ORCA ENERGY

AND CONTROLLED ENTITIES

ABN 25 009 121 644

INTERIM FINANCIAL REPORT FOR THE HALF YEAR ENDED 31 DECEMBER 2011

Contents

These interim financial statements do not include all the notes of the type normally included in the annual financial statements. Accordingly, these financial statements are to be read in conjunction with the annual financial statements for ended 30 June 2011 and any public announcements made by Orca Energy Limited during the interim reporting period in accordance with the continuous disclosure requirements of the *Corporations Act 2001.*

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Directors' Report

Your directors present their report on the consolidated entity of Orca Energy Limited and the entities it controlled at the end of, or during, the half year ended 31 December 2011.

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 (Executive Director) [1]
Mr Jason Bontempo (Non Executive Director)[2]
Mr Jeremy King (Non Executive Director)[3]
Mr Scott Spencer (Non Executive Director)[4]
Mr Mark Gwynne (Non Executive Director)[5]
Mr Paul Kelly (Non Executive Director)[6]

Note:
1. Mr Bandy was appointed Executive Director effective 15 August 2011.
2. Mr Bontempo was appointed as a Non Executive Director effective 12 July 2011.
3. Mr King was appointed as a Non Executive Director effective 15 August 2011.
4. Mr Spencer resigned as Non-Executive Director effective 12 July 2011.
5. Mr Gwynne resigned as Executive Director effective 15 August 2011.
6. Mr Kelly resigned as Non-Executive Director effective 15 August 2011.

Review of Operations for the Half Year ended 31 December 2011

The consolidated Statement of Total Comprehensive Income shows a consolidated total comprehensive loss for the half year ended 31 December 2011 to members of ($2,437,927) (2010: total comprehensive loss of $1,122,029).

Acquisition of the Seabiscuit (Matagorda) Project

During the half year the Company acquired 100% of the issued share capital of Sugarbay Investments Pty Ltd ("Sugarbay Investments") following shareholder approval. Sugarbay Investments has a right to a 20% participating, but non-operating, interest in the oil and gas Seabiscuit (Matagorda) Project located in Matagorda County, Texas ("Acquisition"). The consideration for the Acquisition included:

- $1,200,000 being reimbursement for past costs including fees for land, legal, environmental, engineering, geophysical, geological and finance expenses associated with the Seabiscuit Project; and
- the issue of 2,750,000,000 shares in the capital of the Company to the shareholders of Sugarbay ("Vendor Shares").

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. A 17,500 ft. well has been proposed to test the Seabiscuit trap that has been estimated by the Operator of the Project, to contain prospective resources of more than 300 billion cubic feet of natural gas (Bcf) and 3 million barrels of oil (MMbo) or condensate (mid case). Depending on reservoir thickness and column, the 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).

Review of Operations for the Half Year ended 31 December 2011 (cont)

The Seabiscuit Project was delineated from high quality 3D seismic data, the oil and gas industry's best tool for imaging hydrocarbon traps. Nearby wells have confirmed hundreds of feet of high quality reservoir sandstones, and the proposed well is expected to penetrate the objective formation approximately 500 feet higher than the closest well which is 4 km's away and produced gas and condensate from the very top of the objective section. All of the nearby wells have encountered thick, high quality porous sandstones, indicating that the risk of poor reservoir rock is low. Seismic interpretation indicates that the reservoir rocks were in a trapping position in time to receive hydrocarbon charge, and this is supported by other discoveries along trend. Once formed, the Seabiscuit trap was buried beneath an estimated 8500 ft. of impermeable shale, which formed an ideal seal to keep the oil and gas in place.

The targeted objectives at the Seabiscuit Project are the same age as those found productive in *Old Ocean Field* (4.9 Tcf) approximately 53 km northeast of the Seabiscuit Project, and *East Bay City Field* (500 Bcf) approximately 43 km to the northeast. The latest discovery along trend at the *Silverspoon* Field, located approximately 24 km northeast of Seabiscuit, came on line at over 18 MMcfd and has produced 9.9 Bcf and 100,000 barrels of oil in just over 2 years. *Silverspoon* is still producing at roughly 6.5 MMcfd and has approximately 100 additional feet of pay section behind pipe, which will potentially deliver more gas and condensate.

<u>Australian Projects – Cooper Basin</u>

The Company has an interest in two quality licences in the onshore Cooper Basin, which is a prolific onshore producer of oil and gas with significant shale gas potential.

- PEL 115 – 20% interest

  The PEL 115 project includes the Fury-1 oil discovery. Subsequent to the end of the period, the Company entered into an agreement to farm-out a 22% interest of its Cooper Basin block, PEL 115, to joint venture partner and operator, Senex Energy Limited (ASX: SXY).

  Pursuant to the farm-out agreement, the Company will be free carried in respect of its remaining 20% interest for a dedicated unconventional gas exploration well to be drilled later 2012. The drilling of the well is scheduled to follow Senex's three planned wells in its 100% owned block, PEL 516, where drilling is currently underway. The free carry will include extensive coring and completion and at least two fracture stimulations.

  The location of PEL 115 is significantly strategic as it is adjacent to the Cooper Basin "unconventional gas fairway" and surrounded by PEL 516, where Senex estimates a net gas-in-place resource of over 100 Tcf.

  PEL 115 has already had two wells drilled (Fury-1 and Airacobra-1) which both had oil shows. The commerciality of these oil shows is still yet to be defined.

- PEL 110 – 20%

  The PEL 110 project is located north of the Kileany and Teopea oil and gas fields and west of the James oil field. PEL 110 holds 7 leads and prospectus identified in the Birkhead and Hutton Formations, with good stratigraphic similarities to nearby discoveries along the margin. PEL 110 is considered to be in a valuable position on the western flank of the South Australian Cooper Basin and is majority owned by Senex Energy who holds a 60% interest in the block.

Review of Operations for the Half Year ended 31 December 2011 (cont)

Kyrgz Projects

During the period the Kyrgyz oil and gas projects were relinquished.

In addition the Company disposed of its remaining Kyrgyz uranium interests. The Company entered into an agreement to dispose its 22.5% interest in the Kyrgyz Republic Kashkasu II uranium project to its joint venture partner, Raisama Limited. The consideration for the sale was the issue of 870,000 fully paid shares in the capital of Raisama Limited. All associated expenditure commitments and obligations in association with the project have been extinguished.

Corporate

In conjunction with the acquisition of the Seabiscuit (Matagorda) Project, the Company raised $2 million by way of a share placement, issuing 2,000,000,000 shares at an issue price of $0.001 (on a pre-consolidation basis). In addition the Company's substantial shareholder agreed to sell its 14.37% stake in the Company which was placed in concurrence with the share placement to clients of the Company's corporate advisor, Max Capital Pty Ltd.

Following completion of the Acquisition, the Company appointed Messrs Greg Bandy and Jeremy King as directors and moved the principal place of business to 35 Richardson Street in West Perth.

During the period the Company changed its name from Monitor Energy Limited to Orca Energy Limited and its securities commenced trading under the new ASX code "OGY".

The Company also issued 100,000,000 fully paid ordinary shares (on a pre-consolidation basis) to M Patterson pursuant to a consultant arrangement.

In December the Company completed a consolidation of its capital on a 1:20 basis, following shareholder approval.

Subsequent Events

Subsequent to the end of the period, the Company farmed-out a 22% interest in the PEL 115 project as noted above. The Company currently holds a 20% interest in the PEL 115 project, assuming the farm-out earn-in obligations are met.

In addition the Company recently completed a strategic placement to Senex Energy Limited (ASX: SXY) raising approximately $4 million. Pursuant to the placement Senex subscribed for 115,000,000 shares at $0.035 per share to acquire a 19.99% interest in Orca. The funds raised will be used for existing projects commitments and the development of opportunities.

Senex will be entitled to elect one board member to the Company's existing board of directors as a result of this transaction. The Company has also been granted a waiver from ASX Listing Rule 6.18 to allow Senex a "top up" right to maintain their percentage interest in Orca Energy Limited should the Company undertake any future capital raisings. The rights attaching to a director appointment and "top up" fall away should Senex's shareholding in Orca Energy Limited drop below 15% for 30 consecutive days.

Competent Person's Statement.
"The information included in this report that relates resources for the Seabiscuit Project was prepared by Mr Mark A. Patterson. Mr Patterson has over 30 years of oil and gas experience and is a member of the American Association of Petroleum Geologists, the Society of Exploration Geophysicists, and the Council of Energy Advisors. Estimates as to recoverable hydrocarbon volumes contained in this report are based upon certain assumptions. Accordingly, actual results will differ, and may differ significantly and materially, from those presented."

Directors' Report (Cont)

Auditors Independence Declaration

The Auditor's Independence Declaration on page 5 forms part of the Director's Report for the half year ended 31 December 2011.

This relates to the review report, where they state that they have issued an independent declaration.

This report is signed in accordance with a resolution of the Board of Directors.

Greg Bandy
Executive Director
Perth, Western Australia, 15 March 2012

Stantons International Audit and Consulting Pty Ltd
trading as
Stantons International
Chartered Accountants and Consultants

PO Box 1908
West Perth WA 6872
Australia

Level 2, 1 Walker Avenue
West Perth WA 6005
Australia

Tel: +61 8 9481 3188
Fax: +61 8 9321 1204

ABN: 84 144 581 519
www.stantons.com.au

15 March 2012

Board of Directors
Orca Energy Limited
1 Havelock 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 2011, 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)

Martin Michalik
Director

Consolidated Statement Total of Comprehensive Income

	Half Year 2011 $	Half Year 2010 $
Revenue		
Interest income	16,101	17,447
Other income	130,103	-
General and administrative expenses	(23,251)	(70,928)
Compliance and regulatory expenses	(228,512)	(174,561)
Consultancy costs	(137,920)	-
Employee benefits expense	(75,006)	(284,645)
Travel expense	(12,120)	(41,432)
Exploration expenditure expensed as incurred	-	(1,196)
Exploration expenditure written off	(1,966,923)	(367,413)
Depreciation expense	(14,226)	(22,578)
Foreign exchange gain/(loss)	170,980	(84,955)
Other expenses	(18,127)	(134,907)
Loss before income tax expense	**(2,158,901)**	**(1,165,168)**
Income tax expense	-	(6,055)
Loss for the half year attributable to owners of the company	(2,158,901)	(1,171,223)
Other comprehensive income		
Exchange differences arising on translation	(279,026)	40,623
Revaluation Increment	-	8,571
Total comprehensive income for the half year attributable to owners of the company	**(2,437,927)**	**(1,122,029)**
Loss attributable:		
Owners of the parent	(2,158,901)	(1,171,223)
Non-controlling interests	-	-
Total comprehensive loss attributable to:		
Owners of the parent	**(2,437,927)**	**(1,122,029)**
Non-controlling interests	**-**	**-**
	(2,437,927)	**(1,122,029)**
Basic loss per share (cents per share)	**(0.03)**	**(0.03)**
Diluted loss per share (cents per share)	**(0.03)**	**(0.03)**

The above consolidated statement of comprehensive income should be read in conjunction with the accompanying notes.

Consolidated Statement of Financial Position

	Note	31 December 2011 $	30 June 2011 $
ASSETS			
Current Assets			
Cash and cash equivalents	3	658,443	350,605
Trade and other receivables		31,543	18,650
Other assets		50,855	51,873
Total Current Assets		**740,841**	**421,128**
Non-Current Assets			
Plant and equipment		36,444	83,660
Exploration and evaluation expenditure	4	5,858,518	3,774,144
Total Non-current Assets		**5,894,962**	**3,857,804**
TOTAL ASSETS		**6,635,803**	**4,278,932**
LIABILITIES			
Current Liabilities			
Trade and other payables		296,526	262,778
Provisions		109,502	59,502
Total Current Liabilities		**406,028**	**322,280**
TOTAL LIABILITIES		**406,028**	**322,280**
NET ASSETS		**6,229,775**	**3,956,652**
EQUITY			
Issued Capital	5	26,896,014	22,184,964
Accumulated losses		(22,707,436)	(20,548,535)
Reserves		2,041,197	2,320,223
TOTAL EQUITY		**6,229,775**	**3,956,652**

The above consolidated statement of financial position should be read in conjunction with the accompanying notes.

Consolidated Statement of Changes in Equity

	Issued Capital Ordinary	Accumulated losses	Option Reserves	Forex Translation Reserve	Revaluation Reserve	Total
	$	$	$	$	$	$
As 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 period						
Loss		(1,171,223)				(1,171,223)
Other comprehensive income						
Foreign currency translation differences				40,623		40,623
Total comprehensive loss for the period:	-	(1,171,223)	-	40,623	-	(1,130,600)
Transactions with owners recorded directly in equity						
Securities issued during the period (net of transaction costs)	1,317,831					1,317,831
Revaluation of assets					8,571	8,571
Total Contributions by and distributions to owners	1,317,831	-	-	-	8,571	1,326,402
As at 31 December 2010	**21,713,746**	**(20,030,734)**	**2,041,197**	**389,724**	**(64,786)**	**4,049,147**
As at 1 July 2011	**22,184,964**	**(20,548,535)**	**2,041,197**	**279,026**	**-**	**3,956,652**
Total Comprehensive loss for the period						
Loss		(2,158,901)				(2,158,901)
Other comprehensive income						
Foreign currency translation differences				(279,026)		(279,026)
Total comprehensive loss for the period:	-	(2,158,901)	-	(279,026)	-	(2,437,927)
Securities issued during the period (net of transaction costs)	4,711,050		-	-	-	4,711,050
Total Contributions by and distributions to owners	4,711,050	-	-	-	-	4,711,050
As at 31 December 2011	**26,896,014**	**(22,707,436)**	**2,041,197**	**-**	**-**	**6,229,775**

The above consolidated statement of changes in equity should be read in conjunction with the accompanying notes.

Consolidated Statement of Cashflows

	Note	31 December 2011 $	31 December 2010 $
CASH FLOWS FROM OPERATING ACTIVITIES			
Payments to suppliers and employees (inclusive of GST)		(464,133)	(751,502)
Finance and interest costs		(4,118)	(1,577)
Interest received		16,101	17,447
Net cash (used in) operating activities		**(452,150)**	**(735,632)**
CASH FLOWS FROM INVESTING ACTIVITIES			
Payments for exploration and evaluation		(4,234)	(323,988)
Payments for plant and equipment			(2,815)
Proceeds from disposal of financial assets through profit or loss		121,795	-
Payments for asset acquisition		(1,218,623)	-
Net cash provided by (used in) investing activities		**(1,101,062)**	**(326,803)**
CASH FLOW FROM FINANCING ACTIVITIES			
Proceeds from issue of shares and options		2,000,000	1,410,000
Payments for share issue costs		(138,950)	(92,169)
Net cash provided by (used in) financing activities		**1,861,050**	**1,317,831**
Net increase/(decrease) in cash held		**307,838**	**255,396**
Cash and cash equivalents at the beginning of the half-year		350,605	178,396
Net foreign exchange differences		-	(50,580)
Cash and cash equivalents at end of half-year	3	**658,443**	**383,212**

The above consolidated statement of cashflows should be read in conjunction with the accompanying notes.

Condensed Notes to the Financial Statements

1. Significant Accounting Policies

These general purpose financial statements for the interim half-year reporting period ended 31 December 2011 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 2011, 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 the following new and amended Australian Accounting Standards and AASB Interpretations as of 1 July 2011:

- **AASB 124: Related Party Disclosures (December 2009]**

AASB 124 (December 2009) introduces a number of changes to the accounting treatment of related parties compared to AASB 124 (December 2005, as amended), including the following:

- The definition of a 'related party" is simplified, clarifying its intended meaning and eliminating inconsistencies from the definition, including:

- the definition now identifies a subsidiary and an associate with the same investor as related parties of each other;

- entities significantly influenced by one person and entities significantly influenced by a close member of the family of that person are no longer related parties of each other;

- the definition now identifies that, whenever a person or entity has both joint control over a second entity and joint control or significant influence over a third party, the second and third entities are related to each other; and

- the definition now clarifies that a post-employment benefit plan and an employer sponsor of such a plan are related parties of each other.

- A partial exemption is provided from the disclosure requirements for government-related entities. Entities that are related by virtue of being controlled by the same government can provide reduced related party disclosures.

Application of AASB 124 (December 2009) did not have a significant impact on the financial statements of the Group.

- **AASB 2010-4: Further Amendments to Australian Accounting Standards arising from the Annual Improvements Project [AASB 1, AASB 7, AASB 101 & AASB 134 and Interpretation 13]**

This Standard details numerous non-urgent but necessary changes to Accounting Standards arising from the IASB's annual improvements project. Key changes include:

- clarifying the application of AASB 108 prior to an entity's first Australian-Accounting-Standards financial statements;

Condensed Notes to the Financial Statements (Cont)

- adding an explicit statement to AASB 7 that qualitative disclosures should be made in the context of the quantitative disclosures to better enable users to evaluate an entity's exposure to risks arising from financial instruments;

- amending AASB 101 to clarify that disaggregation of changes in each component of equity arising from transactions recognised in other comprehensive income is required to be presented, but is permitted to be presented in the statement of changes in equity or in the notes;

- adding a number of examples to the list of events and transactions that require disclosure under AASB 134: and

- making sundry editorial amendments to various Standards and Interpretations.

Application of the amendments in AASB 2010-4 did not have a significant impact on the financial statements of the Group.

- **AASB 1054: Australian Additional Disclosures and AASB 2011-1: Amendments to Australian Accounting Standards arising from the Trans-Tasman Convergence Project [AASB 1, AASB 5, AASB 101, AASB 107, AASB 108, AASB 121, AASB 128, AASB 132 & AASB 134 and interpretations 2, 112 & 113]**

AASB 1054 sets out the Australian-specific disclosures that are additional to IFRS disclosure requirements. The disclosure requirements in AASB 1054 were previously located in other Australian Accounting Standards.
Application of AASB 1054 did not have a significant impact on the financial statements of the Group.

Reporting Basis and Conventions

The half-year report has been prepared on an accruals basis and is based on historical costs modified by the revaluation of selected non-current assets, financial assets and financial liabilities for which the fair value basis of accounting has been applied.

Dividends

No dividends were paid or declared during the period.

2. Segment Information

The Company 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. During the half-year the consolidated entity operated in one geographical segment being Australia, and four business segments.

Basis of accounting for purposes of reporting by operating segments

Condensed Notes to the Financial Statements (Cont)

2. Segment Information (cont'd)

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 Company.

Inter-segment transactions
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. This policy represents a departure from that applied to the statutory financial statements.

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 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 Company as a whole and are not allocated. Segment liabilities include trade and other payables and certain direct borrowings.

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:

- head office and other administration expenditure.

Condensed Notes to the Financial Statements (Cont)

	Consolidated 31 December 2011 $	Consolidated 30 June 2011 $

3. CASH AND CASH EQUIVALENTS

For the purposes of the cash flow statement, cash and cash equivalents are comprised of the following:

Cash at bank	**658,443**	**350,605**

4. EXPLORATION AND EVALUATION EXPENDITURE

Costs carried forward in respect of areas of interest in the following phases:

Exploration and evaluation phase – at cost	**5,858,518**	3,774,144
Movement		
Balance at beginning of the period	**3,774,144**	3,290,225
Expenditure incurred	4,051,297	823,306
Expenditure written off	(1,966,923)	(339,387)
Balance at end of half-year	**5,858,518**	3,774,144

Ultimate recoupment of exploration and evaluation expenditure carried forward is dependent on successful development and commercial exploitation or, alternatively, sale of the relevant areas of interest, at amounts at least equal to book value.

5. ISSUED CAPITAL

	31 December 2011 No.	31 December 2011 $	30 June 2011 No.	30 June 2011 $
Issued Capital				
Ordinary shares - fully paid	**460,033,775**	**26,895,214**	4,350,671,434	22,184,164
Converting preference shares	**2,006**	**800**	2,006	800
	460,035,781	**26,896,014**	4,350,673,440	22,184,964

Condensed Notes to the Financial Statements (Cont)

5. ISSUED CAPITAL (Continued)

	31 December 2011 No.	31 December 2011 $	30 June 2011 No.	30 June 2011 $
Movement in ordinary shares				
Balance at the beginning of the period	**4,350,671,434**	**22,184,164**	3,630,671,408	20,395,115
Shares issued pursuant to private placement on 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 options	**-**	**-**	26	-
Shares issued pursuant to private placement on 16 August 2011	**2,000,000,000**	**2,000,000**	-	-
Shares issued as part consideration for the acquisition of the Seabiscuit Project	**2,750,000,000**	**2,750,000**	-	-
Transactions costs relating to issue of shares	**-**	**(138,950)**	-	(120,951)
Shares issued as consideration for consultant fees	**100,000,000**	**100,000**	-	-
Share consolidation 1:20 ratio	**(8,740,637,659)**	**-**	-	-
	460,033,775	**26,895,214**	4,350,671,434	22,184,164

6. 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, oil and gas.

During the half year ended 31 December 2011 the consolidated entity operated in the following Geographic Segments: Australia and USA. (2010: 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.

Condensed Notes to the Financial Statements (Cont)

6. SEGMENT INFORMATION (Continued)

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

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

Unallocated items
The following items of revenue, expense, assets and liabilities are not allocated to operating segments as they are not considered part of the core operations of any segment: impairment of assets and other non-recurring items of revenue or expense.

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

During the half year ended 31 December 2011 the consolidated entity operated in the following Geographic Segments: Australia and USA. (2010: 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.

Condensed Notes to the Financial Statements (Cont)

6. SEGMENT INFORMATION (Continued)

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 31 December 2011 $	Consolidated 31 December 2010 $
Australia	**-**	-
USA		-
Kyrgyzstan	**-**	-
Unallocated items – interest and other income	**146,204**	17,447
Total revenue	**146,204**	17,447

(b) Loss by geographical region

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

	Consolidated 31 December 2011 $	Consolidated 31 December 2010 $
Australia	**(2,158,901)**	(980,506)
USA	**-**	-
Kyrgyzstan	**-**	(172,941)
Unallocated items	**-**	(17,776)
Total loss	**(2,158,901)**	(1,171,223)

Condensed Notes to the Financial Statements (Cont)

6. SEGMENT INFORMATION (Continued)

(c) Assets by geographical region

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

	Consolidated 31 December 2011 $	Consolidated 30 June 2011 $
Australia	**2,680,397**	4,195,720
USA	**3,955,406**	-
Kyrgyzstan	**-**	83,212
Unallocated items	**-**	-
Total assets	**6,635,803**	4,278,932

(d) Liabilities by geographical region

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

	Consolidated 31 December 2011 $	Consolidated 30 June 2011 $
Australia	**303,152**	236,747
USA	**-**	-
Kyrgyzstan	**-**	85,533
Unallocated items	**102,876**	-
Total liabilities	**406,028**	322,280

7. CONTINGENT LIABILITIES

The Directors are not aware of any new contingent liabilities as at 31 December 2011. There has been no change in contingent liabilities since the last annual reporting date.

Condensed Notes to the Financial Statements (Cont)

8. EVENTS SUBSEQUENT TO REPORTING DATE

There are no matter or circumstances which have arisen since the end of the half-year which significantly affected or may significantly affect the operations of the consolidated entity, the results of those operations, or the state of affairs of the consolidated entity in subsequent financial periods other than the following:

On 1 February 2012 the Company announced the farm-out of a 22% interest in PEL 115 and cornerstone placement transaction with Senex Energy Limited. As part of the transaction Senex acquired 19.9% of Orca Energy Limited (refer to ASX announcement on same date for further details).

On 1 February 2012 the Company issued 115,000,000 shares at $0.035 per share as per the placement to Senex to raise a gross amount of $4m.

Directors' Declaration

The directors of the company declare that:

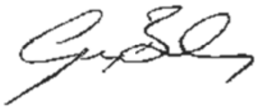
1. The financial statements and notes as set out on page 6 to 18 are in accordance with the Corporations Act 2001, including:

   (a) Complying with the Accounting Standard AASB 134: Interim Financial Reporting; and

   (b) Give a true and fair view of the consolidated entity's financial position as at 31 December 2011 and of its performance for the half year ended on that date.

2. 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.

This declaration is made in accordance with a resolution of the Board of Directors.



Executive Director:
Greg Bandy

Dated this 15 March 2012

Stantons International Audit and Consulting Pty Ltd
trading as
Stantons International
Chartered Accountants and Consultants

PO Box 1908
West Perth WA 6872
Australia

Level 2, 1 Walker Avenue
West Perth WA 6005
Australia

Tel: +61 8 9481 3188
Fax: +61 8 9321 1204

ABN: 84 144 581 519
www.stantons.com.au

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 statement of financial position as at 31 December 2011, the condensed statement of comprehensive income, condensed statement of changes in equity, and condensed statement of cash flows for the half-year ended on that date, 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 2011 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 15 March 2012.

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 2011 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)

Stantons International Audit & consulting Pty Ltd

Martin Michalik
Director

West Perth, Western Australia
15 March 2012