



ORCAENERGY

AND CONTROLLED ENTITIES

ABN 25 009 121 644

**INTERIM FINANCIAL REPORT
FOR THE HALF YEAR ENDED
31 DECEMBER 2016**

CONTENTS	PAGE
Corporate Directory	1
Directors' Report	2
Auditor's Independence Declaration	3
Consolidated Statement of Profit or Loss and Other Comprehensive Income	4
Consolidated Statement of Financial Position	5
Consolidated Statement of Changes in Equity	6
Consolidated Statement of Cash Flows	7
Condensed Notes to the Financial Statements	8
Directors' Declaration	11
Auditor's Independent Review Report	12

CORPORATE DIRECTORY

Directors

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

Company Secretary

Mr. Aaron Bertolatti

Registered Office

First Floor
35 Richardson Street
West Perth WA 6005

Share Registry

Advanced Share Registry Pty Ltd
110 Stirling Highway
NEDLANDS WA 6009

Auditors

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

Solicitors

Edwards Mac Scovell
Level 7
140 St Georges Terrace
Perth WA 6000

Stock Exchange

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

Website

orcaenergy.com.au



Directors' Report

The Directors present their report for Orca Energy Limited (“Orca Energy”, “Orca” or “the Company”) and its subsidiaries (“the Group”) for the half year ended 31 December 2016.

Directors

The persons who were directors of Orca Energy Limited during the half year and up to the date of this report are:

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

Review of Operations for the Half Year ended 31 December 2016

Suspension from Official Quotation

On 12 July 2016, Orca advised that a proposed acquisition and Chapter 11 transaction referred to in the Company's announcement dated 24 June 2016 would not proceed. The company was subsequently advised by the ASX that it was not in compliance with Chapter 12 of the Listing Rules, with its shares being suspended from trading.

During the period the Company conducted high level due diligence on a number of opportunities and continues to do so currently, with the expectation of identifying a suitable asset that will enable its shares to be re-admitted to trading in the near term.

The company believes its strong cash balance and existing capital structure has it very well placed to continue to advance discussions with potential partners and targets with the aim of providing a positive outcome for all shareholders.

Events subsequent to Reporting Date

There have been no other significant events subsequent to the half-year to the date of this report.

Auditor's Independence Declaration

Section 307C of the Corporations Act 2001 requires our auditors, to provide the Directors of the Company with an Independence Declaration in relation to the review of the half-year financial report. This Independence Declaration is set out on page 3 and forms part of this Directors' report for the half-year ended 31 December 2016.

This report is signed in accordance with a resolution of the Board of Directors made pursuant to s.306(3) of the Corporations Act 2001.

Greg Bandy
Managing Director

Perth, Western Australia,
7 March 2017

7 March 2017

Board of Directors
Orca Energy Limited
Level 1
35 Richardson Street
West Perth WA 6005

Dear Sirs

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 review of the financial statements of Orca Energy Limited for the half year ended 31 December 2016, 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 review; and
- (ii) any applicable code of professional conduct in relation to the review.

Yours faithfully

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



Samir Tirodkar
Director



Consolidated Statement of Profit or Loss and Other Comprehensive Income
for the half-year ended 31 December 2016

	31 December 2016 \$	31 December 2015 \$
Continuing Operations		
Interest received	15,602	12,215
General and administrative expenses	(22,390)	(42,762)
Compliance and regulatory expenses	(52,840)	(69,632)
Consultancy costs	(51,000)	(96,000)
Director and employee benefits expense	(143,183)	(157,029)
Exploration expenditure impaired/written off	-	(300,000)
Write back of provision	-	102,876
Share based payments expense	-	(156,000)
Realised foreign exchange gain	-	200,075
Loss before income tax expense	(253,811)	(506,257)
Income tax expense	-	-
Loss after income tax expense	(253,811)	(506,257)
Other comprehensive income		
Items that will not be reclassified subsequently to Profit or Loss	-	-
Items that may be reclassified subsequently to Profit or Loss	-	-
Total other comprehensive income for the period after income tax	-	-
Total comprehensive loss for the period	(253,811)	(506,257)
Loss attributable to:		
Owners of the parent	(253,811)	(506,257)
Non-controlling interests	-	-
	(253,811)	(506,257)
Total comprehensive loss attributable to:		
Owners of the parent	(253,811)	(506,257)
Non-controlling interests	-	-
	(253,811)	(506,257)
Basic and diluted loss per share (cents per share)	(0.06)	(0.11)

The above consolidated statement of profit or loss and other comprehensive income should be read in conjunction with the accompanying notes.



Consolidated Statement of Financial Position as at 31 December 2016

	Note	31 December 2016 \$	30 June 2016 \$
Current Assets			
Cash and cash equivalents		4,106,154	4,349,753
Trade and other receivables	3	7,134	8,142
Other assets		-	10,760
Other financial assets		100	100
Total Current Assets		4,113,388	4,368,755
Non-Current Assets			
Exploration and evaluation expenditure	4	-	-
Total Non-Current Assets		-	-
Total Assets		-	-
Current Liabilities			
Trade and other payables	5	34,646	43,125
Provisions		47,298	40,375
Total Current Liabilities		81,944	83,500
Total Liabilities		81,944	83,500
Net Assets		4,031,444	4,285,255
Equity			
Issued capital	6	28,786,786	28,786,786
Reserves	7	2,297,449	2,297,449
Accumulated losses		(27,052,791)	(26,798,980)
Total Equity		4,031,444	4,285,255

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



Consolidated Statement of Changes in Equity for the half-year ended 31 December 2016

	Issued capital \$	Accumulated losses \$	Option reserve \$	Total \$
Balance at 1 July 2015	28,630,786	(25,938,935)	2,277,438	4,969,289
Total comprehensive income for the period				
Loss for the period	-	(506,257)	-	(506,257)
Other Comprehensive Income	-	-	-	-
Total comprehensive loss for the period	-	(506,257)	-	(506,257)
Transactions with owners in their capacity as owners				
Share based payments	156,000	-	-	156,000
Balance at 31 December 2015	28,786,786	(26,445,192)	2,277,438	4,619,032
Balance at 1 July 2016	28,786,786	(26,798,980)	2,297,449	4,285,255
Total comprehensive income for the period				
Loss for the period	-	(253,811)	-	(253,811)
Other Comprehensive Income	-	-	-	-
Total comprehensive loss for the period	-	(253,811)	-	(253,811)
Transactions with owners in their capacity as owners				
Balance at 31 December 2016	28,786,786	(27,052,791)	2,297,449	4,031,444

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



Consolidated Statement of Cash Flows *for the half-year ended 31 December 2016*

	31 December 2016 \$	31 December 2015 \$
Cash flows from operating activities		
Payments to suppliers and employees	(259,201)	(343,209)
Interest received	15,602	12,215
Net cash (used in) operating activities	(243,599)	(330,994)
Net decrease in cash and cash equivalents	(243,599)	(330,994)
Cash and cash equivalents at beginning of the period	4,349,753	4,858,280
Effects of exchange rate changes on cash and cash equivalents	-	200,074
Cash and cash equivalents at the end of the period	4,106,154	4,727,360

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



1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a) Basis of Preparation

These general purpose financial statements for the interim half-year reporting period ended 31 December 2016 have been prepared in accordance with requirements of the Corporations Act 2001 and Australian Accounting Standards including AASB 134: Interim Financial Reporting.

This interim financial report is intended to provide users with an update on the latest annual financial statements of Orca Energy Limited. As such, it does not contain information that represents relatively insignificant changes occurring during the half-year. It is therefore recommended that this financial report be read in conjunction with the annual financial statements of the Group for the year ended 30 June 2016, together with any public announcements made during the half-year.

The same accounting policies and methods of computation have been followed in this interim financial report as were applied in the most recent annual financial statements except for the adoption of the following new and revised Accounting Standards. The Group has adopted all of the new and revised Standards and Interpretations issued by the Australian Accounting Standards Board (the AASB) that are relevant to their operations and effective for the current half-year.

b) New and Revised Accounting Requirements Applicable to the Current Half-year Reporting Period

The Group has considered the implications of new and amended Accounting Standards that became applicable for reporting periods commencing after 1 January 2016 but determined that their application to the financial statements is either not relevant or not material.

2. ACCOUNTING POLICIES

a) Principles of Consolidation

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

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

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

	31 December 2016 \$	30 June 2016 \$
3. TRADE AND OTHER RECEIVABLES		
GST receivable	7,134	8,142
	7,134	8,142

GST receivable is non-interest bearing and generally receivable on 30 day terms. It is neither past due nor impaired. The amount is fully collectable. Due to the short term nature of this receivable, its carrying value is assumed to approximate its fair value.

4. EXPLORATION AND EVALUATION EXPENDITURE

Opening Balance	-	300,000
Expenditure capitalised during the period	-	-
Expenditure written off during the year ¹	-	(300,000)
Closing balance	-	-

¹ The project generators, NEU Oil & Gas LLC and Highland Minerals Inc., advised Orca that they were unable to find another JV partner willing to participate in the drilling of the Seabiscuit prospect, either as a financier or operator. As a result of this, and the difficult current commodity price environment, the Board assessed the fair value of the asset to be nil at the end of the period.



Condensed Notes to the Financial Statements
for the half-year ended 31 December 2016

	31 December 2016	30 June 2016
	\$	\$
5. TRADE AND OTHER PAYABLES		
Trade payables	15,797	6,682
Other payables and accruals	18,849	36,443
	34,646	43,125

6. ISSUED CAPITAL

(a) Issued and paid up capital

Issued and fully paid	28,785,986	28,629,986
Converting preference shares	800	800
	28,786,786	28,630,786

	31 December 2016		30 June 2016	
	No.	\$	No.	\$
(b) Movements in ordinary shares on issue				
Opening balance	463,382,876	28,785,986	451,382,876	28,629,986
Share based payment ¹	-	-	12,000,000	156,000
Closing balance	463,382,876	28,785,986	463,382,876	28,785,986

¹ On 18 September 2015, 708 Capital Pty Ltd (708 Capital) was appointed as the Company's Broker to provide corporate services to Orca over a 12 month period commencing 1 September 2015. The Company issued 12,000,000 fully paid Orca shares pursuant to a Corporate Services Mandate entered into with 708 Capital.

(c) Converting preference shares

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

	31 December 2016	30 June 2016
	\$	\$
7. RESERVES		
Option, share based payments and option premium reserves	2,297,449	2,297,449
	2,297,449	2,297,449

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. This reserve also includes options issued at a premium on equity raising.

8. 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 development, exploration and evaluation of oil and gas. During the half year ended 31 December 2016 the consolidated entity operated in the following Geographic Segments: Australia and USA. (2015: Australia and USA).

	31 December 2016	31 December 2015
	\$	\$
(a) Revenue/ other income by geographical region		
Revenue/ other income attributable to external customers is disclosed below, based on the location of the external customer:		
Australia	-	-
USA	-	-
Unallocated items – interest and other income	15,602	12,215
Total revenue	15,602	12,215



Condensed Notes to the Financial Statements

for the half-year ended 31 December 2016

	31 December 2016	31 December 2015
	\$	\$

(b) Loss by geographical region

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

Australia	(269,413)	(218,472)
USA	-	(300,000)
Unallocated items – interest and other income	15,602	12,215
Total Loss	(253,811)	(506,257)

	31 December 2016	30 June 2016
	\$	\$

(c) Assets by geographical region

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

Australia	4,113,388	4,368,755
USA	-	-
Total Assets	4,113,388	4,368,755

(d) Liabilities by geographical region

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

Australia	81,944	83,500
USA	-	-
Total Liabilities	81,944	83,500

9. DIVIDENDS

No dividend has been declared or paid during the period ended 31 December 2016.

10. EVENTS SUBSEQUENT TO REPORTING DATE

There have been no other significant events subsequent to the half-year to the date of this report.

11. CONTINGENT LIABILITIES

The Directors are not aware of any new contingent liabilities as at 31 December 2016. There has been no change in contingent liabilities since the last annual reporting date.

12. SUBSIDIARIES

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

Name	Country of Incorporation	% Equity Interest 31 December 2016	% Equity Interest 30 June 2016
Komodo Energy Pty Ltd	Australia	100%	100%
Sugarbay Investments Pty Ltd	Australia	100%	100%
Crestwood Pty Ltd	Australia	100%	100%



Directors' Declaration

The Directors of the Company declare that:

1. The condensed financial statements and notes as set out on pages 4 to 10 are in accordance with the *Corporations Act 2001* and:
 - (a) comply with the Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*;
 - (b) give a true and fair view of the Group's financial position as at 31 December 2016 and of its performance, as represented by the results of its operations, changes in equity and its cash flows for the period from 1 July 2016 to 31 December 2016.
2. At the date of this statement, in the Directors' opinion, there are reasonable grounds to believe that Orca Energy Limited will be able to pay its debts as and when they become due and payable.

This statement is made in accordance with a resolution of the Board of Directors made pursuant to S.303(5) of the Corporations Act 2001.

A handwritten signature in black ink, appearing to read 'Greg Bandy', written in a cursive style.

Greg Bandy
Managing Director

Perth, Western Australia,
7 March 2017

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

Report on the Half-Year Financial Report

We have reviewed the accompanying half-year financial report of Orca Energy Limited, which comprises the condensed consolidated statement of financial position as at 31 December 2016, the condensed consolidated statement of profit or loss and other comprehensive income, condensed consolidated statement of changes in equity, and condensed consolidated statement of cash flows for the half-year ended on that date, condensed notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration for Orca Energy Limited (the consolidated entity). The consolidated entity comprises both Orca Energy Limited (the Company) and the entities it controlled during the half year.

Directors' Responsibility for the Half-Year Financial Report

The directors of Orca Energy Limited are responsible for the preparation of the half-year financial report that gives a true and fair view in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the half-year financial report that is free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the half year financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the consolidated entity's financial position as at 31 December 2016 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of Orca Energy Limited, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Whilst we considered the effectiveness of management's internal controls over financial reporting when determining the nature and extent of our procedures, our review was not designed to provide assurance on internal controls.

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

Independence

In conducting our review, we have complied with the independence requirements of the *Corporations Act 2001*. We confirm that the independence declaration required by the *Corporations Act 2001*, has been provided to the directors of Orca Energy Limited on 7 March 2017.

Conclusion

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year financial report of Orca Energy Limited is not in accordance with the *Corporations Act 2001* including:

- (a) giving a true and fair view of the consolidated entity's financial position as at 31 December 2016 and of its performance for the half-year ended on that date; and
- (b) complying with Accounting Standards AASB 134 Interim Financial Reporting and Corporations Regulations 2001.

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



Samir Tirodkar
Director

West Perth, Western Australia
7 March 2017