011)
Jeremy King	**Non-Executive Director (Appointed 15 August 2011)**
Experience	Mr. Jeremy King is a corporate lawyer with over 12 years' experience in domestic and international legal, financial and corporate matters. He has extensive corporate experience, particularly in relation to cross-border private equity, leveraged buy-out acquisitions and acting for banks, financial institutions and corporate issuers in respect of various debt and equity capital raisings. Mr King is currently also a director of Glory Resources Ltd (ASX: GLY), Car Parking Technologies Limited (ASX: CPZ) (formerly Empire Beer Group Limited) and Continuation Investments Limited (ASX: COT).
Interest in Shares and Options	50,000 fully paid ordinary shares
Directorships	Glory Resources Limited (30/03/2010- 1/01/2012) Car Parking Technologies Limited (formerly Empire Beer Group Limited) (01.08/2012 - present) Continuation Investments Limited (08/03/2012 – present)

Jason Bontempo	**Non-Executive Director (Appointed 12 July 2011)**
Experience	Mr Bontempo has worked in investment banking and corporate advisory since qualifying as a Chartered Accountant with Ernst & Young in 1997. Mr Bontempo has worked for investment banks in Australia and the UK and has been closely involved with the advising and financing of companies in the resources industry specialising in asset sales and AIM / ASX listings. Mr Bontempo is also currently a director of Glory Resources Limited, Chameleon Mining NL and Matrix Metals Limited.
Interest in Shares and Options	Nil
Directorships	Chameleon Mining NL (13/09/2010- present) Glory Resources Limited (24/05/2010 - present) Matrix Metals Limited (22/12/2010 - present) Red Emperor Resources NL (24/01/2011 - present) African Iron Limited (16/02/2007 - 10/01/2011) International Goldfields Limited (formerly Corvette Resources Limited) (17/04/2008 – 1/01/2012)
Denis Patten	**Non-Executive Director (Appointed 26 March 2012)**
Experience	Mr Patten has extensive experience in oil and gas exploration, development and production and was a founding director of Queensland Gas Company Limited, retiring from the board in 2007. Mr Patten's experience in the energy and resources industries spans more than 40 years and includes the development of major resources in Australia and internationally. He has held senior executive positions with ASEA Australia, CMPS&F, PT CMP Indonesia and a number of major Australian onshore oil and gas drilling companies. Mr Patten is currently the chairman of Senex Energy Limited (ASX: SXY).
Interest in Shares and Options	Nil
Directorships	Senex Energy Limited (ASX: SXY) – March 2008 to present
Arthur Pitts	**Alternate Director (Appointed 26 March 2012)**
Experience	Mr Pitts has been involved in the oil and gas industry in a range of commercial and management roles in Australia and Asia, both upstream and downstream, for 30 years. Mr Pitts is currently commercial manager with Senex Energy Limited, having previously held a similar role with QGC – a BG Group business.
Interest in Shares and Options	1,000,000 Ordinary Fully Paid Shares
Directorships	Nil

COMPANY SECRETARY

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

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

Ms Rebecca Sandford
Joint Company Secretary
Qualifications: B.Bus

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

REMUNERATION REPORT

Key Management Personnel Details (audited)

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

Gregory Bandy	Executive Director (appointed 15 August 2011)
Jeremy King	Non-Executive Director (appointed 15 August 2011)
Jason Bontempo	Non-Executive Director (appointed 12 July 2011)
Denis Patten	Non-Executive Director (appointed 27 March 2012)
Arthur Pitts	Alternate Director (appointed 27 March 2012)
Scott Spencer	Non-Executive Chairman (resigned 12 July 2011)
Mark Gwynne	Executive Director (resigned 15 August 2011)
Paul Kelly	Non-Executive Director (Appointed 22 February 2011 and resigned 15 August 2011)

a) Remuneration Policy

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

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

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

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

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

b) Director and Executive Remuneration (audited)

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

Director/Key Management Personnel	Year	Short-Term Salary & Fees $	Post Employment Superannuation $	Share Based Payments $	Other Benefits $	Total $	Performance Related %	Value of Options Remuneration %
Gregory Bandy	2012	108,327	7,200	-	4,391	119,918	-	-
Jeremy King	2012	31,500	-	-	4,391	35,891	-	-
Jason Bontempo	2012	39,240	-	-	4,859	44,099	-	-
Denis Patten	2012	9,000	-	-	1,256	10,256	-	-
Arthur Pitts	2012	-	-	-	-	-	-	-
Scott Spencer	2012	-	-	-	165	165	-	-
Mark Gwynne	2012	-	-	-	633	633	-	-
Paul Kelly	2012	-	-	-	633	633	-	-
		188,067	7,200		16,328	211,595		

Director/Key Management Personnel	Year	Short-Term Salary & Fees $	Post Employment Superannuation $	Share Based Payments $	Other Benefits $	Total $	Performance Related %	Value of Options Remuneration %
Scott Spencer	2011	60,000	-	-	3,110	63,110	-	-
Jon Roestenburg	2011	86,250	-	-	3,110	89,360	-	-
Mark Gwynne	2011	100,000	9,000	-	3,110	112,110	-	-
Paul Kelly	2011	12,394	1,115	-	3,110	16,619	-	-
Richard Aden	2011	56,759	-	-	3,110	59,869	-	-
Gregory Bandy	2011	-	-	-	-	-	-	-
Jeremy King	2011	-	-	-	-	-	-	-
Jason Bontempo	2011	-	-	-	-	-	-	-
		315,403	**10,115**	**-**	**15,550**	**341,068**		

Notes:

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

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

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

The following table summarises the value of options granted, exercised or lapsed during the annual reporting period to the identified Directors and executives:

Director/Key Management Personnel	Year	Options Granted Fair Value at Grant Date (i)	Options Exercised Value at Exercise Date	Options Lapsed Value at Lapse Date	Total Value of Options Granted, Exercised and Lapsed	Value of Options Included in Remuneration for the Year	Percentage of Total Remuneration for the Year that Consists of Options
		$	$	$	$	$	%
Gregory Bandy	2012	-	-	-	-	-	-
Jeremy King	2012	-	-	-	-	-	-
Jason Bontempo	2012	-	-	-	-	-	-
Denis Patten	2012	-	-	-	-	-	-
Arthur Pitts	2012	-	-	-	-	-	-
Mark Gwynne	2012	-	-	-	-	-	-
Scott Spencer	2012	-	-	-	-	-	-
Paul Kelly	2012	-	-	-	-	-	-

Director/Key Management Personnel	Year	Options Granted Fair Value at Grant Date (i)	Options Exercised Value at Exercise Date	Options Lapsed Value at Lapse Date	Total Value of Options Granted, Exercised and Lapsed	Value of Options Included in Remuneration for the Year	Percentage of Total Remuneration for the Year that Consists of Options
		$	$	$	$	$	%
Scott Spencer	2011	-	-	-	-	-	-
Jon Roestenburg	2011	-	-	-	-	-	-
Mark Gwynne	2011	-	-	-	-	-	-
Paul Kelly	2011	-	-	-	-	-	-
Richard Aden	2011	-	-	-	-	-	-
Gregory Bandy	2011	-	-	-	-	-	-
Jeremy King	2011	-	-	-	-	-	-
Jason Bontempo	2011	-	-	-	-	-	-

Notes:

(i) The value of options granted during the year is recognised in compensation over the vesting period of the grant, in accordance with Australian accounting standards.

d) Options and Rights Over Equity Instruments Granted as Compensation (audited)
Details of options over ordinary shares in the Company that were granted as compensation to each key management person during the past two years and details of options that were vested during the past two years are as follows:

Director/Key Management Personnel	Number Options Granted During 2012	Grant Date	Fair Value per Option at Grant Date $	Exercise Price per Option $	Expiry Date	Number Options Vested During 2012
Gregory Bandy	-	-	-	-	-	-
Jeremy King	-	-	-	-	-	-
Jason Bontempo	-	-	-	-	-	-
Denis Patten	-	-	-	-	-	-
Arthur Pitts	-	-	-	-	-	-
Mark Gwynne	-	-	-	-	-	-
Scott Spencer	-	-	-	-	-	-
Paul Kelly	-	-	-	-	-	-

Director/Key Management Personnel	Number Options Granted During 2011	Grant Date	Fair Value per Option at Grant Date $	Exercise Price per Option $	Expiry Date	Number Options Vested During 2011
Scott Spencer	-	-	-	-	-	-
Jon Roestenburg	-	-	-	-	-	-
Mark Gwynne	-	-	-	-	-	-
Paul Kelly	-	-	-	-	-	-
Richard Aden	-	-	-	-	-	-
Gregory Bandy	-	-	-	-	-	-
Jeremy King	-	-	-	-	-	-
Jason Bontempo	-	-	-	-	-	-

No options were granted since the end of the financial year.

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

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

INDEMNIFYING OFFICERS

The Company currently has a policy in place for directors and officers insurance. During the financial year ended 30 June 2012, the Company paid an insurance premium of $16,328 (2011: $15,550) for directors and officers liability insurance.

MEETINGS OF DIRECTORS

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

	Directors' Meetings	
Director	**Number Eligible to Attend**	**Meetings Attended**
Gregory Bandy	3	3
Jeremy King	3	3
Jason Bontempo	3	3
Denis Patten	1	1
Arthur Pitts	1	1
Mark Gwynne	2	2
Scott Spencer	2	2
Paul Kelly	-	-

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

OPTIONS

Share Options Granted to Directors and Executives

During and since the end of the year ended 30 June 2012 up to the date of this report, there were no share options issued to Directors and Executives of the Company as remuneration.

Un-issued Shares Under Option

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

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

Expiry Date	Exercise Price	Number Shares
3 December 2012	$0.26	3,875,000
11 December 2014	$0.16	500,000
		4,375,000

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

Shares Issued on Exercise of Options

There were no shares issued upon the exercise of options during the financial year ended 30 June 2012.

During the financial year ended 30 June 2012 (30 June 2011: Nil) there were nil compensation options exercised into fully paid ordinary shares.

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

AUDITORS INDEPENDENCE DECLARATION

The auditor's independence declaration for the year ended 30 June 2012 has been received and can be found on page 15 of the financial report.

NON AUDIT SERVICES

The Board of Directors are satisfied that no non-audit services were performed during the year by the entity's auditors.

SUBSEQUENT EVENTS

There has not been any matter or circumstance that has arisen since 30 June 2012 that has significantly affected, or may significantly affect, the operations of the Company, the results of those operations, or the state of affairs of the Company in subsequent financial years.

Signed on behalf of the Board of Directors.

____

Gregory Bandy
Executive Director
Perth, 28 September 2012

Stantons International Audit and Consulting Pty Ltd
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28 September 2012

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

Dear Directors

RE: ORCA ENERGY LIMITED

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

As Audit Director for the audit of the financial statements of Orca Energy Limited for the year ended 30 June 2012, I declare that to the best of my knowledge and belief, there have been no contraventions of:

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

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

Yours faithfully

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

Martin Michalik
Director

West Perth, Western Australia
28 September 2012

Stantons International Audit and Consulting Pty Ltd
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INDEPENDENT AUDITOR'S REPORT
TO THE MEMBERS OF
ORCA ENERGY LIMITED

Report on the Financial Report

We have audited the accompanying financial report of Orca Energy Limited, which comprises the consolidated statement of financial position as at 30 June 2012, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information and the directors' declaration of the consolidated entity comprising the company and the entities it controlled at the year's end or from time to time during the financial year.

Directors' responsibility for the Financial Report

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

Auditor's responsibility

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

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

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

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

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 2012 and of its performance for the year ended on that date; and
  (ii) complying with Australian Accounting Standards and the Corporations Regulations 2001.

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

Report on the Remuneration Report

We have audited the remuneration report included in pages 9 to 14 of the directors' report for the year ended 30 June 2012. 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 2012 complies with section 300A of the *Corporations Act 2001.*

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

Martin Michalik

Martin Michalik
Director

West Perth, Western Australia
28 September 2012

The directors of the company declare that:

1. the financial statements and notes, as set out on pages 19 to 53, are in accordance with the *Corporations Act 2001* and:
    a. comply with Accounting Standards;
    b. are in accordance with International Financial Reporting Standards issued by the International Accounting Standards Board, as stated in Note 3 to the financial statements; and
    c. give a true and fair view of the financial position as at 30 June 2012 and of the performance for the year ended on that date of the company and consolidated group;

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

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

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

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

____

Gregory Bandy
Executive Director
Perth, 28 September 2012

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 30 JUNE 2012

	Note	Consolidated 2012 $	Consolidated 2011 $
Revenue			
Interest revenue	5	84,451	22,571
Other revenue	5	117,466	2,660
		201,917	25,231
Consultancy fees		(137,920)	(59,991)
Corporate compliance expenses		(394,945)	(307,162)
Depreciation expense	12(b)	(25,552)	(36,161)
Employee benefits expense	5	(193,718)	(485,059)
Exploration expenditure written off	13	(1,966,923)	(339,387)
Foreign exchange gains/(losses)		93,779	(3,358)
Gain on deconsolidation of subsidiary	23	178,472	-
General and administrative expense		(57,439)	(203,069)
Investment impairment expense		-	(120,500)
Loan impairment expense		-	34,376
Occupancy expenses		(20,194)	(106,530)
Travel expenses		(15,129)	(36,231)
Other expenses		(109,875)	(51,183)
Loss before income tax expense		(2,447,527)	(1,689,024)
Income tax expense	6	-	-
Net loss attributable to members of Orca Energy		(2,447,527)	(1,689,024)
Other comprehensive income			
Exchange differences arising on translation of foreign operations	18(b)	(279,026)	(70,075)
Net change in the fair value of financial assets reclassified to profit and loss	18(c)	-	73,357
Income tax expense on items other comprehensive income	6		-
Total other comprehensive income		-	3,282
Total comprehensive loss for the year		(2,726,553)	(1,685,742)
Loss attributable to:			
Owners of the parent		(2,447,52)7	(1,689,024)
Non-controlling interests		-	-
		(2,447,527)	(1,689,024)
Total comprehensive loss attributable to:			
Owners of the parent		(2,726,553)	(1,685,742)
Non-controlling interests		-	-
		(2,726,553)	(1,685,742)
Basic and diluted loss per share (cents per share)	19	(0.6)	(0.04)

The accompanying notes form part of these financial statements.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2012

	Note	Consolidated 2012 $	Consolidated 2011 $
ASSETS			
Current Assets			
Cash and cash equivalents	8	3,948,466	350,605
Trade and other receivables	9	80,309	18,650
Other assets	10	13,355	21,873
Other financial assets	11	2,600	30,000
Total Current Assets		4,044,730	421,128
Non-Current Assets			
Plant and equipment	12	25,158	83,660
Exploration and evaluation expenditure	13	6,034,361	3,774,144
Total Non-Current Assets		6,059,519	3,857,804
TOTAL ASSETS		10,104,249	4,278,932
LIABILITIES			
Current Liabilities			
Trade and other payables	14	376,491	262,778
Provisions	15	13,292	59,502
Total Current Liabilities		389,783	322,280
TOTAL LIABILITIES		389,783	322,280
NET ASSETS		9,714,466	3,956,652
EQUITY			
Issued capital	16	30,669,331	22,184,964
Reserves	18	2,041,197	2,320,223
Accumulated losses	17	(22,996,062)	(20,548,535)
TOTAL EQUITY		9,714,466	3,956,652

The accompanying notes form part of these financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 30 JUNE 2012

	Issued Capital	Accumulated Losses	Option Reserve	Foreign Exchange Translation Reserve	Revaluation Reserve	Total Equity
	$	$	$	$	$	$
Consolidated						
Balance at 1 July 2010	**20,395,915**	**(18,859,511)**	**2,041,197**	**349,101**	**(73,357)**	**3,853,345**
Total comprehensive loss for the year						
Loss	-	(1,689,024)	-	-	-	(1,689,024)
Other comprehensive income						
Foreign currency translation differences	-	-	-	(70,075)	-	(70,075)
Net change in the fair value of financial assets reclassified to profit and loss	-	-	-	-	73,357	73,357
Total comprehensive loss for the year	-	(1,689,024)	-	(70,075)	73,357	(1,685,742)
Transactions with owners recorded directly in equity						
Securities issued during the period (net of transaction costs)	1,789,049	-	-	-	-	1,789,049
Share based payments	-	-	-	-	-	-
Total Contributions by and distributions to owners	1,789,049	-	-	-	-	1,789,049
Balance at 30 June 2011	**22,184,964**	**(20,548,535)**	**2,041,197**	**279,026**	**-**	**3,956,652**
Total comprehensive loss for the year						
Loss	-	(2,447,527)	-	-	-	(2,447,527)
Other comprehensive income						
Foreign currency translation				(279,026)		(279,026)
differences	-	-	-	-	-	-
Net change in the fair value of financial assets reclassified to profit and loss	-	-	-	-	-	-
Total comprehensive loss for the year	-	(2,447,527)	-	(279,026)	-	(2,726,553)
Transactions with owners recorded directly in equity						
Securities issued during the period (net of transaction costs)	8,484,367	-	-	-	-	8,484,367
Share based payments	-	-	-	-	-	-
Total Contributions by and distributions to owners	8,484,367	-	-	-	-	8,484,367
Balance at 30 June 2012	**30,669,331**	**(22,996,062)**	**2,041,197**	**-**	**-**	**9,714,466**

The accompanying notes form part of these financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 30 JUNE 2012

	Note	Consolidated 2012 $	Consolidated 2011 $
Cash flows from operating activities			
Payments to suppliers and employees		(912,961)	(1,232,898)
Interest received		84,541	22,571
Interest paid		(2,928)	(4,959)
Net cash (used in) operating activities	28(a)	(831,348)	(1,215,286)
Cash flows from investing activities			
Exploration and evaluation expenditure		(1,341,269)	(432,558)
Proceeds from sale of plant and equipment		-	3,963
Payment for plant and equipment		(8,700)	(3,977)
Receipt from sale of investments		144,866	-
Net cash (used in) investing activities		(1,205,103)	(432,572)
Cash flows from financing activities			
Proceeds from issue of securities		6,025,000	1,910,000
Share issue costs		(390,632)	(120,951)
Net cash provided by financing activities		5,634,368	1,789,049
Net increase in cash and cash equivalents		3,597,917	141,191
Cash and cash equivalents at beginning of the financial year		350,605	178,396
Net foreign exchange differences		(56)	31,018
Cash and cash equivalents at end of financial year	8	3,948,466	350,605

The accompanying notes form part of these financial statements.

1 General information

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

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

2 New accounting standards for application in future periods

The AASB has issued new and amended Accounting Standards and Interpretations that have mandatory application dates for future reporting periods and which the Company has decided not to early adopt. A discussion of those future requirements and their impact on the Company is as follows:

Amendments to AASB 7 'Financial Instruments Disclosure' The amendments (part of AASB 2010-4 'Further Amendments to Australian Accounting Standards arising from the Annual Improvements Project') clarify the required level of disclosures about credit risk and collateral held.

Amendments to AASB 101 'Presentation of Financial Statements' The amendments (part of AASB 2010-4 'Further Amendments to Australian Accounting Standards arising from the Annual Improvements Project') clarify that an entity may choose to present the required analysis of items of other comprehensive income either in the statement of changes in equity or in the notes to the financial statements.

AASB 1054 'Australian Additional Disclosures' and AASB 2011-1 'Amendments to Australian Accounting Standards arising from Trans-Tasman Convergence Project' AASB 1054 sets out the Australian-specific disclosures for entities that have adopted Australian Accounting Standards.

AASB 2011-1 makes amendments to a range of Australian Accounting Standards and Interpretations for the purpose of closer alignment to IFRSs and harmonisation between Australian and New Zealand Standards.

AASB 124 'Related Party Disclosures' (revised December 2009) AASB 124 (revised December 2009) has been revised on the following two aspects: (a) AASB 124 (revised December 2009) has changed the definition of a related party and (b) AASB 124 (revised December 2009) introduces a partial exemption from the disclosure requirements for government-related entities.

AASB 2009-14 'Amendments to Australian Interpretation – Prepayments of a Minimum Funding Requirement' Interpretation 114 addresses when refunds or reductions in future contributions should be regarded as available in accordance with paragraph 58 of AASB 119.

AASB 2009-12 'Amendments to Australian Accounting Standards' The application of AASB 2009-12 makes amendments to AASB 8 'Operating Segments' as a result of the issuance of AASB 124 'Related Party Disclosures (2009).

AASB 2010-5 'Amendments to Australian Accounting Standards' The Standard makes numerous editorial amendments to a range of Australian Accounting Standards and Interpretations.

AASB 2010-6 'Amendments to Australian Accounting Standards – Disclosures on Transfers of Financial Assets' The application of AASB 2010-6 makes amendments to AASB 7 'Financial Instruments – Disclosures' to introduce additional disclosure requirements for transactions involving transfer of financial assets.

New Accounting Standards for Application in Future Periods

The AASB has issued a number of new and amended Accounting Standards and Interpretations that have mandatory application dates for future reporting periods, some of which are relevant to the Group

At the date of the authorization of the financial statements, the standards and Interpretations listed below were in issue but not yet effective.

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

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

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

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

New Accounting Standards for Application in Future Periods (continued)

The key changes made to accounting requirements include:

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

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

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

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

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

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

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

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

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

3 Significant accounting policies

Statement of compliance

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

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

The financial statements were authorised for issue by the Directors on 28 September 2012.

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 2012 of $2,447,527 (2011: $1,689,024) and experienced net cash outflows from operating activities of $831,348 (2011: $1,215,286). As at 30 June 2012, the Group had net current assets of $3,654,947 (2011: $98,848).

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

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

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

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

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

3 Significant accounting policies (Continued)

(a) Basis of consolidation

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

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

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

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

(b) Business combinations

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

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

(c) Cash and cash equivalents

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

(d) Employee benefits

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

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

3 Significant accounting policies (Continued)

(e) Financial assets

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

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

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

Effective interest method

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

Loans and receivables

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

Impairment of financial assets

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

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

3 Significant accounting policies (Continued)

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

(f) Foreign currency

Foreign currency transactions

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

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

Foreign operations

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

(g) Goods and services tax

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

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

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

(h) Impairment of assets

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

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

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

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

3 Significant accounting policies (Continued)

(i) Income tax

Current tax

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

Deferred tax

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

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

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

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

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

Current and deferred tax for the period

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

(j) Payables

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

(k) Revenue recognition

Interest revenue

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

3 Significant accounting policies (Continued)

(l) Exploration and evaluation expenditure

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

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

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

(m) Interests in joint ventures

Reimbursement of the joint venture operator's costs

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

Jointly controlled assets

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

Jointly controlled entities

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

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

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

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

3 Significant accounting policies (Continued)

(n) Plant and equipment

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

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

(o) Share based payments

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

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

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

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

4 Critical accounting judgements and key sources of estimation uncertainty

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

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

Key Sources of estimation uncertainty

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

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

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

	Consolidated 2012 $	Consolidated 2011 $
5 Loss from continuing operations		
Revenue		
Interest revenue	84,451	22,571
Profit on sale of asset	117,466	2,660
	201,917	25,231
Employee benefits expense		
Salaries	179,777	472,603
Superannuation	7,275	16,796
Other	6,666	(4,340)
	193,718	485,059
Share based payments	100,000	-

6 Income taxes

(a) The components of tax expense comprise:

Current tax	-	-
Deferred tax expense	-	-
Income tax expense reported in statement of comprehensive income	-	-

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

Prima facie tax benefit on loss from ordinary activities before income tax at 30% (2011: 30%)	(734,258)	(506,707)
Add tax effect of:		
Revenue losses and other deferred tax balances not recognised	782,278	293,953
Other non-allowable items	42,796	212,754
	90,816	-
Less tax effect of:		
Other non-assessable items	90,816	-
Income tax expense reported in statement of comprehensive income	-	-

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

Deferred tax liabilities:		
Exploration expenditure	(579,306)	(1,132,243)
Deferred tax assets:		
Carry forward revenue losses	579,306	1,132,243
	-	-

	Consolidated 2012 $	Consolidated 2011 $
(d) Unrecognised deferred tax assets:		
Carry forward revenue losses	2,512,963	1,559,034
Carry forward capital losses	1,352,415	-
Capital raising costs	194,549	167,913
Financial assets	2,370	36,000
Other	18,202	64,507
	4,080,499	1,827,454

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

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

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

7 Remuneration of auditors

Auditor of the company		
Audit or review of the financial report	37,087	30,634
Other auditor for audit of the subsidiary companies' financial reports	-	1,493
	37,087	32,127

8 Cash and cash equivalents

Cash on hand and at bank	3,948,466	350,605
	3,948,466	350,605

9 Trade and other receivables

GST recoverable	78,834	13,649
Other	1,475	5,001
	80,309	18,650

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

10 Other assets

Prepayments	13,355	21,873

	Consolidated 2012 $	Consolidated 2011 $
11 Other financial assets		
Investments carried at fair market value		
Current		
Investment in associate	-	100,167
Investment in listed entity	2,600	30,000
Provision for impairment		(100,167)
		30,000
Loans to associates	-	171,007
Provision for impairment	-	(171,007)
Net loans to associates	-	-
Total other financial assets	2,600	30,000

As at 30 June 2012 the Company held 100,000 shares in Raisama Energy Limited (2011: 430,000 shares)

12 Plant and equipment

(a) At cost	94,049	224,477
Accumulated depreciation	(68,891)	(140,817)
	25,158	83,660

(b) Reconciliation

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

Carrying amount at the beginning of the year	83,660	129,408
Additions	8,700	3,977
NBV of Disposals	(41,650)	(1,303)
Depreciation expense	(25,552)	(36,161)
Foreign exchange movements	-	(12,261)
Carrying amount at the end of the year	25,158	83,660

	Consolidated 2012 $	Consolidated 2011 $
13 Exploration and evaluation expenditure		
Carrying amount at the beginning of the year	3,774,144	3,290,225
Expenditure capitalised during the year	4,227,140	823,306
Expenditure written off during the year	(1,966,923)	(339,387)
Carrying amount at the end of the year	6,034,361	3,774,144

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.

(a) Interests in joint ventures

Interests in jointly controlled assets

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

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

Exploration and evaluation expenditure	1,794,094	3,659,144

(b) Farm-in for PEL110

Interests in jointly controlled assets

On 27 October 2011, Orca Energy Limited entered into a farm-in agreement with Cooper Energy Limited to earn a potential 20% participatory interest of the PEL110 petroleum exploration licence. To date, the Company has contributed $136,925 as part of the farm-in agreement.

(c) USA Assets

Interests in jointly controlled assets

On 12 July 2011, the Company executed a binding Term Sheet to acquire a 20% interest in the Matagorda Project located in Matagorda County, Texas ("Matagorda Project"), an oil and gas project located within the prolific lower Frio trend of the Texas Gulf Coast. To date, the Company has contributed $4,103,342 as part of the joint venture and acquisition agreement.

14 Trade and other payables		
Trade payables	39,295	83,536
Sundry payables and accruals	337,196	179,242
	376,491	262,778
15 Provisions		
Employee benefits	13,292	59,502

16 Issued capital

a)	Fully paid ordinary shares 575,033,775 (2011: 4,350,671,434)	30,668,531	22,184,164
b)	Converting preference shares 100 (2011: 100)	800	800
		30,669,331	22,184,964

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

	2012 No.	2012 $	2011 No.	2011 $
(a) Fully paid ordinary shares				
Balance at beginning of the year	4,350,671,434	22,184,164	3,630,671,408	20,395,115
Shares issued to sophisticated investors – 13 July 2010			470,000,000	1,410,000
Shares issued to Cape Lambert – 22 February 2011	-	-	250,000,000	500,000
Shares issued pursuant to the exercise of 31 August 2011 $0.025 options – 22 February 2011	-	-	26	-
Shares issued pursuant to Placement– 18 August 2011	2,000,000,000	2,000,000	-	-
Shares issued Vendors pursuant to acquisition – 18 August 2011	2,750,000,000	2,750,000	-	-
Shares issued to Consultant– 13 December 2011	100,000,000	100,000	-	-
Share Consolidation 20:1 Ratio	(8,740,637,659)	-	-	-
Shares issued to Senex Energy Limited- 1 February 2012	115,000,000	4,025,000	-	-
Transaction costs relating to issue of shares	-	(390,633)	-	(120,951)
Balance at the end of the year	575,033,775	30,668,531	4,350,671,434	22,184,164

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

(b) Converting preference shares

	2012 No.	2012 $	2011 No.	2011 $
Balance at beginning of the year	2,006	800	2,006	800
Balance at the end of the year	2,006	800	2,006	800

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

	Consolidated 2012 $	Consolidated 2011 $
17 Accumulated losses		
Balance at beginning of the year	(20,548,535)	(18,859,511)
Net loss attributable to the members of the company	(2,447,527)	(1,689,024)
Balance at the end of the year	(22,996,062)	(20,548,535)

	Consolidated 2012 $	Consolidated 2011 $
18 Reserves		
Option, share based payments and option premium reserves (a)	2,041,197	2,041,197
Foreign exchange translation reserve (b)	-	279,026
Asset revaluation reserve (c)	-	-
	2,041,197	2,320,223
(a) Option, share based payments and option premium reserves		
Balance at beginning of the year	2,041,197	2,041,197
Movement	-	-
Balance at the end of the year	2,041,197	2,041,197

Share based payment reserve

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

Share Options and Option Premium Reserves

There were no unlisted options issued during the year. A total of 4,375,000 shares under option are on issue at 30 June 2012 (2011: 1,641,850,104).

Options carry no rights to dividends and have no voting rights. During the financial year nil (2011: 26) options were exercised, the details of which are set out below.

	2012 No.	2012 $	2011 No.	2011 $
Quoted options with exercise price of $0.025 and expiry date of 31 August 2011				
Balance at beginning of financial year	1,471,850,104	1,175,266	1,471,850,130	1,175,266
Exercise of 31 August 2011 $0.025 options – 22 February 2011	-	-	(26)	-
Lapse of Options	(1,471,850,104)	-		
Balance at end of financial year	-	1,175,266	1,471,850,104	1,175,266

	2012 No.	2012 $	2011 No.	2011 $
Unquoted options on issue				
Balance at beginning of financial year	170,000,000	865,931	177,500,000	865,931
Expiry of $0.050 options – 31 December 2010	-	-	(5,000,000)	-
Expiry of $0.025 options – 11 March 2011	-	-	(2,500,000)	-
Lapse of Options	(77,500,000)	-	-	-
Option Consolidation 20:1	(87,875,000)	-	-	-
Lapse of Options	(250,000)	-	-	-
Balance at end of the year	4,375,000	865,931	170,000,000	865,931

	Consolidated 2012 $	Consolidated 2011 $
(b) Foreign exchange translation reserve		
Balance at beginning of the year	279,026	349,101
Translation of foreign operations	(279,026)	(70,075)
Balance at the end of the year	-	279,026

Foreign currency translation reserve

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

(c) Asset revaluation reserve

Balance at beginning of the year	-	(73,357)
Net change in the fair value of financial assets reclassified to profit and loss	-	73,357
Balance at the end of the year	-	-

19 Loss per share

	2012 Cents per Share	2011 Cents per Share
Basic/diluted loss per share	(0.6)	(0.04)

(a) Basic/diluted loss per share

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

	2012 $	2011 $
Loss	(2,447,527)	(1,689,024)

	2012 No.	2011 No.
Weighted average number of ordinary shares for the purposes of basic / diluted loss per share	388,348,640*	4,171,602,924

* Based on post-consolidation shareholdings

As the Group is in a loss position the options outstanding at 30 June 2012 have no dilutive effects on the earnings per share calculation.

20 Commitments for expenditure

(a) SEABISCUIT (MATAGORDA) PROJECT – TEXAS

The Seabiscuit Project is a large structural closure with an area of approximately 1,750 acres. It is located in an ideal geological setting on trend with recently drilled wells flowing at sustained rates of 20 million cubic feet of natural gas and 200 barrels of oil per day, without any fracture stimulation. The JV intends to drill a 17,500ft well to test the Seabiscuit trap that has been estimated by the operator, The JV anticipates spudding the first exploration well in Q4, 2012. (current share estimated to be approximately $2,200,000).

(b) PEL 110

The Company has a commitment to fulfil its farm-in agreement with Cooper Energy. The farm-in obligation is for the Company to pay to a 2:1 promote on 100km^2 of the acquisition of 3D seismic rather than an exploration well, for which the Company would pay 40% (currently estimated to be approximately $650,000).

Due to extensive, adverse weather conditions experienced in the Cooper Basin, an application for relief from exploration commitments for 2012 was granted by the regulatory authorities

Should the Company not be able to fund its share of the costs of the seismic survey then the agreement with Cooper Energy will be terminated, the $136,925 in Joint Venture contributions will not be refunded and the working equity re-assigned to Cooper Energy.

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

In January 2012, Orca farmed out 22% of its Cooper Basin block, PEL 115, to joint venture partner and operator, Senex Energy Limited (ASX: SXY), in return for a dedicated unconventional gas exploration well to be drilled this year.

Senex began a three well unconventional gas program on their 100% owned block, PEL 516 which will then be followed by the drilling of an unconventional gas well on PEL 115, Kingston Rule 1. Orca is free carried for the drilling this well and for two fracture stimulations and production tests.

21 Contingent liabilities and assets

The Directors are not aware of any material contingent liabilities or assets at reporting date (2011: Nil).

22 Interests in exploration licences

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

	2012 %	2011 %
Licence details		
Atbashi-Arpinski (oil & gas) ^	-	100.0
Tyup (oil & gas) ^	-	100.0
Karakol (oil & gas) ^	-	100.0
East Kokmoinok (uranium)	-	22.5
PEL 115	20	42.0
PEL 110 (subject to farm-in)*	-	-
USA	20	

* Has the right to earn 20% subject to farm-in conditions - refer to Note 20: Commitment of expenditure.
^ These licences held by the Company's wholly owned subsidiary White Valley Oil LLC expired on 31 December 2011.

23 Subsidiaries and Associates

Name of entity	Country of incorporation	Ownership interest 2012 %	2011 %
Company			
Orca Energy Limited	Australia		
Subsidiaries and Associates			
Komodo Energy Pty Ltd	Australia	100	100
Sugarbay Investments Pty Ltd	Australia	100	-
White Valley Oil LLC	Kyrgyz Republic	-	100
Business Sphere LLC (i)	Kyrgyz Republic	-	25

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

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

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

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

	Company 2012 $	Company 2011 $
24 Parent entity disclosures		
(a) Financial position		
ASSETS		
Current Assets		
Cash and cash equivalents	3,935,076	311,223
Trade and other receivables	92,189	14,706
Other assets	2,600	21,873
Total Current Assets	4,029,865	347,802
Non-Current Assets		
Other financial assets	3,984,979	370,857
Plant and equipment	25,158	43,765
Exploration and evaluation expenditure	136,924	115,000
Total Non-Current Assets	4,147,061	529,622
TOTAL ASSETS	8,176,926	877,424
LIABILITIES		
Current Liabilities		
Trade and other payables	137,798	181,707
Provisions	13,292	6,626
Total Current Liabilities	151,090	188,333
TOTAL LIABILITIES	151,090	188,333
NET ASSETS	8,025,836	689,091
EQUITY		
Issued capital	30,669,332	22,184,964
Reserves	2,041,197	2,041,197
Accumulated losses	(24,684,693)	(23,537,070)
TOTAL EQUITY	8,025,836	689,091
Financial performance		
Net loss attributable to members of Orca Energy	(1,147,623)	(1,809,538)
Other comprehensive income		
Exchange differences arising on translation of foreign operations	-	-
Income tax expense on items other comprehensive income	-	-
Revaluation of assets	-	73,357
Total other comprehensive income	-	73,357
Total comprehensive loss for the year	(1,147,623)	(1,736,181)

(b) Commitments

PEL 110

The Company has a commitment to fulfil its farm-in agreement with Cooper Energy. The farm-in obligation is for the Company to pay to a 2:1 promote on 100km^2 of 3D seismic. The operatorship of PEL 110 has recently been transferred to JV partner and majority (60%) owner Victoria Oil Exploration (1997) Pty Ltd, a wholly-owned subsidiary of Senex Energy. A 250km2 seismic program is scheduled for 2012/2013 targeting conventional oil and gas along the western flank of the Cooper Basin. Completion of this 3D seismic survey will be a significant further step forward in the exploration of PEL 110. (the Company's commitment under the farm-in agreement is currently estimated to be approximately $650,000).

Due to extensive, adverse weather conditions experienced in the Cooper Basin, an application for relief from exploration commitments for 2012 was granted by the regulatory authorities.

Should the Company not be able to fund its share of the costs of the seismic survey then the agreement with Cooper Energy will be terminated, the $115,000 in Joint Venture contributions will not be refunded and the working equity re-assigned to Cooper Energy.

25 Segment information

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

During the year ended 30 June 2012 the Group operated in the following Geographic Segments: Australia, USA and Kyrgyzstan. (2011: Australia and Kyrgyzstan).

Basis of accounting for purposes of reporting by operating segments

Accounting policies adopted

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

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

Segment assets

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

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

Segment liabilities

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

25 Segment information (Cont)

Unallocated items

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

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

(a) Revenue by geographical region

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

	Consolidated 2012 $	Consolidated 2011 $
Australia	-	-
USA	-	-
Kyrgyzstan	117,466	-
Unallocated items	84,451	25,231
Total revenue	201,917	25,231

(b) Loss by geographical region

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

	Consolidated 2012 $	Consolidated 2011 $
Australia	(2,443,454)	(1,564,124)
USA	(4,073)	-
Kyrgyzstan	-	(145,185)
Unallocated items	-	20,285
Total loss	(2,447,527)	(1,689,024)

(c) Assets by geographical region

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

	Consolidated 2012 $	Consolidated 2011 $
Australia	5,987,252	4,195,720
USA	4,116,997	-
Kyrgyzstan	-	83,212
Unallocated items	-	-
Total assets	10,104,249	4,278,932

(d) Liabilities by geographical region

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

	Consolidated 2012 $	Consolidated 2011 $
Australia	253,966	236,747
USA	135,817	
Kyrgyzstan	-	85,533
Unallocated items	-	-
Total liabilities	389,783	322,280

26 Interests of Key Management Personnel (KMP)

Refer to the remuneration report contained in the directors' report for details of the remuneration paid or payable to each member of the Group's key management personnel for the year ended 30 June 2012.

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

Short-term employee benefits	188,067	315,403
Post-employment benefits	7,200	10,115
Other benefits	16,328	15,550
	211,595	341,068

KMP Shareholdings

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

2012

Key management personnel	Balance at beginning of year	Granted as Remuneration	Options exercised	Other changes	Balance at end of year
Greg Bandy*	-				
Jason Bontempo*	-				
Jeremy King*	1,000,000	-	-	(950,000)	50,000
Denis Patten*	-	-	-	-	-
Arthur Pitts (Alternate director)*	-	-	-	1,000,000**	1,000,000
Mark Gwynne*	21,000,000	-	-	(21,000,000)	-
Scott Spencer*	10,500,000	-	-	(10,500,000)	-
Paul Kelly*	-	-	-	-	-
	32,500,000	**-**	**-**	**(31,450,000)**	**1,050,000**

*Shares held at time of director appointment/ resignation, post share consolidation on 28/12/2012
** Shares purchased during the year on a post share consolidation basis.

2011

Key management personnel	Balance at beginning of year	Granted as Remuneration	Options exercised	Other changes	Balance at end of year
Scott Spencer	10,500,000	-	-	-	10,500,000
Jon Roestenburg	14,300,000	-	-	(14,300,000)*	-
Mark Gwynne	21,000,000	-	-	-	21,000,000
Paul Kelly	-	-	-	-	-
Richard Aden	-	-	-	-	-
	45,800,000	**-**	**-**	(14,300,000)	**31,500,000**

*Shares held at time of director resignation

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

KMP Option holdings

The number of options over ordinary shares held by each KMP of the Group during the financial year is as follows:

2012

Key management personnel	Balance at beginning of year	Granted as Remuneration	Lapsed	Other changes	Balance at end of year	Total vested	Total exercisable
Greg Bandy*	-	-	-	-	-	-	-
Jason Bontempo*	-	-	-	-	-	-	-
Jeremy King*	-	-	-	-	-	-	-
Denis Patten*	-	-	-	-	-	-	-
Arthur Pitts (Alternate director)*	-	-	-	-	-	-	-
Scott Spencer	30,000,000	-	-	(30,000,000)*	-	-	-
Mark Gwynne	38,250,000	-	-	(38,250,000)*	-	-	-
Paul Kelly	-	-	-	-	-	-	-
	68,250,000	**-**	**-**	**(68,250,000)**	**-**	**-**	**-**

*Options held at time of director resignation

2011

Key management personnel	Balance at beginning of year	Granted as Remuneration	Lapsed	Other changes	Balance at end of year	Total vested	Total exercisable
Scott Spencer	30,000,000	-	-	-	30,000,000	30,000,000	30,000,000
Jon Roestenburg	42,500,000	-	(5,000,000)	(37,500,000)*	-	-	-
Mark Gwynne	38,250,000	-	-	-	38,250,000	38,250,000	38,250,000
Paul Kelly	-	-	-	-	-	-	-
Richard Aden	30,000,000	-	-	(30,000,000)*	-	-	-
	140,750,000	**-**	**(5,000,000)**	**(67,500,000)**	**68,250,000**	**68,250,000**	**68,250,000**

Other KMP Transactions

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

27 Share based payments

Options are issued to key management personnel as part of their compensation under the company's remuneration policy as described in the Remuneration Report. The options issued may be subject to performance criteria and are issued to key management personnel of Orca Energy Limited to increase goal congruence between key management personnel and shareholders.

There were no Options granted as share based payments to key management personnel outstanding at 30 June 2012.

Options granted as share based payments to key management personnel outstanding at 30 June 2011 (excluding key management personnel that have resigned during the year):

Option	Number granted	Number Vested	Grant date	Fair value at grant date	Exercise price	First exercise date	Expiry date
Series 13	30,000,000	30,000,000	3/12/2009	$0.0014	$0.006	3/12/2009	3/12/2011
Series 14	30,000,000	30,000,000	3/12/2009	$0.0017	$0.013	3/12/2009	3/12/2012
	60,000,000	**60,000,000**					

The following table illustrates the number and weighted average exercise prices (WAEP) of and movements in share options issued under the Employee Share Option Plan and to vendors and consultants during the year:

	2012 Number options	WAEP	2011 Number options	WAEP
Balance at beginning of year	170,000,000	$0.002	177,500,000	$0.070
Director remuneration	-	-	-	-
Director remuneration	-	-	-	-
Employee incentive options	-	-	-	-
Employee incentive options	-	-	-	-
Employee incentive options	-	-	-	-
Option consolidation	(83,125,000)	-	-	-
Consultant options	-	-	-	-
Expired during the year	(82,500,000)	($0.002)	(7,500,000)	($0.002)
Balance at end of the year	4,375,000	$0.24	170,000,000	$0.002
Exercisable at end of the year	4,375,000		170,000,000	

i) The options outstanding at 30 June 2012 had a weighted average exercise price of $0.24 (2011: $0.002) and remaining lives of between 0.5 & 2.5 years (2011: between 0.5 & 3.5 years).
ii) Included under employee benefits expense in the statement of comprehensive income is $nil (2011: nil) related to equity-settled share based payment transactions.

Options exercised

During the financial year ended 30 June 2012 there were no compensation options exercised (2011: Nil).

28 Notes to the cash flow statement

(a) Reconciliation of loss for the year to net cash flows from operating activities

	Consolidated 2012 $	Consolidated 2011 $
Loss for the year	(2,447,527)	(1,689,024)
Non-cash flows in operating loss:		
Depreciation	25,552	36,161
Loss on sale of fixed assets	41,650	(2,660)
Share based payments expense	100,000	-
Foreign exchange differences	(236,370)	(55,725)
Loan impairment expense	-	(34,376)
Gain on deconsolidation of subsidiary	(178,472)	-
Investment impairment expense	-	120,500
Profit on sale of asset	(117,466)	-
Exploration expenses	-	-
Write-off exploration expenditure	1,966,923	339,387
Changes in net assets and liabilities, net of effects from acquisition of businesses:		
(Increase)/decrease in assets:		
Receivables	(61,659)	38,197
Prepayments	8,518	3,668
Inventory	-	-
Increase/(decrease) in liabilities:		
Payables	113,713	32,925
Provisions	(46,210)	(4,339)
Net cash outflow from operating activities	(831,348)	(1,215,286)

(b) Non-cash financing and investing activities

During the financial year ended 30 June 2012, 2,750,000 shares were issued (post-consolidation basis) as part of the USA Acquisition (2011: Nil).

29 Financial instruments

(a) Financial risk management objectives

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

(b) Significant accounting policies

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

(c) Foreign currency risk management

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

29 Financial instruments (Continued)

(d) Interest rate risk management

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

(e) Maturity profile of financial instruments

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

	Average interest rate	Floating interest rate	Fixed interest rate maturing in: <1 year	1 – 5 years	Non-interest bearing	Total
	%	$	$	$	$	$
2012						
Financial assets						
Cash and cash equivalents	3.5%	3,948,466	-	-	-	3,948,466
Trade and other receivables	N/A	-	-	-	80,309	80,309
Other financial assets	N/A	-	-	-	2,600	2,600
		3,948,466	-	-	82,909	4,031,375
Financial liabilities						
Trade and other payables	N/A	-	-	-	376,491	376,491
		-	-	-	376,491	376,491
Net financial assets		**3,948,466**	**-**	**-**	**(293,582)**	**3,654,844**

	Average interest rate	Floating interest rate	Fixed interest rate maturing in: <1 year	1 – 5 years	Non-interest bearing	Total
	%	$	$	$	$	$
2011						
Financial assets						
Cash and cash equivalents	5%	350,605	-	-	-	350,605
Trade and other receivables	N/A	-	-	-	18,650	18,650
Other financial assets	N/A	-	-	-	30,000	30,000
		350,605	-	-	48,650	399,255
Financial liabilities						
Trade and other payables	N/A	-	-	-	262,778	262,778
		-	-	-	262,778	262,778
Net financial assets		**350,605**	**-**	**-**	**(214,128)**	**136,477**

29 Financial instruments (Continued)

(f) Credit risk management

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

(g) Liquidity risk management

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

(h) Capital risk management

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

No dividends were paid in 2011 and no dividends are expected to be paid in 2012. There is no current intention to incur debt funding on behalf of the Company as on-going exploration expenditure will be funded via cash reserves, equity or joint ventures with other companies. The Company is not subject to any externally imposed capital requirements.

(i) Fair value of financial instruments

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

(j) Liquidity risk management

Interest rate risk, foreign currency risk and price risk

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

Interest rate sensitivity analysis

At 30 June 2012, the effect on loss and equity as a result of a 2% increase in the interest rate, with all other variables remaining constant would be a decrease in loss by $48,950 (2011: $10,923) and an increase in equity by $48,950 (2011: $10,923).

Foreign currency risk sensitivity analysis

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

The Group has foreign subsidiary companies with a functional currency that differs to the presentation currency of the Group. The financial statements of the foreign subsidiaries are required to be translated from the functional currency to the presentation currency of the Group, being Australian dollars. Any movement in the exchange rate will affect the carrying value of the Group's assets and liabilities where the financial statements of the subsidiary companies are dominated in a currency other than Australian dollars. The foreign currency risk in the books of the Group and the Company is considered immaterial and therefore is not shown.

29 Financial instruments (Continued)

A 10 percent strengthening of the Australian dollar against the following currencies at 30 June 2012 would have increased (decreased) equity and profit or loss by the amounts shown below. This analysis assumes that all other variables, in particular interest rates, remain constant. The analysis is performed on the same basis for 2011.

	Consolidated	
	Equity	Loss
	$	$
30 June 2012		
USD	134	(134)
30 June 2011		
USD	1,178	(1,178)

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

Price risk sensitivity analysis

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

Financial risk management objectives

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

Financial risk management

	Level 1	Level 2	Level 3	Total
2012	**$**	**$**	**$**	**$**
Financial assets				
Shares in ASX listed entity	2,600	-	-	**2,600**
	2,600	**-**	**-**	**2,600**
2011				
Financial assets				
Shares in ASX listed entity	30,000	-	-	**30,000**
	30,000	**-**	**-**	**30,000**

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

30 Related party transactions

(a) Company

Loans provided by the Company to subsidiary companies for the year ended 30 June 2012 amounted to $4,347,456 (2011: $280,850).

(b) Subsidiaries

Refer to Note 23.

(c) Key management personnel

Refer to Note 26.

(d) Transactions with related parties

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

31 Subsequent events

There has not been any matter or circumstance that has arisen since 30 June 2012 that has significantly affected, or may significantly affect, the operations of the Company, the results of those operations, or the state of affairs of the Company in subsequent financial years other than the following:

Corporate Governance

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

Principles of Best Practice Recommendations

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

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

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

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

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

Additional information required by the Australian Securities Exchange Limited Listing Rules and not disclosed elsewhere in this report. This additional information was applicable as at 26 September 2012.

1. DISTRIBUTION OF SECURITY HOLDERS

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

Category	Number of Shareholders	Number of Shares
1 - 1,000	164	64,816
1,001 - 5,000	538	1,828,493
5,001 - 10,000	441	3,644,293
10,001 - 100,000	1,183	45,888,479
100,001 and over	422	523,607,694
	2,748	**575,033,775**

Number of shareholders holding less than a marketable parcel of ordinary shares: 1,575 shareholders amounting to 12,589,380 shares.

2. STATEMENT OF RESTRICTED SECURITIES

There are no restricted securities.

3. SUBSTANTIAL SHAREHOLDERS

Rank	Name	Number of Shares	% of Issued Capital
1	Senex Energy Limited	115,000,000	19.99
2	J & J Bandy Nominees Pty Ltd	46,625,000	7.60
3	Seventy Three Pty Ltd	42,600,000	7.40
4	Percy Holdings Limited	42,500,000	7.39

4. UNQUOTED SECURITIES

The Company has the following unquoted securities:

Number	Class
3,875,000	Unlisted Options (0.26; 3/12/2012)
500,000	Unlisted Options ($0.16; 03/12/2014)

5. VOTING RIGHTS

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

7. STATEMENT OF TOP 20 HOLDERS OF LISTED EQUITY SECURITIES AS AT 26 SEPTEMBER 2012

Fully paid ordinary shares

Rank	Name	Number of Shares	% of Issued Capital
1	Senex Energy Limited	115,000,000	19.99
2	J & J Bandy Nominees Pty Ltd	46,625,000	7.60
3	Seventy Three Pty Ltd	42,600,000	7.40
4	Percy Holdings Limited	42,500,000	7.39
5	HSBC Custody Nominees	16,709,039	2.90
6	James Anthony Gleeson	15,000,000	2.60
7	Sonic Holdings Pty Ltd	10,000,001	1.74
8	Ms Merle Smith & Ms Kathryn Smith	6,300,000	1.09
9	Mark A Patterson	5,000,000	0.87
10	Gordon Family Superannuation Pty Ltd	4,000,000	0.69
11	Ms Ingrid Joan Olsen	4,000,000	0.69
12	Mr Dominic Charles Fletcher	3,750,000	0.65
13	Mr Wayne Gregory Loxton & Mrs Donna Joy Loxton	3,725,707	0.64
14	Mr Simon William Tritton	3,609,375	0.62
15	Mr Marcello Davide Cardaci	3,281,250	0.57
16	Bastalt Pty Ltd	3,000,000	0.522
17	Bushwood Nominees Pty Ltd	2,953,125	0.51
18	Miss Evey Mulyadi	2,752,522	0.47
19	The Fence Masters Pty Ltd	2,500,001	0.43
20	Sofia Services Pty Ltd	2,500,000	0.43
		335,806,020	**57.80**

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

FRANKING CREDITS
The Company has nil franking credits.

TENEMENT SCHEDULE

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

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