CORAL SEA PETROLEUM LTD

(Formerly Orchid Capital Limited)

ABN 30 073 099 171

ANNUAL REPORT and FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2012

TABLE OF CONTENTS

CORPORATE DIRECTORY

Directors
Chris Haiveta (Non-Executive Chairman)
Domenic Martino (Managing Director)
Julian Sandt (Non-Executive Director)
Alvin Tan (Non-Executive Director)
Joseph Goldberg (Non-Executive Director)

Company Secretary
Louisa Martino

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Perth Western Australia 6000
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Facsimile: +618 9322 1262
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Share Registry
Advanced Share Registry Services Pty Ltd
110 Stirling Highway
Nedlands Western Australia 6909
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Stock Exchange Listing
The Company is listed on the Australian Securities Exchange Limited and Deutsche Borse AG
Home Exchange-Perth, Australia

ASX Code- CSP
WKN Code-924249

Australian Business Number
ABN 30 073 099 171

DIRECTORS' REPORT

The Directors submit their report on Coral Sea Petroleum Ltd (Formerly Orchid Capital Limited) (the "Company" or "CSP") for the year ended 30 June 2012.

1. DIRECTORS

The names and details of the Company's Directors in office during the financial year and until the date of this report are as follows:

Name
Domenic Martino [2]
Chris Haiveta [2]
Joseph Goldberg [2]
Julian Sandt
Alvin Tan
Richard Lambe [1]
Clive McKee [1]

[1] Resigned on 3 August 2012

[2] Appointed on 3 August 2012

Chris Haiveta - Non-Executive Chairman (appointed 3 August 2012)

Chris Haiveta attended Lese Oalai Catholic Mission and De La Salle High School at Mainohana in Central Province followed by completing a Bachelor of Education and a Bachelor of Arts Degree with Honours between 1976 and 1981 at University of Papua New Guinea, Waigani. He completed post graduate degree studies in Development Economics at Sussex University in the United Kingdom and then returned to PNG to serve as a senior researcher at the Institute of Applied Social and Economic Research.

Mr Haiveta later joined the Papua New Guinea Public Service in the Department of Provincial Affairs in the office of the Minister as executive officer with particular responsibilities towards suspended Provincial Governments and their administration. He was appointed Secretary of the Department of Gulf Province in 1985 and later served as the economic advisor and Chief of Staff to Prime Minister Rabbie Namiliu from 1989 to 1992. He stood for Parliament for the Gulf Regional Seat in 1992 and served as a Member of Parliament until 2007.

Mr Haiveta is a senior Papua New Guinean who has served the country in both public service and politics over 29 years until the 2007 General Elections. Mr Haiveta has held several ministerial portfolios including the Ministry of Finance and Planning from 1994 to 2002. He also served as Minister for Mines, Petroleum and Energy, Deputy Prime Minister and at times acting Prime Minister of PNG.

As Deputy Prime Minister and Minister he presided over a period during which some of the major projects in mining and petroleum were awarded, implemented or renegotiated including the Lihir Gold Project, Moran Oil Project, Kainantu Gold Mine, and the current arrangements pertaining to the Ok Tedi Mine. He was also instrumental in floating Orogen Minerals Ltd on the ASX. Mr Haiveta has held positions as Governor representing PNG on the World Bank, IMF and Asian Development Bank Boards and was the national programme officer for the EU Programme in PNG. He also served a term in 1996-1997 as the Deputy Chairman of the joint IMF-World Bank annual meetings.

Mr Haiveta was also responsible for the corporatisation of most Papua New Guinea Statutory Organisations including Post PNG, Telicom, Pangtel Air Nuiguini, PNG Ports, Eda Ranu, 'B Mobile', MRDC, PNGBC, Investment

Corporation and Agriculture Bank. He also enacted the Public Finances Management Act and Regulations of 1996 and oversaw the implementation of the new Supply and Tenders Board under this act.

Mr Haiveta has also served as Chairman of the National Planning Committee and on the Boards of Gulf Investment Trust Fund and Gulf Papua Fisheries as Chairman, and as a trustee board member of Petroleum Resources Kutubu, Petroleum Resources Moran, and Petroleum Resources Gobe until 2007.

DIRECTORS' REPORT (continued)

Mr Haiveta has an excellent grasp of public policymaking and implementation. He is currently managing his own consultancy firm in providing day to day and retainer based advice to clients in the resources sector and other corporate entities and Government ministries in PNG. Mr Haiveta is committed to promoting and encouraging more Papua New Guineans to capture opportunities in the corporate sector and participate more meaningfully in the development opportunities Papua New Guinea continues to provide.

During the past three years Mr Haiveta has held no other directorships in ASX listed companies.

Domenic Martino - Managing Director (appointed 3 August 2012)

Mr Martino is a Chartered Accountant and an experienced director of ASX listed companies. Previously CEO of Deloitte Touch Tohmatsu in Australia, he has significant experience in the development of "micro-cap" companies.

Mr Martino is a key player in the re-birth of a broad grouping of ASX companies including Cokal Limited, Pan Asia Corporation Limited, Clean Global Energy Limited (renamed Citation Resources Ltd) and NuEnergy Capital Limited. He has a strong reputation in China, with a lengthy track record of operating in Papua New Guinea (PNG) and Indonesia, where he has successfully closed key energy and resources deals with key local players. He has proven track record in capital raisings across a range of markets.

Mr Martino was a recipient of the Centenary Medal 2003 for his service to Australian society through business and the arts.

During the past three years Mr Martino held the following directorships in other ASX listed companies:

Non-Executive Director of Australasian Resources Ltd (12 March 2007-Current), Citation Resources Ltd (9 October 2009-Current), Cokal Ltd (24 December 2010-Current), ORH Limited (4 May 2009-Current), Pan Asia Corporation Ltd (24 December 2010-Current) and Synergy Plus Limited (6 July 2006-Current).

Joseph (Yosse) Goldberg – Non-Executive Director (appointed 3 August 2012)

In the early 1960s Mr Goldberg joined Denis Silver and formed Silver Goldberg and Associates. The practice grew and became a leading architectural office, based in Perth and expanding its activities throughout Australia, Asia and Iran. The practice is operating today, after almost 60 years, under the name Silver, Hanley Thomas.

In mid 1970s Mr Goldberg became a property developer and designed, built, owned and operated, either on his own or in partnership, four medium-sized suburban shopping centres, apartments, a modern pig farm, 6PR radio station, managed land subdivisions and established a horse racing and breeding farm (Jane Brook Stud and Shamrock Park) providing agistment/training for 250-300 horses.

In later years he lived in the UK, Spain, USA, Canada where he helped Australian companies in establishing operations in those countries.

On his return to Australia he became a consultant and major shareholder in a number of companies and helped companies create a foothold in countries such as PNG, Indonesia, Cameroon, South Africa and Turkey.

Mr Goldberg has also consulted to Sydney Gas Limited, Blue Energy Limited, Kimberley Diamond Company NL, Sundance Resources Limited, CuDeco Limited, Gindalbie Metals Ltd about resources projects such as iron ore, oil and gas bed methane and copper. Recently Mr Goldberg has been engaged in establishing a major thermal, cooking oil and gas project in Indonesia requiring major infrastructure and financing.

During the past three years Mr Goldberg has held no other directorships in ASX listed companies.

Julian Sandt - Non-Executive Director

Mr Sandt has been a director of CSP since 2003. From 2004-2005, as Senior Partner with Aegis Private Capital Pte Ltd in Singapore, Mr Sandt raised and managed a Private Equity Fund investing in Asian Pre-IPO companies, outperforming applicable benchmarks. From 2000-2003, he was the Managing Partner of TFG Capital (Asia) Pte Ltd in Singapore, the Asian arm of a public-listed German Private Equity firm, and led various investee companies to IPOs or trade sales. From 1993-2000, Mr Sandt held various positions with Commerzbank AG in Frankfurt, Paris and Singapore, his last position being Manager, Capital Markets and Syndications.

DIRECTORS' REPORT (continued)

Mr Sandt holds a German MBA from Koblenz Business School (WHU Koblenz). Mr Sandt was the Chief Executive Officer until 3 August 2012. During the past three years Mr Sandt has held no other directorships in ASX listed companies.

Alvin Tan - Non-Executive Director

Alvin Tan has over 15 years corporate experience in Australia and Asia, including mergers, acquisitions, capital raisings and listings (on ASX, the Alternative Investments Market (AIM) of the London Stock Exchange, Kuala Lumpur Stock Exchange (KLSE) and the German Stock Exchange). Mr Tan studied at the University of Western Australia, gaining a Bachelor of Commerce with honours, and subsequently was employed by KPMG in Kuala Lumpur from 1993-1995 as a financial consultant.

Returning to Australia, Mr Tan worked with the stockbroking firm of D J Carmichael before pursuing other business interests. He was a founding director of various companies which are now listed on ASX.

Mr Tan currently serves on the board of ASX listed Advanced Share Registries Ltd and BKM Management Ltd. He also has interests in companies in exploration, property development, plantation and investment holdings.

During the past three years Mr Tan held the following directorships in other ASX listed companies:

Non- Executive Director of Advanced Share Registry Ltd (11 September 2007-Current) and BKM Management Limited (5 February 2002-Current).

Clive McKee - Chairman (resigned 3 August 2012)

Mr McKee had been a Director of CSP since September 1999 and served as the Joint Managing Director of CSP to May 2005. He was made Executive Chairman of CSP in September 2005.

Mr McKee served as an Independent Non-Executive Chairman of BKM Management Ltd from December 2001 to May 2008 and served as a Director of Pacific Rim Investment Corporation Ltd.

Mr McKee has extensive experience in global asset management and corporate finance through his previous positions with securities and fund management companies such as Yamaichi Securities, Societe General Strauss, Australia and New Zealand Banking Company Ltd., Westminster Fund Management GMBH and Amstel Securities.

During the past three years Mr McKee has held no other directorships in ASX listed companies.

Richard Lambe - Finance Director (resigned 3 August 2012)

Mr Lambe was also the Company Secretary of CSP since November 2006. Mr Lambe has also served as a Finance Director for CSP since November 2006. He has worked in various positions with companies including PricewaterhouseCoopers (formerly Coopers & Lybrand) and Wescorp International Ltd (former subsidiary of Wesfarmers Ltd). He serves as a Director of the CPA firm of Accountants and Business Advisers, Mercia Taxation and Accounting Pty Ltd. Mr Lambe holds a Bachelor of Business degree in Economics and Finance from Curtin University of Technology, a Graduate Diploma of Accounting from Murdoch University and is a Certified Practising Accountant.

During the past three years Mr Lambe has held no other directorships in ASX listed companies.

2. COMPANY SECRETARY

Louisa Martino - Company Secretary (appointed 8 August 2012)

Ms. Martino provides company secretarial and accounting services through Transaction Services Pty Ltd. Prior to this she was the Chief Financial Officer of a private company during its stage of seeking investor financing.

Ms Martino previously worked for a corporate finance company, assisting with company compliance (ASIC and ASX) and capital raisings. She also has experience working for a government organisation in its Business Development division where she performed reviews of business opportunities and prepared business case documents seeking Government funding.

DIRECTORS' REPORT (continued)

Ms Martino previously worked for a major accounting firm in Perth, London and Sydney where she provided corporate advisory services, predominantly on IPOs and mergers and acquisitions and also performed due diligence reviews. She has a Bachelor of Commerce from the University of Western Australia, is a member of the Institute of Chartered Accountants in Australia and a member of the Financial Services Institute of Australasia (FINSIA).

Richard Lambe, Company Secretary, resigned 8 August 2012.

3. DIRECTORS' SHAREHOLDINGS

The following table sets out each current Director's relevant interest in shares and rights or options to acquire shares of the Company or their related body corporate as at the date of this report.

	Fully Paid Ordinary Shares	Unlisted Share Options
Mr Martino	11,260,000	-
Mr Goldberg	11,250,000	-
Mr Haiveta	11,250,000	-
Mr Sandt	1,694,637	250,000
Mr Tan	423,192	437,500

On 20 May 2012, there was a consolidation of the Company's share capital on a basis of 1 new share for every 4 shares held. As a result, a total of 207,863,949 shares were consolidated to 51,965,987 new shares.

Under the Prospectus dated 29 May 2012 (as supplemented), the Company offered 10,000,000 shares and 29,758,832 options to acquires shares in CSP. The options were offered on a pro rata basis to persons who previously held options in the Company as at the time of their expiry on 28 February 2012, as well as various other investors introduced to the Company by the underwriter. A total of 28,767,165 options were applied for. As advised in the second Supplementary Prospectus dated 18 July 2012, options to be issued under the Prospectus are not to be quoted on ASX. The Company issued the shares under the prospectus on 3 August 2012 and options on 28 August 2012.

4. DIVIDENDS

No dividend has been paid during the financial year and no dividend is recommended for the current year.

5. DIRECTORS' MEETINGS

The number of Directors' meetings either attended in person or by circular resolutions during the financial year and the number of meetings attended by each Director during the financial year are:

	No. Held	No. Attended
Mr McKee	10	10
Mr Sandt	10	10
Mr Tan	10	10
Mr Lambe	10	10

The above meetings are either attended by person, teleconference or by circulate resolution.

DIRECTORS' REPORT (continued)

For details of the function of the Board, Audit Committee and Remuneration Committee, please refer to Corporate Governance Statement.

6. PRINCIPAL ACTIVITIES

The principal activities of the Company during the year were investment activities.

Subsequent to the balance sheet date, the Company completed the acquisition of Indo Pacific Energy Pty Ltd ("IPE") and its subsidiary Coral Sea Petroleum (PNG) Ltd ("CSP (PNG)") and the principal activity has been changed to oil and gas exploration.

7. REVIEW AND RESULTS OF OPERATIONS

The planned acquisition of IPE and its subsidiary CSP (PNG) ultimately resulted in acquisition of 100% of the oil and gas exploration licenses in Papua New Guinea (owned by CSP (PNG)) and was completed on 3 August 2012. This acquisition, associated capital raisings and the resulting changes to the CSP's activities (the "transactions") were the main focus of the Company's activities during the reporting period.

The operating loss after income tax of the Company for the year ended 30 June 2012 was $796,055 (30 June 2011: loss $279,855).

The losses were due to the Company's operating costs as a listed company, which are kept at a minimum, and professional fees related to the preparation of documentation and implementation of the requirements for the transactions.

The Company's balance sheet and liquidity position remains strong.

8. SIGNIFICANT CHANGES IN STATE OF AFFAIRS

The Company has historically focused on investment activities. On 3 August 2012 the Company completed the acquisition of Indo Pacific Energy Pty Ltd ("IPE") and its 100% owned subsidiary, Coral Sea Petroleum (PNG) Ltd ("CSP (PNG)"). The acquisition of IPE results in a significant change in the nature and scale of the Company's activities from an investment company to one focused on oil and gas, particularly in Papua New Guinea.

On completion of the acquisition, Mr Chris Haiveta, Mr Domenic Martino and Mr Yosse Goldberg were appointed as Directors, and Messrs Clive McKee and Richard Lambe resigned as Directors. Mr Lambe resigned as

Company Secretary on 8 August 2012. Please refer to the Prospectus dated 29 May 2012 and Supplementary Prospectus' dated 1 June 2012 and 18 July 2012 for further details.

9. MATERIAL AND AFTER BALANCE SHEET DATE EVENTS

On 29 May 2012, the Company issued a prospectus (as supplemented) for the offer of 10,000,000 fully paid ordinary shares in CSP at an issue price of 20 cents each and 29,758,832 options at an issue price of 0.4 cents per option. Shares under the prospectus were issued on 3 August 2012. Applications totaling 28,767,165 options were received. The Company issued these options on 28 August 2012.

A total of $2,115,069 was raised under the Prospectus.

On 3 August 2012, the Company completed the acquisition of IPE. IPE owns 100% of Coral Sea Petroleum (PNG) Ltd which in turn owns 100% of 5 petroleum prospecting licenses in Papua New Guinea. These prospecting licences comprise the following:

1. PPL 366 – Biwai licence
2. PPL 367 – Turama licence
3. PPL 356 – Dibiri licence
4. PPL 357 – Hiri licence
5. PPL 358 – Cape Vogel licence

DIRECTORS' REPORT (continued)

The material terms of the acquisition were as follows:

a) CSP acquired ownership of IPE by purchasing all of the issued capital of IPE from the Vendors.

b) CSP issued the Vendors with 55,000,000 fully paid ordinary shares.

c) Completion of the acquisition was subject to certain conditions including the Company obtaining all necessary shareholder and other approvals for the acquisition pursuant to the Corporations Act 2001 and the ASX Listing Rules. These conditions have been completed. Please refer to the Company's Prospectus dated 29 May 2012 and Supplementary Prospectus' dated 1 June 2012 and 18 July 2012 for additional details.

On 16 August 2012, the Company changed its name from Orchid Capital Limited to Coral Sea Petroleum Ltd.

On completion of the acquisition Mr Chris Haiveta, Mr Domenic Martino and Mr Yosse Goldberg were appointed as Directors, and Messrs Clive McKee and Richard Lambe resigned as Directors. Mr Lambe resigned as Company Secretary on 8 August 2012 and Ms Louisa Martino was appointed as Company Secretary on that date.

As at 30 June 2012, the Company has a loan outstanding to IPE totalling $1.2 million ($1,690,850 at the date of this report) and a loan to Coral Sea Petroleum (PNG) Ltd (the 100% owned subsidiary of IPE) totalling $57,212 ($138,962) at the date of this report). In respect of the loan to IPE, 12% per annum is applied to the initial tranche of $250,000 as per the loan agreement dated 6 October 2010. No interest is applied to the remaining $1,579,812. The loan funds are repayable on completion of the acquisition of IPE or 5 years, whichever is the later.

10. FUTURE DEVELOPMENTS, PROSPECTS AND BUSINESS STRATEGIES

CSP is seeking to build a successful, sustainable, oil and gas company, with a regional focus, producing strong returns for stakeholders. The Company aims to be a significant oil and gas company in Papua New Guinea and plans to achieve this through the pursuit, exploration and development of the prospecting licences, while continuing to identify and target new projects via proven relationships and networks in Papua New Guinea. Please refer to the Prospectus dated 29 May 2012 and Supplementary Prospectus' dated 1 June 2012 and 18 July 2012 for the expected results of these operations.

11. ENVIRONMENTAL ISSUES

The Company is not subject to any significant environmental regulations under either Commonwealth or State legislation. The Board is not aware of any breach of environmental requirements as they apply to the Company.

12. REMUNERATION REPORT (Audited)

The information provided in this remuneration report has been audited as required by section 308(3C) of the Corporations Act 2001. There were no company executives and other key management personnel who were not also Directors of the Company for the financial year.

The remuneration report is set out under the following main headings:

A Remuneration Philosophy

B Remuneration Structure

C Remuneration Approvals

D Details of Remuneration

E Compensation Options Granted, Exercised or Lapsed During the Financial Year

DIRECTORS' REPORT (continued)

The remuneration arrangements detailed in this report are for Chairman, Chief Executive Officer, Non-Executive Director and Finance Director during the financial year as follows:

Clive McKee	Chairman [1]
Julian Sandt	Chief Executive Officer
Alvin Tan	Non-Executive Director
Richard Lambe	Finance Director [1] and Company Secretary [2]

[1] Resigned on 3 August 2012

[2] Resigned on 8 August 2012

A Remuneration Philosophy

Key management personnel have authority and responsibility for planning, directing and controlling the activities of the Company. Key management personnel comprise the Directors of the Company. The performance of the Company depends upon the quality of its key management personnel. To prosper the Company must attract, motivate and retain appropriately skilled directors and executives.

The Company's broad remuneration policy is to ensure the remuneration package properly reflects the person's duties and responsibilities and that remuneration is competitive in attracting, retaining and motivating people of the highest quality. The Company does not have an employee share option scheme. Other than an entitlement to shares at nil cost granted to Mr Sandt in previous years, no remuneration options or shares have been issued to Directors.

B Remuneration Structure

Executive Directors

Mr Sandt's employment with the Company is on a month to month basis. The total amount paid was $66,000 for the financial year (2011: $66,000).

Non-Executive Directors

Mr McKee, the Chairman has been paid $48,000 for the financial year (2011:$48,000).

Mr Tan, Non-Executive Director, has been paid $36,000 for the financial year (2011: $36,000).

The Company has paid directors fees of $72,000 (2011:$72,000) to Mt Lambe as well as accounting, taxation and company secretarial services fees to Mercia Taxation & Accounting Pty Ltd, of which Richard Lambe is the director during the year ended 30 June 2012. Refer to note 18(e) of the financial statements for details.

No other agreements with key management personnel or their controlled entities during the financial year have been entered into.

The Company currently does not offer any variable remuneration incentive plans or bonus schemes to Executive Directors or any retirement benefits and, as such, there are no performance related links to the existing remuneration policies.

DIRECTORS' REPORT (continued)

The following table shows the gross revenue, profit/(losses), share prices and dividends of the Company at the end of the respective financial years.

	30 June 2008 Consolidated	30 June 2009 Consolidated	30 June 2010 Consolidated	30 June 2011 Company	30 June 2012 Company
Revenue ($)	573,741	705,970	715,103	167,011	69,916
Net profit/(loss) ($)	(4,465,850)	(920,145)	263,926	(279,855)	(796,055)
Share price (cents)	2.0	0.7	3.8	4.2	N/A[1]
Dividend ($)	Nil	Nil	Nil	Nil	Nil

[1] The Company was suspended from trading as at 30 June 2012, awaiting re-listing as an oil and gas company.

C Remuneration Approvals

Remuneration of Executive Directors is based on fees approved by the Board of Directors and is set at levels to reflect market conditions and encourage the continued services of the Directors.

Non-Executive Directors receive fees which are determined by the Board within the aggregate limit set by the shareholders at a General Meeting. The current limit is $200,000 per annum.

D Remuneration and Performance

Director remuneration is currently not linked to either long term or short term performance conditions. The Board feels that the terms and conditions of options and shares currently on issue to the Directors are a sufficient, long term incentive to align the goals of the Directors with those of the shareholders to maximise shareholder wealth, and as such, has not set any performance conditions for the Directors of the Company. The Board will continue to monitor this policy to ensure that it is appropriate for the Company in future years.

DIRECTORS' REPORT (continued)

E Details Directors of Remuneration

	Short-Term				Post employment			Long-term	Share-based payments	TOTAL	Total perform-ance related
2012	Salary fees *	Cash bonus	Non-monetary	Other	Super-annuation	Retirement benefits	Termination benefits	Incentive plans	Options		
	$	$	$	$	$	$	$	$	$	$	%
Directors											
Mr McKee[2]	48,000	-	-	-	-	-	-	-	-	48,000	-
Mr Sandt	66,000	-	-	-	-	-	-	-	-	66,000	-
Mr Tan	36,000	-	-	-	-	-	-	-	-	36,000	-
Mr Lambe[2]	72,000	-	-	57,664[1]	-	-	-	-	-	129,664	-
Sub-total	222,000	-	-	57,664	-	-	-	-	-	279,664	-
Other key management personal											
None	-	-	-	-	-	-	-	-	-	-	-
Sub-total	-	-	-	-	-	-	-	-	-	-	-
Total	222,000	-	-	57,664	-	-	-	-	-	279,664	-

	Short-Term				Post employment			Long-term	Share-based payments	TOTAL	Total perform-ance related
2011	Salary fees *	Cash bonus	Non-monetary	Other	Super-annuation	Retirement benefits	Termination benefits	Incentive plans	Options		
	$	$	$	$	$	$	$	$	$	$	%
Directors											
Mr McKee[2]	48,000	-	-	-	-	-	-	-	-	48,000	-
Mr Sandt	66,000	-	-	-	-	-	-	-	-	66,000	-
Mr Tan	36,000	-	-	-	-	-	-	-	-	36,000	-
Mr Lambe[2]	72,000	-	-	9,750	-	-	-	-	-	81,750	-
Sub-total	222,000	-	-	9,750	-	-	-	-	-	231,750	-
Other key management personal											
None	-	-	-	-	-	-	-	-	-	-	-
Sub-total	-	-	-	-	-	-	-	-	-	-	-
Total	222,000	-	-	9,750	-	-	-	-	-	231,750	-

[1] Fee for Company Secretarial and services related to notice of meeting and Prospectus. Please refer to note 18(e) in the financial statements for details.

[2] Mr Mckee and Mr Lambe resigned on 3 august 2012.

* All directors' fees were paid to the Directors' related entities

DIRECTORS' REPORT (continued)

Compensation Options Granted, Exercised or Lapsed During the Financial Year

There were no options issued to Directors or Executives as part of their remuneration in the past 12 months.

Details of options held directly, indirectly or beneficially by key management personnel and their related parties during the year ended 30 June 2012 are as follows:

Company Directors and Related Parties		**Opening Balance $**	**Granted as Remuneration $**	**Options Exercised $**	**Net Change Other[1] $**	**Closing Balance $**	**Total Vested and Exercisable as at Year End $**	**Unvested as at Year End $**
Mr McKee	**2012**	**1,250,000**	-	-	(1,250,000)	**-**	**-**	-
	2011	1,250,000	-	-		1,250,000	1,250,000	-
Mr Sandt	**2012**	**1,000,000**	-	-	(1,000,000)	**-**	**-**	-
	2011	1,000,000	-	-	-	1,000,000	1,000,000	-
Mr Tan	**2012**	**1,750,000**	-	-	(1,750,000)	**-**	**-**	-
	2011	1,750,000	-	-	-	1,750,000	1,750,000	-
Mr Lambe	**2012**	-	-	-	-	-	-	-
	2011	-	-	-	-	-	-	-

[1] During the financial year, the options issued have lapsed.

F Share-based Compensation

The Company may reward Directors for their performance and align their remuneration with the creation of shareholder wealth by issuing share options and or shares. Share-based compensation is at the discretion of the Board and no individual has a contractual right to participate in any share-based plan or to receive any guaranteed benefits. No share based compensation has occurred in 2012 or 2011.

(i) Options

There were no options granted to Directors during the financial year, nor were shares issued upon exercise of options. During the year, the current options on issued lapsed. Subsequent to year end, options previously lapsed have received an entitlement under the Prospectus dated 29 May 2012 and were issued on 28 August 2012.

(ii) Shares

During the financial year, no shares were issued to Directors.

(iii) Link to Performance

The Company entered into an Executive Service Agreement (the "agreement") with Mr Sandt pursuant to which Mr Sandt was engaged by the Company as Chief Executive Officer with effect from 18 September 2005, for a period of 5 years (or until terminated in accordance with the terms of the agreement).

Under the agreement, the Company was to pay Mr Sandt director's fees of $130,000 per annum. Mr Sandt was also entitled to, for a period of 5 years, at the beginning of each 12 month period starting on 18 September 2005, an allotment of 2 million fully paid ordinary shares in the Company at zero consideration. These shares could not be sold by Mr Sandt within 2 years of allotment. In case of termination, the shares were to be allotted on a pro-rata basis. This clause was subject to shareholder approval. A resolution seeking shareholder approval of the issue of the fourth tranche of 2 million shares, due and payable on 18 September 2008, was withdrawn. The issue of the 4th and 5th tranches of 2 million shares each has been withdrawn. The period of the agreement has been completed and Mr Sandt's employment with the Company continues on a month to month basis.

DIRECTORS' REPORT (continued)

The first three tranches, each of 2 million shares, issued to Mr Sandt pursuant to the agreement have all been released from escrow having satisfied the 2 year restriction imposed by the agreement.

In response to the extent of the devaluation of the Company's assets as a result of the global financial crisis in the 2009 financial year, Mr Sandt agreed to reduce his director's fees to $66,000 per annum with effect 1 October 2008 until further notice. Mr Sandt further agreed to withdraw his entitlement to the 4th and 5th tranches, each of 2 million fully paid ordinary shares in the Company at zero consideration. Mr Sandt's remuneration of shares was not linked to satisfaction of a performance condition because the shares were to be issued in order to reflect the competitiveness of the market.

Mr McKee, the Chairman, agreed to reduce his director's fees by 50% with effect 1 October 2008 until further notice and has been paid $48,000 for the financial year (2011:$48,000).

Mr Tan, Non-Executive Director, has been paid $36,000 for the financial year (2011:$36,000).

The Company has paid directors fees of $72,000 (2011:$72,000) to Mr Lambe, as well as accounting, taxation and company secretarial services fees to Mercia Taxation & Accounting Pty Ltd, of which Lambe is the director during the year ended 30 June 2012. Refer to note 18(e) of the financial statements for details.

No other agreements with key management personnel or their controlled entities have been entered into.

Remuneration of Non-Executive Directors is based on fees approved by the Board of Directors and is set at levels to reflect market conditions and encourage the continued services of the Directors.

The Company does not offer any variable remuneration incentive plans or bonus schemes to Executive Directors or any retirement benefits and, as such, there are no performance related links to the existing remuneration policies.

(iv) Approval of Remuneration Report

At the Annual General Meeting of shareholders, held 30 November 2011, shareholders approved remuneration report. The Company did not receive any specific feedback at the Annual General meeting or throughout the year on its remuneration practices.

G Equity Instruments Issued on Exercise of Remuneration Options

No shares were issued during the financial year to Directors or key management as a result of exercising remuneration options.

END OF REMUNERATION REPORT

13. OPTIONS

Under the Prospectus dated 29 May 2012 (as Supplemented), 29,758,832 options were offered on a pro rata basis to persons who previously held options in the Company as at the time of their expiry on 28 February 2012, as well as various other investors introduced to the Company by the underwriter. Applications for 28,767,165 options were received by the Company. As advised in the second supplementary prospectus dated 18 July 2012, options to be issued under the Prospectus are not to be quoted on ASX. The Company issued these options on 28 August 2012.

The new options are each exercisable at $0.20 on or before the expiry date, and were issued at $0.004 to raise $115,069, The expiry date is the date 12 months from when the Company satisfies the requirements of the Listing Rules in relation to the re-listing of its securities on ASX (i.e. 29 August 2013).

DIRECTORS' REPORT (continued)

14. PROCEEDINGS ON BEHALF OF THE COMPANY

No person has applied to the Court under section 237 of the Corporations Act 2001 for leave to bring proceedings on behalf of the Company, or to intervene in any proceedings to which the Company is a party, for the purposes of taking responsibility on behalf of the Company for all or part of those proceedings.

15. INDEMNIFYING OFFICERS

During the financial year, the Company paid a premium in respect of a contract insuring all its Directors and current and former executive officers against a liability incurred as such a director or executive officer to the extent permitted by the Corporations Act 2001. The contract of insurance prohibits disclosure of the nature of the liability and the amount of the premium.

The Company has not otherwise, during or since the financial year, indemnified or agreed to indemnify an officer or auditor of the Company against a liability incurred as such an officer or auditor.

16. NON-AUDIT SERVICES

The Board of Directors, at the date of this report, is satisfied that the provision of non-audit services during the 30 June 2012 financial year was compatible with the general standard of independence for auditors imposed by the Corporations Act 2001. The Directors are satisfied that the services disclosed below did not compromise the external auditor's independence for the following reasons:

- All non-audit services are reviewed by the Board prior to commencement to ensure they do not adversely affect the integrity and objectivity of the auditor; and

- The nature of the services does not compromise the general principles relating to auditors independence as set out in APES 110 Code of Ethics for Professional Accountants.

Details of the amounts paid or payable to the auditor for audit and non-audit services provided during the year are set out below:

	$
Audit services	
Pitcher Partners Corporate & Audit (WA) Pty Ltd	56,730
Remuneration for other services in relation to Notice of Meeting, Prospectus and Investigating Accountant's Report.	
Pitcher Partners Securities Pty Ltd	86,645

DIRECTORS' REPORT (continued)

17. AUDITOR'S INDEPENDENCE DECLARATION

The auditor's independence declaration for the year ended 30 June 2012 has been received and can be found on page 52.

Signed in accordance with a resolution of the Board of Directors

Domenic Martino
Managing Director

Sydney

Date: 27th day of September 2012

CORPORATE GOVERNANCE STATEMENT

The Board of Directors of Coral Sea Petroleum Ltd (formerly Orchid Capital Limited) (the "Company" or "CSP") is responsible for the corporate governance of the Company. The Board guides and monitors the business and affairs of CSP on behalf of the shareholders by whom they are elected and to whom they are accountable.

To ensure that the Board is well equipped to discharge its responsibilities, it has established guidelines for the nomination and selection of directors and for the operation of the Board.

COMPOSITION OF THE BOARD

The composition of the Board is determined in accordance with the following principles and guidelines:

- the Board should comprise at least four directors to establish a majority of non-executive directors;
- the Chairman should be a non-executive director;
- the Board should comprise directors with an appropriate range of qualifications and expertise; and
- the Board shall meet at regular intervals and follow meeting guidelines set down to ensure all directors are made aware of, and have available all necessary information, to participate in an informed discussion of all agenda items.

When a vacancy exists, through whatever cause, or where it is considered that the Board would benefit from the service of a new director with particular skills, the Board selects a candidate or panel of candidates with the appropriate expertise.

The Board then appoints the most suitable candidate, who must stand for election at the next general meeting of shareholders. The Company does not have a formal Nomination Committee.

REMUNERATION COMMITTEE

Given the current size of the Company and size and composition of the Board, the Board believes that no efficiencies or other benefits would be gained by establishing a separate remuneration committee. All decisions regarding remuneration of Directors, executives and key employees are made by the full Board. As the Board has not established a separate remuneration committee, it does not have a remuneration committee charter. The Company has a standing agenda item at each Board meeting to deal with any remuneration related matters that would normally be carried out by a remuneration committee.

The Board will periodically review the Company's circumstances and a remuneration committee will be discussed and formed if deemed necessary by the Directors, should the Company experience a change in structure and Board membership. The Company recognises that formal and transparent remuneration and nomination policies assist in promoting understanding and confidence in remuneration and nomination decisions.

The Company has established a Remuneration Policy which states that:

- non executive Directors are to receive fees which are determined by the Board within the aggregate limit set by the shareholders at a general meeting; and
- executive Directors' remuneration is determined by the Board with reference to current market rates and remuneration paid to executives in comparable listed companies determined by the size and nature of operations.

Remuneration levels are set by the Board in accordance with industry standards to attract suitable qualified and experienced directors and senior management.

AUDIT COMMITTEE

The Board is of the view that given the current size of the Company and the size and composition of the board, that there would be no efficiencies or other benefits gained by having a separate audit committee. However, the issues relevant to the integrity of the Company's financial reporting typically dealt with by such a committee are dealt with by the full Board. The Company has as a standing agenda item at each Board meeting to deal with any audit related matters that would normally be carried out by an audit committee.

CORPORATE GOVERNANCE STATEMENT (continued)

The Company will assess the need to form an audit committee on a regular basis.

As the Board has not established an audit committee, it does not have a formal audit committee charter.

The Company has appointed external auditors who have clearly demonstrated quality and independence. The performance of the external auditors is reviewed annually and applications for tender of external audit services are requested as deemed appropriate, taking into consideration assessment of performance, existing value and tender costs.

BOARD AND SENIOR EXECUTIVE RESPONSIBILITIES

As the Board acts on behalf of and is accountable to the shareholders, it seeks to identify the expectations of the shareholders, as well as other regulatory and ethical expectations and obligations. In addition, the Board is responsible for identifying areas of significant business risk and ensuring arrangements are in place to adequately manage those risks. The Board seeks to discharge these responsibilities in a number of ways.

The Company has a board charter that discloses the specific responsibilities of the Board, and those delegated to senior executives. The responsibility for the operation and administration of the Company is delegated by the Board to the Managing Director. The Board ensures that the Managing Director is appropriately qualified and experienced to discharge his responsibilities, and has in place procedures to assess the performance for the Company's officers, contractors and consultants. Senior executives are responsible for reporting all matters which fall within the Company's materiality thresholds at first instance to the Managing Director or, if the matter concerns the Managing Director, directly to the Chairman.

The Board is responsible for ensuring that management's objectives and activities are aligned with the expectations and risks identified by the Board. It has a number of mechanisms in place to ensure this is achieved, including the following:

- implementation of operating plans and budgets by management and Board monitoring progress against budget; and
- procedures to allow directors, in the furtherance of their duties, to seek independent professional advice at the Company's expenses.

MONITORING OF BOARD AND SENIOR EXECUTIVE PERFORMANCE

In order to ensure that the Board continues to discharge its responsibilities in an appropriate manner, the performance of the Board and all individual directors is to be reviewed annually by the Chairman. Directors whose performance is unsatisfactory are asked to retire.

SHAREHOLDER COMMUNICATION POLICY

The Board encourages shareholder communication and ensures that shareholders are kept up to date with the Company's activities.

The Company has established procedures to provide shareholders with important information in a timely manner via electronic communication. All information, including financial information, disclosed to the ASX is posted to the Company's website as soon as practicable after release to the market. The Company also operates an email register for shareholders who wish to receive communications from the Company via email of any announcements made to the ASX once released to the market. A copy of the Company's annual report is issued to shareholders who have requested one and is posted on the Company's website as soon as practicable after disclosure to the ASX has been made and confirmation of receipt has been received.

CORPORATE GOVERNANCE STATEMENT (continued)

BEST PRACTICE RECOMMENDATION

Outlined below are the 8 Principles of Good Corporate Governance and Best Practice Recommendations as outlined by the ASX and the Corporate Governance Council.

Best Practice Recommendation	Action Taken
Principle 1: Solid Foundation for Management and oversight	
1.1 Companies should establish the functions reserved to the Board and those delegated to senior executives and disclose those functions.	The Company's corporate governance policies include a board charter which discloses the specific responsibilities of the Board, and those delegated to senior executives. That the responsibility for the operations and administration of the Company is delegated by the Board to the Managing Director.
1.2 Companies should disclose the process for evaluating the performance of senior executives.	The performance of all senior executives is reviewed annually by the Chairman which includes measuring actual performance against planned performance. There were no senior executives employed by the Company during the year.
1.3 Companies should provide the information indicated in the 'Guide to reporting Principle 1'	There has been no departure from the Principle 1. Information has been provided above and further reference within the annual report and on the Company's Corporate Governance policy (which is available on the Company's website).
Principle 2: Structure the Board to add value	
2.1 A majority of the Board should be independent directors.	Two of the five Board members are considered independent. This matter will be addressed over the next few years, depending upon the growth of the Company.
2.2 The chairperson should be an independent director. 2.3 The roles of chairperson and chief executive officer should not be exercised by the same individual.	The Chairman is Mr Chris Haiveta. He is not considered to be an independent director. At this stage of the Company's development, the Board considers it neither appropriate nor cost effective for there to be a majority of independent directors, of whom one is the Chairman.
2.4 The Board should establish a nomination committee.	The Managing Director is Mr Domenic Martino. The Company is not of a size that justifies having a separate nomination committee. However, matters typically dealt with by such a committee are dealt with by the full Board. In order to ensure that the Board continues to discharge its responsibilities in an appropriate manner, the performance of all directors is reviewed annually by the Chairman. Directors whose performance is unsatisfactory are asked to retire.
2.5 Companies should disclose the process for evaluating the performance of the Board, its committees and individual directors.	The skills, experience and expertise of the Directors and the period of office held by each Director in office at the date of the annual report are disclosed in the Directors' Report. The Board seeks to have a mix of skills and diversity amongst its members, with a focus on commercial and financial skills. In the short-term the Company will contract geological experts. There are currently no female members of the Board, however the Company Secretary is female. Should a vacancy exist in the future, the Board will consider a diverse range of candidates who will be assess on various aspects including merit based on their judgement, skill, diversity, experience with business and other organisations of a comparable size.

CORPORATE GOVERNANCE STATEMENT (continued)

Best Practice Recommendation	Action Taken
	To assist the Directors with independent judgement, it is the Board's policy that if a director considers it necessary to obtain independent professional advice to properly discharge the responsibility of their office as a director then, provided the director first obtains approval from the Chairman for incurring such expense, the Company will pay the reasonable expenses associated with obtaining such advice. The Company provides details of each director, such as their skills, experience and expertise relevant to their position.
2.6 Companies should provide the information indicated in the 'Guide to reporting on Principle 2'	The Company provides details of any departure from best practice recommendation 2 in its Annual Report and the sections above.
Principle 3: Promote ethical and responsible decision-making	
3.1 Establish a code of conduct to guide the directors, the chief executive officer (or equivalent), the chief financial officer (or equivalent) and any other key executives as to: (a) the practices necessary to maintain confidence in the company's integrity; (b) the practices necessary to take into account their legal obligations and reasonable expectations of their stakeholders; and (c) the responsibility and accountability of individuals for reporting and investigating reports of unethical practices.	The Company recognises the need for Directors and employees to observe the highest standards of behaviour and business ethics in conducting its business activities and intends to maintain a reputation of integrity. The Company has subscribed to a general Code of Conduct. The Code of Conduct lists the standards of ethical behaviour that are expected to be met by the Directors and employees of the Company. Such persons are also expected to meet the ethical standards of any professional bodies they belong to. Any breaches of the Code of Conduct are to be reported to the Chairman for notification to the Board. The Board will decide on appropriate disciplinary action and may report breaches to the appropriate authorities. All Directors, managers and employees are required to act honestly, in good faith and in the best interests of the Company while exercising due care and diligence, recognising and respecting their responsibility to shareholders and other stakeholders of the Company. All Directors, managers and employees of the Company are required to act in an ethical manner at all times, avoiding conflicts of interest and observing the principals of independence in decision-making.

CORPORATE GOVERNANCE STATEMENT (continued)

Best Practice Recommendation	Action Taken
3.2 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 Board considers the Company is not of a size to justify the establishment of a diversity policy or measurable objectives to achieve gender diversity. The Board will continue to address diversity and assess the need to adopt a diversity policy. There are no female board members; however the Company secretary is female.
3.3 Companies should disclose in each annual report the measurable objectives for achieving gender diversity set by the board in accordance with the diversity policy and progress towards achieving them.	
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.	
3.5 Companies should provide the information indicated	The Company provides details of any departures from best practice recommendation Principle 3 in the sections above.
Principle 4: Safeguard integrity in financial reporting	
4.1 The Board should establish an audit committee.	The Company is not of a size that justifies having a separate Audit Committee. However, matters typically dealt with by such committee are dealt with by the full Board.
4.2 Structure the audit committee so that it: • Consists of only non-executive directors; • Consists of a majority of independent directors; • Is chaired by an independent director who is not the chair of the company; and • Has at least three members.	Composition, roles and responsibilities of the audit committee when it is established will be set out in the Corporate Governance Plan.
4.3 The audit committee should have a formal charter.	The Company has appointed external auditors who have clearly demonstrated quality and independence. The performance of the external auditor is reviewed annually and applications for tender of external audit services are requested as deemed appropriate, taking into consideration assessment of performance, existing value and tender costs.
4.4 Companies should provide the information indicated in the ‘Guide to reporting on Principle 4’	The Company provides details of any departures from best practice recommendation Principle 4 in the sections above. The Board has a formal charter and code of conduct in place, as described in the Company’s website.

CORPORATE GOVERNANCE STATEMENT (continued)

Best Practice Recommendation	Action Taken
Principle 5: Make timely and balanced disclosure	
5.1 Companies should establish written policies and procedures designed to ensure compliance with ASX Listing Rules disclosure requirements and to ensure accountability at a senior executive level for that compliance and disclose those policies or a summary of those policies.	The Company recognises its obligations of continuous disclosure to the ASX in order to keep the market fully informed of information which may have a material effect on the price or value of its securities. The Company has formulated policies and procedures to discharge its disclosure requirements to ensure information is released promptly to the market and is fairly available to all those with an interest in the Company. A copy of the Disclosed policy is available on the Company's website.
5.2 Companies should provide the information indicated in the 'Guide to reporting on Principle 5'	The Company provides details of any departures from best practice recommendation Principle 5 in the sections above.
Principle 6: Respect the rights of shareholders	
6.1 Design a communications policy for promoting effective communication with shareholders and encouraging their participation at general meetings and disclose their policy or a summary of the policy.	The Board encourages shareholder communication and ensures that shareholders are kept up to date with the Company's activities. The Company has a policy that focuses on the continuous disclosure of any information that a reasonable person would expect to have a material effect on the price of the Company's securities. All information, including financial information, disclosed to the ASX is posted to the Company's website as soon as practicable after release to the market. A copy of the Company's annual report is issued to shareholders who have requested one and is posted on the Company's website as soon as practicable after disclosure to the ASX has been made and confirmation of receipt has been received.
6.2 Companies should provide the information indicated in the 'Guide to reporting on Principle 6'	The Company provides details of any departures from best practice recommendation Principle 6 in the sections above.

CORPORATE GOVERNANCE STATEMENT (continued)

Best Practice Recommendation	Action Taken
Principle 7: Recognise and manage risk	
7.1 Companies should establish policies for oversight and management of material risks and disclose a summary of these policies.	The Company's risk management policy is designed to provide the framework to identify, assess, monitor and manage the risks associated with the Company's business.
7.2 The Board should require management to design and implement the risk management and internal control systems to manage the Company's material business risks and report to it on whether those risks are being managed effectively. The Board should disclose that management has reported to it as to the effectiveness of the Company's management of its material business risks.	The Board adopts practices designed to identify significant areas of business risk and to effectively manage those risks in accordance with the Company's risk profile. Where necessary, the Board draws on the expertise of appropriate consultants to assist in dealing with or mitigating risk. Main areas of risk include fluctuating commodity prices and exchange rate fluctuation, political and economic climate, exploration and development and continuous disclosure obligations. Regular consideration is given to these matters by the Board. The Company has in place an internal control framework to assist in identifying, assessing, monitoring and managing risk. This framework includes monthly financial reporting, maintenance of and adherence to the Company's continuous disclosure policy and regular informal operations reports provided by the Managing Director for the Board. The Company's internal control system is monitored by the Board and assessed regularly to ensure effectiveness and relevance to the Company's current and future operations.
7.3 The Board should disclose whether it has received assurance 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 2001 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.	The Managing Director and the Chief Financial Officer (or equivalent) have stated in writing to the Board that the integrity of the financial statements is founded on a sound system of risk management and internal compliance and control and that the Company's risk management and internal compliance and control system is operating efficiently and effectively in all material respects in relation to financial reporting risks. The Company is not currently of a size to enable the formation of committees. The full Board currently has the responsibility for the risk management of the Company. The Board will continue to assess the need to form a risk management committee.

CORPORATE GOVERNANCE STATEMENT (continued)

Best Practice Recommendation	Action Taken
7.4 Companies should provide the information indicated in the 'Guide to reporting on Principle 7'	The Company provides details of any departures from best practice recommendation Principle 7 in the sections above. Full details of the Company's risk management policy can be found on the Company's website.
Principle 8: Remunerate fairly and responsibly	
8.1 The Board should establish a remuneration committee. 8.2 The remuneration committee should be structured so that if consists of a majority of independent directors; is chaired by an independent director; and has at least three members. 8.3 Clearly distinguish the structure of non-executive directors' remuneration from that of executives.	The Company is not of a size that justifies having a separate remuneration committee. All decisions regarding remuneration of Directors, executives and key employees are made by the full Board. Non-executive Directors receive fees which are determined by the Board within the aggregate limit set by the shareholders at a general meeting. Executive Directors' remuneration is determined by the Board with reference to current market rates and remuneration paid to executives in comparable listed companies determined by the size and nature of operations. Remuneration for all Directors and key management personnel has been disclosed in the Directors' Report.
8.4 Companies should provide the information indicated in the 'Guide to reporting on Principle 8'	The Company provides details of any departures from best practice recommendation Principle 8 in the sections above.

STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 30 JUNE 2012

	Notes	2012	2011
		$	$
Continuing Operations			
Revenue			
Investment revenue	5	65,371	106,910
Net realised gain on disposal of held-for-trading investments		-	5,993
Total revenue		65,371	112,903
Other income			
Net foreign exchange gain		4,240	-
Recovery of written down investments and loans		-	35,351
Net unrealised gain from held-for-trading investments		-	18,757
Other income		305	-
Total other income		4,545	54,108
Total Revenues		69,916	167,011
Concession loan discount		(293,766)	-
Consultancy and other professional fees		(524,888)	(350,526)
Computer and office expenses		(19,130)	(48,364)
Impairment of loan		-	(43,118)
Net foreign exchange losses		(3,036)	-
Net unrealised losses from held-for-trading investments		(3,781)	-
Other expenses		(21,370)	-
Travelling and entertainment expenses		-	(4,858)
Loss from ordinary activities before income tax expense		(796,055)	(279,855)
Income tax expenses relating to ordinary activities	6	-	-
Loss for the year		(796,055)	(279,855)
Total comprehensive (loss) for the year attributable to the owners of the parent		(796,055)	(279,855)
Loss per share	14		
Basic loss (cents per share)		(1.64)	(0.15)
Diluted loss (cents per share)		(1.64)	(0.15)
From continuing operations			
Basic loss (cents per share)		(1.64)	(0.15)
Diluted loss (cents per share)		(1.64)	(0.15)

The Statement of Comprehensive Income is to be read in conjunction with the notes to the financial statements set out on pages 27 to 50.

STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2012

	Notes	2012	2011
		$	$
Current Assets			
Cash and cash equivalents	7	1,080,871	1,843,015
Trade and other receivables	8	389,398	33,134
Financial assets	9	50,444	53,021
Total Current Assets		1,520,713	1,929,170
Non-Current Assets			
Financial assets	10	963,446	500,000
Total Non-Current Assets		963,446	500,000
Total Assets		2,484,159	2,429,170
Non-Current Liabilities			
Trade and other payables	11	251,295	48,814
Total Non-Current Liabilities		251,295	48,814
Total Liabilities		251,295	48,814
Net Assets		2,232,864	2,380,356
Equity			
Issued capital	12	32,497,122	31,848,559
Reserves	13	-	643,331
Accumulated losses		(30,264,258)	(30,111,534)
Total Equity		2,232,864	2,380,356

The Statement of Financial Position is to be read in conjunction with the notes to the financial statements set out on pages 27 to 50.

STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 30 JUNE 2012

	Ordinary Shares	Option Reserve	Accumulated Losses	Total Attributable to Members
	$	$	$	$
Balance at 1 July 2010	31,848,559	643,331	(29,831,679)	2,660,211
Net loss for the year	-	-	(279,855)	(279,855)
Other comprehensive loss for the year	-	-	-	-
Total comprehensive loss for the year	-	-	(279,855)	(279,855)
Balance at 30 June 2011	31,848,559	643,331	(30,111,534)	2,380,356
Balance at 1 July 2011	31,848,559	643,331	(30,111,534)	2,380,356
Net loss for the year	-	-	(796,055)	(796,055)
Other comprehensive loss for the year	-	-	-	-
Total comprehensive loss for the year	-	-	(796,055)	(796,055)
Transactions with owners in their capacity as owners:				
Options expired	-	(643,331)	643,331	-
Shares Issued	686,010	-	-	686,010
Capital raising costs	(37,447)	-	-	(37,447)
Balance at 30 June 2012	32,497,122	-	(30,264,258)	2,232,864

The Statement of Changes in Equity is to be read in conjunction with the notes to the financial statements set out on page 27 to 50.

STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 30 JUNE 2012

	Notes	2012	2011
		$	$
Cash Flows From Operating Activities			
Cash paid to suppliers and employees		(511,672)	(393,209)
Interest received		66,057	84,440
Net cash used in operating activities	7(b)	(445,615)	(308,769)
Cash Flows From Investing Activities			
Payment for Investments		-	(42,027)
Proceeds from sale of investments		-	19,038
Net cash from/(used in) investing activities		-	22,989
Cash Flows From Financing Activities			
Proceeds from issue of shares		648,563	-
Payment of capital raising costs		(207,880)	-
Loan to Indo Pacific Energy Pty Ltd		(700,000)	(500,000)
Loans provided		(57,212)	-
Net cash from/(used in) financing activities		(316,529)	(500,000)
Net decrease in cash and cash equivalents		(762,144)	(831,758)
Cash and cash equivalents at beginning of the year		1,843,015	2,674,773
Effect of exchange rate fluctuations on cash held in foreign currencies		-	-
Cash and cash equivalents at end of year	7(a)	1,080,871	1,843,015

The Statement of Cash Flows is to be read in conjunction with the notes to the financial statements set out on pages 27 to 50.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2012

1. *Reporting Entity*

Coral Sea Petroleum Ltd (formerly Orchid Capital Limited) (the "Company" or "CSP") is a company limited by shares incorporated in Australia whose shares are publicly traded on the Australian Securities Exchange Limited ("ASX"). The addresses of its registered office and principal place of business are disclosed in the Corporate Directory of the annual report.

The nature of the operations and principal activities of the Company are described in the Directors' Report.

2. *Basis of Preparation*

(a) Statement of compliance

The financial report is a general purpose financial report which has been prepared in accordance with Australian Accounting Standards (AASBs) (including Australian Interpretations) adopted by the Australian Accounting Standards Board (AASB) and the Corporations Act 2001. The financial report of the Company complies with International Financial Reporting Standards (IFRSs) and interpretations adopted by the International Accounting Standards Board.

For the purpose of preparing the financial statements, the Company is a for-profit entity.

The financial statements were approved by the Board of Directors on 27 September 2012.

(b) Basis of measurement

The financial statements have been prepared on the historical cost basis except for financial instruments at fair value through the profit and loss and held for trading that measured at fair value. Cost is based on the fair values of the consideration given in exchange for assets.

(c) Functional and presentation currency

These financial statements are presented in Australian dollars, which is the Company's functional currency.

(d) New and amended standards adopted by the Company

None of the new standards and amendments to standards that are mandatory for the first time for the financial year beginning 1 July 2011 affected any of the amounts recognised in the current period or any prior period and are not likely to affect future periods.

(e) Early adoption of standards

The Company has not elected to apply any pronouncements before their operative date in the annual reporting period beginning 1 July 2011.

3. *Significant Accounting Policies*

The accounting policies set out below have been applied consistently to all periods presented in these financial statements, and have been applied consistently by the Company. Certain comparative amounts have been reclassified to conform with the current year's presentation.

(a) Foreign currency translation and balances

Transaction and balances

Foreign currency transactions are translated into functional currency using the exchange rates prevailing at the date of the transaction. Foreign currency monetary items are translated at the year-end exchange rate. Non-monetary items measured at historical cost continue to be carried at the exchange rate at the date of the transaction. Non-monetary items measured at fair value are reported at the exchange rate at the date when fair values were determined.

Exchange differences arising on the translation of monetary items are recognised in the statement of comprehensive income, except where deferred in equity as a qualifying cash flow or net investment hedge.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2012

Exchange differences arising on the translation of non-monetary items are recognised directly in equity to the extent that the gain or loss is directly recognised in equity, otherwise the exchange difference is recognised in the statement of comprehensive income.

(b) Income tax

Deferred income tax is provided on all temporary differences at the balance sheet date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred income tax liabilities are recognised for all taxable temporary differences:

- except where the deferred income tax liability arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit; and
- in respect of taxable temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, deferred tax assets are only recognised to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

The carrying amount of deferred income tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilised.

Deferred tax assets and deferred tax liabilities shall be offset only if:

(a) there is a legally enforceable right to set-off current tax assets against current tax liabilities; and

(b) the deferred tax assets and deferred tax liabilities relate to income taxes levied by the same taxation authority on either:

(i) the same taxable entity; or

(ii) different taxable entities which intend either to settle current tax liabilities and assets on a net basis, or to realise the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantially enacted at the balance sheet date.

Income taxes relating to items recognised directly in equity are recognised in equity and not in the income statement.

(c) Other taxes

Revenues, expenses, assets and liabilities are recognised net of the amount of GST except:

(a) Where the GST incurred on a purchase of goods and services is not recoverable from the taxation authority, in which case the GST is recognised as part of the cost of acquisition of the asset or as part of the expense item as applicable; and

(b) Receivables and payables are stated with amounts of GST included.

The net amount of GST recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the statement of financial position.

Commitments or contingencies are disclosed net of the amount of GST recoverable from, or payable to, the taxation authority.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2012

(d) Financial assets

All financial assets are recognised and derecognised on trade date where the purchase or sale of a financial asset is under a contract whose terms require delivery of the financial asset within the timeframe established by the market concerned, and are initially measured at fair value, plus transaction costs, except for those financial assets classified as at fair value through profit or loss, which are initially measured at fair value.

Financial assets are classified into the following specified categories: financial assets 'at fair value through profit or loss' (FVTPL), 'held to maturity' investments, 'available-for-sale' (AFS) financial assets and 'loans and receivables'. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition.

At 30 June 2012, the Company has financial assets in all of the above categories with the exception of 'held to maturity investments.

(i) Effective interest method

The effective interest method is a method of calculating the amortised cost of a debt instrument and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees on points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the debt instrument, or (where appropriate) a shorter period, to the net carrying amount on initial recognition.

Income is recognised on an effective interest basis for debt instruments other than those financial assets classified as at FVTPL.

(ii) Financial assets at FVTPL

Financial assets are classified as at FVTPL when the financial asset is either held for trading or it is designated as at FVTPL.

A financial asset is classified as held for trading if:

- It has been acquired principally for the purpose of selling it in the near term; or
- On initial recognition it is part of a portfolio of identified financial instruments that the Company manages together and has a recent actual pattern of short-term profit-taking; or
- It is a derivative that is not designated and effective as a hedging instrument.

A financial asset other than a financial asset held for trading may be designated as at FVTPL upon initial recognition if:

* Such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise; or
* The financial asset forms part of a Company of financial assets or financial liabilities of both, which is managed and its performance is evaluated on a fair value basis, in accordance with the Company's documented risk management or investment strategy, and information about the Companying is provided internally on that basis; or
* It forms part of a contract containing one or more embedded derivatives, and AASB 139 *Financial Instruments: Recognition and Measurement* permits the entire combined contract (asset or liability) to be designated as at FVTPL.

Financial assets at FVTPL are stated at fair value, with any gains or losses arising on remeasurement recognised in profit or loss. The net gain or loss recognised in profit or loss incorporate any dividend or interest earned on the financial asset and is included in the 'other gains and losses' line item in the statement of comprehensive income. Fair value is determined in the manner described in note 15(h).

(iii) 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 any impairment. Interest income is recognised by applying the effective interest rate, except for short-term receivables when the recognition of interest would be immaterial.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2012

(iv) Impairment of financial assets

Financial assets, other than those at FVTPL, are assessed for indicators of impairment at the end of each reporting period. Financial assets are considered to be impaired when 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 affected.

For certain categories of financial assets, such as trade receivables, assets that are assessed not to be impaired individually are, in addition, assessed for impairment on a collective basis. Objective evidence of impairment for a portfolio of receivable assets could include the Company's past experience of collecting payments, an increase in the number of delayed payments in the portfolio past the average credit period of 60 days, as well as observable changes in national or local economic conditions that correlate with default on receivables.

For financial assets carried at amortised cost, the amount of the impairment loss recognised is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the financial asset's original effective interest rate.

The carrying amount of financial assets 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 considered 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.

When an AFS financial asset is considered to be impaired, cumulative gains or losses previously recognised in other comprehensive income are reclassified to profit or loss in the period.

With the exception of AFS 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 that 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.

In respect of AFS equity securities, impairment losses previously recognised in profit or loss are not reversed through profit or loss. Any increase in fair value subsequent to an impairment loss is recognised in other comprehensive income.

(v) De-recognition of financial assets

The Company derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantively all the risks and rewards of ownership of the asset to another entity. If the Company neither transfers nor retains substantively all the risks and rewards of ownership and continue to control the transferred asset, the Company recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the Company retains substantively all the risks and rewards of ownership of a transferred financial asset, the Company continue to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

(e) Provisions

Provisions are recognised when the Company has a present obligation (legal or constructive) as a result of a past event, it is probable that the Company will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows.

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, a receivable is recognised as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2012

(f) Cash and cash equivalents

Cash and cash equivalents include cash on hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less, and bank overdrafts. Bank overdrafts are shown within short-term borrowings in current liabilities on the balance sheet.

(g) Revenue recognition

(i) Interest Revenue

Revenue is recognised as interest accrues using the effective interest method. This is a method of calculating the amortised cost of a financial asset and allocating the interest income over the relevant period using the effective interest rate, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to the net carrying amount of the financial asset.

(ii) Dividend

Dividend revenue from investments is recognised when the shareholder's right to receive payment has been established (provided that it is probable that the economic benefits will flow to the Company and the amount of revenue can be measured reliably).

(h) Trade and other payables

Trade payables and other payables are carried at amortised costs and represent liabilities for goods and services provided to the Company prior to the end of the financial year that are unpaid and arise when the Company becomes obliged to make future payments in respect of the purchase of these goods and services.

(i) Contributed equity

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

(j) Earnings per share

(i) Basic earnings per share

Basic earnings per share is determined by dividing net profit after income tax attributable to members of the Company, excluding any costs of servicing equity other than ordinary shares, by the weighted average number of ordinary shares outstanding during the financial year, adjusted for bonus elements in ordinary shares issued during the year.

(ii) Diluted earnings per share

Diluted earnings per share adjusts the figures used in the determination of basic earnings per share to take into account the after income tax effect of interest and other financing costs associated with dilutive potential ordinary shares and the weighted average number of shares assumed to have been issued for no consideration in relation to dilutive potential ordinary shares.

(k) Critical accounting estimates and judgements

The preparation of financial statements requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. The directors evaluate estimates and judgments incorporated into the financial report based on historical knowledge and best available current information. Estimates assume a reasonable expectation of future events and are based on current trends and economic data, obtained both externally and within the Company. Actual results may differ from these estimates.

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 and in any future periods affected.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2012

In particular, information about significant areas of estimation uncertainty and critical judgments in applying accounting policies that have the most significant effect on the amount recognised in the financial statements are described in the following notes:

- Notes 9 & 10: Financial Assets

(l) New standards and interpretation not yet adopted

The following standards, amendments to standards and interpretations have been identified as those which may impact the entity in the period of initial application. They are available for early adoption, but have not been applied in preparing this financial report.

Standard	Reference	Description
AASB 9	(i)	Financial instruments *
AASB 10	(i)	Consolidated Financial statements
AASB 11	(i)	Joint arrangements
AASB 13	(i)	Fair Value Measurements
AASB 119	(i)	Employees Benefits
AASB 1053	(ii)	Application for Tiers of Australian Accounting Standards
AASB 2010-7	(i)	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]
AASB 2010-8	(iv)	Amendments to Australian Accounting Standards – Deferred Tax: Recovery of Underlying Assets [AASB 112]
AASB 2011-4	(ii)	Amendments to Australian Accounting Standards to Remove Individual Key Management Personnel Disclosure Requirements [AASB 124]
AASB 2011-8	(iv)	Amendments to Australian Accounting Standards arising from AASB 13 [AASB 1, 2, 3, 4, 5, 7, 9, 2009-11, 2010- 7, 101, 102, 108, 110, 116, 117, 118, 119, 120, 121, 128, 131, 132, 133, 134, 136, 138, 139, 140, 141, 1004, 1023 & 1038 and Interpretations 2, 4, 12, 13, 14, 17, 19 ,131 & 132]
AASB 2011-9	(iii)	Amendments to Australian Accounting Standards – Presentation of Items of Other Comprehensive Income [AASB 1, 5, 7, 101, 112, 120, 121, 132, 133, 134, 1039 & 1049]
AASB 2011-10	(i)	Amendments to Australian Accounting Standards arising from AASB 119 (September 2011) [AASB 1, AASB 8, AASB 101, AASB 124, AASB 134, AASB 1049 & AASB 2011-8 and interpretation 14]

(i) Applies to annual reporting period beginning on or after 1 January 2013.

(ii) Applies to annual reporting periods beginning on or after 1 July 2013.

(iii) Applies to annual reporting periods beginning on or after 1 July 2012.

(iv) Applies to annual reporting periods beginning on or after 1 January 2012.

* In December 2011, the IASB delayed the application date of IFRS 9 to 1 January 2015. The AASB is expected to make an equivalent amendment to AASB 9 shortly.

Apart from AASB 10 and AASB 11, the above mentioned new standards and interpretations are not expected to have a material impact on the Company’s financial statements.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2012

4. *Segment Information*

AASB 8 requires operating segments to be identified on the basis of internal reports about components of the Company that are regularly reviewed by the chief operating decision maker in order to allocate resources to the segment and to assess its performance. The adoption of AASB 8 has not resulted in any changes to the segments that are disclosed in the annual financial statements, as the segments are consistent with the internal management reporting information that is regularly reviewed by the chief operating decision maker.

During the financial year, the Company engaged in one business being investment management in Australia, activity from which it earns revenues, and its results are analysed as a whole by the chief operating decision maker. Consequently revenue, profit and net assets for the operating segment and geographical segment are reflected in this annual report.

Subsequent to the balance sheet date, the Company completed the acquisition of IPE and its subsidiary CSP (PNG) and the operation segment has been changed to oil and gas exploration and geographical segment has been changed to Papua New Guinea.

5. *Investment Revenue*

	2012	2011
	$	$
Interest revenue – Indo Pacific Energy Pty Ltd	-	21,370
Interest revenue – Other	64,848	84,440
Dividends	523	1,100
	65,371	106,910

6. *Income Tax Expenses*

	2012	2011
	$	$
Numerical reconciliation of income tax expenses to prima facie tax payable		
Accounting loss before tax	(796,055)	(279,855)
Prima facie tax payable on loss at 30% (2011: 30%)	(238,816)	(83,956)
Add/(less) tax effect of:		
Temporary difference		
- Unrealised (losses)/gain on investments	1,134	5,627
- Unrealised gain/(losses) on foreign currency	(14,207)	12,935
- Provisions and accruals	93,128	8,992
Unused tax losses not recognised as deferred tax assets	158,761	56,402
Income tax expenses	-	-

The Directors have considered the probability of taxable profits arising in the near future is remote and have therefore determined not to recognise any deferred tax assets relating to unused tax losses.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2012

The Company has estimated income losses of $13,895,483 and capital losses of $5,010,082 (per 2011 annual report) plus $529,203 (current year losses, no capital losses). The benefit of these losses and timing difference will only be obtained if:

- The Company derives future assessable income of a nature and an amount sufficient to enable the benefit from the deductions for the loss to be realised;
- The Company continues to comply with the conditions for deductibility imposed by law; and
- No changes in tax legislation adversely affect the Company in realising the benefit from the deduction for the loss.

Due to the changes to ownership and business tests subsequent to year end, it is unlikely that tax losses will be able to be carried forward to future years.

7. *Cash and Cash Equivalents*

	2012	2011
	$	$
Cash and cash equivalents	1,080,871	1,843,015
(a) Reconciliation of cash and cash equivalent at end of year		
Balance as per above	1,080,871	1,843,015
Balance per statement of cash flows	1,080,871	1,843,015

	2012	2011
	$	$
(b) Reconciliation of loss after income tax to net cash flows used in operations		
Operating loss after income tax	(796,055)	(279,855)
Add/(less) non-cash items:		
Concession loan discount	293,766	-
Net realised gain on disposal of held-for-trading investments	-	(5,993)
Recovery of written down investments and loans	21,370	(35,351)
Net unrealised gain from held-for-trading investments	3,781	(18,757)
Foreign exchange losses	(1,204)	
Impairment of loan	-	43,118
Increase in assets:		
Trade and other receivables	5,997	(26,865)
Increase/(decrease) in liabilities:		
Trade and other payables	26,730	14,934
Net cash used in operating activities	(445,615)	(308,769)

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2012

A non-cash transaction of $175,751 took place during the year relating to proceeds received under the Prospectus dated 29 May 2012 (as supplemented) which were recorded in both other receivable and other payable accounts.

8. *Trade and Other Receivables*

	2012	2011
	$	$
Sundry debtors	2,166	1,296
Prepayments	210,279	3,649
Interest receivable (i)	-	21,370
Share Applications Receivable (ii)	175,751	-
GST receivables	1,202	6,819
Total trade and other receivables	389,398	33,134

As of 30 June 2012, trade and other receivables do not contain impaired assets that are not past due. The Company does not hold any collateral in relation to these receivables.

(i) Interest receivable was for loan to Indo Pacific Energy Pty Ltd, refer to note 10 for details.

(ii) These monies relate to proceeds received under the Prospectus dated 30 May 2012. Refer to note 11 for details.

(a) Trade receivables past due but not impaired

There were no trade receivables past due but not impaired.

(b) Fair value and credit risk

Due to the short-term nature of these receivables, their carrying amount is assumed to approximate their fair value.

The maximum exposure to credit risk at the reporting date is the carrying amount of each class of receivables mentioned above. Refer to note 15 for more information on the risk management policy of the Company and the credit quality of the Company's trade receivables.

9. *Financial Assets (Current)*

	2012	2011
	$	$
Listed shares at fair value	50,444	53,021
	50,444	53,021

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2012

10. Financial Assets (Non-current)

	2012	2011
	$	$
Loans receivable		
Loan to Coral Sea Petroleum (PNG) Ltd[1]	57,212	-
Less: Loan concession discount	(20,078)	-
Loan to Indo Pacific Energy Pty Ltd[1] (partially secured) (ii)	1,200,000	500,000
Less: Loan concession discount	(273,688)	-
Loan to Xing Ling International Pte Ltd[2]	139,104	136,322
Less: Impairment	(139,104)	(136,322)
Total loans receivable	963,446	500,000
Total financial assets (non-current)	963,446	500,000

[1] The Company loaned an additional $700,000 to IPE and $57,212 to CSP (PNG) during the year ended 30 June 2012.The total loan amounted to $1,200,000 to IPE and $57,212 to CSP (PNG) as at 30 June 2012. The loan funds shall be used by IPE and CSP (PNG) to progress the acquisition and/or conduct exploration or other activities in respect of the project, including but not limited to overheads associated with the projects. 12% interest per annum is applied to the initial tranche of $250,000 to IPE as per the loan agreement dated 6 October 2010. No interest will be applied to the remaining $950,000 to IPE and $57,212 to CSP (PNG). The loan funds are repayable on completion of the acquisition of IPE or 5 years, whichever is the later.

The initial tranche of $250,000 to IPE is secured with a personal guarantee from Chris Haiveta.

The Directors consider that there is no impairment on the loans. The Directors have obtained an independent valuation for the five prospecting licenses held by CSP (PNG) as at 30 June 2011 and the Directors consider the valuation has not materially changed for the year ended 30 June 2012. The valuation is substantially more than the debts outstanding. Apart from the above, the Company has certain security and commitments in respect of the repayment of the debt. The Company is in the process of taking legal advise in relation to the additional security over the assets of IPE and CSP (PNG).

The Company completed its acquisition of Indo Pacific Energy Pty Ltd and its 100% owned subsidiary Coral Sea Petroleum (PNG) Ltd on 3 August 2012 and accordingly these loans are now owed by 100% owned subsidiary companies.

[2] The loan receivable of $139,104 (SGD$180,000) due from Xing Ling International Pte Ltd, previously payable to Orchid Emarb Ltd, was transferred to Coral Sea Petroleum Ltd on 30 June 2009 as part of the liquidation of Orchid Emarb Ltd. Coral Sea Petroleum Ltd entered into an agreement with Xing Ling International Pte Ltd in which repayment of the loan was linked to a percentage of future profits in Xing Ling International Pte Ltd. In addition, Xing Ling International Pte Ltd agreed to certain restrictive covenants designed to protect Coral Sea Petroleum Ltd's capacity to recoup the loan. The loan has been provided in full at 30 June 2012 and 2011 as non recoverable.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2012

11. *Trade and Other Payables*

	2012	2011
	$	$
Trade payables	40,544	31,930
Sundry payables	35,000	16,884
Share Application liability (i)	175,751	-
Total trade and other payables	251,295	48,814

Accounts payable are non-interest bearing and are predominantly settled on 30-day terms.

(i) This amount represents the amounts that have been received as at 30 June 2012 under the Company's Prospectus dated 29 May 2012 as supplemented by the first Supplementary Prospectus dated 1 June 2012 and Second Supplementary Prospectus dated 18 July 2012. Shares were issued under the Prospectus on 3 August 2012.

12. *Issued Capital*

	2012	2012	2011	2011
	No.	$	No.	$
Fully paid ordinary shares	51,965,987	32,497,122	180,643,756	31,848,559

During the year ended 30 June 2012, the following movements of ordinary shares were noted:

	Number of shares	$
Balance as at 1 July 2011	180,643,756	31,848,559
Issue of fully paid ordinary shares on 29 December 2011	27,000,000	675,000
Issue of 3,111 fully paid ordinary shares on 22 February 2012 for exercise of options	3,111	156
Issue of 217,082 fully paid ordinary shares on 28 February 2012 for exercise of options	217,082	10,854
Consolidation of the Company's shares on 29 May 2012 on a basis of 1 new share for every 4 shares held. Total 207,863,949 shares held were consolidated to 51,965,987 new shares	(155,897,962)	-
Share capital raising costs	-	(37,447)
	51,965,987	32,497,122

No movement of ordinary shares occurred for year ended 30 June 2012.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2012

Ordinary shares

Ordinary shares participate in dividends and the proceeds on winding up of the parent entity in proportion to the number of shares held.

At shareholders meetings, each ordinary share is entitled to one vote per share when a poll is called, otherwise each shareholder has one vote on a show of hands.

13. *Reserves*

	2012	2011
	$	$
Option Premium Reserve		
Balance at 1 July	643,331	643,331
Conversion and lapse of options	(643,331)	-
Balance at 30 June	-	643,331
Total Reserves	-	643,331

Nature and Purposes of Reserves

(i) Option Premium Reserve

The option premium reserve records the issue of share options for cash consideration. The options were either exercised or lapsed during 2012 and the amount was transferred to accumulated losses

Options issued

	Number of Options
Balance as at 1 July 2011	99,225,251
Exercised 22 February 2012	(3,111)
Exercised 22 February 2012	(217,082)
Lapsed 28 February 2012	(99,005,058)
	-

During the year, the current options on issued lapsed. Subsequent to year end, options previously lapsed have received an entitlement for 1 new option for every 4 options held under the Prospectus dated 29 May 2012 (as supplemented and were issued on 28 August 2012

14. *Earnings per share*

	2012	2011
	$	$
Net loss attributable to the ordinary equity holders of the Company	(796,055)	(279,855)
Weighted average number of ordinary shares for basis per share	48,600,886	180,643,756
Continuing operations		
- Basic loss (cents per share)	(1.64)	(0.15)

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2012

15. *Financial Risk Management*

The Company's financial instruments consist of listed securities, deposits with banks, accounts receivable and accounts payable. The main risks arising from the Company's financial instruments are interest rate risk, credit risk, foreign currency risk, equity price risk and liquidity risk.

Risk management is carried out by the Board of Directors who monitor, evaluate, and manage the Company's financial risk across its operating units.

The financial receivables and payables of the Company in the table below are due or payable within 30 days. The financial investments are held for trading and are realised at the discretion of the Board of Directors.

2012	Weighted Average Interest Rate %	<6 months $	>6 - 12 months $	> 12 months $	Total Contractual Cash Flows $	Carrying Amount $
Financial assets						
Non-interest bearing	-	-	-	1,007,221	1,007,221	1,007,221
Cash	5.7%	1,080,871	-	-	1,080,871	1,080,871
Other financial assets	12%	-	-	250,000	250,000	250,000
Financial liabilities						
Non-interest bearing	-	251,295	-	-	251,295	251,295
		1,332,166	-	1,257,212	2,659,387	2,659,387

2011	Weighted Average Interest Rate %	<6 months $	>6 - 12 months $	> 12 months $	Total Contractual Cash Flows $	Carrying Amount $
Financial assets						
Non-interest bearing	-	283,134	-	-	283,134	283,134
Cash	5.7%	1,843,015	-	-	1,843,015	1,843,015
Other financial assets	12%	250,000	-	-	250,000	250,000
Financial liabilities						
Non-interest bearing	-	48,814	-	-	48,814	48,814
		2,424,963	-	-	2,424,963	2,424,963

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2012

(a) Capital risk management

The Company's capital includes share capital, reserves and accumulated losses. The Company's objectives when managing capital are to safeguard the Company's ability to continue as a going concern, so that it can continue to provide returns for shareholders and benefits for other stakeholders. The Company manages the capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. In order to achieve this, the Company may issue new shares in order to meet its financial obligations.

(b) Financial risk management objectives and policies

The Board of Directors co-ordinate domestic and international financial markets, monitors and manages the financial risks relating to the operations of the Company through internal risk reports which analyse exposures by degree and magnitude of risks. These risks include market risk (including currency risk, fair value and interest rate risk), credit risk and liquidity risk.

The Company does not enter into or trade financial instruments, including derivative financial instruments, for speculative purposes.

(c) Credit risk management

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Company. The Company has adopted a policy of only dealing with creditworthy counterparties and obtaining sufficient collateral where appropriate, as a means of mitigating the risk of financing loss from defaults. The Company exposure and the credit ratings of its counterparties are continuously monitored and the aggregate value of transactions concluded are spread amongst approved counterparties.

The Company loaned an additional $700,000 to IPE and $57,212 to CSP (PNG) during the year ended 30 June 2012.The total loan amounted to $1,200,000 to IPE and $57,212 to CSP (PNG) as at 30 June 2012. The loan funds shall be used by IPE and CSP (PNG) to progress the acquisition and/or conduct exploration or other activities in respect of the project, including but not limited to overheads associated with the projects. 12% interest per annum is applied to the initial tranche of $250,000 to IPE as per the loan agreement dated 6 October 2010. No interest will be applied to the remaining $950,000 to IPE and $57,212 to CSP (PNG). The loan funds are repayable on completion of the acquisition of IPE or 5 years, whichever is the later.

The initial tranche of $250,000 to IPE is secured with a personal guarantee from Chris Haiveta.

The Company completed its acquisition of IPE and its 100% owned subsidiary CSP (PNG) on 3 August 2012 and accordingly these loans are now owned by 100% owned subsidiary companies.

The loan receivable of $139,104 (SGD$180,000) due from Xing Ling International Pte Ltd, previously payable to Orchid Emarb Ltd, was transferred to Coral Sea Petroleum Ltd on 30 June 2009 as part of the liquidation of Orchid Emarb Ltd. Coral Sea Petroleum Ltd entered into an agreement with Xing Ling International Pte Ltd in which repayment of the loan was linked to a percentage of future profits in Xing Ling International Pte Ltd. In addition, Xing Ling International Pte Ltd agreed to certain restrictive covenants designed to protect Coral Sea Petroleum Ltd's capacity to recoup the loan. The loan has been provided in full at 30 June 2012 and 2011 as non recoverable.

Apart from the above mentioned, the Company does not have any significant credit risk exposure to any single counterparty or any group of counterparties having similar characteristics.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2012

The maximum exposure to credit risk at the reporting date is the carrying amount of the financial assets as summarised below:

	2012	2011
	$	$
Cash and cash equivalents	1,080,871	1,843,015
Loan to IPE	1,200,000	500,000
Loan to CSP (PNG)	57,212	-
Receivables	179,210	33,134

The carrying amount of financial assets recorded in the financial statements, net of any provision for losses, represents the Company's maximum exposure to credit risk.

All receivables noted above are due within 30 days. None of the above receivables are past due.

(d) Foreign currency risk

The Company is exposed to foreign currency risk on the following transactions:

- financial assets listed on overseas stock exchanges (Germany, Singapore & Hong Kong) (have all been disposed of during the year 2011); and
- listed shares in Avation PLC (written off in a prior year) were brought back into the statement of financial position during the year 2011. The shares are listed on the London Stock Exchange.

The Company has not entered into any forward exchange contracts as at balance.

Based on the above, the Company is exposed to GBP and Kina foreign currency risk for years 2012 and 2011. The Company's exposure to foreign currency risk for years 2012 and 2011 was as follows:

2012	**GBP**	**(AUD)**	**KINA**	**(AUD)**
Current:				
Cash and cash equivalents	-	-		
Financial assets (current)	32,935	50,444	100,000	57,212
Receivables	-	-		
Payables	-	-		

2011	**GBP**	**(AUD)**
Current:		
Cash and cash equivalents	-	-
Financial assets (current)	35,349	53,021
Receivables	-	-
Payables	-	-

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2012

(e) Equity price risk exposure

Equity price risk represents the risk that the value of a financial instrument will fluctuate as a result of changes in market prices, whether those changes are caused by factors specific to the individual instrument or its issuer or factors affecting all instruments in the market. Equity price risk is minimised through ensuring that investment activities are undertaken in accordance with the Board established mandate limits and investment strategies.

Equity securities price risk arises on the financial assets at fair value through profit or loss or held for trading.

The Company did not have exposure to material equity price risk as the Company has disposed most of the investments during the financial year.

(f) Liquidity risk management

Ultimate responsibility for liquidity risk management rests with the Board of Directors, who have built an appropriate liquidity risk management framework for the management of the Company's short, medium and long-term funding and liquidity management requirements. The Company manages liquidity risk by maintaining adequate reserves, banking facilities and reserve borrowing facilities by continuously monitoring forecast and actual cash flows and matching the maturity profiles of financial assets and liabilities.

Liquidity risk is the risk that the Company will encounter difficulty in meeting obligations associated with financial liabilities. The Company has no borrowings. The Company has sufficient cash on hand to meet accounts payable arising in the normal course of business.

(g) Interest rate risk exposure

Interest rate risk is the risk that the value of a financial instrument will fluctuate due to changes in market interest rates. The Company is exposed to interest rate risk as it invests funds at both fixed and floating interest rates. The risk is managed by maintaining an appropriate mix between fixed and floating rate deposits. The entity has no borrowings. The weighted average interest rates are 7.1% for the Company (2011: 6.5%).

	2012	2011
	$	$
Interest bearing financial instruments:		
Cash and cash equivalents	1,080,871	1,843,015
Effective interest rate	6%	5.7%
Loan to Coral sea Petroleum (PNG) Limited	250,000	250,000
Effective interest rate	12%	12%
Weighted average effective interest rate	7.1%	6.5%

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2012

(h) Fair value

The fair value of financial assets and liabilities, together with the carrying amounts shown in the statement of financial position, are as follows:

	2012		2011	
	Carrying amount	Fair value	Carrying amount	Fair value
	$	$	$	$
Assets carried at fair value				
Financial assets held for trading	50,444	50,444	53,021	53,021
Cash and cash equivalents	1,080,871	1,080,871	1,843,015	1,843,015
Assets carried at amortised cost				
Loans and receivables	963,446	963,446	533,134	533,134
Liabilities carried at amortised cost				
Payables	251,295	251,295	48,814	48,814

Fair value hierarchy

The table below analyses financial instruments carried at fair value, by valuation method. The different levels have been defined as follows:

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e. derived from prices).
- Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

2012	**Level 1**	**Level 2**	**Level 3**	**Total**
	$	$	$	$
Financial assets	50,444	-	-	50,444

2011	**Level 1**	**Level 2**	**Level 3**	**Total**
	$	$	$	$
Financial assets	53,021	-	-	53,021

There were no transfers among levels during the year.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2012

(i) Sensitivity analysis

The Company has performed sensitivity analyses on its exposure to interest rate risk of bank balances at balance date. The analyses demonstrate the effect on the current year results and equity which would result from a 5% change in interest rates. Since the Company has no borrowings, 5% was chosen for the sensitivity analysis on interest rates as it was close to the average interest rate for cash and cash equivalents for the whole year. Since the Company has disposed of most of its investments, exposure to equity price risk and foreign currency risk is immaterial in terms of the possible impact on the statement of comprehensive income and total equity. It has therefore not been included in the sensitivity analysis.

Interest rate risk	**2012**	**2011**
Change in profit	$	$
Increase in interest rate by 5% (2011: 5%)	54,044	92,151
Decrease in interest rate by 5% (2011: 5%)	(54,044)	(92,151)
Change in other comprehensive income		
Increase in interest rate by 5% (2011: 5%)	-	-
Decrease in interest rate by 5% (2011:5%)	-	-

16. *Share-based Payments*

No share-based payment arrangements were entered into in either the years ended 30 June 2012 or 30 June 2011. Please refer to note 22(a) for issuance of shares to one of the Directors in previous years.

17. *Related Party Disclosure*

(a) Key management personnel

Disclosures relating to Directors and executives are set out in note 18.

(b) Transactions and balances with related parties

Disclosures relating to transactions and balances with related parties are set out in note 18.

(c) Equity Interests in related parties

Details of the percentage of ordinary shares held by Directors or their related entities are disclosed in note 18 to the financial statements.

18. *Key Management Personnel Disclosures*

(a) Key management personnel

The following persons were key management personnel of Coral Sea Petroleum Ltd during the financial year:

(i) Directors

Clive McKee [1]	Chairman
Julian Sandt	Chief Executive Officer
Alvin Tan	Non-Executive Director
Richard Lambe	Finance Director[1] and Company Secretary[2]

[1] Resigned on 3 August 2012

[2] Resigned on 08 August 2012

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2012

No other key management personnel were noted for the years ended 30 June 2011 and 2012.

The Company entered into an Executive Service Agreement (the "agreement") with Mr Sandt pursuant to which Mr Sandt was engaged by the Company as Chief Executive Officer with effect from 18 September 2005, for a period of 5 years (or until terminated in accordance with the terms of the agreement).

Under the agreement, the Company was to pay Mr Sandt director's fees of $130,000 per annum. Mr Sandt was also entitled to, for a period of 5 years, at the beginning of each 12 month period starting on 18 September 2005, an allotment of 2 million fully paid ordinary shares in the Company at zero consideration. These shares could not be sold by Mr Sandt within 2 years of allotment. In case of termination, the shares were to be allotted on a pro-rata basis. This clause was subject to shareholder approval. A resolution seeking shareholder approval of the issue of the fourth tranche of 2 million shares, due and payable on 18 September 2008, was withdrawn. The issue of the 4th and 5th tranches of 2 million shares each has been withdrawn. The period of the agreement has been completed and Mr Sandt's employment with the Company continues on a month to month basis. The first three tranches, each of 2 million shares, issued to Mr Sandt pursuant to the agreement have all been released from escrow having satisfied the 2 year restriction imposed by the agreement.

In response to the extent of the devaluation of the Company's assets as a result of the global financial crisis in the 2009 financial year, Mr Sandt agreed to reduce his director's fees to $66,000 per annum with effect 1 October 2008 until further notice. Mr Sandt further agreed to withdraw his entitlement to the 4th and 5th tranches, each of 2 million fully paid ordinary shares in the Company at zero consideration. Mr Sandt's remuneration of shares was not linked to satisfaction of a performance condition because the shares were to be issued in order to reflect the competitiveness of the market.

Mr McKee, the Chairman, agreed to reduce his director's fees by 50% with effect 1 October 2008 until further notice and has been paid $48,000 for the financial year (2011:$48,000).

Mr Tan, Non-Executive Director, has been paid $36,000 for the financial year (2011:$36,000).

The Company has paid directors fees of $72,000 (2011:$72,000) to Mr Lambe, as well as accounting, taxation and company secretarial services fees to Mercia Taxation & Accounting Pty Ltd, of which Mr Lambe is the director during the year ended 30 June 2012. Refer to note 18(e) of the financial statements for details.

No other agreements with key management personnel or their controlled entities have been entered into.

Remuneration of Non-Executive Directors is based on fees approved by the Board of Directors and is set at levels to reflect market conditions and encourage the continued services of the Directors.

The Company does not offer any variable remuneration incentive plans or bonus schemes to Executive Directors or any retirement benefits and, as such, there are no performance related links to the existing remuneration policies.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2012

The key management personnel of the Company are the Directors of Coral Sea Petroleum Ltd. Details of the remuneration of the Directors of the Company are set out below:

	Short-Term				**Post employment**			**Long-term**	**Share-based payments**	**TOTAL**	**Total perform-ance related**
2012	Salary fees *	Cash bonus	Non-monetary	Other	Super-annuation	Retirement benefits	Termin-ation benefits	Incentive plans	Options		
	$	$	$	$	$	$	$	$	$	$	%
Directors											
Mr McKee[2]	48,000	-	-	-	-	-	-	-	-	48,000	-
Mr Sandt	66,000	-	-	-	-	-	-	-	-	66,000	-
Mr Tan	36,000	-	-	-	-	-	-	-	-	36,000	-
Mr Lambe[2]	72,000	-	-	57,664[1]	-	-	-	-	-	129,664	-
Sub-total	222,000	-	-	57,664[1]	-	-	-	-	-	279,664	-
Other key management personal											
None	-	-	-	-	-	-	-	-	-	-	-
Sub-total	-	-	-	-	-	-	-	-	-	-	-
Total	222,000	-	-	57,664[1]	-	-	-	-	-	279,664	-

	Short-Term				**Post employment**			**Long-term**	**Share-based payments**	**TOTAL**	**Total perform-ance related**
2011	Salary fees *	Cash bonus	Non-monetary	Other	Super-annuation	Retirement benefits	Termina-ion benefits	Incentive plans	Options		
	$	$	$	$	$	$	$	$	$	$	%
Directors											
Mr McKee[2]	48,000	-	-	-	-	-	-	-	-	48,000	-
Mr Sandt	66,000	-	-	-	-	-	-	-	-	66,000	-
Mr Tan	36,000	-	-	-	-	-	-	-	-	36,000	-
Mr Lambe[2]	72,000	-	-	9,750	-	-	-	-	-	81,750	-
Sub-total	222,000	-	-	9,750	-	-	-	-	-	231,750	-
Other key management personal											
None	-	-	-	-	-	-	-	-	-	-	-
Sub-total	-	-	-	-	-	-	-	-	-	-	-
Total	222,000	-	-	9,750	-	-	-	-	-	231,750	-

[1] Fee for Company Secretarial services in 2012 were related to notice of meeting and Prospectus. Please refer to note 18e in the financial statements for details.

[2] Mr Mckee and Mr Lambe resigned on 3 August 2012.

* All directors' fees were paid to the Directors' related entities

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2012

	2012	2011
	$	$
Short term employee benefit	279,664	231,750
Post employment benefit	-	-
Termination benefits	-	-
Other long-term benefits	-	-
Share-based payments	-	-
	279,664	231,750

(b) Equity instruments disclosures relating to key management personnel

(i) Options provided as remuneration and shares issued on exercise of such options

No options were provided to key management personnel as remuneration during the current or previous year.

(ii) Shares issued on exercise of compensation options

No shares issued on exercise of compensation options for the current or previous year.

(iii) Option holdings

Details of options held directly, indirectly or beneficially by key management personnel and their related parties during the year ended 30 June 2012 are as follows:

Company Directors and Related Parties		Opening Balance $	Granted as Remuneration $	Options Exercised $	Net Change Other[1] $	Closing Balance $	Total Vested and Exercisable as at Year End $	Unvested as at Year End $
Mr McKee	**2012**	**1,250,000**	-	-	(1,250,000)	**-**	**-**	-
	2011	1,250,000	-	-		1,250,000	1,250,000	-
Mr Sandt	**2012**	**1,000,000**	-	-	(1,000,000)	**-**	**-**	-
	2011	1,000,000	-	-	-	1,000,000	1,000,000	-
Mr Tan	**2012**	**1,750,000**	-	-	(1,750,000)	**-**	**-**	-
	2011	1,750,000	-	-	-	1,750,000	1,750,000	-
Mr Lambe	**2012**	-	-	-	-	-	-	-
	2011	-	-	-	-	-	-	-

[1] During the financial year, the options issued have lapsed.

(iv) Shareholdings

The number of shares in the Company held by directors or other key management personnel of the Company, including their related parties at the end of the financial year as follows:

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2012

Company Directors and Related Parties		Opening Balance $	Received During Year on Exercise of Options $	Net Change Other (i) $	Closing Balance $
Mr McKee	**2012**	**3,081,510**	**-**	**(2,311,132)**	**770,378**
	2011	3,081,510	-	-	3,081,510
Mr Sandt	**2012**	**6,778,546**	**-**	**(5,083,909)**	**1,694,637**
	2011	13,882,757	-	(7,104,211)	6,778,546
Mr Tan	**2012**	**1,672,762**	**-**	**(1,269,570)**	**423,192**
	2011	1,692,762	-	-	1,692,762
Mr Lambe	**2012**	-	**-**	-	-
	2011	-	-	-	-

1. On 20 May 2012, there was consolidation of the Company's share capital on a basis of 1 new share for every 4 shares held. Total 207,863,949 shares held were consolidated to 51,965,987 new shares.

(c) Material contracts

Julian Sandt

The terms of the service agreement between the Company and Mr Sandt have been completed and Mr Sandt's employment with the Company continues on a month to month basis.

(d) Loans to Directors

There were no loans made to the Directors of the Company, including their related parties during the financial year (2011: $Nil).

(e) Other transactions with key management personnel including their related parties

In addition to the standard directors fees and Company Secretarial services, the Company has also paid $57,664 (2011: $9,750) for accounting and taxation services fees to Mercia Taxation & Accounting Pty Ltd, of which Richard Lambe is the director.

19. Commitments

As at 30 June 2012, the Company has no commitments (2011: $Nil).

Subsequent to year end, as consequence of the acquisition of IPE and its subsidiary CSP (PNG), the Company has the following commitments:

PPL	Date Granted	Commitment
366	29 November 2010	First 2 years - US$ 200,000; Next 2 years – seismic acquisition and drill one exploration well Following 2 years – drill one exploration well contingent upon the result of the first well.
367	29 November 2010	First 2 years - US$ 200,000; Next 2 years – seismic acquisition and drill one exploration well Following 2 years – drill one exploration well contingent upon the result of the first well.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2012

356	29 November 2010	First 2 years - US$ 150,000; Next 2 years – seismic acquisition and drill one offshore exploration well Following 2 years – drill one well contingent upon the result of the first well.
357	29 November 2010	First 2 years - US$ 150,000; Next 2 years – seismic acquisition and drill one offshore exploration well Following 2 years – drill one well contingent upon the result of the first well.
358	21 November 2010	First 2 years - US$ 250,000; Next 2 years – seismic acquisition, process and interpret seismic data, establish inventory of leads and prospects, data purchasing and review and mature drillable prospect; Following 2 years – drill a contingent exploration well.

It should be noted that the above commitments might change depending upon the results of work carried out. For example, if the Company is not satisfied with the results of the first 2 years for one of the PPLs, the Company may choose to relinquish all or part of that PPL and focus its efforts and funds on the other PPLs.

20. Subsequent Events

On 29 May 2012, the Company issued a prospectus (as supplemented) for the offer of 10,000,000 fully paid ordinary shares in CSP at an issue price of 20 cents each and 29,758,832 options at an issue price of 0.4 cents per option. Shares under the prospectus were issued on 3 August 2012. Applications totaling 28,767,165 options were received. The Company issued these options on 28 August 2012.

A total of $2,115,069 was raised under the Prospectus.

On 3 August 2012, the Company completed the acquisition of IPE. IPE owns 100% of Coral Sea Petroleum (PNG) Ltd which in turn owns 100% of 5 petroleum prospecting licenses in Papua New Guinea. These prospecting licences comprise the following:

- PPL 366 – Biwai licence
- PPL 367 – Turama licence
- PPL 356 – Dibiri licence
- PPL 357 – Hiri licence
- PPL 358 – Cape Vogel licence

The material terms of the acquisition were as follows:

a) CSP acquired ownership of IPE by purchasing all of the issued capital of IPE from the Vendors.

b) CSP issued the Vendors with 55,000,000 fully paid ordinary shares.

c) Completion of the acquisition was subject to certain conditions including the Company obtaining all necessary shareholder and other approvals for the acquisition pursuant to the Corporations Act 2001 and the ASX Listing Rules. These conditions have been completed. Please refer to Prospectus dated 30 May 2012 and Supplementary Prospectus dated 18 July 2012 for additional details.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2012

On 16 August 2012, the Company changed its name from Orchid Capital Limited to Coral Sea Petroleum Ltd.

On completion of the acquisition Mr Chris Haiveta, Mr Domenic Martino and Mr Yosse Goldberg were appointed as Directors, and Mr Clive McKee and Mr Richard Lambe resigned as Directors. Mr Lambe resigned as Company Secretary on 8 August 2012 and Ms Louisa Martino was appointed as Company Secretary on that date.

As at 30 June 2012, the Company has a loan outstanding to IPE totalling $1.2 million ($1,690,850 at the date of signing this report) and a loan to Coral Sea Petroleum (PNG) Ltd (the 100% owned subsidiary of IPE) totalling $57,212 ($138,962 at the date of signing this report). In respect of the loan to IPE, 12% per annum is applied to the initial tranche of $250,000 as per the loan agreement dated 6 October 2010. No interest is applied to the remaining $1,579,812. The loan funds are repayable on completion of the acquisition of IPE or 5 years, whichever is the later.

21. *Contingent Liabilities*

No contingent liabilities were noted for the Company for the years ended 30 June 2011 and 2012.

22. *Dividend*

No dividend has been paid during the year and no dividend is recommended for the year.

23. *Remuneration of Auditors*

	2012	2011
	$	$
Auditors of the Company – Pitcher Partners Corporate & Audit (WA) Pty Ltd		
Remuneration for Audit and review of the Financial report	56,730	46,701
Pitcher Partners Securities Pty Ltd		
Remuneration for other services in respect to Notice of Meeting, Prospectus and Investigating Accountants Report	86,645	-
	143,375	46,701

DIRECTORS' DECLARATION

The Directors declare that the financial statements and notes set out on pages 23 to 50 in accordance with the *Corporations Act 2001*:

a) Comply with Accounting Standards and the *Corporations Regulations* 2001, and other mandatory professional reporting requirements;

b) As stated in Note 1(a) the financial statements also comply with International Financials Reporting Standards; and

c) Give a true and fair view of the financial position of the Company as at 30 June 2012 and of its performance for the year ended on that date.

In the Directors' opinion, there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

This declaration has been made after receiving the declarations required to be made to the Directors in accordance with section 295A of the Corporations Act 2001 for the year ended 30 June 2012.

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

On behalf of the Directors

Domenic Martino

Managing Director

Sydney

27th day of September 2012

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AUDITOR'S INDEPENDENCE DECLARATION

TO THE DIRECTORS OF CORAL SEA PETROLEUM LTD (FORMERLY ORCHID CAPITAL LIMITED)

In relation to the independent audit for the year ended 30 June 2012, to the best of my knowledge and belief there have been:

(i) No contraventions of the auditor independence requirements of the *Corporations Act 2001*.

(ii) No contraventions of any applicable code of professional conduct.

Pitcher Partners Corporate & Audit (WA) Pty Ltd

PITCHER PARTNERS CORPORATE & AUDIT (WA) PTY LTD

Sharon Leong

Sharon Leong
Executive Director
27 September 2012

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INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF CORAL SEA PETROLEUM LTD (FORMERLY ORCHID CAPITAL LIMITED)

Report on the Financial Report

We have audited the accompanying financial report of Coral Seal Petroleum Ltd (formerly Orchid Capital Limited) (the "company"), which comprises the statement of financial position as at 30 June 2012, the statement of comprehensive income, the statement of changes in equity and the 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.

Directors' Responsibility for the Financial Report

The directors of the company are responsible for the preparation 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 gives a true and fair view and is free from material misstatement, whether due to fraud or error. In Note 2, the directors also state, in accordance with Accounting Standard AASB 101 *Presentation of Financial Statements*, that the financial statements comply 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. Those standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance about 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 company's preparation of the financial report that gives a true and fair view 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 company'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.

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*.

PITCHER PARTNERS

INDEPENDENT AUDITOR'S REPORT
TO THE MEMBERS OF
CORAL SEA PETROLEUM LTD (FORMERLY ORCHID CAPITAL LIMITED)

Opinion

In our opinion:

(a) the financial report of Coral Sea Petroleum Ltd (formerly Orchid Capital Limited) is in accordance with the *Corporations Act 2001*, including:

(i) giving a true and fair view of the company's financial position as at 30 June 2012 and of its performance for the year ended on that date; and

(ii) complying with Australian Accounting Standards and the *Corporations Regulations 2001*; and

(b) the financial report also complies with *International Financial Reporting Standards* as disclosed in Note 2.

Report on the Remuneration Report

We have audited the Remuneration Report included in pages 8 to 12 of the directors' report for the year ended 30 June 2012. 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.

Opinion

In our opinion, the Remuneration Report of Coral Sea Petroleum Ltd (formerly Orchid Capital Limited) for the year ended 30 June 2012 complies with section 300A of the *Corporations Act 2001*.

Pitcher Partners Corporate & Audit (WA) Pty Ltd

PITCHER PARTNERS CORPORATE & AUDIT (WA) PTY LTD

Sharon Leong

SHARON LEONG
Executive Director

27 September 2012

STOCK EXCHANGE INFORMATION

Additional information required by Australian Securities Exchange Limited and not shown elsewhere in this Annual Report is as follows. The information is as at 27 August 2012.

NUMBER OF HOLDERS OF EQUITY SECURITIES

ORDINARY SHAREHOLDERS

There are 117,340,987 fully paid ordinary shares on issue, held by 670 individual shareholders. Each member entitled to vote may vote in person or by proxy or by attorney and on a show of hands every person who is a member or a representative or a proxy of a member shall have one vote and on a poll every member present in person or by proxy or attorney or other authorised representative shall have one vote for each share held.

TWENTY LARGEST SHAREHOLDERS (AS AT 27 AUGUST 2012)

	Fully Paid Ordinary	
Ordinary Shareholders	**Number**	**Percentage**
JP Morgan Nominees Australia Limited	21,968,792	18.72
Lightglow Enterprises Pty Ltd	11,250,000	9.59
Fanucci Pty Ltd	11,250,000	9.59
Chris Haiveta	11,250,000	9.59
Minimum Risk Pty Ltd	10,000,000	8.52
Confianza Pty Ltd	7,500,000	6.39
BBY Nominees Limited	4,335,141	3.69
Adelaide PNG Investments	2,500,000	2.13
Mr Julian Lionel Sandt	1,500,000	1.28
Code Nominees Pty Ltd	1,498,822	1.28
Slade Technologies Pty Ltd	1,482,806	1.26
Louisa Martino	1,250,000	1.07
Mr Colin Weekes & Mr Michael Weekes	1,236,825	1.05
Straight Investment S A	1,133,269	0.97
BNP Paribas Nos Pty Ltd	1,019,708	0,87
Innovation Marketing & Finance Pty Ltd	991,843	0.85
Trayburn Pty Ltd	959,896	0.82
HSBC Custody Nominees (Australia) Limited	950,881	0.81
Merrill Lynch (Australia) Nominees Pty Ltd	870,959	0.74
Mr Eddie Sugar	800,000	0.68
	93,748,942	79.90

STOCK EXCHANGE INFORMATION

VOTING RIGHTS

Subject to any rights or restrictions for the time being attached to any class or classes (at present there are none) at general meetings of shareholders or classes of shareholders:

(a) each shareholder entitled to vote, may vote in person or by proxy, attorney or representative;

(b) on a show of hands, every person present who is a shareholder or a proxy, attorney or representative of a shareholder has one vote; and

(c) on a poll, every person present who is a shareholder or a proxy, attorney or representative of a shareholder shall, in respect of each fully paid share held, or in respect of which he/she has appointed a proxy, attorney or representative, have one vote for the share, but in respect of partly paid shares shall have a fraction of a vote equivalent to the proportion which the amount paid up bears to the total issue price for the share.

HOLDERS OF NON-MARKETABLE PARCELS

There are 243 shareholders who hold less than a marketable parcel of shares.

DISTRIBUTION OF SHARE HOLDERS (AS AT 27 AUGUST 2012)

	Number of Holders	Number of Shares
1 to 1,000	92	43,351
1,001 to 5,000	168	455,478
5,001 to 10,000	158	1,446,967
10,001 to 100,000	172	6,764,767
100,001 and over	80	108,630,424
	670	117,340,987

There are no options holders as at 27 August 2012.

SUBSTANTIAL SHAREHOLDERS

As at report date, there are 6 shareholders recorded in the Register as Substantial Shareholders.

SHARE BUY-BACKS

There is no current on-market buy-back scheme.

RESTRICTED SECURITIES

The Company has 8 holders of restricted securities at 27 August 2012 (totalling 55,375,000 shares).

OTHER INFORMATION

Coral Sea Petroleum Limited, incorporated and domiciled in Australia, is a public listed Company limited by shares.