



24 July 2012

Manager of Company Announcements
ASX Limited
Level 8 Exchange Plaza
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By E-Lodgement

Project Update

Highlights:

- Weatherford Drill Rig 826 rig secured to drill Orca's free carried well (Kingston Rule 1) in PEL 115
- PEL 115 Operator has proposed the location of Kingston Rule 1
- Subject to joint venture approval of the location, Kingston Rule 1 is scheduled for drilling in October
- PEL 115 is adjacent to PEL 516 in which JV partner Senex Energy's successful first unconventional well (Sasanof-1) flowed gas to surface
- Gas condensate and fluorescence at Senex's second unconventional well (Talaq-1) in PEL 516 adjacent to PEL 115, with fracking to follow
- 250km² 3D seismic program on PEL 110 to begin in Q3, 2012
- Orca remains well funded with circa \$4m in cash after cornerstone placement to Senex Energy in January 2012 at 3.5c per share

PEL 115 – OGY 20%

In January 2012, Orca Energy entered into an agreement to farm-out 22% of its Cooper Basin block, PEL 115, to joint venture partner and operator, Senex Energy Limited (ASX: SXY) in return for a dedicated unconventional gas exploration well to be drilled this year.

Senex are currently undertaking a three well unconventional gas program on their 100% owned block, PEL 516 where drilling so far has delivered excellent preliminary results with many of the attributes typically associated with successful unconventional gas fields.

Today, Senex announced that it has secured the Weatherford Rig 826 for a two well program to drill its third unconventional well on PEL 516 (Skipton-1) and Orca's free carried well on PEL 115 (to be named "Kingston Rule 1"). The location of Kingston Rule 1 has now been finalised subject to joint venture approval and this landmark well is scheduled to spud in October this year.

The location of block PEL 115 is significantly strategic as it is completely surrounded by PEL 516, where Senex estimates over 100Tcf Gas-in-Place from shales and coals alone (refer to Figure 1.)

BOARD & MANAGEMENT

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EXECUTIVE DIRECTOR

Mr Jason Bontempo
NON-EXECUTIVE DIRECTOR

Mr Jeremy King
NON-EXECUTIVE DIRECTOR

Mr Denis Patten
NON-EXECUTIVE DIRECTOR

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ALTERNATE DIRECTOR

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SHARE REGISTRY

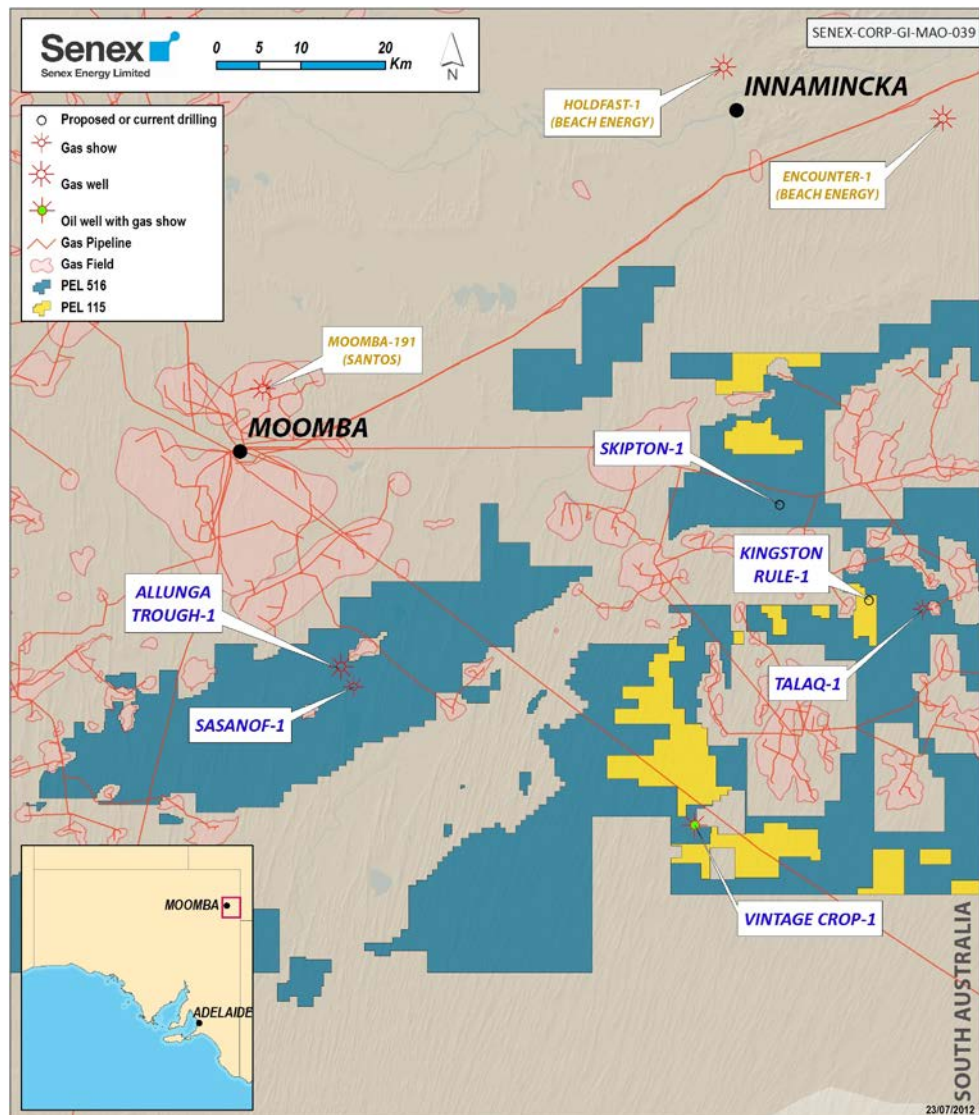
Advanced Share Registry
150 Stirling Highway
Nedlands WA 6009

ASX CODE

OGY



Figure 1: Location of Skipton-1 and the proposed Kingston Rule-1



Drilling of Senex's first well, Sasanof-1 concluded in April 2012 and commenced 'flowback' last month following the completion of an extensive hydraulic fracture stimulation program to test gas quality and deliverability. Preliminary results on both measures have been extremely positive with the well having flared at a peak gas flow rate of 178,000 cubic feet per day. It continues to produce fracture stimulation fluid and formation gas to surface with post-stimulation clean-up activities and production testing continuing.

The second well drilled in PEL 516, Talaq-1, reached a total depth of 2,879 metres on 1 June 2012. A comprehensive coring program was undertaken during drilling where Senex collected more than 320 metres of core from the Roseneath and Murteree shales as well as the tight sands and coals of the Patchawarra Formation. High gas readings were observed throughout the Permian Section during drilling. Preliminary analysis of the mud logs has confirmed the presence of condensate and fluorescence in the Epsilon Formation, which suggests the presence of liquid hydrocarbons.



Kingston Rule-1

The Kingston Rule-1 location in PEL 115 has been selected to target the greatest net thickness of potential shale, siltstone and tight sandstone in the Roseneath-Epsilon-Murteree targets, as well as potential net pay in the Patchawarra tight sand intervals. Review of the Hornet-1 offset well, located 2.5km due south from the Kingston Rule-1 location, has identified net sand pay throughout the well-developed Patchawarra channel sands. Coring intervals for Kingston Rule-1 have been proposed through multiple Patchawarra sands to better understand the petrophysical nature of these tight sand reservoirs. The drilling of Kingston Rule-1 will be followed by a fracture stimulation program to realize the production potential of the unconventional gas reservoirs encountered in this well.

PEL 110 – OGY 20%

Operatorship of PEL 110 has now transferred to JV partner and majority (60%) owner Victoria Oil Exploration (1997) Pty Ltd, a wholly-owned subsidiary of Senex Energy, and the joint venture has approved a 250km² seismic program for the year ending June 2013. This program is scheduled to commence in Q3, 2012 targeting conventional oil and gas along the western flank of the Cooper Basin. Completion of this 3D seismic survey will be a significant further step forward in the exploration of PEL 110.

Seabiscuit (Matagorda) Project - Texas

Orca's JV partner and operator, Dan A. Hughes Company continues to carry out necessary expenditures for road and site preparations, in anticipation of a spud date later this year. The Seabiscuit Project covers an area of approx. 1,750 acres and has the potential to contain up to 1Tcf of gas and 10MMbo. Orca will continue to provide updates as they become available.

For and on behalf of the Board

Greg Bandy
Executive Director