



12 October 2012

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

By E-Lodgement

Quarterly Activities Report for the Period Ending 30 September 2012

The Board of Orca Energy Limited (**Orca** or the **Company**) is pleased to provide the following commentary for the period ending 30 September 2012.

Highlights

- **Weatherford Drill Rig 826 rig secured to drill Orca's free carried well (Kingston Rule 1) in PEL 115**
- **Location of Kingston Rule 1 approved and scheduled for drilling in October**
- **First three unconventional wells (Sasanof-1, Talaq-1 and Skipton-1) drilled by JV partner Senex Energy in surrounding block PEL 516 all successful**
- **250km² 3D seismic program on PEL 110 approved and expected to begin in early 2013**
- **Orca remains well funded with circa \$3.8m in cash after cornerstone placement to Senex Energy in January 2012 at 3.5c per share**

Cooper Basin

Orca Energy 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 Energy 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 to be drilled this year.

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.

During the quarter, Senex announced that it has secured the Weatherford Rig 826 for a two well program to drill its third unconventional well on PEL 516 (Skipton-1) and Orca's

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

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OGY



free carried well on PEL 115 (to be named “Kingston Rule 1”). The location of Kingston Rule 1 has now been finalised and this landmark well is scheduled to spud in October.

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.)

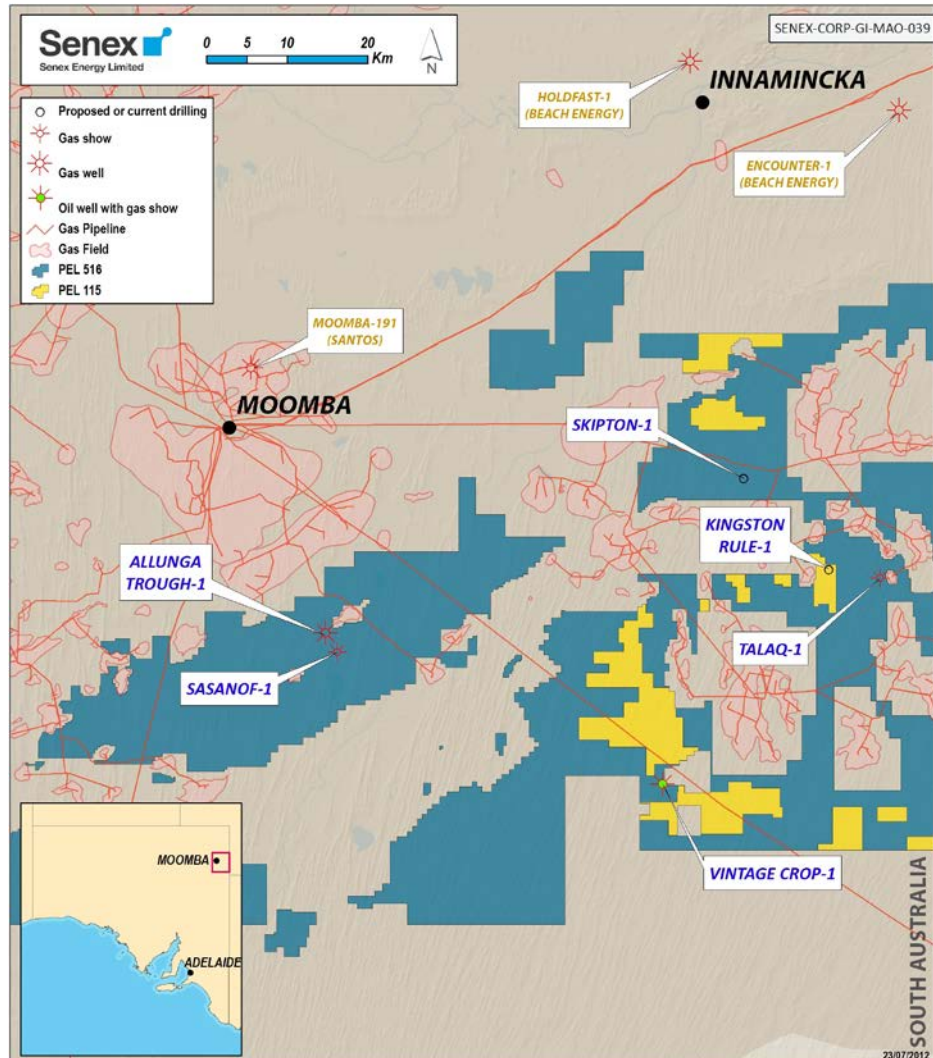


Figure 1. PEL 115 – Completely surrounded by Senex’s 100% owned PEL 516

Drilling of Senex’s first well, Sasanof-1, concluded in April following the completion of an extensive hydraulic fracture stimulation program to test gas quality and deliverability. Preliminary results on both measures have been extremely positive with the well having flared at a peak gas flow rate of more than 200,000 cubic feet per day during production testing in July. The well has been shut in temporarily pending the installation of equipment to continue well cleanout and flowback.

At the second well drilled in PEL 516, Talaq-1, Senex collected more than 320 metres of core from the Roseneath and Murteree shales as well as the tight sands and coals of the Patchawarra Formation. High gas readings were observed throughout the Permian Section during drilling. Preliminary analysis of the mud logs has confirmed the presence of condensate and fluorescence in the Epsilon Formation, which suggests the presence of liquid hydrocarbons.

The third well in PEL 516, Skipton-1, reached total depth of 3,124 metres on 3 October, and data from wireline logs are currently being evaluated. More than 280 metres of core was gathered from the Roseneath Shale, Epsilon Formation, Murteree Shale and the tight gas sands and deep coal seams of the Patchawarra Formation. The thickness of the Epsilon Formation exceeded expectations, with 68 metres



intersected. Elevated gas readings were recorded throughout the section, with fluorescence in the Patchawarra Formation indicating the presence of liquid hydrocarbons. Senex has completed cementing of production casing, ahead of a large scale hydraulic fracture stimulation program to test gas quality and deliverability in late 2012.

The Weatherford Rig 826 will mobilise to Orca's unconventional gas exploration well, Kingston Rule-1 in PEL 115 upon its release from Skipton-1. This is expected within the next few days.

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 – OGY 20%

During the quarter, operatorship of PEL 110 was transferred to JV partner and majority (60%) owner Victoria Oil Exploration (1997) Pty Ltd, a wholly-owned subsidiary of Senex Energy. The joint venture approved a 250km² seismic program for the year ending June 2013. This program is proposed to commence in Q1 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 predominate reason. Orca remains committed to the project and is aggressively lobbying other JV partners to agree for drilling to begin in Q4, 2012. 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 137,500,000 fully paid ordinary shares were released from escrow.

For and on behalf of the Board

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")

30 September 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 | (154) | (154) |
| (d) production | - | - |
| 1.3 Dividends received | | |
| 1.4 Interest and other items of a similar nature received | 34 | 34 |
| 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 | (120) | (120) |
| 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) | (120) | (120) |

+ See chapter 19 for defined terms.

Appendix 5B
Mining exploration entity quarterly report

| | | | |
|------|--|--------------|--------------|
| 1.13 | Total operating and investing cash flows (brought forward) | (120) | (120) |
| | 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 | (120) | (120) |
| 1.20 | Cash at beginning of quarter/year to date | 3,935 | 3,935 |
| 1.21 | Exchange rate adjustments to item 1.20 | - | - |
| 1.22 | Cash at end of quarter | 3,815 | 3,815 |

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 | 45 |
| 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 | 35 |
| Payments to Director Related Companies | 10 |

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 | 1,500 |
| 4.2 Development | |
| 4.3 Production | |
| 4.4 Administration | 150 |
| Total | 1,650 |

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 | 3,815 | 3,935 |
| 5.2 Deposits at call | | |
| 5.3 Bank overdraft | | |
| 5.4 Other (provide details) | | |
| Total: cash at end of quarter (item 1.22) | 3,815 | 3,935 |

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
12 October 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.

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