



and Controlled Entities
(ABN 25 009 121 644)

Financial Report
For the Year Ended
30 June 2011

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CORPORATE DIRECTORY

DIRECTORS

Gregory Bandy (Executive Director)
Jeremy King (Non-Executive Director)
Jason Bontempo (Non-Executive Director)

COMPANY SECRETARY

Rebecca Sandford

REGISTERED OFFICE

945 Wellington Street
West Perth WA 6005

PRINCIPAL OFFICE

945 Wellington Street
West Perth WA 6005
Telephone: +61 8 9322 7600
Facsimile: +61 8 9322 7602

SHARE REGISTRY

Advanced Share Registry Services Limited
150 Stirling Highway
Nedlands WA 6008
Telephone: +61 8 9389 8033

AUDITORS

Stantons International
Level 1
1 Havelock Street
West Perth WA 6005

AUSTRALIAN SECURITIES EXCHANGE

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

DIRECTORS' REPORT

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 2011.

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)
Mark Gwynne (resigned 15 August 2011)
Paul Kelly (appointed 22 February 2011 and resigned 15 August 2011)
Scott Spencer (resigned 12 July 2011)
Jon Roestenburg (resigned 22 February 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 the exploration and evaluation of oil and gas and uranium opportunities in the Kyrgyz Republic and the Cooper Basin, South Australia, as well as the evaluation of near term production operations in other oil and gas producing basins around the world. The Group also has an interest in non-operated uranium concessions 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 \$1,689,024 (2010: \$1,824,487).

The Group's basic loss per share for the financial year ended 30 June 2011 was 0.04 cents per share (2010: 0.06 cents).

FINANCIAL POSITION

The Group's working capital, being current assets less current liabilities, was \$98,848 as at 30 June 2011 (2010: \$356,569).

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

PEL115

The company has a 42% equity interest in PEL 115 in Cooper Basin, South Australia. The company entered the licence through a farm-in agreement with operator Victoria Petroleum in September 2009 and has since satisfied its obligations under the farm-in agreement.

Fury-1

Fury -1 spudded on 21 November 2009 reaching total depth of 1965m 19 December 2009, taking 30 days to complete. The well intersected the primary Murta reservoir between 1290 – 1366m, encountering a live gross interval oil zone between 1309 – 1325m. Wireline log data evaluation has established a net oil column of between 7-9m net with possible upside due to thin sand layers beyond tool resolution. It is planned that the oil zone will be tested and completed in the near future. In the secondary, Permian objective an Epsilon Formation oil sand was encountered between 1814 and 1819m, containing live oil in the sidewall core samples. This sand will also be accessed through casing during testing and will require further geological evaluation to determine its full extent and distribution away from the well as it lies between 7 – 10 degrees down-dip. The Epsilon discovery at Fury-1 is significant as the Permian intervals along the southern margin of the Cooper Basin, thought to be mature or less prospective for exploration and exploitation, may yet prove to be a bonus for explorers and in particular for the PEL115 joint venture. The completion wellhead and production tubing were installed and the well was successfully perforated before the release of the rig on 24 June, 2010. Further operations at the Fury site have continued to be hampered by heavy rains and extensive flooding which have prevented the mobilisation of equipment to the site.

Airacobra-1

The second PEL115 commitment well, Airacobra-1, was spudded on 11 December 2009, reaching a total depth of 2163m on 5 January 2010, taking 29 days to drill including 11 days weather-related downtime. The well intersected the first objective in the Cretaceous Murta Formation between 1392m and 1407m, which proved to be water wet, and the second objective within the Permian sequence, including both the Epsilon and Patchawarra Formation sandstones between 2010m and the top basement at 2122m. In the second objective two oil shows were intersected in sandstones and confirmed by wireline side wall coring. The first sandstone lies within the Epsilon Formation between 2016 and 2018m, and the second in the Patchawarra Formation between 2117.5m and 2119m.

PEL110

The company signed a farm-in agreement with Cooper Energy Ltd for a 20% stake in PEL110 situated on the northwest margin of the Cooper Basin. Orca will earn 20% equity by paying 40% of the costs of one exploration well.

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

Komodo Energy Ltd (100% subsidiary of Orca)	20%
Cooper Energy Ltd	20%
Magellan	60%

The Basin has enjoyed renewed interest by companies exploring its western and north western margins with significant new discoveries by Senex Energy, Beach Petroleum, Cooper Energy and Stuart Petroleum. The story of the Cooper/Eromanga Basin's western and north-western margins is still just developing. Knowledge of the size and types of oil traps is still evolving, including the possibility of stratigraphic traps of larger size than traditional anticlines and faulted anticlines with the mature Birkhead/Hutton Formations showing strong potential. The possibility of larger discoveries, renewed focus on the Cooper-Eromanga Basin's high exploration success rates, make the PEL 110 farm-in an attractive licence to add to the Company's growing regional portfolio. PEL110, a 1453km² exploration licence, lies on the up-dip edge, north of previously discovered Kilearny and Telopea oil and gas fields and west of the James oil field, figure 2. The main reservoirs are Jurassic and Permian, however the Jurassic Birkhead and Hutton are becoming a modern reservoir/source focus. The PEL110 Joint Venture has identified 7 leads and prospects that have individual P50 undiscovered recoverable oil estimates ranging from 0.6 to 3.8 million barrels at the Birkhead/Hutton formation level, in similar stratigraphy as recent discoveries along the margin.

Kyrgyz Republic

The Company continues to review its operations in the Kyrgyz Republic:

Oil

The company holds 100% of three licences in the Kyrgyz Republic, covering a total of area in excess of 6000km². In the North the two licences, Tyup and East Issyk-Kul, are 200km southwest of the Junggar Basin in Xinjiang, China. In the South the At Bashi license is 120km from the Tarim basin with over 700MBO on production.

The Company's operations in the Kyrgyz Republic have focussed on identifying a suitable seismic acquisition contractor to carry out a 400km 2D seismic program on the Issyk Kul and At Bashi Licences.

Uranium

In December 2009 the Company finalised and settled the sale of 75% of its interest in its wholly owned subsidiary Business Sphere LLC to Raisama Limited (listed on stock exchange on 30 November 2009 ASX:RAI). Business Sphere holds the Kashkasu II Project, located adjacent to extensive historic uranium mines which were exploited from the late 1950s to late 1960s.

CORPORATE ACTIVITIES

Capital Raising

On 13 July 2010, the Company announced a placement under section 708 of the Corporations Act 2001 to raise \$1.41 million (before costs) by placing 470 million shares at \$0.003 per share.

Placement to Cape Lambert Resources Limited

On 22 February 2011, the Company announced a placement under section 708 of the Corporations Act 2001 to raise \$0.5 million (before costs) by placing 250 million shares at \$0.002 per share to Cape Lambert Resources Limited (ASX: CFE) ("Cape Lambert").

Post these capital raisings the company had a total of 4,350,671,434 shares on issue, as well as 1,641,850,104 outstanding options.

At the end of the financial year the company had \$350,605 cash available and no debt.

Board and Management Changes

On 22 February 2011, Managing Director, Mr Jon Roestenburg, resigned from his position with the Company. Upon his resignation, Cape Lambert representative, Mr Paul Kelly, was appointed to the board as a Non Executive Director.

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

On 15 August 2011, shareholders also approved Mr. Gregory Bandy and Mr. Jeremy King to be appointed as Directors of Orca Energy Limited with Mr. Mark Gwynne and Mr. Paul Kelly resigning.

CHANGES IN STATE OF AFFAIRS

During the year ended 30 June 2011 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**
Experience**Executive Director (Appointed 15 August 2011)**

Mr. Greg Bandy is a current Director of Red Emperor Resources NL (ASX/AIM: RMP) and a former director of Empire Beer Group (ASX: EEE) (now Car Park Technologies (ASX: CPZ)). Mr. Bandy is a Senior Advisor at Patersons Securities Limited and has over 12 years experience in retail, corporate and capital markets, both in Australia and overseas.

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
Experience**Executive Director (Appointed 15 August 2011)**

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.

As a corporate advisor with Max Capital Pty Limited, he regularly advises a wide range of listed public and private companies in respect of capital raisings, investments, acquisitions and corporate issues. Mr King is a current director of Glory Resources Ltd (ASX: GLY).

Interest in Shares and Options

1,000,000 fully paid ordinary shares

Directorships

Glory Resources Limited (30/03/2010- present)

Jason Bontempo

Experience

Non-Executive Director (Appointed 12 July 2011)

Mr Bontempo is managing director of ASX listed entity International Goldfields Limited (IGS). Prior to joining IGS, Mr Bontempo worked in investment banking and corporate advisory since qualifying as a Chartered Accountant with Ernst & Young in 1997. This included working in both equity and debt market divisions for major United Kingdom based investment banks and closely involved with the advising and financing of AIM and ASX listings for resource and venture based companies. Mr Bontempo is also currently a director of Glory Resources Limited and Chameleon Mining NL.

Interest in Shares and Options

Nil

Directorships

International Goldfields Limited (formerly Corvette Resources Limited) (17/04/2008-present)
Chameleon Mining NL (13/09/2010- present)
African Iron Limited (16/02/2007-10/01/2011)
Red Emperor Resources NL (24/01/2011- present)
Glory Resources Limited (24/05/2010- present)
Matrix Metals Limited (22/12/2010-present)

Mark Gwynne

Experience

Former Executive Director (resigned 15 August 2011)

Mark Gwynne has been involved in gold exploration and mining for over 14 years, predominantly in Western Australia. Mark has held management positions on mine sites and in the private sector of the mining industry, including general manager of an exploration consultancy. Mark has demonstrated extensive skills in exploration and mining logistics and management.

Interest in Shares and Options*

21,000,000 fully paid ordinary shares held by Silverwest Corporation Pty Ltd ATF Coral Reefers Trust
15,000,000 Class A options exercisable at \$0.006 on or before 3 December 2011 held by Silverwest Corporation Pty Ltd ATF Coral Reefers Trust
15,000,000 Class B options exercisable at \$0.013 on or before 3 December 2012 held by Silverwest Corporation Pty Ltd ATF Coral Reefers Trust

Directorships

Fe Limited (formerly Buka Gold Limited) (26 August 2009 to date)
International Petroleum Limited (formerly International Goldfields Limited) (24 April 2009 to date)
Jackson Minerals Limited (12 February 2002 to 4 June 2009)

Scott Spencer

Experience

Former Non-Executive Chairman (Resigned 12 July 2011)

Scott Spencer studied languages, history and politics at the University of Western Australia and St Antony's College, Oxford. He joined the Australian Foreign Service in 1972 and spent nearly 20 years working on international political and economic issues with the Australian Government. He was First Secretary at the Australian Embassy, Moscow, in 1987 – 89 and in 1990 – 93 was Regional Director of the Department of Foreign Affairs and Trade in Western Australia. He then entered the private sector, working on international resources projects. In the four years immediately before the end of the financial year he was a Director of Hardman Resources Limited, resigning from this position on 12 April 2006. Hardman Resources Ltd was an ASX/AIM listed petroleum E & P company which was AIM International Company of the Year in 2004.

Interest in Shares and Options*

8,000,000 fully paid ordinary shares held by Aubrey Consulting Pty Ltd
2,500,000 fully paid ordinary shares held by Aubrey Consulting Pty Ltd
ATF The Aubrey Trust
15,000,000 Class A options exercisable at \$0.006 on or before 3 December 2011 held by Aubrey Consulting Pty Ltd ATF The Aubrey Trust
15,000,000 Class B options exercisable at \$0.013 on or before 3 December 2012 held by Aubrey Consulting Pty Ltd ATF The Aubrey Trust

Directorships

Green Rock Energy Limited (29 November 2005 to 31 January 2010)
Jacka Resources Limited (9 November 2009 to date)

Paul Kelly

Experience

Former Non-Executive Director (Appointed 22 February 2011 and Resigned 15 August 2011)

Mr Kelly has more than 20 years of experience in the fields of finance, investment and banking. Mr Kelly was previously National Manager of Advertising and Sponsorship for Members Equity Bank and has held a number of senior roles with the bank over a 15 year period.

Interest in Shares and Options*

Nil

Directorships

Chameleon Mining NL (13 September 2010 to date)
Eclipse Uranium Limited (3 March 2011 to date)
Fe Limited (formerly Buka Gold Limited) (9 April 2010 to date)
International Goldfields Limited (formerly Corvette Resources Limited) (24 April 2009 to 24 February 2010)

Jon Roestenburg

Experience

Former Managing Director (Resigned 22 February 2011)

Jon Roestenburg is a highly experienced petroleum industry professional, having graduated in geology from Curtin University and begun work in 1976 as an exploration geologist. In 1984 he joined Schlumberger, and in 1988-95 he was a Chief Geologist with Schlumberger, covering South East Asia and China. He subsequently held senior exploration positions with Ampolex and Mobil, before becoming Managing Director of Geotransformations Pty Ltd. In this capacity he managed numerous geoscience consulting contracts with oil companies such as Murphy Oil, ConocoPhillips, OMV Australia, Daewoo International and Cairn Energy. In 2005 Jon Roestenburg completed a Master's degree in Leadership and Management at the Curtin Graduate School of Business.

Interest in Shares and Options* 7,500,000 fully paid ordinary shares
5,000,000 options exercisable at \$0.075 on or before 31 December 2011
6,800,000 fully paid ordinary shares held by Geotransformations Pty Ltd
15,000,000 Class A options exercisable at \$0.006 on or before 3 December 2011 held by Geotransformations Pty Ltd
15,000,000 Class B options exercisable at \$0.013 on or before 3 December 2012 held by Geotransformations Pty Ltd

Directorships

None

* Interests in Shares and Options held at final director's interest notice.

COMPANY SECRETARY

Rebecca Sandford – B.Bus (appointed 15 August 2011)

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

Stephen Brockhurst – B.Com (resigned 15 August 2011)

Mr Brockhurst has 12 years' experience in the finance and corporate advisory industry and has been responsible for the preparation of the Due Diligence process and Prospectuses on a number of initial public offers. Mr Brockhurst experience includes corporate and capital structuring, corporate advisory and Company secretarial services, capital raising, ASX and ASIC compliance requirements.

Mr Brockhurst was a founding Director and Company Secretary of Bannerman Resources Limited from incorporation to July 2007, Blackham Resources Limited from incorporation to December 2008 and Company Secretary of Ironbark Gold Limited to August 2007. Mr Brockhurst is currently a Director of Red Emperor Resources NL and Jacka Resources Limited, and Company Secretary of Plymouth Minerals Limited, Bimini Resources and Terrace Resources Limited.

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)
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)
Jon Roestenburg	Managing Director (Resigned 22 February 2011)
Richard Aden	Chief Financial Officer (Resigned 19 November 2010)

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 December 2009.

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.

Options Issued as Part of Remuneration

Options are issued to Directors and executives as part of their remuneration. The options are not issued based on performance criteria, but are issued to some Directors of Orca Energy Limited and its subsidiaries to increase goal congruence between executives, Directors and shareholders.

DIRECTORS' REPORT (CONTINUED)**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
		\$	\$	\$	\$	\$	%	%
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		

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	2010	95,000	-	53,218	2,849	151,067	-	31%
Jon Roestenburg	2010	240,667	4,875	63,468	2,849	311,859	-	15%
Mark Gwynne	2010	113,940	7,125	59,468	2,849	183,382	-	26%
Richard Aden	2010	186,600	-	79,432	2,849	268,881	-	30%
		636,207	12,000	255,586	11,396	915,189		

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) Aubrey Consulting Pty Ltd, an entity associated with Scott Spencer.
- b) Geotransformations Pty Ltd, an entity associated with Jon Roestenburg.

DIRECTORS' REPORT (CONTINUED)**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 %
Scott Spencer	2011	-	-	-	-	-	-
Jon Roestenburg	2011	-	-	-	-	-	-
Mark Gwynne	2011	-	-	-	-	-	-
Paul Kelly	2011	-	-	-	-	-	-
Richard Aden	2011	-	-	-	-	-	-
Gregory Bandy	2011	-	-	-	-	-	-
Jeremy King	2011	-	-	-	-	-	-
Jason Bontempo	2011	-	-	-	-	-	-

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	2010	46,968	-	-	46,968	46,968	31%
Jon Roestenburg	2010	46,968	-	-	46,968	46,968	15%
Mark Gwynne	2010	46,968	-	-	46,968	46,968	26%
Richard Aden	2010	79,432	-	-	79,432	79,432	30%

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.

DIRECTORS' REPORT (CONTINUED)**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 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	-	-	-	-	-	-

Director/Key Management Personnel	Number Options Granted During 2010	Grant Date	Fair Value per Option at Grant Date \$	Exercise Price per Option \$	Expiry Date	Number Options Vested During 2010
Scott Spencer	15,000,000	3 December 2009	\$0.0014	\$0.0060	3 December 2011	15,000,000
	15,000,000	3 December 2009	\$0.0017	\$0.0130	3 December 2012	15,000,000
Jon Roestenburg	15,000,000	3 December 2009	\$0.0014	\$0.0060	3 December 2011	15,000,000
	15,000,000	3 December 2009	\$0.0017	\$0.0130	3 December 2012	15,000,000
Mark Gwynne	15,000,000	3 December 2009	\$0.0014	\$0.0060	3 December 2011	15,000,000
	15,000,000	3 December 2009	\$0.0017	\$0.0130	3 December 2012	15,000,000
Richard Aden	15,000,000	11 December 2009	\$0.0026	\$0.0060	3 December 2011	15,000,000
	15,000,000	11 December 2009	\$0.0027	\$0.0130	3 December 2012	15,000,000

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

e) Service Agreements (audited)

The Company has not entered into any Executive Service Agreement with any of the Directors or executives to provide services to the Company. While the Board is aware of its responsibilities with regard to Executive services agreements, the decision was made that in light of current negotiations for the acquisition of the Matagorda Project, new contracts should be deferred until completion of this transaction due to the significant change in business activity and change in directorships.

INDEMNIFYING OFFICERS

The Company currently has a policy in place for directors and officers insurance. During the financial year ended 30 June 2011, the Company paid an insurance premium of \$15,550 (2010: \$14,247) for directors and officers liability insurance.

DIRECTORS' REPORT (CONTINUED)

MEETINGS OF DIRECTORS

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

Director	Directors' Meetings	
	Number Eligible to Attend	Meetings Attended
Scott Spencer	4	4
Jon Roestenburg	4	4
Mark Gwynne	4	4
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 2011 up to the date of this report, there were no share options issued to Directors and Executives of the Company as remuneration. Refer to the Remuneration Report and Note 26 for details of options issued to Directors and Executives of the Company as remuneration during the financial year ended 30 June 2011.

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 2011	\$0.0060	77,500,000
31 December 2011	\$0.0750	5,000,000
3 December 2012	\$0.0130	77,500,000
11 December 2014	\$0.0800	10,000,000
		170,000,000

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 26 shares issued upon the exercise of options during the financial year ended 30 June 2011.

During the financial year ended 30 June 2011 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.

DIRECTORS' REPORT (CONTINUED)

AUDITORS INDEPENDENCE DECLARATION

The auditor's independence declaration for the year ended 30 June 2011 has been received and can be found on page 16 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 2011 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:

On 12 July 2011, the Company advised that it has 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. Orca will acquire its 20% interest in the Project through the acquisition of 100% of the issued capital of Sugarbay Investments Pty Ltd, the current assignee and participant in the Project.

As a result of approval by shareholders at a General meeting held on 15 August 2011, the Company changed its name from Monitor Energy Limited to Orca Energy Limited and acquired 100% of the issued share capital of Sugarbay Investments Pty Ltd in consideration for:

- \$1,200,000 being reimbursement for past costs including fees for land, legal, environmental, engineering, geophysical, geological and finance expenses associated with the Matagorda Project.
- the issue of 2,750,000,000 shares in Orca.

The conditions precedent to settlement of the acquisition of the Matagorda Project have been met.

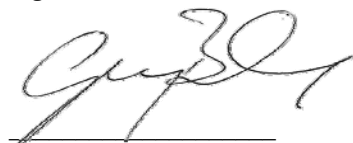
Mr. Scott Spencer has resigned from the board and Mr. Jason Bontempo has been appointed as a Director of Orca.

On 15 August 2011, shareholders also approved Mr. Gregory Bandy and Mr. Jeremy King to be appointed as Directors of Orca Energy Limited with Mr. Mark Gwynne and Mr. Paul Kelly resigning.

On 16 August 2011, the Company issued 2,000,000,000 shares at \$0.001 each to raise a gross amount of \$2,000,000.

On 31 August 2011, 1,471,850,104 \$0.025 options expired without exercise.

Signed on behalf of the Board of Directors.



Gregory Bandy
Executive Director
Perth, 16 September 2011

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Stantons International Audit and Consulting Pty Ltd
(ABN 84 144 581 519) trading as

Stantons International
Chartered Accountants and Consultants

16 September 2011

Board of Directors
Orca Energy Limited
945 Wellington 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 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 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
16 September 2011

**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 2011, 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 2011 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.

Emphasis of Matter Regarding Going Concern

Without qualification to the opinion expressed above, attention is drawn to the following matter:

As referred to in Note 3 to the consolidated financial statements, the consolidated financial statements have been prepared on a going concern basis. At 30 June 2011 the consolidated entity had working capital of \$98,848 and had incurred a loss for the year of \$1,689,024. The ability of the parent company and consolidated entity to continue as going concerns is subject to the successful recapitalisation of the parent company and consolidated entity. In the event that the Board is not successful in recapitalising the parent and consolidated entity and in raising further funds, the company and its subsidiaries may not be able to meet their liabilities as they fall due and the realisable value of the company's and its subsidiaries assets may be significantly less than book values.

Report on the Remuneration Report

We have audited the remuneration report included in pages 10 to 13 of the directors' report for the year ended 30 June 2011. 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 2011 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
Director

West Perth, Western Australia
16 September 2011

DIRECTORS' DECLARATION

The directors of the company declare that:

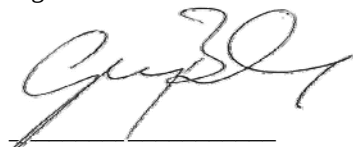
1. the financial statements and notes, as set out on pages 20 to 56, are in accordance with the *Corporations Act 2001* and:
 - a. comply with Accounting Standards;
 - b. are in accordance with International Financial Reporting Standards issued by the International Accounting Standards Board, as stated in Note 3 to the financial statements; and
 - c. give a true and fair view of the financial position as at 30 June 2011 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, 16 September 2011

**CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 30 JUNE 2011**

		Consolidated 2011 \$	Consolidated 2010 \$
Revenue	Note		
Interest revenue	5	22,571	20,138
Other revenue	5	2,660	341,957
		<u>25,231</u>	<u>362,095</u>
Consultancy fees		(59,991)	(250,740)
Corporate compliance expenses		(307,162)	(193,300)
Depreciation expense	12(a)	(36,161)	(53,665)
Employee benefits expense	5	(485,059)	(717,396)
Exploration expenditure expensed as incurred		-	(9,858)
Exploration expenditure written off	13	(339,387)	(208,029)
Foreign exchange gains/(losses)		(3,358)	(152,596)
Gain on deconsolidation of subsidiary	23	-	614,714
General and administrative expense		(203,069)	(202,237)
Investment impairment expense		(120,500)	(100,167)
Loan impairment expense		34,376	(212,715)
Occupancy expenses		(106,530)	(98,708)
Share based payments expense	5	-	(381,849)
Travel expenses		(36,231)	(171,906)
Other expenses		(51,183)	(48,130)
Loss before income tax expense		<u>(1,689,024)</u>	<u>(1,824,487)</u>
Income tax expense	6	-	-
Net loss attributable to members of Orca Energy		<u>(1,689,024)</u>	<u>(1,824,487)</u>
Other comprehensive income			
Exchange differences arising on translation of foreign operations	18(b)	(70,075)	147,981
Revaluation of assets	18(c)	-	(73,357)
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		<u>3,282</u>	<u>74,624</u>
Total comprehensive loss for the period		<u>(1,685,742)</u>	<u>(1,749,863)</u>
Loss attributable to:			
Owners of the parent		(1,689,024)	(1,824,487)
Non-controlling interests		-	-
		<u>(1,689,024)</u>	<u>(1,824,487)</u>
Total comprehensive loss attributable to:			
Owners of the parent		(1,685,742)	(1,749,863)
Non-controlling interests		-	-
		<u>(1,685,742)</u>	<u>(1,749,863)</u>
Basic and diluted loss per share (cents per share)	19	(0.04)	(0.06)

The accompanying notes form part of these financial statements.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2011

	Note	Consolidated 2011 \$	Consolidated 2010 \$
ASSETS			
Current Assets			
Cash and cash equivalents	8	350,605	178,396
Trade and other receivables	9	18,650	397,912
Other assets	10	21,873	25,540
Other financial assets	11	30,000	-
Total Current Assets		421,128	601,848
Non-Current Assets			
Other financial assets	11	-	77,143
Plant and equipment	12	83,660	129,408
Exploration and evaluation expenditure	13	3,774,144	3,290,225
Total Non-Current Assets		3,857,804	3,496,776
TOTAL ASSETS		4,278,932	4,098,624
LIABILITIES			
Current Liabilities			
Trade and other payables	14	262,778	181,438
Provisions	15	59,502	63,841
Total Current Liabilities		322,280	245,279
TOTAL LIABILITIES		322,280	245,279
NET ASSETS		3,956,652	3,853,345
EQUITY			
Issued capital	16	22,184,964	20,395,915
Reserves	18	2,320,223	2,316,941
Accumulated losses	17	(20,548,535)	(18,859,511)
TOTAL EQUITY		3,956,652	3,853,345

The accompanying notes form part of these financial statements.

**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 30 JUNE 2011**

	Issued Capital	Accumulated Losses	Option Reserve	Foreign Exchange Translation Reserve	Revaluation Reserve	Total Equity
	\$	\$	\$	\$	\$	\$
Consolidated						
Balance at 1 July 2009	15,692,149	(17,035,024)	1,694,598	201,120	-	552,843
Total comprehensive loss for the year						
Loss	-	(1,824,487)	-	-	-	(1,824,487)
<i>Other comprehensive income</i>						
Foreign currency translation differences	-	-	-	147,981	-	147,981
Revaluation of financial assets		-	-	-	(73,357)	(73,357)
Total comprehensive loss for the year	-	(1,824,487)	-	147,981	(73,357)	(1,749,863)
Transactions with owners recorded directly in equity						
Securities issued during the period (net of transaction costs)	4,665,629	-	-	-	-	4,665,629
Share based payments	38,137	-	346,599	-	-	384,736
Total Contributions by and distributions to owners	4,703,766	-	346,599	-	-	5,050,365
Balance at 30 June 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)
<i>Other comprehensive income</i>						
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

The accompanying notes form part of these financial statements.

**CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 30 JUNE 2011**

	Note	Consolidated 2011 \$	Consolidated 2010 \$
Cash flows from operating activities			
Payments to suppliers and employees		(1,232,898)	(1,792,960)
Interest received		22,571	20,138
Interest paid		(4,959)	(2,760)
Other revenue		-	1,556
Net cash (used in) operating activities	28(a)	(1,215,286)	(1,774,026)
Cash flows from investing activities			
Exploration and evaluation expenditure		(432,558)	(3,541,725)
Proceeds from sale of plant and equipment		3,963	17,547
Payment for plant and equipment		(3,977)	(52,351)
Loans to associated entities		-	(36,218)
Receipt from sale of investments		-	150,000
Net cash (used in) investing activities		(432,572)	(3,462,747)
Cash flows from financing activities			
Proceeds from issue of securities		1,910,000	5,116,016
Share issue costs		(120,951)	(450,387)
Net cash provided by financing activities		1,789,049	4,665,629
Net increase/(decrease) in cash and cash equivalents		141,191	(571,144)
Cash and cash equivalents at beginning of the financial year		178,396	661,658
Net foreign exchange differences		31,018	87,882
Cash and cash equivalents at end of financial year	8	350,605	178,396

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, the Kyrgyz Republic and 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:

- AASB 9: Financial Instruments (December 2010) (applicable for annual reporting periods commencing on or after 1 January 2013).

This Standard is applicable retrospectively and includes revised requirements for the classification and measurement of financial instruments, as well as recognition and derecognition requirements for financial instruments. The Company has not yet determined any potential impact on the financial statements.

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.
- AASB 124: Related Party Disclosures (applicable for annual reporting periods commencing on or after 1 January 2011).
- This Standard removes the requirement for government-related entities to disclose details of all transactions with the government and other government-related entities and clarifies the definition of a "related party" to remove inconsistencies and simplify the structure of the Standard. No changes are expected to materially affect the Company.
- AASB 1053: Application of Tiers of Australian Accounting Standards and AASB 2010–2: Amendments to Australian Accounting Standards arising from Reduced Disclosure Requirements [AASB 1, 2, 3, 5, 7, 8, 101, 102, 107, 108, 110, 111, 112, 116, 117, 119, 121, 123, 124, 127, 128, 131, 133, 134, 136, 137, 138, 140, 141, 1050 & 1052 and Interpretations 2, 4, 5, 15, 17, 127, 129 & 1052] (applicable for annual reporting periods commencing on or after 1 July 2013).

AASB 1053 establishes a revised differential financial reporting framework consisting of two tiers of financial reporting requirements for those entities preparing general purpose financial statements:

2 New accounting standards for application in future periods (Continued)

- Tier 1: Australian Accounting Standards; and
- Tier 2: Australian Accounting Standards – Reduced Disclosure Requirements.

Tier 2 of the framework comprises the recognition, measurement and presentation requirements of Tier 1, but contains significantly fewer disclosure requirements.

The following entities are required to apply Tier 1 reporting requirements (ie full IFRS):

- for-profit private sector entities that have public accountability; and
- the Australian Government and state, territory and local governments.

Since the Company is a for-profit private sector entity that has public accountability, it does not qualify for the reduced disclosure requirements for Tier 2 entities.

AASB 2010–2 makes amendments to Australian Accounting Standards and Interpretations to give effect to the reduced disclosure requirements for Tier 2 entities. It achieves this by specifying the disclosure paragraphs that a Tier 2 entity need not comply with as well as adding specific “RDR” disclosures.

- AASB 2009–12: Amendments to Australian Accounting Standards [AASBs 5, 8, 108, 110, 112, 119, 133, 137, 139, 1023 & 1031 and Interpretations 2, 4, 16, 1039 & 1052] (applicable for annual reporting periods commencing on or after 1 January 2011).

This Standard makes a number of editorial amendments to a range of Australian Accounting Standards and Interpretations, including amendments to reflect changes made to the text of IFRSs by the IASB. The Standard also amends AASB 8 to require entities to exercise judgment in assessing whether a government and entities known to be under the control of that government are considered a single customer for the purposes of certain operating segment disclosures. The amendments are not expected to impact the Company.

- AASB 2009–14: Amendments to Australian Interpretation – Prepayments of a Minimum Funding Requirement [AASB Interpretation 14] (applicable for annual reporting periods commencing on or after 1 January 2011).

This Standard amends Interpretation 14 to address unintended consequences that can arise from the previous accounting requirements when an entity prepays future contributions into a defined benefit pension plan.

This Standard is not expected to impact the Company.

- 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] (applicable for annual reporting periods commencing on or after 1 January 2011).

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;
- 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 the effect 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 or transactions that require disclosure under AASB 134; and
- making sundry editorial amendments to various Standards and Interpretations.

This Standard is not expected to impact the Company.

2 New accounting standards for application in future periods (Continued)

- AASB 2010–5: Amendments to Australian Accounting Standards [AASB 1, 3, 4, 5, 101, 107, 112, 118, 119, 121, 132, 133, 134, 137, 139, 140, 1023 & 1038 and Interpretations 112, 115, 127, 132 & 1042] (applicable for annual reporting periods beginning on or after 1 January 2011).

This Standard makes numerous editorial amendments to a range of Australian Accounting Standards and Interpretations, including amendments to reflect changes made to the text of IFRSs by the IASB. However, these editorial amendments have no major impact on the requirements of the respective amended pronouncements.

- AASB 2010–6: Amendments to Australian Accounting Standards – Disclosures on Transfers of Financial Assets [AASB 1 & AASB 7] (applicable for annual reporting periods beginning on or after 1 July 2011).

This Standard adds and amends disclosure requirements about transfers of financial assets, especially those in respect of the nature of the financial assets involved and the risks associated with them. Accordingly, this Standard makes amendments to AASB 1: First-time Adoption of Australian Accounting Standards, and AASB 7: Financial Instruments: Disclosures, establishing additional disclosure requirements in relation to transfers of financial assets.

This Standard is not expected to impact the Company.

- 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] (applies to periods beginning on or after 1 January 2013).

This Standard makes amendments to a range of Australian Accounting Standards and Interpretations as a consequence of the issuance of AASB 9: Financial Instruments in December 2010. Accordingly, these amendments will only apply when the entity adopts AASB 9.

As noted above, the Company has not yet determined any potential impact on the financial statements from adopting AASB 9.

- AASB 2010–8: Amendments to Australian Accounting Standards – Deferred Tax: Recovery of Underlying Assets [AASB 112] (applies to periods beginning on or after 1 January 2012).

This Standard makes amendments to AASB 112: Income Taxes.

The amendments brought in by this Standard introduce a more practical approach for measuring deferred tax liabilities and deferred tax assets when investment property is measured using the fair value model under AASB 140: Investment Property.

Under the current AASB 112, the measurement of deferred tax liabilities and deferred tax assets depends on whether an entity expects to recover an asset by using it or by selling it. The amendments introduce a presumption that an investment property is recovered entirely through sale. This presumption is rebutted if the investment property is held within a business model whose objective is to consume substantially all of the economic benefits embodied in the investment property over time, rather than through sale.

The amendments brought in by this Standard also incorporate Interpretation 121 into AASB 112.

The amendments are not expected to impact the Company.

- AASB 2010–9: Amendments to Australian Accounting Standards – Severe Hyperinflation and Removal of Fixed Dates for First-time Adopters [AASB 1] (applies to periods beginning on or after 1 July 2011).

This Standard makes amendments to AASB 1: First-time Adoption of Australian Accounting Standards.

The amendments brought in by this Standard provide relief for first-time adopters of Australian Accounting Standards from having to reconstruct transactions that occurred before their date of transition to Australian Accounting Standards.

Furthermore, the amendments brought in by this Standard also provide guidance for entities emerging from severe hyperinflation either to resume presenting Australian-Accounting-Standards financial statements or to present Australian-Accounting-Standards financial statements for the first time.

This Standard is not expected to impact the Company.

2 New accounting standards for application in future periods (Continued)

- AASB 2010–10: Further Amendments to Australian Accounting Standards – Removal of Fixed Dates for First-time Adopters [AASB 2009–11 & AASB 2010–7] (applies to periods beginning on or after 1 January 2013).

This Standard makes amendments to AASB 2009–11: Amendments to Australian Accounting Standards arising from AASB 9, and AASB 2010–7: Amendments to Australian Accounting Standards arising from AASB 9 (December 2010).

The amendments brought in by this Standard ultimately affect AASB 1: First-time Adoption of Australian Accounting Standards and provide relief for first-time adopters from having to reconstruct transactions that occurred before their transition date.

[The amendments to AASB 2009–11 will only affect early adopters of AASB 2009–11 (and AASB 9: Financial Instruments that was issued in December 2009) as it has been superseded by AASB 2010–7.]

This Standard is not expected to impact the Company.

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 15 September 2011.

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 2011 of \$1,689,024 (2010: \$1,824,487) and experienced net cash outflows from operating activities of \$1,184,268 (2010: \$1,774,026). As at 30 June 2011, the Group had net current assets of \$98,848 (2010: \$356,569).

The Directors believe that there are sufficient funds to meet the Group's working capital requirements. However, the Directors recognise that the ability of the Group to continue as a going concern and to pay their debts as and when they fall due is dependent on the ability of the Group to secure additional funding.

During the year, the Group successfully raised \$1,910,000 gross of capital raising costs via the issue of ordinary fully paid shares. Subsequent to 30 June 2011, the Company has proposed the placement of 2,000,000,000 Orca Shares at an issue price of 0.1 cents to raise \$2,000,000 (before costs). Of the amount raised, Orca will be required to pay \$1,200,000 as part consideration for the acquisition of 100% of the issued share capital of Sugarbay Investments Pty Ltd (refer to note 31: Subsequent Events).

Based on the above, the Group is confident that it will successfully raise additional funds to meet its financial obligation in the future period.

3 Significant accounting policies (Continued)

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.

(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.

3 Significant accounting policies (Continued)

(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.

(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 share-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 are 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:

Recoverability of exploration and evaluation expenditure

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.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 30 JUNE 2011

	Consolidated 2011 \$	Consolidated 2010 \$
5 Loss from continuing operations		
Revenue		
Interest revenue	22,571	20,138
Profit on sale of share in joint venture	-	339,796
Profit on sale of asset	2,660	605
Other revenue	-	1,556
	25,231	362,095
 Employee benefits expense		
Equity settled share based payments	-	381,849
Salaries	472,603	688,182
Superannuation	16,796	18,248
Other	(4,340)	10,966
	485,059	1,099,245
 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% (2010: 30%)	(506,707)	(547,346)
 Add tax effect of:		
Revenue losses and other deferred tax balances not recognised	293,953	264,711
Other non-allowable items	212,754	259,252
Share based payments	-	114,555
 Less tax effect of:		
Other non-assessable items	-	90,150
Other allowable items	-	1,022
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	(1,132,243)	(987,068)
Other	-	(429)
 Deferred tax assets:		
Carry forward revenue losses	1,132,243	987,497
	-	-

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 30 JUNE 2011

	Consolidated 2011 \$	Consolidated 2010 \$
(d) Unrecognised deferred tax assets:		
Carry forward revenue losses	1,559,034	1,217,828
Capital raising costs	167,913	205,396
Financial assets	36,000	22,007
Other	64,507	76,842
	1,827,454	1,522,073

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	30,634	32,539
Other auditor for audit of the subsidiary companies' financial reports	1,493	4,027
	32,127	36,566

8 Cash and cash equivalents

Cash on hand and at bank	350,605	105,219
Deposits at call	-	73,177
	350,605	178,396

9 Trade and other receivables

GST recoverable	13,649	34,937
Joint venture receivable	-	341,065
Other	5,001	21,910
	18,650	397,912

As at 30 June 2011 and 2010, 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	21,873	25,540
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NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 30 JUNE 2011

	Consolidated 2011 \$	Consolidated 2010 \$
11 Other financial assets		
Investments carried at fair market value		
Current		
Investment in associate	100,167	-
Investment in listed entity	30,000	-
Provision for impairment	(100,167)	-
	<u>30,000</u>	<u>-</u>
Non Current		
Investment in associate	-	100,167
Investment in listed entity	-	77,143
Provision for impairment	-	(100,167)
	<u>-</u>	<u>77,143</u>
Loans to associates	171,007	212,715
Provision for impairment	(171,007)	(212,715)
Net loans to associates	<u>-</u>	<u>-</u>
Total other financial assets	<u>30,000</u>	<u>77,143</u>

In July 2011 the shares held in the listed entity were sold for \$54,642.

12 Plant and equipment

At cost	224,477	253,876
Accumulated depreciation	(140,817)	(124,468)
	<u>83,660</u>	<u>129,408</u>

(a) 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	129,408	166,716
Additions	3,977	52,351
Disposals	(1,303)	(16,695)
Depreciation expense	(36,161)	(53,665)
Foreign exchange movements	(12,261)	(19,299)
Carrying amount at the end of the year	<u>83,660</u>	<u>129,408</u>

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 30 JUNE 2011

	Consolidated 2011 \$	Consolidated 2010 \$
13 Exploration and evaluation expenditure		
Carrying amount at the beginning of the year	3,290,225	-
Expenditure capitalised during the year	823,306	3,498,254
Expenditure written off during the year	(339,387)	(208,029)
Carrying amount at the end of the year	3,774,144	3,290,225

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.

The Board of Directors has fully impaired the value of capitalised Kyrgyz oil and gas licences exploration expenditure during the financial year ended 30 June 2011, however, remain confident of the inherent value of the Kyrgyz oil and gas licenses and the ability to increase the value of these assets.

(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 42%.

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

Exploration and evaluation expenditure	3,659,144	3,190,225
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(b) Farm-in for PEL110
Interests in jointly controlled assets

On 18 November 2009, 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 \$115,000 as part of the farm-in agreement.

14 Trade and other payables

Trade payables	83,536	129,221
Sundry payables and accruals	179,242	52,217
	262,778	181,438

15 Provisions

Employee benefits	59,502	63,841
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16 Issued capital

Fully paid ordinary shares 4,350,671,434 (2010: 3,630,671,408)	22,184,164	20,395,115
Converting preference shares 2,006 (2010: 2,006)	800	800
	22,184,964	20,395,915

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 30 JUNE 2011

	2011 No.	2011 \$	2010 No.	2010 \$
16 Issued capital (Continued)				
(a) Fully paid ordinary shares				
Balance at beginning of the year	3,630,671,408	20,395,115	1,557,695,704	15,691,349
Shares issued pursuant to pro rata renounceable entitlements issue – 28 October 2009	-	-	1,557,695,704	3,115,391
Shares issued to Directors as approved at AGM – 3 December 2009	-	-	14,100,000	35,250
Shares issued pursuant to exercise of options – 18 December 2009	-	-	25,000	625
Shares issued pursuant to private placement – 23 December 2009	-	-	500,000,000	2,000,000
Shares issued to consultant – 13 January 2010	-	-	1,155,000	2,887
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	-	-	-
Transaction costs relating to issue of shares	-	(120,951)	-	(450,387)
Balance at the end of the year	4,350,671,434	22,184,164	3,630,671,408	20,395,115

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

(b) Converting preference shares

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 2011 \$	Consolidated 2010 \$
17 Accumulated losses		
Balance at beginning of the year	(18,859,511)	(17,035,024)
Net loss attributable to the members of the company	(1,689,024)	(1,824,487)
Balance at the end of the year	(20,548,535)	(18,859,511)

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 30 JUNE 2011

	Consolidated 2011 \$	Consolidated 2010 \$
18 Reserves		
Option, share based payments and option premium reserves (a)	2,041,197	2,041,197
Foreign exchange translation reserve (b)	279,026	349,101
Asset revaluation reserve (c)	-	(73,357)
	2,320,223	2,316,941

(a) Option, share based payments and option premium reserves

Balance at beginning of the year	2,041,197	1,694,598
Movement in unlisted options	-	346,599
	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 1,641,850,104 shares under option are on issue at 30 June 2011 (2010: 1,649,350,130).

Options carry no rights to dividends and have no voting rights. During the financial year 26 (2010: 25,000) options were exercised, the details of which are set out below.

	2011 No.	2011 \$	2010 No.	2010 \$
Quoted options with exercise price of \$0.025 and expiry date of 31 August 2011				
Balance at beginning of financial year	1,471,850,130	1,175,266	1,471,875,130	1,175,266
Exercise of 31 August 2011 \$0.025 options – 18 December 2009	-	-	(25,000)	-
Exercise of 31 August 2011 \$0.025 options – 22 February 2011	(26)	-	-	-
	1,471,850,104	1,175,266	1,471,850,130	1,175,266
Balance at end of financial year				

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 30 JUNE 2011

	2011 No.	2011 \$	2010 No.	2010 \$
18 Reserves (Continued)				
Unquoted options on issue				
Balance at beginning of financial year	177,500,000	865,931	18,250,000	519,332
Issue of \$0.006 expiring 3 December 2011 – 3 December 2009	-	-	45,000,000	70,452
Issue of \$0.013 expiring 3 December 2012 – 3 December 2009	-	-	45,000,000	70,452
Issue of \$0.006 expiring 11 December 2011 – 11 December 2009	-	-	32,500,000	84,840
Issue of \$0.013 expiring 11 December 2012 – 11 December 2009	-	-	32,500,000	87,263
Issue of \$0.08 expiring 11 December 2014 – 11 December 2009	-	-	10,000,000	33,592
Options lapsed 31 December 2009 at various exercise prices	-	-	(4,500,000)	-
Options expired at 30 June 2010	-	-	(1,250,000)	-
Expiry of \$0.050 options – 31 December 2010	(5,000,000)	-	-	-
Expiry of \$0.025 options – 11 March 2011	(2,500,000)	-	-	-
Balance at end of the year	170,000,000	865,931	177,500,000	865,931

	Consolidated 2011 \$	Consolidated 2010 \$
(b) Foreign exchange translation reserve		
Balance at beginning of the year	349,101	201,120
Translation of foreign operations	(70,075)	147,981
Balance at the end of the year	279,026	349,101

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)	-
Revaluation of listed investments	-	(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	-	(73,357)

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 30 JUNE 2011

19 Loss per share

	2011	2010
	Cents per Share	Cents per Share
Basic/diluted loss per share	(0.04)	(0.06)

(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:

	2011	2010
	\$	\$
Loss	(1,689,024)	(1,824,487)

	2011	2010
	No.	No.
Weighted average number of ordinary shares for the purposes of basic / diluted loss per share	4,171,602,924	2,874,399,227

As the Group is in a loss position the options outstanding at 30 June 2011 have no dilutive effects on the earnings per share calculation.

20 Commitments for expenditure

The Group has certain obligations to perform minimum exploration work programmes on its oil and gas and uranium exploration permits in accordance with the licence conditions.

Kyrgyzstan Projects

Due to the speculative nature of the exploration operations of the Group and as each licence year of the oil & gas permits and work programmes are negotiated with the geological agency of the Kyrgyz Republic, there are no commitments of the Group beyond one year.

The Company has a commitment to complete a seismic survey for the Kyrgyz Projects this year. The Company has sought a joint venture partner to provide funding for this commitment. To date, a partner has not been forthcoming and in light of recently announced transaction for an oil and gas project in Texas, United States of America, the Company will review its Kyrgyz operations in the near term to determine the future of the projects.

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 either an exploration well or work to the equivalent cost of an exploration well. In March 2010, the Joint Venture agreed to proceed with the acquisition of 3D seismic rather than an exploration well, for which the Company would pay 40% (currently estimated to be approximately \$900,000).

Due to extensive, adverse weather conditions experienced in the Cooper Basin, an application for relief from exploration commitments for 2011 was granted by the regulatory authorities. The seismic survey is scheduled for first half, 2012 (subject to equipment availability and access).

20 Commitments for expenditure (continued)

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.

PEL 115

As with PEL110, work was deferred on PEL115 due to extreme weather conditions and associated flooding. It is anticipated that an Extended Well Test will be completed at the Fury discovery in the near term. Orca has met its financial commitments for the completion of the Extended Well Test.

21 Contingent liabilities and assets

The Directors are not aware of any material contingent liabilities or assets at reporting date (2010: Nil).

Over the past few years the Kyrgyz Republic has gone through considerable financial, political and economic changes. With its developing economy, the Kyrgyz Republic does not have a well developed legislation base and business infrastructure usual to a developed market economy. As a result, operating a business in the Kyrgyz Republic results in an exposure to a certain level of risk. There exists uncertainty with regards to future economic and regulatory policy in the Kyrgyz Republic, and risks (including instability in the political, regulatory and financial environments are higher than developed market economy.

22 Interests in exploration licences

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

	2011	2010
	%	%
Licence details		
Atbashi-Arpinski (oil & gas) ^	100.0	100.0
Tyup (oil & gas) ^	100.0	100.0
Karakol (oil & gas) ^	100.0	100.0
East Kokmoinok (uranium)	22.5	22.5
PEL 115	42.0	42.0
PEL 110 (subject to farm-in)*	-	-

* Has the right to earn 20% subject to farm-in conditions - refer to Note 21: Contingent liabilities and assets.

^ These licences held by the Company's wholly owned subsidiary White Valley Oil LLC are to expire on 31 December 2011, subject to renewal.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 30 JUNE 2011

23 Subsidiaries and Associates

Name of entity	Country of incorporation	Ownership interest	
		2011 %	2010 %
Company			
Orca Energy Limited	Australia		
Subsidiaries and Associates			
Komodo Energy Pty Ltd	Australia	100	100
White Valley Oil LLC	Kyrgyz Republic	100	100
Business Sphere LLC (i)	Kyrgyz Republic	25	25

(i) On 25 September 2009, the Group disposed of 75% of its interest in Business Sphere LLC, reducing its continuing interest to 25%. The proceeds on disposal of \$300,500 were received partially in cash, \$150,000 and partially in shares, \$150,500. The difference between the disposal proceeds and the amount transferred to non-controlling interests of \$214,047 has been recognised directly in equity.

The net assets of Business Sphere LLC at the date of disposal were as follows:

	25 September 2009 \$
Net liabilities disposed	(214,047)
Investment in associate	(100,167)
Gain on disposal	614,714
Total consideration	300,500
	Company
	2011
	\$
	Company
	2010
	\$

24 Parent entity disclosures

(a) Financial position

ASSETS

Current Assets

Cash and cash equivalents	311,223	165,972
Trade and other receivables	14,706	56,822
Other assets	21,873	20,585
Total Current Assets	347,802	243,379

Non-Current Assets

Other financial assets	370,857	416,939
Plant and equipment	43,765	53,927
Exploration and evaluation expenditure	115,000	100,000
Total Non-Current Assets	529,622	570,866

TOTAL ASSETS	877,424	814,245
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NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 30 JUNE 2011

	Company 2011 \$	Company 2010 \$
24 Parent entity disclosures (Continued)		
LIABILITIES		
Current Liabilities		
Trade and other payables	181,707	167,057
Provisions	6,626	10,965
Total Current Liabilities	188,333	178,022
TOTAL LIABILITIES	188,333	178,022
NET ASSETS	689,091	636,223
EQUITY		
Issued capital	22,184,964	20,395,915
Reserves	2,041,197	1,967,840
Accumulated losses	(23,537,070)	(21,727,532)
TOTAL EQUITY	689,091	636,223
(b) Financial performance		
Net loss attributable to members of Orca Energy	(1,809,538)	(4,845,760)
Other comprehensive income		
Exchange differences arising on translation of foreign operations	-	-
Income tax expense on items other comprehensive income	-	-
Revaluation of assets	73,357	(73,357)
Total other comprehensive income	73,357	(73,357)
Total comprehensive loss for the year	(1,736,181)	(4,919,117)

(c) 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 either an exploration well or work to the equivalent cost of an exploration well. In March 2010, the Joint Venture agreed to proceed with the acquisition of 3D seismic rather than an exploration well, for which the Company would pay 40% (currently estimated to be approximately \$900,000).

Due to extensive, adverse weather conditions experienced in the Cooper Basin, an application for relief from exploration commitments for 2011 was granted by the regulatory authorities. The seismic survey is scheduled for first half, 2012 (subject to equipment availability and access).

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 2011 the Group operated in the following Geographic Segments: Australia and Kyrgyzstan. (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.

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 2011 \$	Consolidated 2010 \$
Australia	-	339,796
Kyrgyzstan	-	2,161
Unallocated items	25,231	20,138
Total revenue	25,231	362,095

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 30 JUNE 2011

	Consolidated 2011 \$	Consolidated 2010 \$
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25 Segment information (Continued)

(b) Loss by geographical region

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

Australia	(1,564,124)	(4,505,965)
Kyrgyzstan	(145,185)	(548,577)
Unallocated items	20,285	3,230,055
Total loss	(1,689,024)	(1,824,487)

(c) Assets by geographical region

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

Australia	4,195,720	4,345,545
Kyrgyzstan	83,212	817,287
Unallocated items	-	(1,064,208)
Total assets	4,278,932	4,098,624

(d) Liabilities by geographical region

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

	Consolidated 2011 \$	Consolidated 2010 \$
Australia	236,747	3,369,517
Kyrgyzstan	85,533	3,042,076
Unallocated items	-	(6,166,314)
Total liabilities	322,280	245,279

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 30 JUNE 2011

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 2011.

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

Short-term employee benefits	315,403	636,207
Post-employment benefits	10,115	12,000
Other long-term benefits	-	11,396
Share-based payments	-	255,586
	<u>325,518</u>	<u>915,189</u>

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:

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	-	-	-	-	-
	<u>45,800,000</u>	<u>-</u>	<u>-</u>	<u>(14,300,000)</u>	<u>31,500,000</u>

*Shares held at time of director resignation

2010

Key management personnel	Balance at beginning of year	Granted as Remuneration	Options exercised	Other changes	Balance at end of year
Scott Spencer	8,000,000	2,500,000	-	-	10,500,000
Jon Roestenburg	5,100,000	9,200,000	-	-	14,300,000
Mark Gwynne	11,000,000	10,000,000	-	-	21,000,000
Richard Aden	-	3,186,783	-	(3,186,783)	-
	<u>24,100,000</u>	<u>24,886,783</u>	<u>-</u>	<u>(3,186,783)</u>	<u>45,800,000</u>

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 30 JUNE 2011

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:

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

* Options held at time of resignation

2010

Key management personnel	Balance at beginning of year	Granted as compensation	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	15,000,000	30,000,000	(2,500,000)	-	42,500,000	42,500,000	42,500,000
Mark Gwynne	8,250,000	30,000,000	-	-	38,250,000	38,250,000	38,250,000
Richard Aden	-	30,000,000	-	-	30,000,000	30,000,000	30,000,000
	23,250,000	120,000,000	(2,500,000)	-	140,750,000	140,750,000	140,750,000

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.

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					

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 30 JUNE 2011

27 Share based payments (Continued)

Options granted as share based payments to key management personnel outstanding at 30 June 2010 (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 3	5,000,000	5,000,000	12/4/2007	\$0.0188	\$0.050	1/3/2008	31/12/2010
Series 4	5,000,000	5,000,000	12/4/2007	\$0.0195	\$0.075	1/3/2009	31/12/2011
Series 9	2,500,000	2,500,000	11/3/2008	\$0.0139	\$0.025	11/3/2008	11/3/2011
Series 13	45,000,000	45,000,000	3/12/2009	\$0.0014	\$0.006	3/12/2009	3/12/2011
Series 14	45,000,000	45,000,000	3/12/2009	\$0.0017	\$0.013	3/12/2009	3/12/2012
Series 15	15,000,000	15,000,000	11/12/2009	\$0.0026	\$0.006	11/12/2009	3/12/2011
Series 16	15,000,000	15,000,000	11/12/2009	\$0.0027	\$0.013	11/12/2009	3/12/2012
	132,500,000	132,500,000					

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:

	2011		2010	
	Number options	WAEP	Number options	WAEP
Balance at beginning of year	177,500,000	\$0.070	18,250,000	\$0.049
Director remuneration	-	-	45,000,000	\$0.002
Director remuneration	-	-	45,000,000	\$0.003
Employee incentive options	-	-	10,000,000	\$0.004
Employee incentive options	-	-	7,500,000	\$0.003
Employee incentive options	-	-	7,500,000	\$0.001
Consultant options	-	-	25,000,000	\$0.008
Consultant options	-	-	25,000,000	\$0.002
Exercised during the year	-	-	-	-
Expired during the year	(7,500,000)	(\$0.002)	(5,750,000)	(\$0.002)
Balance at end of the year	170,000,000	\$0.002	177,500,000	\$0.070
Exercisable at end of the year	170,000,000		177,500,000	

- The options outstanding at 30 June 2011 had a weighted average exercise price of \$0.020 (2010: \$0.070) and remaining lives of between 0.5 & 3.5 years (2010: between 0.5 & 4.5 years).
- Included under employee benefits expense in the statement of comprehensive income is \$nil (2010: \$381,849) related to equity-settled share based payment transactions.

Options exercised

During the financial year ended 30 June 2011 there were no compensation options exercised (2010: Nil).

Valuation of options

The valuation of options issued on 3 December 2009 and 11 December 2009 was undertaken. The valuation process indicated five different values of \$0.0014, \$0.0017, \$0.0034, \$0.0026 and \$0.0027 per option. The valuations have been performed using the inputs and assumptions detailed in this report.

27 Share based payments (Continued)

	Options A	Options B	Options C	Options D	Options E
Grant date	3/12/2009	3/12/2009	11/12/2009	11/12/2009	11/12/2009
Expiry date	3/12/2011	3/12/2012	11/12/2014	3/12/2011	3/12/2012
Spot price	\$0.0030	\$0.0030	\$0.0050	\$0.0050	\$0.0050
Exercise price	\$0.0060	\$0.0130	\$0.0800	\$0.0060	\$0.0130
Volatility	150.00%	150.00%	150.00%	150.00%	150.00%
Risk free rate	4.94%	4.94%	4.97%	4.97%	4.97%
Marketability discount	25.00%	25.00%	25.00%	25.00%	25.00%
Fair value of option	\$0.0014	\$0.0017	\$0.0034	\$0.0026	\$0.0027

Assumptions

Options A granted 3 December 2009

- The Company has used the Black-Scholes method for calculating the value of the options;
- The expiry date is 3 December 2011;
- The spot price is the most recent sale price for a Orca share on the date of grant;
- The exercise price is \$0.0060;
- Each option will convert into one fully paid ordinary share; and
- The risk free rate is estimated based on the Australian Treasury 3 year bond rate.

Options B granted 3 December 2009

- The Company has used the Black-Scholes method for calculating the value of the options;
- The expiry date is 3 December 2012;
- The spot price is the most recent sale price for a Orca share on the date of grant;
- The exercise price is \$0.0130;
- Each option will convert into one fully paid ordinary share; and
- The risk free rate is estimated based on the Australian Treasury 3 year bond rate.

Options C granted 11 December 2009

- The Company has used the Black-Scholes method for calculating the value of the options;
- The expiry date is 11 December 2014;
- The spot price is the most recent sale price for a Orca share on the date of grant;
- The exercise price is \$0.0800;
- Each option will convert into one fully paid ordinary share; and
- The risk free rate is estimated based on the Australian Treasury 3 year bond rate.

Options D granted 11 December 2009

- The Company has used the Black-Scholes method for calculating the value of the options;
- The expiry date is 3 December 2011;
- The spot price is the most recent sale price for a Orca share on the date of grant;
- The exercise price is \$0.0600;
- Each option will convert into one fully paid ordinary share; and
- The risk free rate is estimated based on the Australian Treasury 3 year bond rate.

Options E granted 11 December 2009

- The Company has used the Black-Scholes method for calculating the value of the options;
- The expiry date is 3 December 2012;
- The spot price is the most recent sale price for a Orca share on the date of grant;
- The exercise price is \$0.0130;
- Each option will convert into one fully paid ordinary share; and
- The risk free rate is estimated based on the Australian Treasury 3 year bond rate.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 30 JUNE 2011

	Consolidated 2011 \$	Consolidated 2010 \$
28 Notes to the cash flow statement		
(a) Reconciliation of loss for the year to net cash flows from operating activities		
Loss for the year	(1,689,024)	(1,824,487)
Non-cash flows in operating loss:		
Depreciation	36,161	53,665
Profit on sale of fixed assets	(2,660)	-
Share based payments expense	-	381,849
Foreign exchange differences	(55,725)	152,596
Loan impairment expense	(34,376)	212,715
Gain on deconsolidation of subsidiary	-	(614,714)
Investment impairment expense	120,500	100,167
Exploration expenses	-	9,858
Write-off exploration expenditure	339,387	208,029
Changes in net assets and liabilities, net of effects from acquisition of businesses:		
(Increase)/decrease in assets:		
Receivables	38,197	(367,784)
Prepayments	3,668	(11,502)
Inventory	-	3,342
Increase/(decrease) in liabilities:		
Payables	32,925	(88,725)
Provisions	(4,339)	10,965
Net cash outflow from operating activities	(1,215,286)	(1,774,026)

(b) Non-cash financing and investing activities

There were no non-cash financing or investing activities during the financial year ended 30 June 2011 (2010: 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.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 30 JUNE 2011

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:		Non- interest bearing	Total
			<1 year	1 – 5 years		
	%	\$	\$	\$	\$	\$
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

	Average interest rate	Floating interest rate	Fixed interest rate maturing in:		Non- interest bearing	Total
			<1 year	1 – 5 years		
	%	\$	\$	\$	\$	\$
2010						
Financial assets						
Cash and cash equivalents	5%	105,219	73,177	-	-	178,396
Trade and other receivables	N/A	-	-	-	397,912	397,912
Other financial assets	N/A	-	-	-	77,143	77,143
		105,219	73,177	-	475,055	653,451
Financial liabilities						
Trade and other payables	N/A	-	-	-	181,438	181,438
		-	-	-	181,438	181,438
Net financial assets		105,219	73,177	-	293,617	472,013

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 Orcaing 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 2011, 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 \$10,923 (2010: \$9,746) and an increase in equity by \$10,923 (2010: \$9,746).

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.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 30 JUNE 2011

29 Financial instruments (Continued)

A 10 percent strengthening of the Australian dollar against the following currencies at 30 June 2011 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 2010.

	Consolidated	
	Equity	Loss
	\$	\$
30 June 2011		
USD	1,178	(1,178)
30 June 2010		
USD	657	(657)

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 Orcas 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, Orcas 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
	\$	\$	\$	\$
2011				
Financial assets				
Shares in ASX listed entity	30,000	-	-	30,000
	30,000	-	-	30,000
2010				
Financial assets				
Shares in ASX listed entity	77,143	-	-	77,143
	77,143	-	-	77,143

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 2011 amounted to \$280,850 (2010: \$3,225,168).

(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 other than the following:

A total of \$1,057 (2010: \$21,885) in reimbursement of office costs were invoiced during the financial year to Fe Limited, a company of which Mark Gwynne is a director. An amount of \$1,057 (2010: \$21,885) is within receivables at year end.

A total of \$16,522 (2010: \$nil) in reimbursement of rent and office costs were invoiced during the financial year by Eclipse Uranium Limited, a company of which Paul Kelly is a director. An amount of \$16,522 (2010: \$nil) is within payables at year end.

A total of \$31,925 (2010: \$nil) in reimbursement of travel and office costs were invoiced during the financial year to Jacka Resources Limited, a company of which Scott Spencer is a director. An amount of \$nil (2010: \$nil) is within receivables at year end.

31 Subsequent events

There has not been any matter or circumstance that has arisen since 30 June 2011 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:

On 12 July 2011, the Company advised that it has 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. Orca will acquire its 20% interest in the Project through the acquisition of 100% of the issued capital of Sugarbay Investments Pty Ltd, the current assignee and participant in the Project.

As a result of approval by shareholders at a General meeting held on 15 August 2011, the Company changed its name from Orca Energy Limited to Orca Energy Limited and acquired 100% of the issued share capital of Sugarbay Investments Pty Ltd in consideration for:

- \$1,200,000 being reimbursement for past costs including fees for land, legal, environmental, engineering, geophysical, geological and finance expenses associated with the Matagorda Project.
- the issue of 2,750,000,000 shares in Orca.

31 Subsequent events (continued)

The conditions precedent to settlement of the Acquisition that are contained in the Terms Sheet are:

- (i) completion of due diligence by the Company on Sugarbay and the Matagorda Project to the satisfaction of the Company;
- (ii) the Company raising of at least A\$2,000,000 through the issue of 2,000,000,000 Shares at a price of \$0.001 (Placement).
- (iii) the parties entering into a comprehensive share sale agreement for the Acquisition;
- (iv) completion of the acquisition by Sugarbay of the 20% interest in the Matagorda Project;
- (v) all relevant consents and approvals for the Acquisition being obtained on terms acceptable to the Company; and

If any of the conditions precedent are not satisfied or waived, the Acquisition will not proceed.

As at the signing of the Agreement, Mr. Scott Spencer has resigned from the board and Mr. Jason Bontempo has been appointed as a Director of Orca as part of the proposed Acquisition and will assist in its completion.

On 15 August 2011, shareholders also approved Mr. Gregory Bandy and Mr. Jeremy King to be appointed as Directors of Orca Energy Limited with Mr. Mark Gwynne and Mr. Paul Kelly resigning.

On 16 August 2011, the Company issued 2,000,000,000 shares at \$0.001 each to raise a gross amount of \$2,000,000.

On 31 August 2011, 1,471,850,104 \$0.025 options expired without exercise.

Corporate Governance

In fulfilling its obligations and responsibilities to its various stakeholders, the Board is a strong advocate of corporate governance. This statement outlines the principal corporate governance procedures of the Company. The Board supports a system of corporate governance to ensure that the management of the Company is conducted to maximise shareholder wealth in a proper and ethical manner.

ASX Corporate Governance Council Recommendations

The Board has adopted corporate governance policies and practices consistent with the ASX Corporate Governance Council's Principles of Good Corporate Governance and Best Practice Recommendations ("ASX Principles and Recommendations 2nd Edition") where considered appropriate for company of the Company's size and nature. Such policies include, but are not limited to the Board Charter, Board Committee Charters, Code of Conduct, Security Trading, Continuous Disclosure, Shareholder Communication and Risk Management Policies.

The Company's main corporate governance policies and practices are outlined below:

(a) Board of Directors

The Company's Board of Directors is responsible for corporate governance of the Company. The Board develops strategies and financial objectives for the Company, reviews strategic objectives and monitors performance against those objectives.

The Board acknowledges its accountability to Shareholders for creating Shareholder value within a framework which protects the rights and interests of Shareholders and ensures the Company is properly managed.

The objective of the Board is to provide an acceptable rate of return to the Company's Shareholders and take into account the interests of its employees, customers, suppliers, lenders and the wider community.

Each of the Directors, when representing the Company, must act in the best interest of Shareholders of the Company and in the best interests of the Company as a whole.

In carrying out the responsibilities and powers set out in the Board Charter, the Board:

- (i) recognises its overriding responsibilities to act honestly, fairly, diligently and in accordance with the law in serving the interests of its Shareholders; and
- (ii) recognises its duties and responsibilities to its employees, customers and the community.

(b) Composition of the Board

Election of Board members is substantially the province of the Shareholders in general meeting.

The composition of the Board is to be reviewed regularly to ensure the appropriate mix of skills and expertise is present to facilitate successful strategic direction.

The majority of the Board is comprised of Non-Executive Directors. Where practical, at least half of the Board will be independent. An independent Director is one who is independent of management and free from any business or other relationship, which could, or could reasonably be perceived to, materially interfere with, the exercise of independent judgement.

The Board is currently comprised of a majority of Non-Executive and independent Directors. The Board considers that its current structure is appropriate given the stage of development and given the size, nature and scope of the Company's activities.

(c) Independent professional advice

The Board or individual Directors may seek independent external professional advice as considered necessary at the expense of the Company, subject to prior consultation with the Chairperson. A copy of any such advice received is to be made available to all members of the Board.

(d) Remuneration arrangements

The total maximum remuneration of Non-Executive Directors is the subject of a Shareholder resolution in accordance with the Company's Constitution, the Corporations Act and the ASX Listing Rules, as applicable. The determination of Non-Executive Directors' remuneration within that maximum will be made by the Board having regard to the inputs and value to the Company of the respective contributions by each Non-Executive Director.

The Board may award additional remuneration to Non-Executive Directors called upon to perform extra services or make special exertions on behalf of the Company.

(e) Performance Assessment

The Board has adopted a formal process for an annual self assessment of its collective performance and the performance of individual directors. The Board is required to meet at least annually with the purpose of reviewing the role of the Board, assessing its performance over the previous 12 months and examining ways in which the Board can better perform its duties. The issues examined in the review include the Board's interaction with management, the type of information provided to the Board by management and management performance in helping the Board meet its objectives.

(f) External audit

The Company in general meetings is responsible for the appointment of the external auditors of the Company, and the Board from time to time will review the scope, performance and fees of those external auditors.

(g) Code of Conduct

A formal code of conduct for the Company applies to all directors and employees. The code aims to encourage the appropriate standards of conduct and behaviour of the directors, employees and contractors of the Company. All personnel are expected to act with integrity and objectivity, striving at all times to enhance the reputation and performance of the Company.

The Directors, managers and employees are expected to act with the utmost integrity and objectivity, observe the highest standards of behaviour and business ethics and strive at all times to enhance the good reputation and performance of the Company by acting in the best interests of the Company, being responsible and accountable for their actions and observing the ethical principles of fairness, honesty and truthfulness, including disclosure of potential conflicts.

Audit committee

The Company does not have a separate constituted audit committee. The Board, as a whole, serves as an audit committee and acts in accordance with the Audit and Risk Management Committee Charter.

Pursuant to the charter, the audit and risk management responsibilities include:

- overseeing, co-ordinating and appraising the quality of the audits conducted by both the Company's external and internal auditors (if and when appointed);
- determining the independence and effectiveness of the external and internal auditors;
- maintaining open lines of communications among the Board and the internal and external auditors to exchange views and information, as well as confirm of their respective authority and responsibilities;
- serving as an independent and objective party to review the financial information submitted by management to the Board for issue to shareholders, regulatory authorities and the general public; and
- reviewing the adequacy of the reporting and accounting controls of the Company.

(h) Nomination and Remuneration Committee

The Company does not have a separate constituted nomination and remuneration committee. The Board, as a whole, serves as a nomination and remuneration committee and acts in accordance with the Nomination and Remuneration Committee Charter.

Pursuant to the charter, the nomination and remuneration responsibilities include:

- reviewing and recommending the overall strategies in relation to executive remuneration policies;
- reviewing and make recommendations in respect of the compensation arrangements for all non-executive directors, the Chief Executive Officer and all other senior executives;
- reviewing the effectiveness of performance incentive plans;
- reviewing and make recommendations in respect of all equity based remuneration plans;
- reviewing and make recommendations in respect of the Company's recruitment, retention and termination policies and superannuation arrangements;
- reviewing the composition of the Board and ensuring that the Board has an appropriate mix of skills and experience to properly fulfil its responsibilities;
- ensuring that the Board is comprised of directors who contribute to the successful management of the Company and discharge their duties having regard to the law and the highest standards of corporate governance;

- reviewing and make recommendations to the Board in respect of the succession plans of senior executives (other than executive Directors) and ensuring the performance of senior executives is reviewed at least annually; and
- considering nominations for potential candidates to act as Directors.

(i) Identification and Management of Risk

The Board's collective experience will enable accurate identification of the principal risks that may affect the Company's business. Key operational risks and their management will be recurring items for deliberation at Board meetings.

The Board takes a proactive approach to risk management and have a formal risk management policy to provide further guidance. The identification and proper management of risk within the Company is a priority for the Board.

(j) Policy for Trading in Company Securities

Trading in the Company's securities by directors and employees is not permitted when they are in possession of unpublished price sensitive information. Any transactions undertaken must be notified to the Chairman or the Board in advance.

Directors, officers and employees must not buy, sell or subscribe for securities if they are in possession of 'inside information' (information that is not generally available and, if the information were generally available, a reasonable person would expect it to have a material effect on the price or value of securities). The Corporations Act 2001 (Cth) provides that a reasonable person would be taken to expect information to have a material effect on the price or value of securities if the information would, or would be likely to, influence persons who commonly invest in securities in deciding whether or not to subscribe for, buy or sell the securities.

Subject to the insider trading restrictions above, it is the Company's policy that Directors, officers and employees will not deal in the Company's securities as a matter of course during:

- in the two weeks prior to the release of the Company's quarterly reports (if appropriate) and for two business days after the release of the report;
- in the four weeks prior to the release of the Company's half year financial results and for two business days after the release of the results;
- in the four weeks prior to the release of the Company's full year financial results and for two business days after the release of the results;
- in any other period when the Company is in possession of unpublished price-sensitive information and for two business days after the release of such information; and
- any time it may be reasonably probable that notification of price-sensitive information is required pursuant to the ASX Listing Rules and for two business days after the release of such information.

The Company's policy also reinforces the Directors' and Company's statutory obligations to notify the ASX of any dealing in the securities which results in a change in the relevant interests of a Director in the securities. As contemplated in the ASX listing rules, each Director provides notice of such dealings to the Company Secretary within three business days of any such dealing to enable the Company to comply with its corresponding obligation to notify the ASX.

Subject to the insider trading restrictions above, Directors may trade outside the specified periods with approval from the Chairman or in the case of the Chairman intending to trade with approval from the Audit Committee Directors.

(k) Continuous Disclosure and Shareholder Communication

The Company has a formal written policy for the continuous disclosure of any price sensitive information concerning the Company. The Board has also adopted a formal written policy covering arrangements to promote communications with shareholders and to encourage effective participation at general meetings.

The Executive Director and the Company Secretary have been nominated as the Company's primary disclosure officers. All information released to the ASX is posted on the Company's web-site as soon as practicable after it is disclosed to the ASX. When analysts are briefed on aspects on the Company's operations, the material used in the presentation is released to the ASX and posted on the Company's web-site.

The Company is committed to providing shareholders and stakeholders with extensive, transparent, accessible and timely communications on the Company's activities, strategy and performance. In addition, the Company makes all market announcements, media briefings, details of shareholders meetings, press releases and financial reports available on the Company's website www.orcaenergy.com.au.

(l) Ethical standards

The Board is committed to the establishment and maintenance of appropriate ethical standards.

CORPORATE GOVERNANCE STATEMENT (CONTINUED)

ASX Best Practice Recommendations

The table below identifies the ASX Corporate Governance Principles and Recommendations (**Principles**) and whether or not the Company has complied with the recommendations during the reporting period:

Recommendation		Complied	Note
1.	Lay solid foundations for management and oversight		
1.1	Establish the functions reserved to the board and those delegated to senior executives and disclose those functions	✓	
1.2	Disclose the process for evaluating the performance of senior executives	✓	
1.3	Provide the information indicated in the Guide to reporting on Principle 1	✓	
2.	Structure the board to add value		
2.1	A majority of the board should be independent directors	✓	
2.2	The chair should be an independent director	✓	
2.3	The roles of chair and chief executive officer should not be exercised by the same individual	✓	
2.4	The board should establish a nomination committee	✗	Note 1
2.5	Disclose the process for evaluating the performance of the board, its committees and individual directors	✓	
2.6	Provide information indicated in the Guide to reporting on Principle 2	✓	
3.	Promote ethical and responsible decision-making		
3.1	Establish a code of conduct and disclose the code or a summary of the code as to: - the practices necessary to maintain confidence in the company's integrity - the practices necessary to take into account their legal obligations and the reasonable expectations of their stakeholders - the responsibility and accountability of individuals for reporting and investigating reports of unethical practices	✓	
3.2	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.	✗	Note 2
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.	✗	Note 2
3.4	Companies should disclose in each annual report the proportion of women employees in the whole organisation, women in senior executive positions and women on the board.	✗	Note 2
3.5	Provide information indicated in the Guide to reporting on Principle 3	✓	
4.	Safeguard integrity in financial reporting		
4.1	Establish an audit committee	✗	Note 3
4.2	Structure the audit committee so that it: - consist only of non-executive directors - consists of a majority of independent directors - is chaired by an independent chair, who is not chair of the board - has at least three members	✗	Note 3
4.3	The audit committee to have a formal charter	✓	
4.4	Provide the information indicated in the Guide to reporting on Principle 4	✓	
5.	Make timely and balanced disclosure		
5.1	Establish written policies designed to ensure compliance with ASX Listing Rule disclosure requirements and to ensure accountability at senior executive level for that compliance and disclose those policies or a summary of those policies	✓	

CORPORATE GOVERNANCE STATEMENT (CONTINUED)

Recommendation		Complied	Note
5.2	Provide the information indicated in the Guide to reporting on Principle 5	✓	
6.	Respect the rights of shareholders		
6.1	Design communications policy for promoting effective communication with shareholders and encouraging their participation at general meetings and disclose their policy or a summary of that policy	✓	
6.2	Provide the information indicated in the Guide to reporting on Principle 6	✓	
7.	Recognise and manage risk		
7.1	Establish policies for oversight and management of material business risks and disclose a summary of those policies	✓	
7.2	Require management to design and implement the risk management and internal control system to manage the company's material business risks and report to it on whether those risks are being managed effectively. Disclose that management has reported to it as to the effectiveness of the company's management of its material business risks.	✓	
7.3	Disclose whether assurance has been received 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.	✓	
7.4	Provide information indicated in the Guide to reporting on Principle 7	✓	
8.	Remunerate fairly and responsibly		
8.1	Establish a remuneration committee	✗	Note 1
8.2	Structure the remuneration committee so that it: • consists of a majority of independent directors • is chaired by an independent director • has at least three members	✗	Note 1
8.3	Clearly distinguish the structure of non-executive directors' remuneration from that of executive directors and senior executives	✓	
8.4	Provide the information indicated in the Guide to reporting on Principle 8	✓	

Note 1: The Principles recommend that companies should have a board of an effective composition, size and commitment to adequately discharge its responsibilities and duties and that companies should have a structure to ensure that the level and composition of remuneration is sufficient and reasonable and that its relationship to performance is clear.

(a) Recommendation 2.4 – Nomination Committee

Recommendation 2.4 of the Principles states that the board should establish a nomination committee that should be structured so that it:

- consists of a majority of independent directors;
- is chaired by an independent director; and
- has at least three members.

The Board does not have a separate nomination committee. The Board, as a whole, serves as a nomination committee and acts in accordance with the Nomination and Remuneration Committee Charter. The Board does not believe any efficiency or other benefits would currently be gained by establishing a separate nomination committee.

The responsibility for the selection of potential directors lies with the full Board of the Company. A separate nomination committee has not been constituted because the Board considers that the size of the current full Board permits it to act as the nomination committee and to regularly review membership. This includes an assessment of the necessary and desirable competencies of Board members, Board succession plans and an evaluation of the Board's performance and consideration of appointments and approvals.

When a Board vacancy occurs, the Board acting as the nomination committee, identifies the particular skills, experience and expertise that will best complement Board effectiveness, and then undertakes a process to identify candidates who can meet those criteria.

Directors are not appointed for specific terms, as their periods in office are regularly reviewed as part of annual performance evaluation processes and they are subject to re-election every three (3) years.

(b) Recommendation 8.1 – Remuneration Committee

Recommendation 8.1 of the Principles states that the board should establish a remuneration committee that should be structured so that it:

- consists of a majority of independent directors;
- is chaired by an independent director; and
- has at least three members

The Board does not have a separate remuneration committee. The Board, as a whole, serves as a remuneration committee and acts in accordance with the Nomination and Remuneration Committee Charter. The Board does not believe any efficiency or other benefits would currently be gained by establishing a separate remuneration committee.

The responsibility for remuneration of directors and senior management lies with the full Board of the Company. A separate remuneration committee has not been constituted because the Board considers that the size of the current full Board permits it to act as the remuneration committee and will review remuneration issues at regular Board meetings.

Given the size of the Board and the Company, the Board considers that this function is efficiently achieved by the full Board. In circumstances where the size of the Board is expanded as a result of the growth or complexity of the Company, the Board will reconsider the establishment of a remuneration committee to ensure compliance with the Principles where possible.

Note 2: The Principles recommends that companies should actively promote ethical and responsible decision-making.

(a) Recommendation 3.2 – Diversity Policy

Recommendation 3.2 states that 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 measurable objectives for achieving gender diversity and for the board to assess annually both the objectives and progress in achieving them.

The Company recognises that a talented and diverse workforce is a key competitive advantage and that an important contributor to the Company's success is the quality, diversity and skills of its people.

Under the Company'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.

(b) Recommendation 3.3 – Measurable Objectives for Achieving Gender Diversity

Recommendation 3.3 of the Principles states that the board should disclose in each annual report the measurable objective for achieving gender diversity set by the board in accordance with the diversity policy and progress towards achieving them.

Given the size of the Company, the Company 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.

(c) Recommendation 3.4 – Annual Report Disclosure

Recommendation 3.4 of the Principles states that the board should disclose in each annual report:

- the proportion of women employees in the whole organisation;
- women in senior executive positions; and
- women on the board.

Given the size of the Board and the Company, the Board considers that this function is efficiently achieved with Ms Rebecca Sandford as the Company Secretary holding a senior executive position in the Company. The Company does not currently have any employees.

Note 3: The Principles recommend that companies should have a structure to independently verify and safeguard the integrity of their financial reporting. Recommendation 4.1 of the Principles states that the board should establish an audit committee.

Recommendation 4.2 of the Principles states that the audit committee should be structured so that it:

- consists only of non-executive directors
- consists of a majority of independent directors
- is chaired by an independent chair, who is not chair of the board
- has at least three members.

The Board does not have a separate audit committee. The Board, as a whole, serves as a audit committee and acts in accordance with the Audit and Risk Management Committee Charter. The Board does not believe any efficiency or other benefits would currently be gained by establishing a separate audit committee.

The responsibility for preparation of financial statements and their audit lies with the full Board of the Company. A separate audit committee has not been constituted because the Board considers that the size of the current full Board permits it to act as the audit committee and will review audit issues at regular Board meetings.

Given the size of the Board and the Company, the Board considers that this function is efficiently achieved by the full Board. In circumstances where the size of the Board is expanded as a result of the growth or complexity of the Company, the Board will reconsider the establishment of an audit committee to ensure compliance with the Principles where possible.

ASX ADDITIONAL INFORMATION (CONTINUED)

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 13 September 2011.

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	63	8,089
1,001	-	5,000	10	38,168
5,001	-	10,000	18	157,460
10,001	-	100,000	641	40,016,897
100,001	and over		2,297	9,060,450,820
			3,029	9,100,671,434

Number of shareholders holding less than a marketable parcel of ordinary shares: 1,261 shareholders amounting to 129,537,191 shares.

2. STATEMENT OF RESTRICTED SECURITIES

The following securities are restricted for a period of 12 months from issue (15 August 2011)

Name	Number of Shares
J & J BANDY NOMINEES PTY LTD <J & J BANDY SUPER FUND A/C>	850,000,000
PERCY HOLDINGS LIMITED	850,000,000
SEVENTY THREE PTY LTD<KING SUPER FUND NO3 A/C>	750,000,000
JAMES ANTHONY GLEESON	300,000,000

3. SUBSTANTIAL SHAREHOLDERS

Rank	Name	Number of Shares	% of Issued Capital
1	J & J BANDY NOMINEES PTY LTD <J & J BANDY SUPER FUND A/C>	875,000,000	9.61
2	PERCY HOLDINGS LIMITED	850,000,000	9.34
3	SEVENTY THREE PTY LTD <KING SUPER FUND NO 3 A/C>	750,000,000	8.24

4. UNQUOTED SECURITIES

The Company has the following unquoted securities:

Number	Class
77,500,000	\$0.006 options expiring 3 December 2011
5,000,000	\$0.075 options expiring 31 December 2011
77,500,000	\$0.013 options expiring 3 December 2012
10,000,000	\$0.080 options expiring 11 December 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.

6. ON-MARKET BUY-BACK

There is no current on-market buy-back.

7. STATEMENT OF TOP 20 HOLDERS OF LISTED EQUITY SECURITIES AS AT 13 SEPTEMBER 2011

Fully paid ordinary shares

Rank	Name	Number of Shares	% of Issued Capital
1	J & J BANDY NOMINEES PTY LTD <J & J BANDY SUPER FUND A/C>	875,000,000	9.61
2	PERCY HOLDINGS LIMITED	850,000,000	9.34
3	SEVENTY THREE PTY LTD <KING SUPER FUND NO 3 A/C>	750,000,000	8.24
4	JAMES ANTHONY GLEESON	300,000,000	3.30
5	HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED	223,973,485	2.46
6	MS INGRID JOAN OLSEN	150,000,000	1.65
7	SONIC HOLDINGS PTY LTD <SONIC HOLDINGS UNIT A/C>	100,000,000	1.10
8	MS MERLE SMITH + MS KATHRYN SMITH <THE MINI PENSION FUND A/C>	100,000,000	1.10
9	JUPITER RESOURCES PTY LTD	87,000,000	0.96
10	GALLWAY INVESTMENTS PTY LTD <GORDON FAMILY SUPERFUND A/C>	79,999,999	0.88
11	CINQUE HOLDING PTY LTD	75,000,000	0.82
12	MR WAYNE GREGORY LOXTON + MRS DONNA JOY LOXTON <W & D LOXTON SUPER FUND A/C>	74,514,130	0.82
13	MERIWA STREET PTY LTD	65,625,000	0.72
14	MR MARCELLO DAVIDE CARDACI <MD CARDACI FAMILY FUND A/C>	65,625,000	0.72
15	BUSHWOOD NOMINEES PTY LTD	59,062,500	0.65
16	MORGRAE PTY LTD <HUMPHREY SUPER FUND A/C>	55,453,125	0.61
17	MISS EVEY MULYADI	55,050,440	0.60
18	MR SIMON WILLIAM TRITTON <INVESTMENT A/C>	55,000,000	0.60
19	MR TERENCE MICHAEL BAKER + MRS PATRICIA BEVERLEY BAKER <BAKER FAMILY SUPERFUND A/C>	50,000,001	0.55
20	SONIC HOLDINGS PTY LTD <THE AUSTIN FAMILY FUND A/C>	50,000,001	0.55
		4,121,303,681	45.28

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
<u>Kyrgyz Republic</u>	
Atbashi-Arpinski (oil & gas)	100.0%
Tyup (oil & gas)	100.0%
Karakol (oil & gas)	100.0%
East Kokmoinok (uranium)	22.5%
<u>Australia</u>	
PEL 115	42.0%
PEL 110 *	-

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