



24 January 2013

Manager of Company Announcements
ASX Limited
Level 8 Exchange Plaza
2 The Esplanade
PERTH WA 6000

By E-Lodgement

Quarterly Activities Report for the Period Ending 31 December 2012

The Board of Orca Energy Limited (**Orca** or the **Company**) is pleased to provide the following commentary for the period ending 31 December 2012.

Highlights

- **First unconventional gas exploration well, Kingston Rule-1, successfully drilled in block PEL 115**
- **The well intersected 53 metres of net gas pay in the Epsilon and Patchawarra Formations.**
- **The well also intersected 84 metres of shale in the Roseneath Formation, 66 metres of shale in the Murteree Formation and nearly 20 metres of gas charged coal in the Patchawarra Formation.**
- **Kingston Rule-1 has now been cased and suspended for fracture stimulation and testing in early 2013.**
- **The well was drilled by JV partner and Operator, Senex Energy Limited (ASX: SXY) with Orca being free carried.**
- **The Hornet-1 gas exploration well, also in PEL 115, will be re-entered and fracture stimulated to test the quality and deliverability of its unconventional gas prospects immediately after Kingston Rule - 1.**
- **Orca remains well funded with circa \$3.65m in cash after cornerstone placement to Senex Energy in January 2012 at 3.5c per share**

Cooper Basin

Orca has an interest in two quality licences in the onshore Cooper Basin, which is a region that is a prolific onshore producer of oil and gas with significant tight sand and shale gas potential:

PEL 115 – OGY 20%

In January 2012, Orca entered into an agreement to farm-out 22% of its Cooper Basin block, PEL 115, to joint venture partner and operator, Senex Energy Limited (ASX: SXY) in return for a dedicated unconventional gas exploration well. At the same time, Senex were beginning a three well unconventional gas program on their 100% owned block, PEL 516 where drilling so far has delivered excellent preliminary results with many of the attributes typically associated with successful unconventional gas fields.

BOARD & MANAGEMENT

Mr Greg Bandy
EXECUTIVE DIRECTOR

Mr Jason Bontempo
NON-EXECUTIVE DIRECTOR

Mr Jeremy King
NON-EXECUTIVE DIRECTOR

Mr Denis Patten
NON-EXECUTIVE DIRECTOR

Mr Arthur Pitts
ALTERNATE DIRECTOR

Ms Rebecca Sandford
Ms Shannon Robinson
JOINT COMPANY SECRETARY

REGISTERED OFFICE

Ground Floor
1 Havelock Street
West Perth WA 6005

POSTAL ADDRESS

PO Box 1440
West Perth WA 6872

CONTACT DETAILS

Tel: +61 8 9488 5220
Fax: +61 8 9324 2400

WEBSITE

www.orcaenergy.com.au

SHARE REGISTRY

Advanced Share Registry
150 Stirling Highway
Nedlands WA 6009

ASX CODE

OGY



During the quarter, Senex announced that Orca's first unconventional gas exploration well, Kingston Rule-1, spudded. Very high gas readings were recorded during drilling and coring with the well interpreted to have intersected 9 metres of net gas pay in the Epsilon Formation and 44 metres of net gas pay in the Patchawarra Formation. In addition, the well intersected 84 metres of shale in the Roseneath Formation, 66 metres of shale in the Murteree Formation and nearly 20 metres of gas charged coal in the Patchawarra Formation. The well has now been cased and suspended ahead of fracture stimulation and production testing.

On the strength of successful exploration at Kingston Rule-1, Senex and Orca have agreed to re-enter the Hornet-1 exploration well as part of Senex's large scale hydraulic fracture stimulation program of its unconventional gas wells in the southern Cooper Basin. Hornet-1, which is located approximately 2.5 kilometres south of Kingston Rule-1 in PEL 115, flowed gas to surface when Victoria Petroleum drilled the well in 2004.

The location of block PEL 115 is significantly strategic as it is surrounded by PEL 516, where Senex estimates over 100Tcf Gas-in-Place from shales and coals alone (Figure 1.). Senex recently announced a "material gas discovery" at Skipton-1, including more than 75 metres of net pay in the Patchawarra Formation and 164 metres of gas charged Roseneath and Murteree shales. Kingston Rule-1 is located approximately 15 kilometres south east of Senex's successful unconventional gas exploration well Skipton-1 and approximately six kilometres north west of Senex's promising Talaq-1 unconventional gas exploration well (both in PEL 516, Senex 100%).

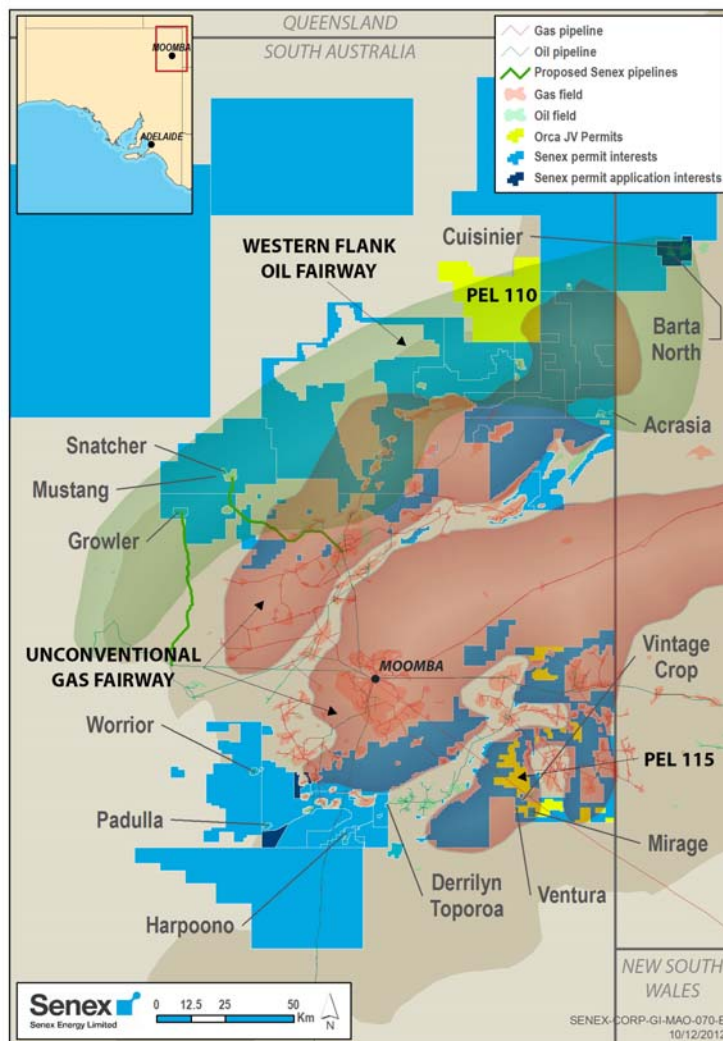


Figure 1. PEL 115 – Completely surrounded by Senex's 100% owned PEL 516

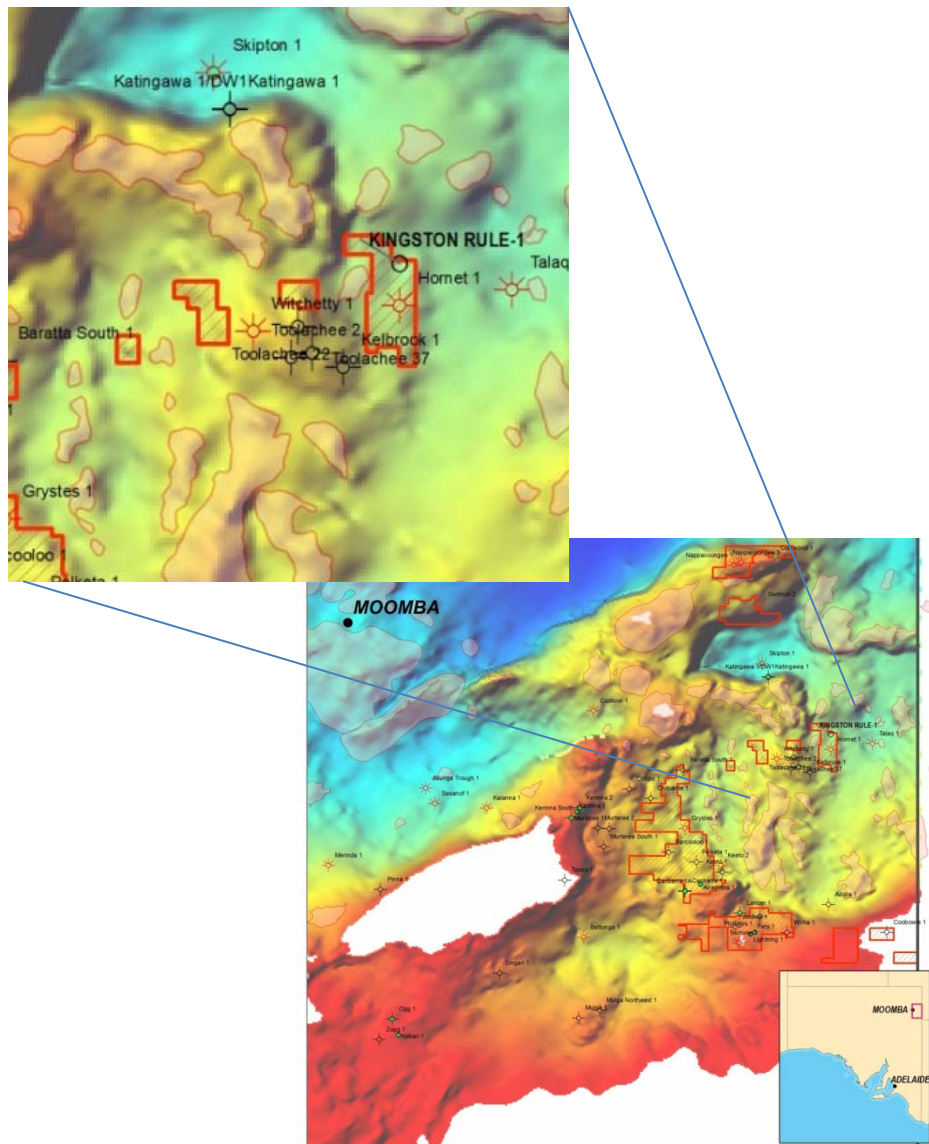


Figure 2. Sub blocks of PEL 115 showing Kingston Rule-1 and Hornet-1 well locations

PEL 110 – OGY 20%

The joint venture parties are currently finalising the parameters of a 182.6km² seismic program to commence in Q2 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

Orca's JV partner and operator, Dan A. Hughes Company continues to delay the spud date of this highly prospective exploration project citing depressed gas prices in the USA as the predominant reason. Orca remains committed to the project and is lobbying other JV partners to agree for drilling to begin as soon as possible in 2013. The Seabiscuit Project covers an area of approx. 1,750 acres and has the potential to contain up to 1Tcf of gas and 10MMbo. Orca will continue to provide updates as they become available.



Corporate

During the quarter the Company held its Annual General Meeting and all resolutions were passed on a show of hands.

For and on behalf of the Board

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

Greg Bandy
Executive Director

Appendix 5B

Mining exploration entity quarterly report

Introduced 01/07/96 Origin Appendix 8 Amended 01/07/97, 01/07/98, 30/09/01, 01/06/10, 17/12/10

Name of entity

ORCA ENERGY LIMITED

ABN

25 009 121 644

Quarter ended ("current quarter")

31 December 2012

Consolidated statement of cash flows

Cash flows related to operating activities	Current quarter \$A'000	Year to date \$A'000
1.1 Receipts from product sales and related debtors		
1.2 Payments for		
(a) exploration & evaluation	-	-
(b) development	-	-
(c) administration	(195)	(349)
(d) production	-	-
1.3 Dividends received		
1.4 Interest and other items of a similar nature received	31	65
1.5 Interest and other costs of finance paid	-	-
1.6 Income taxes paid	-	-
1.7 Other (provide details if material)	-	-
Net Operating Cash Flows	(164)	(284)
Cash flows related to investing activities		
1.8 Payment for purchases of:		
(a) project acquisition	-	-
(b) equity investments	-	-
(c) other fixed assets	-	-
1.9 Proceeds from sale of:		
(a) prospects	-	-
(b) equity investments	-	-
(c) other fixed assets	-	-
1.10 Loans to other entities	-	-
1.11 Loans repaid by other entities	-	-
1.12 Other (provide details if material)	-	-
Net investing cash flows	-	-
1.13 Total operating and investing cash flows (carried forward)	(164)	(284)

+ See chapter 19 for defined terms.

Appendix 5B
Mining exploration entity quarterly report

1.13	Total operating and investing cash flows (brought forward)	(164)	(284)
	Cash flows related to financing activities		
1.14	Proceeds from issues of shares, options, etc.	-	-
1.15	Proceeds from sale of forfeited shares	-	-
1.16	Proceeds from borrowings	-	-
1.17	Repayment of borrowings	-	-
1.18	Dividends paid	-	-
1.19	Other Cost of Issue	-	-
	Net financing cash flows	-	-
	Net increase (decrease) in cash held	(164)	(284)
1.20	Cash at beginning of quarter/year to date	3,815	3,935
1.21	Exchange rate adjustments to item 1.20	-	-
1.22	Cash at end of quarter	3,651	3,651

Payments to directors of the entity and associates of the directors

Payments to related entities of the entity and associates of the related entities

		Current quarter \$A'000
1.23	Aggregate amount of payments to the parties included in item 1.2	61
1.24	Aggregate amount of loans to the parties included in item 1.10	Nil

1.25 Explanation necessary for an understanding of the transactions

Payments of Directors Fees and Remuneration 61 Payments to Director Related Companies -
--

Non-cash financing and investing activities

2.1 Details of financing and investing transactions which have had a material effect on consolidated assets and liabilities but did not involve cash flows

Nil

2.2 Details of outlays made by other entities to establish or increase their share in projects in which the reporting entity has an interest

Nil

+ See chapter 19 for defined terms.

Financing facilities available

Add notes as necessary for an understanding of the position.

	Amount available \$A'000	Amount used \$A'000
3.1 Loan facilities	Nil	
3.2 Credit standby arrangements	Nil	

Estimated cash outflows for next quarter

	\$A'000
4.1 Exploration and evaluation	1,000
4.2 Development	
4.3 Production	
4.4 Administration	150
Total	1,150

Reconciliation of cash

Reconciliation of cash at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts is as follows.

	Current quarter \$A'000	Previous quarter \$A'000
5.1 Cash on hand and at bank	3,651	3,815
5.2 Deposits at call		
5.3 Bank overdraft		
5.4 Other (provide details)		
Total: cash at end of quarter (item 1.22)	3,651	3,815

Changes in interests in mining tenements

	Tenement reference	Nature of interest (note (2))	Interest at beginning of quarter	Interest at end of quarter
6.1	Interests in mining tenements relinquished, reduced or lapsed			
6.2	Interests in mining tenements acquired or increased			

+ See chapter 19 for defined terms.

Appendix 5B
Mining exploration entity quarterly report

Issued and quoted securities at end of current quarter

Description includes rate of interest and any redemption or conversion rights together with prices and dates.

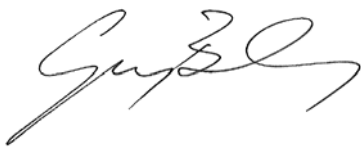
	Total number	Number quoted	Issue price per security (see note 3) (cents)	Amount paid up per security (see note 3) (cents)
7.1 Preference securities <i>(description)</i>	Nil			
7.2 Changes during quarter (a) Increases through issues (b) Decreases through returns of capital, buy-backs, redemptions	Nil			
7.3 *Ordinary securities	575,033,775	575,033,775		
7.4 Changes during quarter (a) Increases through issues (b) Decreases through returns of capital, buy-backs	-	-	-	
7.5 *Convertible debt securities <i>(description)</i>	Nil			
7.6 Changes during quarter (a) Increases through issues (b) Decreases through securities matured, converted	Nil			
7.7 Options <i>(description and conversion factor)</i>	3,875,000 500,000		<i>Exercise Price</i> \$0.26 \$0.16	<i>Expiry Date</i> 31 Dec 12 3 Dec 14
7.8 Issued during quarter	Nil	Nil		Nil
7.9 Exercised during quarter	Nil	Nil		
7.10 Expired during quarter	Nil	Nil		
7.11 Debentures <i>(totals only)</i>	Nil	Nil		

+ See chapter 19 for defined terms.

7.12	Unsecured notes (totals only)	Nil	
------	--------------------------------------	-----	--

Compliance statement

- 1 This statement has been prepared under accounting policies which comply with accounting standards as defined in the Corporations Act or other standards acceptable to ASX (see note 5).
- 2 This statement does give a true and fair view of the matters disclosed.



GREG BANDY
Executive Director
24 January 2012

Notes

- 1 The quarterly report provides a basis for informing the market how the entity's activities have been financed for the past quarter and the effect on its cash position. An entity wanting to disclose additional information is encouraged to do so, in a note or notes attached to this report.
- 2 The "Nature of interest" (items 6.1 and 6.2) includes options in respect of interests in mining tenements acquired, exercised or lapsed during the reporting period. If the entity is involved in a joint venture agreement and there are conditions precedent which will change its percentage interest in a mining tenement, it should disclose the change of percentage interest and conditions precedent in the list required for items 6.1 and 6.2.
- 3 **Issued and quoted securities** The issue price and amount paid up is not required in items 7.1 and 7.3 for fully paid securities.
- 4 The definitions in, and provisions of, *AASB 6: Exploration for and Evaluation of Mineral Resources* and *AASB 107: Statement of Cash Flows* apply to this report.
- 5 **Accounting Standards** ASX will accept, for example, the use of International Financial Reporting Standards for foreign entities. If the standards used do not address a topic, the Australian standard on that topic (if any) must be complied with.

== == == == ==

+ See chapter 19 for defined terms.