

Orchid Capital Ltd

ABN 30 073 099 171

Notice of General Meeting and Explanatory Statement

The General Meeting of the Company will be held at Suite 6, 32 Hines Road, O'Connor, Western Australia 6163 at 11.00 am (WST) on Tuesday 15 May 2012

This is an important document. Please read it carefully.

If you are unable to attend the General Meeting, please complete the Proxy Form enclosed and return it in accordance with the instructions set out on the Proxy Form.

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Orchid Capital Ltd

ABN 30 073 099 171

Time and Place of Meeting and How to Vote

Venue

The General Meeting of Shareholders of the Company will be held at:

Suite 6, 32 Hines Road O'Connor, Western Australia, 6163	Commencing 11.00 am on Tuesday 15 May 2012
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How to Vote

You may vote by attending the General Meeting in person, by proxy or authorised representative.

Voting in Person

To vote in person, attend the General Meeting on the date and at the place set out above.

Voting by Proxy

To vote by proxy, please complete and sign the Proxy Form enclosed with this Notice of Meeting as soon as possible and either:

- send the proxy by facsimile to the Company Secretary on facsimile number +61 8 9338 8699; or
- deliver to the Company at Suite 6, 32 Hine Road, O'Connor, Western Australia, 6163.

so that it is received not later than 11.00 am (WST) on Sunday 13 May 2012.

Your proxy form is enclosed at the end of the Explanatory Statement.

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Orchid Capital Ltd

Chairman's Letter

Dear Shareholders

As announced to ASX on 14 March 2011, Orchid Capital Ltd (**Company**) has entered into a Memorandum of Understanding (**MOU**) with all the shareholders of Indo Pacific Energy Pty Ltd (**Vendors**) (**IPE**) pursuant to which the Vendors agreed to sell, and the Company agreed to acquire, all the issued shares in IPE (**Acquisition**).

As contemplated under the MOU, the Company, IPE and the Vendors entered into a formal share sale agreement on 21 July 2011 with respect to the Acquisition. A condition precedent to completion of the Acquisition is that shareholders approve the Acquisition.

The directors of the Company (**Directors**) are of the opinion that the proposed Acquisition is in the best interests of the Company and its shareholders and accordingly recommend shareholders vote in favour of resolutions 1 to 9 approving the Acquisition (**Acquisition Resolutions**).

The Directors unanimously recommend that you vote in favour of the Acquisition Resolutions for the following reasons:

- the potential increase in market capitalisation of the Company following completion of the Acquisition and associated Share Placement may lead to increased coverage from investment analysts, access to improved equity capital market opportunities and increased liquidity, which are not currently present;
- if the Company does not proceed with the proposed Acquisition, its cash reserves will continue to be eroded by on-going administrative and corporate costs;
- since abandoning the Company's previous strategy of investing in pre-IPO companies, the Directors have been actively seeking opportunities to return the Company to operation and enhance Shareholder value. The Directors believe the acquisition of IPE and the PNG Oil & Gas Projects is such an opportunity;
- following the Global Financial Crisis in 2009, the oil price has steadily increased, improving the value and economics of oil and gas projects;
- PNG has a proven Jurassic and Cretaceous oil and gas prone petroleum system and excellent Jurassic and Lower Cretaceous reservoir and source rock development has been established; and
- existing production infrastructure is available to commercialise a successful discovery should it be made on the PPLs.

It is important that you read the information set out in the attached documents and form your own view on the merits of the proposal. The Directors intend to vote their Shares in favour of all resolutions, subject to any applicable voting exclusion statements set out in the Notice of Meeting.

Yours faithfully



Richard Lambe
Director

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Orchid Capital Ltd

ABN 30 073 099 171

Notice of General Meeting

Notice is hereby given that the General Meeting of shareholders of Orchid Capital Ltd will be held at Suite 6, 32 Hines Road, O'Connor, Western Australia, 6163 at 11.00 am on Tuesday 15 May 2012 (**General Meeting**).

The Explanatory Statement to this Notice of Meeting provides additional information on matters to be considered at the General Meeting. The Proxy Form and Explanatory Statement form part of this Notice of Meeting.

The Directors have determined pursuant to regulation 7.11.37 of the Corporations Regulations 2001 (Cth) that the persons eligible to vote at the General Meeting are those who are registered as Shareholders at 5.00 pm (WST) on Sunday 13 May 2012.

Capitalised terms and abbreviations used in this Notice of Meeting and the Explanatory Statement are defined in Section 15 of the Explanatory Statement.

Agenda

Resolution 1 – Approval of Issue of Acquisition Shares

To consider, and if thought fit pass, with or without amendment, the following Resolution as an **ordinary resolution**:

"That, subject to the passing of Resolutions 2 to 4, for the purposes of ASX Listing Rule 7.1 and for all other purposes, the Company approves the issue of the Acquisition Shares to the Vendors as consideration for the acquisition of the entire issued capital of Indo Pacific Energy Pty Ltd, on the terms and conditions set out in the Explanatory Statement."

Voting Exclusion: The Company will disregard any votes cast on this Resolution by the Vendors and any person who might obtain a benefit if the Resolution is passed (except a benefit solely in the capacity of a holder of ordinary securities) and an associate of that person. However, the Company need not disregard a vote if it is cast by a person as a proxy for a person who is entitled to vote, in accordance with the direction on the proxy form, or it is cast by the person chairing the General Meeting as a proxy for a person who is entitled to vote, in accordance with a direction on the proxy form to vote as the proxy decides.

Resolution 2 – Consolidation of Capital

To consider and, if thought fit, to pass, with or without amendment, the following Resolution as an **ordinary resolution**:

"That, subject to the passing of Resolutions 1, 3 and 4, for the purpose of Section 254H of the Corporations Act and the Company's Constitution and for all other purposes, the issued capital of the Company be consolidated on the basis that every four (4) Shares be consolidated into one (1) Share and where this consolidation results in a fraction of a Share being held by a Shareholder, the Directors be authorised to round that fraction up to the nearest whole Share, with the Consolidation taking effect on 15 May 2012 and otherwise on the terms and conditions set out in the Explanatory Statement."

Resolution 3 – Approval of Share Placement

To consider and, if thought fit, to pass, with or without amendment, the following Resolution as an **ordinary resolution**:

"That, subject to the passing of Resolutions 1, 2, and 4, for the purpose of ASX Listing Rule 7.1 and for all other purposes, approval is given for the Directors to allot and issue up to 10,000,000 Shares (on a post-Consolidation basis) at an issue price of not less than \$0.20 per Share to raise up to \$2,000,000, and otherwise on the terms and conditions set out in the Explanatory Statement."

Voting Exclusion: The Company will disregard any votes cast on this Resolution by any person who may participate in the proposed issue and a person who might obtain a benefit (except a benefit solely in the capacity of a holder of ordinary securities) and any associates of those persons. However, the Company need not disregard a vote

if it is cast by a person as a proxy for a person who is entitled to vote in accordance with the directions on the Proxy Form or it is cast by the person chairing the General Meeting as proxy for a person who is entitled to vote, in accordance with a direction on the Proxy Form to vote as the proxy decides.

Resolution 4 – Approval of change of activities

To consider and, if thought fit, to pass, with or without amendment, the following Resolution as an **ordinary resolution**:

"That, subject to the passing of Resolutions 1 to 3, for the purpose of ASX Listing Rule 11.1 and for all other purposes, the Company approves the change in nature of the Company's activities from an investment company to an oil and gas exploration and production company as set out in the Explanatory Statement."

Voting Exclusion: The Company will disregard any votes cast on this Resolution by any person who might obtain a benefit if the Resolution is passed (except a benefit solely in the capacity of a holder of ordinary securities) and an associate of that person. However, the Company need not disregard a vote if it is cast by a person as a proxy for a person who is entitled to vote, in accordance with the direction on the proxy form, or it is cast by the person chairing the General Meeting as a proxy for a person who is entitled to vote, in accordance with a direction on the proxy form to vote as the proxy decides.

Resolution 5 – Election of Chris Haiveta as a Director

To consider and, if thought fit, to pass, with or without amendment, the following Resolution as an **ordinary resolution**:

"That, subject to the passing of Resolutions 1 to 4, for all purposes, Chris Haiveta, being eligible and having consented to act, be elected as a Director of the Company, effective on Completion of the Acquisition."

Resolution 6 – Election of Domenic Martino as a Director

To consider and, if thought fit, to pass, with or without amendment, the following Resolution as an **ordinary resolution**:

"That, subject to the passing of Resolutions 1 to 4, for all purposes, Domenic Martino, being eligible and having consented to act, be elected as a Director of the Company, effective on Completion of the Acquisition."

Resolution 7 – Election of Yosse Goldberg as a Director

To consider and, if thought fit, to pass, with or without amendment, the following Resolution as an **ordinary resolution**:

"That, subject to the passing of Resolutions 1 to 4, for all purposes, Yosse Goldberg, being eligible and having consented to act, be elected as a Director of the Company, effective on Completion of the Acquisition."

Resolution 8 – Change of Name to Coral Sea Petroleum Ltd

To consider and, if thought fit, to pass, with or without amendment, the following Resolution as a **special resolution**:

"That, subject to the passing of Resolutions 1 to 4, for the purposes of Section 157 (1) of the Corporations Act and for all other purposes, Shareholders approve a change of name of the Company from "Orchid Capital Ltd" to "Coral Sea Petroleum Ltd" effective on Completion of the Acquisition."

Resolution 9 – Approval of Issue of Shares to Mr Carsten Huebner

To consider, and if thought fit pass, with or without amendment, the following Resolution as an **ordinary resolution**:

"That for the purposes of ASX Listing Rule 7.1 and for all other purposes, the Company approves the issue of 375,000 Shares (on a post-Consolidation basis) to Mr Carsten Huebner on the terms and conditions set out in the Explanatory Statement."

Voting Exclusion: The Company will disregard any votes cast on this Resolution by Mr Carsten Huebner and any person who might obtain a benefit if the Resolution is passed (except a benefit solely in the capacity of a holder of ordinary securities) and an associate of that person. However, the Company need not disregard a vote if it is cast by a person as a proxy for a person who is entitled to vote, in accordance with the direction on the proxy form, or it is cast by the person chairing the General Meeting as a proxy for a person who is entitled to vote, in accordance with a direction on the proxy form to vote as the proxy decides.

Resolution 10 – Approval of Option Placement

To consider and, if thought fit pass, with or without amendment, the following Resolution as an **ordinary resolution**:

"That, for the purposes of ASX Listing Rule 7.1 and for all other purposes, the Company approves the issue of up to 29,758,832 Options (on a post-Consolidation basis) at an issue price of 0.4 cents per Option, each Option having an exercise price of \$0.20 and expiring on the Expiry Date, to various investors on the terms and conditions set out in the Explanatory Statement."

Voting Exclusion: The Company will disregard any votes cast on this Resolution by any person who may participate in the proposed issue and any person who might obtain a benefit, except a benefit solely in the capacity of a holder of ordinary securities if the resolution is passed, and any person associated with those persons. However, the Company need not disregard a vote if it is cast by a person as a proxy for a person who is entitled to vote, in accordance with the direction on the proxy form, or it is cast by the person chairing the General Meeting as a proxy for a person who is entitled to vote, in accordance with a direction on the proxy form to vote as the proxy decides.

Resolution 11 – Participation of Alvin Tan in Option Placement

To consider and, if thought fit pass, with or without amendment, the following Resolution as an **ordinary resolution**:

"That, pursuant to and in accordance with Listing Rule 10.11 and for all other purposes, Alvin Tan, a Director, or his nominee(s), may participate in the issue of Options the subject of Resolution 10 (each Option with an exercise price of \$0.20 and expiring on the Expiry Date) by subscribing for up to 437,500 Options (on a post-Consolidation basis) at an issue price of 0.4 cents per Option, on the terms and conditions set out in the Explanatory Statement."

Voting Exclusion: The Company will disregard any votes cast on this Resolution by Alvin Tan or any associate of Alvin Tan. However, the Company need not disregard a vote if it is cast by a person as a proxy for a person who is entitled to vote, in accordance with the direction on the proxy form, or it is cast by the person chairing the General Meeting as a proxy for a person who is entitled to vote, in accordance with a direction on the proxy form to vote as the proxy decides.

Resolution 12 – Participation of Julian Sandt in Option Placement

To consider and, if thought fit pass, with or without amendment, the following Resolution as an **ordinary resolution**:

"That, pursuant to and in accordance with Listing Rule 10.11 and for all other purposes, Julian Sandt, a Director, or his nominee(s), may participate in the issue of Options the subject of Resolution 10 (each Option with an exercise price of \$0.20 and expiring on the Expiry Date) by subscribing for up to 250,000 Options (on a post-Consolidation basis) at an issue price of 0.4 cents per Option, on the terms and conditions set out in the Explanatory Statement."

Voting Exclusion: The Company will disregard any votes cast on this Resolution by Julian Sandt or any associate of Julian Sandt. However, the Company need not disregard a vote if it is cast by a person as a proxy for a person who is entitled to vote, in accordance with the direction on the proxy form, or it is cast by the person chairing the General Meeting as a proxy for a person who is entitled to vote, in accordance with a direction on the proxy form to vote as the proxy decides.

Resolution 13 – Ratification of Prior Issue of Shares

To consider and, if thought fit, to pass, with or without amendment, the following Resolution as an **ordinary resolution**:

"That, for the purpose of ASX Listing Rule 7.4 and for all other purposes, the Company ratifies the past allotment and issue of 27,000,000 Shares (on a pre-Consolidation basis) at an issue price of \$0.025 per Share, on the terms and conditions as set out in the Explanatory Statement."

Voting Exclusion: The Company will disregard any votes cast on this Resolution by any person who participated in the issue of these securities and any associates of those persons. However, the Company need not disregard a vote if it is cast by a person as a proxy for a person who is entitled to vote in accordance with the directions on the Proxy Form or it is cast by the person chairing the General Meeting as proxy for a person who is entitled to vote, in accordance with a direction on the Proxy Form to vote as the proxy decides.

Dated this 10th day of April 2012

By Order of the Board



Richard Lambe
Director

Notes:

1. A Shareholder of the Company who is entitled to attend and vote at a general meeting of Shareholders is entitled to appoint not more than two proxies. Where more than one proxy is appointed, each proxy may be appointed to represent a specified proportion of the Shareholder's voting rights. If the Shareholder appoints two proxies and the appointment does not specify this proportion, each proxy may exercise half of the votes. A proxy need not be a Shareholder of the Company.
2. Where a voting exclusion applies, the Company need not disregard a vote if it is cast by a person as a proxy for a person who is entitled to vote in accordance with the directions on the proxy form to vote as the proxy decides or it is cast by the person chairing the meeting as proxy for a person who is entitled to vote, in accordance with a direction on the proxy form to vote as the proxy decides.
3. In accordance with Regulation 7.11.37 of the Corporations Act, the Directors have set a snapshot date to determine the identity of those entitled to attend and vote at the Meeting. The snapshot date 5.00 pm (WST) on Sunday 13 May 2012.

Orchid Capital Ltd

ABN 30 073 099 171

Explanatory Statement

This Explanatory Statement has been prepared for the information of Shareholders in connection with the business to be conducted at the General Meeting of the Shareholders of Orchid Capital Ltd (**Company** or **ORC**) to be held at Suite 6, 32 Hines Road, O'Connor, Western Australia, 6163 at 11.00 am (WST) on Tuesday 15 May 2012 (**General Meeting**).

Summary

The key business to be conducted at the General Meeting relates to the Company's proposed acquisition of Indo Pacific Energy Pty Ltd (**IPE**) (**Acquisition**). The Acquisition will be implemented in accordance with the Share Sale Agreement dated 21 July 2011 between the Company, IPE and the shareholders of IPE (**Vendors**) pursuant to which the Company has agreed to acquire all of the issued capital of IPE in consideration for the issue of a total of 55,000,000 Shares to the Vendors (on a post Consolidation basis) (**Acquisition Shares**) (**Share Sale Agreement**). The key dates regarding the General Meeting and the Acquisition are as follows:

Indicative Timetable*

1.	Lodge Prospectus for Share Placement and Option Placement	30 April 2012
2.	Snapshot date for eligibility to vote at the General Meeting	5.00pm (WST) on 13 May 2012
3.	Suspension in trading in Shares	Before opening of trading on 15 May 2012
4.	General Meeting to consider the Resolutions	15 May 2012
5.	Consolidation Date	15 May 2012
6.	Closing of Share Placement and Option Placement and issue of Shares and Options to applicants	17 May 2012
7.	Shares issued to Vendors on completion of Acquisition	17 May 2012
8.	New holding statements and certificates despatched to Shareholders following completion of Consolidation	29 May 2012
9.	Normal trading of Shares resumes (subject to satisfaction of Chapters 1 and 2 of the ASX Listing Rules). Normal T+3 trading commences	30 May 2012

* The above dates are indicative only and are subject to change without notice. The actual timetable will depend upon the timing of ASX approval and also the time at which the conditions precedent to the Acquisition are satisfied or, if applicable, waived. Further details of the conditions precedent are set out in Section 1 of this Explanatory Statement. The Company has the right to vary any or all of these dates and times, subject to the approval of such variation by ASX and the Vendors, where required. Any variation to the timetable set out above will be announced to ASX.

1. Brief History of the Company and Background to Resolutions 1 to 8

1.1 Background to the Company

The Company's historical business operations involved investment activities. The Company's strategy was to invest in private companies intending to make an initial public offering (**IPO**). As a result of the global financial crisis in 2009 which led to the collapse of the IPO market, the Directors made the decision to abandon this strategy. The Company has not made any significant investments since this time as the Directors sought to conserve cash flow whilst seeking opportunities in other industries for the Company to undertake.

As announced to ASX on 14 March 2011, the Company entered into a binding memorandum of understanding (**MOU**) with IPE and the Vendors pursuant to which the Vendors agreed to sell, and the

Company agreed to acquire, 100% of the shares in the capital of IPE, in consideration for the issue of the Acquisition Shares.

IPE is the owner of all the issued capital in Coral Sea Petroleum Ltd (**CSP**), a Papua New Guinean company which is the 100% holder of five petroleum prospecting licences (**PPLs**) in Papua New Guinea (**PNG**) (**PNG Oil & Gas Projects**). The Acquisition, if completed, will result in the Company acquiring ownership of all of the issued capital of IPE from the Vendors and thereby acquire ownership of the PNG Oil & Gas Projects. Prior to the Meeting, CSP intends to change its name to Coral Sea Petroleum (PNG) Ltd.

As contemplated under the MOU, the parties have entered into the following formal agreements relating to the Acquisition:

- (a) the Share Sale Agreement;
- (b) loan agreement dated 6 October 2010 between the Company, IPE, Chris Haiveta (a shareholder of IPE), CS Advisory Services Ltd (PNG) and CSP for a loan to IPE from the Company for an amount of \$250,000 (**First Loan Agreement**);
- (c) loan agreement dated 4 April 2011 between the Company, IPE and Coral Sea Petroleum Ltd 1-70021 (PNG) for a loan to IPE from the Company for an amount of up to \$750,000, in addition to the amount loaned under the First Loan Agreement (**Second Loan Agreement**); and
- (d) underwriting agreement between the Company and Minimum Risk Pty Ltd (a shareholder of IPE) (**Minimum Risk**) pursuant to which Minimum Risk underwrote the placement of 27,000,000 Shares on 29 December 2011 the subject of Resolution 9 for an underwriting fee of 5% of the value of the placement (**Fundraising Agreement**).

(collectively, the **Acquisition Agreements**)

Full details of the terms of the Acquisition, the Share Sale Agreement, IPE, CSP, the PNG Oil & Gas Projects and a profile of the Company post Completion of the Acquisition is set out in this Explanatory Statement.

1.2 The Acquisition

Terms of the Acquisition

The principal feature of the Share Sale Agreement is that the Company will acquire all the issued capital in IPE from the Vendors in consideration for the issue of the Acquisition Shares.

Completion of the Acquisition is subject to satisfaction (or waiver) of the following conditions precedent:

- (a) the Company conducting, and being satisfied in its absolute discretion, of the results of its due diligence investigations on IPE and the PNG Oil & Gas Projects;
- (b) the execution by the Vendors of restriction agreements relating to the Acquisition Shares which provide that the Acquisition Shares will be escrowed for a period of 12 months from the date of the Company's re-admission to quotation on ASX;
- (c) IPE not issuing any further shares, options or any other right to subscribe for shares prior to Completion;
- (d) the parties obtaining all necessary regulatory, third party and shareholder consents and approvals, including but not limited to the Company obtaining shareholder approval for:
 - (i) the issue of the Acquisition Shares pursuant to ASX Listing Rule 7.1 (Resolution 1);
 - (ii) the Consolidation of the Company's issued capital (Resolution 2);
 - (iii) the issue of Shares under the Share Placement (Resolution 3);

- (iv) the change in the Company's activities from an investment company to an oil and gas exploration and production company (Resolution 4); and
- (v) the ratification of the issue of 27,000,000 Shares at an issue price of \$0.025 per Shares (Resolution 13) (**Capital Raising**).
- (e) the lodgement of a prospectus by the Company with ASIC with respect to any capital raising required by the Company in order to complete the Re-compliance (**Share Placement**);
- (f) the successful completion of the Capital Raising, and if necessary, the Share Placement;
- (g) ASX issuing a letter to the Company confirming that it will re-instate the quotation of the Shares on ASX on Completion of the Acquisition upon completion of the Re-compliance on terms and conditions acceptable to the Company; and
- (h) the execution of the First Loan Agreement, Second Loan Agreement, and Fundraising Agreement by the relevant parties.

Under the Share Sale Agreement, the Company will appoint three persons nominated by the Vendors to the board of directors of the Company on Completion of the Acquisition, being Chris Haiveta, Domenic Martino and Yosse Goldberg. Shareholder approval for the appointment of Messrs Haiveta, Martino and Goldberg as Directors is sought pursuant to Resolutions 5, 6 and 7. A profile of Messrs Haiveta, Martino and Goldberg is provided in section 9.

As required by the Share Sale Agreement, Richard Lambe and Clive McKee will resign as Directors on Completion of the Acquisition.

Consolidation

The Company will consolidate its existing capital on a one for four basis.

The important dates that the Company will be following in accordance with Appendix 7A of the ASX Listing Rules for the Consolidation are as follows:

Event	Date
Date of General Meeting	15 May 2012
Consolidation Date	15 May 2012
Registration of securities on a post-Consolidated basis	23 May 2012
Despatch date for post-Consolidation holding statements	29 May 2012

Share Placement

The Company will be required to raise capital for the purposes of achieving its business objectives and satisfying the requirements of the ASX Listing Rules in relation to the re-listing of its securities. Prior to the General Meeting, the Directors intend to prepare a disclosure document to raise up to \$2,000,000 through the issue of up to 10,000,000 Shares (on a post-Consolidation basis) at an issue price of not less than \$0.20 per Share.

Shareholder Approvals

As noted above, Shareholder approval of Resolutions 1 to 4 is a condition precedent to Completion of the Acquisition under the Share Sale Agreement. However, the Directors note that Shareholder approval for the Acquisition is not being sought pursuant to item 7 section 611 of the Corporations Act, nor section 208 of the Corporations Act for the reasons set out below.

- (a) Item 7 Section 611 of the Corporations Act

Section 606 of the Corporations Act prohibits a person acquiring a relevant interest in issued voting shares in a company if, as a result of the acquisition, that person's or someone else's voting power in the company increases from less than 20% to more than 20%, or from a starting point that is above 20% and below 90%.

The voting power of a person in a body corporate is determined under Section 610 of the Corporations Act. The calculation of a person's voting power in a company involves determining the voting shares in the company in which the person and the person's associates have a relevant interest.

There are various exceptions to the prohibition in section 606, including under section 611 item 7 of the Corporations Act. Section 611 item 7 provides an exception to the prohibition in section 606, in circumstances where the shareholders of the company approve an acquisition of shares by virtue of an allotment or acquisition at a meeting at which no votes are cast by parties involved in the proposed acquisition, including their associates.

The Vendors have confirmed that on Completion of the Acquisition, none of the Vendors (and their respective associates) will have a relevant interest in 20% or greater of the issued Shares in the Company. Accordingly, Shareholder approval is not being sought pursuant to item 7 section 611 of the Corporations Act for the Acquisition.

(b) Section 208 of the Corporations Act (Related Party Approval)

Section 208 of the Corporations Act prohibits the giving of a financial benefit to a related party of a public company, unless the financial benefit has been approved by shareholders, or the giving of that benefit falls within an exception in the act.

The Corporations Act defines a related party of a company to include a proposed director of the company, and any entity controlled by a proposed director of the company. Accordingly, the issue of the Acquisition Shares to Chris Haiveta, and Fanucci Pty Ltd as trustee for the Fanucci Family Trust and Lightglow Enterprises Pty Ltd as trustee for the Paloma Investments Trust (being Vendors controlled by Domenic Martino and Yosse Goldberg respectively), is a related party transaction pursuant to section 208 of the Corporations Act.

An exception to the requirement to obtain shareholder approval for related party transactions under section 208 is set out in section 210 of the Act which provides that the giving of a financial benefit that is on "arm's length" terms does not require shareholder approval. The Directors have determined that the arms length exception applies to the Acquisition because Messrs Haiveta, Martino and Goldberg are participating in the Acquisition on the same terms and conditions as all other Vendors, and the terms of the Acquisition was extensively negotiated at arm's length between the Company and the Vendors. Accordingly, shareholder approval for the Acquisition is not sought pursuant to section 208 of the Corporations Act.

1.3 Advantages of the Acquisition

If Resolutions 1 to 8 are passed, the Company will acquire all the issued capital in IPE, and the PNG Oil & Gas Projects. The proposed Acquisition is consistent with the expansion objectives of the Company. If Shareholders do not pass Resolutions 1 to 8, Completion of the Acquisition will not occur and the Company will be restricted to its present level of activity.

The Directors are of the view that the following non-exhaustive list of advantages may be relevant to a Shareholder's decision on how to vote on Resolutions 1 to 8:

- the potential increase in market capitalisation of the Company following completion of the Acquisition and associated Share Placement may lead to increased coverage from investment analysts, access to improved equity capital market opportunities and increased liquidity, which are not currently present;
- if the Company does not proceed with the proposed Acquisition, its cash reserves will continue to be eroded by on-going administrative and corporate costs;
- since abandoning the Company's previous strategy of investing in pre-IPO companies, the Directors have been actively seeking opportunities to return the Company to operation and enhance Shareholder value. The Directors believe the acquisition of IPE and the PNG Oil & Gas Projects is such an opportunity;

- following the Global Financial Crisis in 2009, the oil price has steadily increased, improving the value and economics of oil and gas projects;
- The Papuan Basin of PNG has a proven Jurassic and Cretaceous oil and gas prone petroleum system and excellent Jurassic and Lower Cretaceous reservoir and source rock development has been established; and
- existing production infrastructure is available to commercialise a successful discovery should it be made on the PPLs.

1.4 Disadvantages of the Acquisition

The Directors consider that the key disadvantages of the Acquisition are as follows:

- the Company will be changing the nature of its activities from an investment company to an oil and gas exploration company, which may not be consistent with the objectives of all Shareholders;
- there are many risk factors associated with the change in nature of the Company's activities. Some of these risk factors are set out in section 4 below;
- the issue of the Acquisition Shares to the Vendors will dilute the shareholding of current Shareholders. Accordingly, the voting power of each current Shareholder and any corresponding control over the affairs of the Company that those Shareholders may have, may be reduced;
- there is no guarantee that exploration undertaken on the PPLs will result in the discovery of petroleum resources; and
- project timelines may not proceed as expected.

2. Profile of Indo Pacific Energy Pty Ltd

2.1 Background

IPE owns all the issued capital in Coral Sea Petroleum Limited (**CSP**) which is the owner of the PNG Oil & Gas Projects. The PNG Oil & Gas Projects consist of five Petroleum Prospecting Licences (PPL 356, PPL 357, PPL 358, PPL 366 and PPL 367) in PNG covering an area of approximately 11,500 square kilometres (**PPLs**).

Four of the PPLs lie on the PNG side of the border where proven Jurassic and Cretaceous exploration plays in the Papuan Basin are well constrained and export infrastructure is both well established and expanding by virtue of the advancing PNG Liquefied Natural Gas projects. The fifth PPL is in the under-explored frontier Cape Vogel Basin where oil and gas indications have been reported yet remain to be substantiated. If a viable petroleum system is proven, and viable traps identified, then this block is large enough (5,832km²) to host significant potentially prospective resources.

In addition, IPE intends to screen and invest judiciously in a small number of under-explored frontier regions that have the potential to contain viable petroleum systems. In the event of success these areas would expose IPE to substantial prospective resources.

IPE's staff have extensive experience in international oil exploration and production including in PNG. In spite of the intensified level of activity in PNG in recent years, PNG remains a very attractive country to explore for oil and gas. Incentive terms introduced in 2003 remain in place and the PPLs have been issued under these terms unlike some current producers whose petroleum prospecting licences may predate 2003.

The oil play in the foreland of PNG is entering a new era with large companies entering the exploration business and although all the excitement of the larger organizations is focused on gas, very significant associated liquid streams are expected to be discovered. As liquids offer the quickest and shortest path to payback and positive cash flow, IPE's focus is on liquids and the PPLs have been selected with that in mind.



Figure 1: Topographic Map showing exploration licenses (Source: Google Earth, GPinfo)

2.2 IPE’s directors and capital structure

IPE’s capital structure comprises 220 fully paid ordinary shares held by the Vendors as follows:

Legal owner	Vendor	IPE shares
Minimum Risk Pty Ltd	Adelaide PNG Investments Pty Ltd	10
Minimum Risk Pty Ltd	Lightglow Enterprises Pty Ltd as trustee of the Paloma Investments Trust	45
Minimum Risk Pty Ltd	Fanucci Pty Ltd as trustee for the Fanucci Family Trust	45
Minimum Risk Pty Ltd	Minimum Risk Pty Ltd as trustee for the CDM Family Trust	40
Minimum Risk Pty Ltd	Gleneagle Securities Nominees Pty Ltd	30
Minimum Risk Pty Ltd	Louisa Martino	5
Chris Haiveta	Chris Haiveta	45
Total		220

Each of Domenic Martino, Yosse Goldberg and Chris Haiveta have a beneficial interest in 45 shares or 20% of the issued capital of IPE.

As noted in section 1.2 above, no one Vendor and its associates will have a relevant interest in greater than 20% of the Company’s issued share capital either on a diluted or undiluted basis post Completion of the Acquisition.

2.3 PPLs

The five PPLs are as follows:

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

Further information in relation to each of the PPL's is set out below and in the Independent Geologists Report attached as Schedule 1 to this Explanatory Statement.

(a) PPL 366 (Biwai) and PPL367 (Turama) licences

The presence of multiple reservoir targets below regional sealing shales, including the Early Cretaceous to Jurassic Alene, Toro, Iagifu, Koi Iange and Magobu Formations, provides multiple potentially stacked exploration targets in PPL 366. The presence of proven reservoirs, source and seal elements indicates a low risk play in PPL 366. Trap definition and effectiveness therefore represent the principal components of exploration risk emphasising the importance of seismic imaging and skilful interpretation.

A variably spaced grid of 1970s vintage 2D seismic data exists in PPL 366 that provides a subsurface tie to the Goari-1 well located in the east of the block. Published cross sections based on seismic interpretation indicate that Goari-1 was drilled close to a significant fault (Osborne, D.G. 1990. Petroleum Exploration in PNG, Proceedings of 1st PNG Petroleum Convention, page 197-293). The well may therefore have failed to discover petroleum due to poor pre-drill trap definition and drilling off-structure.

The quality of the existing seismic data is fair but improvements will be sought through seismic reprocessing. Additional seismic data may be acquired after the reprocessing is completed to better constrain any leads and to determine the reasons for failure of the Goari-1 and Turama-1 wells.

Subject to the results of the seismic reprocessing and possible acquisition, drilling could take place in PPL 366 during 2014 as per the licence obligations.

Turama-1 was drilled with inadequate subsurface information at the northern termination of one of the original seismic lines. The Turama feature may therefore not have been adequately tested by the well given that the major associated topographic high is offset to the north and east. Further geological field work is required to investigate whether potential prospectivity exists up-dip from the Turama-1 well beneath the major topographic high. This is referred to as the Turama Lead.

Because the topographic high that defines the Turama Lead extends north-westwards across a block boundary, a cooperative approach with the neighbouring licence holders will be investigated.

Seismic data will need to be acquired and interpreted to establish a prospect inventory, including the Turama Lead, prior to drilling. Existing data quality suggests that fair to good seismic data quality can be acquired in this onshore area although much of the northern segment of PPL 367 is characterised by karstified limestone topography. A joint exploration effort with the neighbouring PPL holder would reduce the overall cost of seismic and drilling. Like PPL 366, drilling is not expected in PPL 367 until 2014.

(b) PPL 356 (Dibiri) and PPL357 (Hiri) licences

PPLs 356 and 357 are located close to the Uramu, Pasca and Pandora Gas Fields (Figure 2). These gas fields are contained within carbonate pinnacle reef reservoirs of Miocene age which grew on basement blocks generated in the Eocene during the Coral Sea rifting (Figure 3).

Plays in PPLs 356 and 357 are likely to include tilted fault blocks characteristically bounded by antithetic extensional faults and overlain by Plio-Pleistocene age slope and basin-floor fans in the Pandora Trough

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(Figure 3). The adjacent PPL 244 Joint Venture has recently acquired a 3D seismic survey that includes the Flinders Prospect (Figure 2).

In the first 2 years of the licences CSP intends to reprocess the existing seismic data to focus on constraining the petroleum potential of the Miocene & Plio-Pleistocene stratigraphic plays as well as Jurassic and Cretaceous targets within the tilted fault blocks. Follow up seismic acquisition may be required and if so will most-likely be acquired in 2013 to constrain the location for an exploration well in 2014.

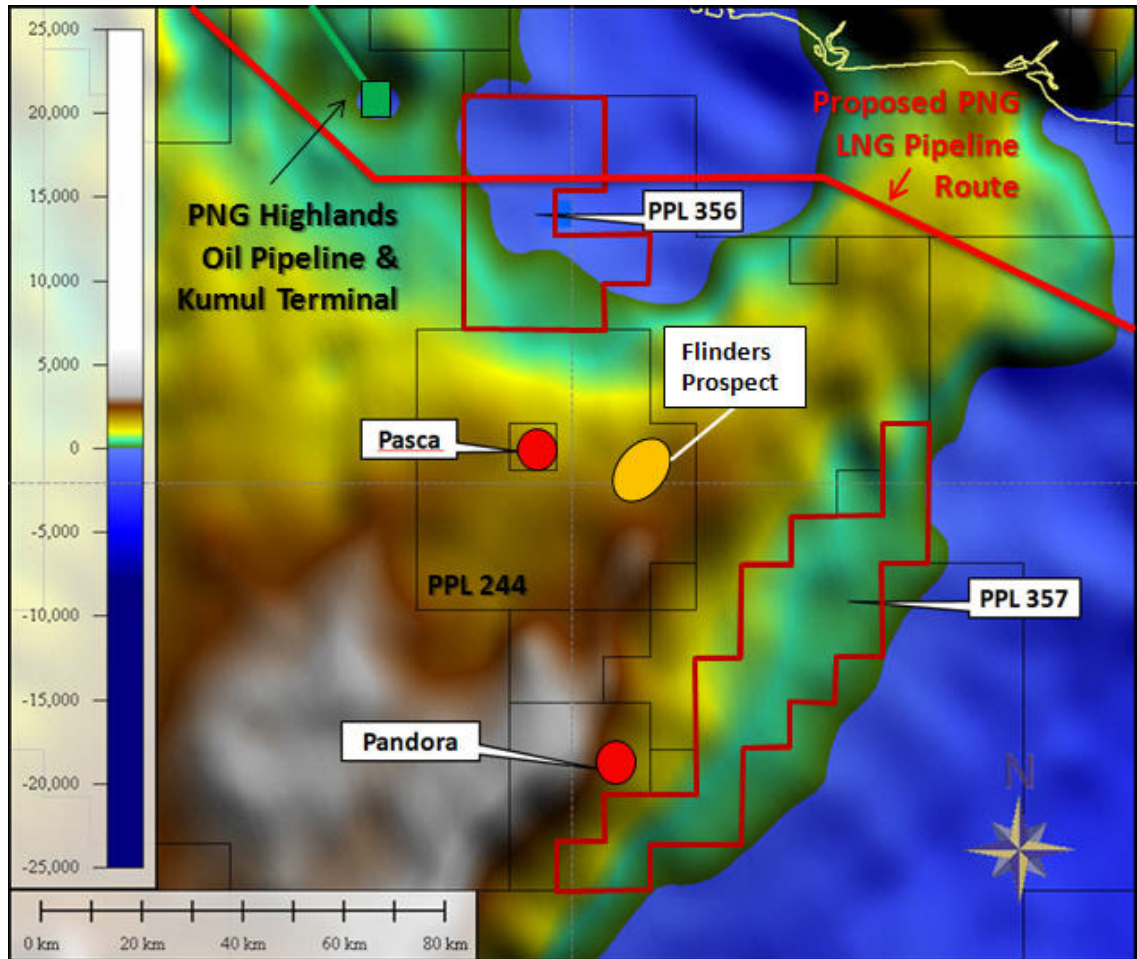


Figure 2: Location of PPL 356 & 357 on publicly available regional NOAA gravity map

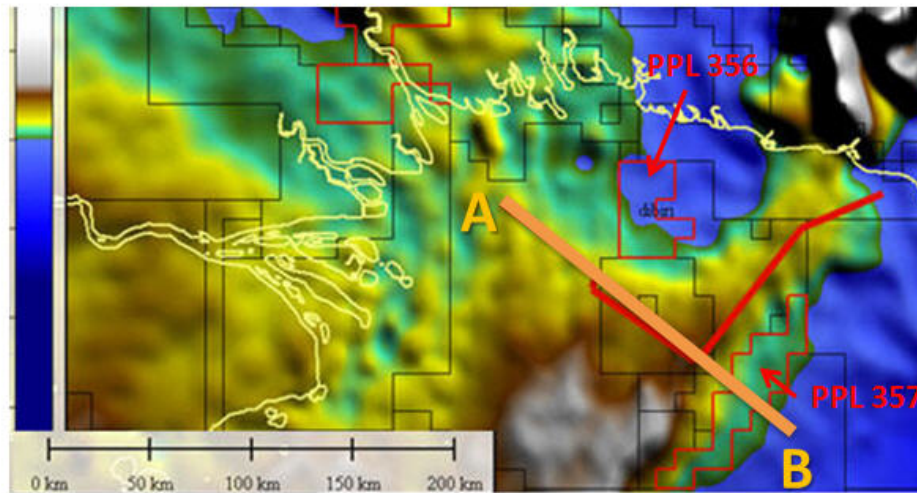
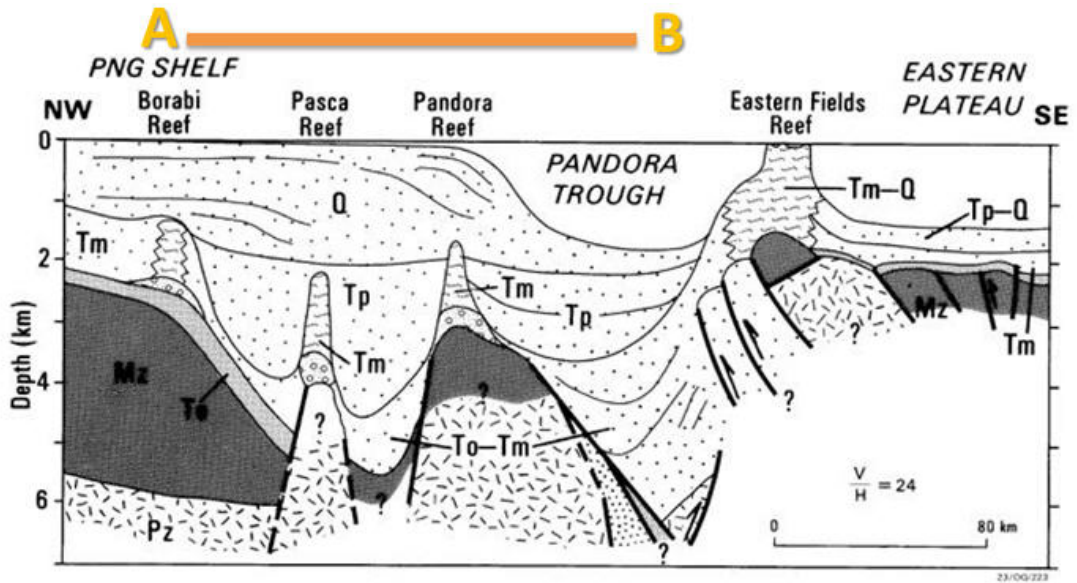


Figure 3: Schematic Geological Cross Section A-B, Gulf of Papua (Geoscience Australia, Papuan Basin Cross section, www.ga.gov.au/oceans/ea_ppn_XS.jsp)

(c) PPL 358 (Cape Vogel Licence)

PPL 358 is a large (5,832km²) licence in the under explored Cape Vogel Basin offshore the north New Guinea coast. Gravity and published seismic data demonstrate that the Goodenough-1 well was drilled on a relative intra-basin high and that it penetrated 2,835m of Late Oligocene to Recent basin fill without encountering basement (Figures 4 & 6).

Regional gravity data indicate that the basement deepens rapidly to the west of Goodenough-1 where it contains a thick sedimentary depo-centre within PPL 358 (Figures 4 & 5). The seismic pick for top basement in the northern portion of PPL 358 block indicates a depth greater than 5km indicating a substantial sediment thickness and the probability of thermal maturity sufficient for oil and gas generation (Figure 5). Oil and gas seepages have been noted in the past but such reports need to be substantiated.

Seismic reprocessing will aim to confirm the thickness of the basin fill. Basin-modeling will constrain the thermal maturity profile in the basin, the timing of petroleum generation and expulsion and the most-likely directions of petroleum migration.

The petroleum potential of the Cape Vogel Basin has seen limited assessment to date. Consequently the key elements of the petroleum system (source, reservoir and seal) as well as the presence of viable traps remain to be adequately quantified. The basin is therefore a frontier basin from a petroleum exploration perspective.

A very small number of petroleum exploration wells have been drilled in the vicinity of PPL 358 (Figures 4 & 5). Kukuia-1, 2 and 3 were shallow wells drilled in the 1920's in essentially the same onshore location on the Cape Vogel Peninsula. Gas and light oil shows were reported in those wells but this needs to be confirmed and the significance assessed.

The Nubiam-1 well is likely to have failed due to poor pre-drill trap definition or the lack of an effective shale top-seal given that Pleistocene carbonates were present immediately above the Late Miocene to Pliocene age potential reservoir sandstones (Figure 6).

The Goodenough-1 well drilled in the 1970s encountered potentially sealing shales above Late Miocene age sandstones. As in Nubiam-1 it is essential to determine the reservoir potential of the sandstones (Figure 6). Given the presence of potential reservoirs and overlying cap-rocks it is inferred the well failed either due to poor source rock quality, ineffective petroleum migration or the drilling of an ineffective trap.

The Goodenough-1, Nubiam-1 and Kukuia wells require further investigation.

The Late Miocene age Ruaba sandstone reservoir target varies in thickness in the 50km between the Goodenough-1 and Nubiam-1 wells. This sandstone has been tentatively correlated with outcrops on the Cape Vogel Peninsula though the complex nature of the lithostratigraphic correlation between the Goodenough-1 and Nubiam-1 wells suggests a detailed sequence stratigraphic interpretation is required.

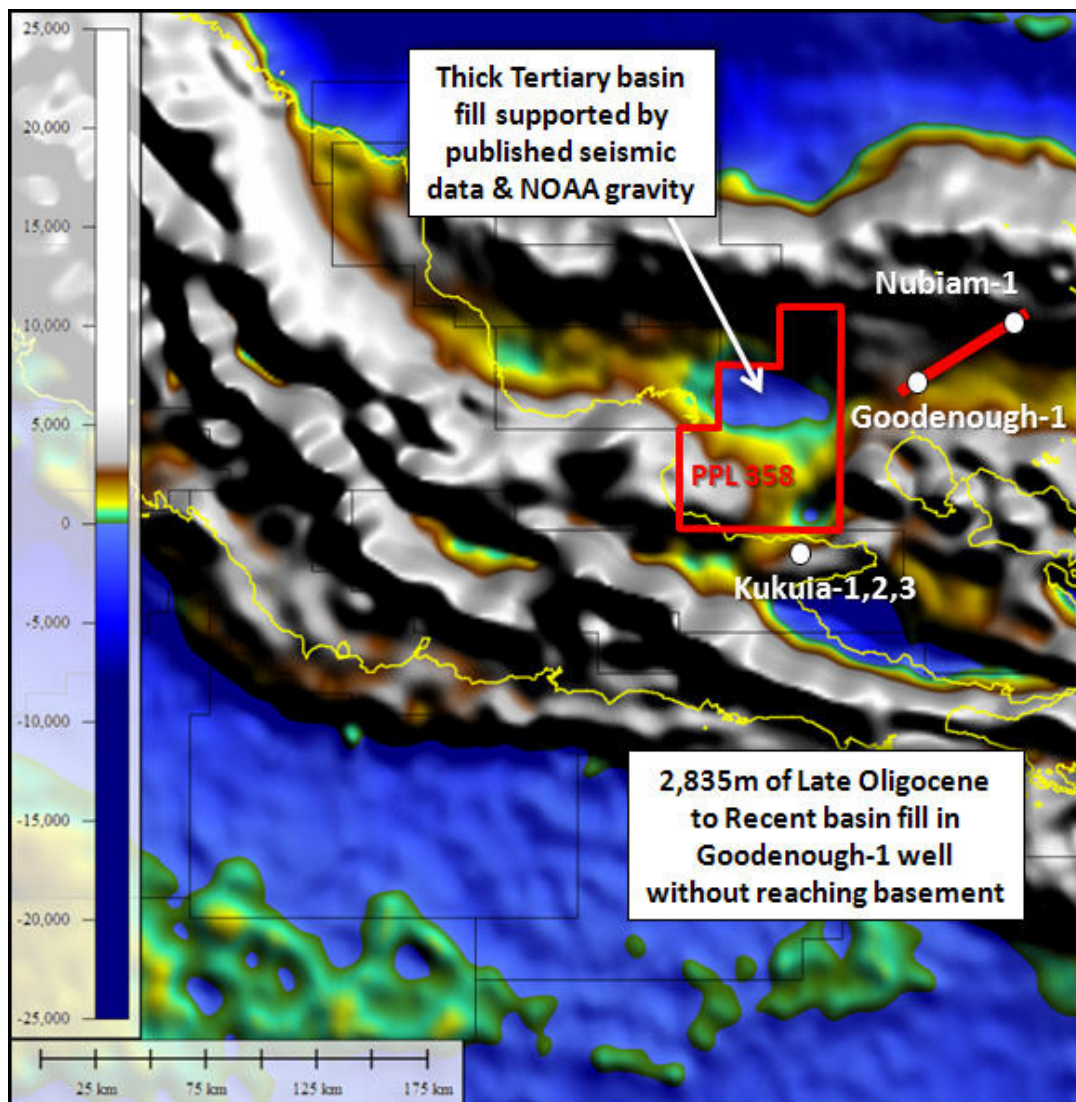


Figure 4: PPL 358 on regional NOAA gravity map (publicly available). Location of interpreted thick sedimentary basin fill is indicated by blue colour. Red line is well cross section in Figure 6.

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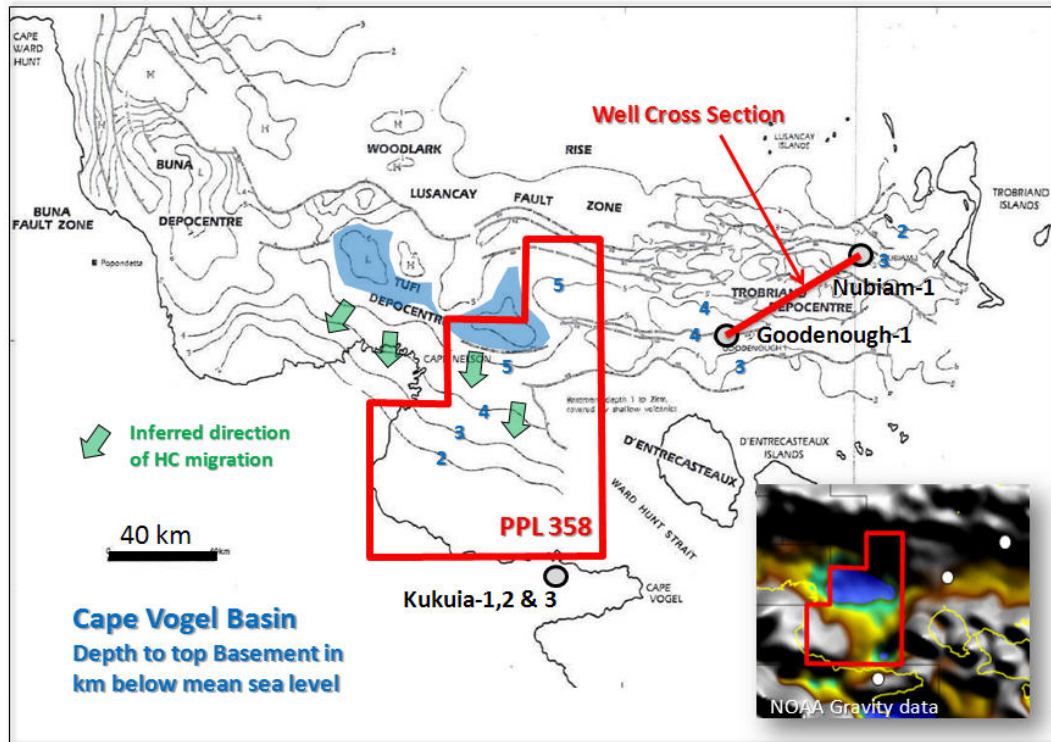


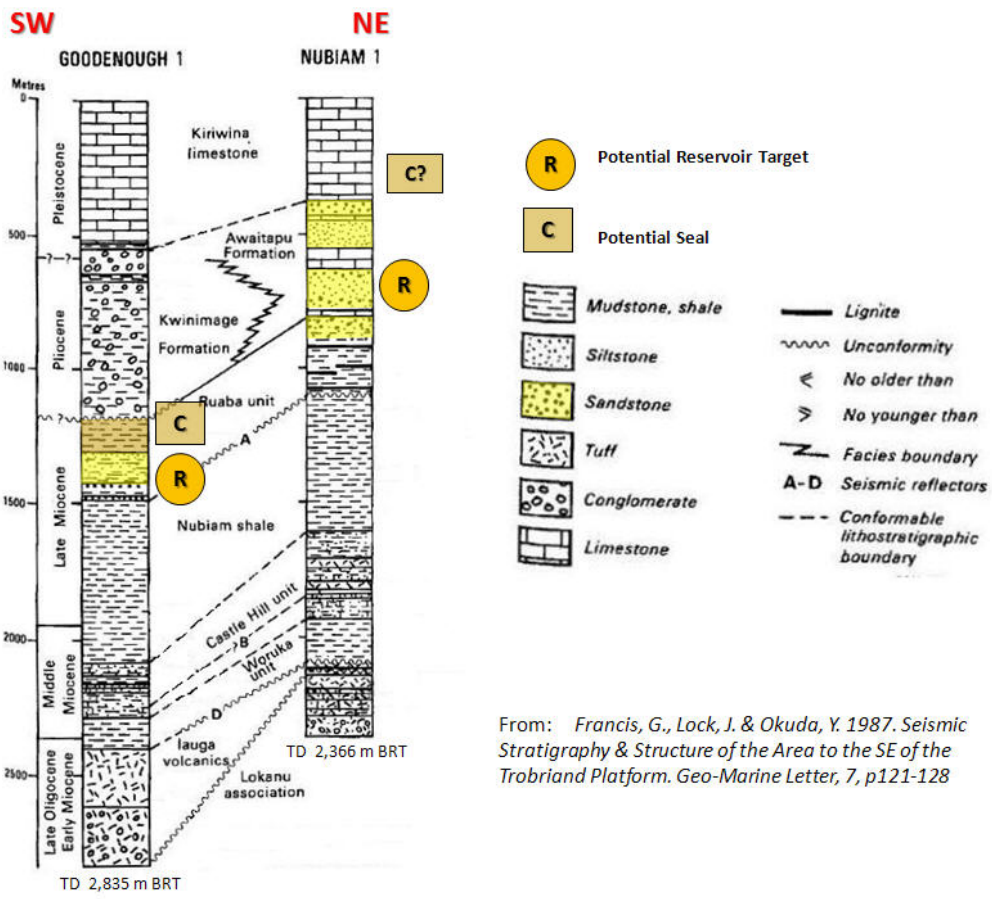
Figure 5: PPL 358 Tectonic Setting, Basement Structure, Well Control & Petroleum System. (Detail added to Depth to Basement Map from Figure 4 in Stewart, W.D., Francis, G. & Deibert, D.H. 1986. Hydrocarbon Potential of the Cape Vogel Basin, PNG. Oil and Gas Journal, Nov. 17th 1986, v.84 (46). Well cross section is shown in Figure 6.

Evaluation of this extensive block would benefit from additional regional air gravity and aeromagnetic surveys. This would provide a relatively low cost data set to better define the regional basin architecture, structure and potential sediment fill thickness as the framework for planning future additional seismic acquisition.

Existing sparse seismic data to the northwest of PPL 358 demonstrate that the Cape Vogel Basin has suffered inversion that generated compressional potential trapping structures in the Late Miocene target interval (Figure 7).

The initial exploration campaign will involve the acquisition of aeromagnetic & aero-gravity data over the entire licence in 2011/12. The existing seismic data over the block provides a widely spaced regional grid of poor to moderate quality data. The wide spacing of these seismic lines renders them of limited use in detailing potentially drillable traps. However, these data will be reprocessed during 2011/12, tied to the existing well data, integrated with the aeromagnetic & aero-gravity data, and interpreted to provide a regional framework prior to the acquisition of additional prospect specific seismic data in 2013. The reprocessed existing seismic data will be used to provide a correlation and sequence stratigraphic context that links the reported sandstone outcrops onshore with those in the offshore basin sequences.

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From: Francis, G., Lock, J. & Okuda, Y. 1987. Seismic Stratigraphy & Structure of the Area to the SE of the Trobriand Platform. Geo-Marine Letter, 7, p121-128

Figure 6: PPL 358 Regional Cross Section Goodenough 1 to Nubiam 1 Reservoir and Seal as shown in Figure 5 (Modified after: Francis, G., Lock, J. & Okuda, Y. 1987. Seismic Stratigraphy & Structure of the Area to the SE of the Trobriand Platform. Geo-Marine Letter, 7, p121-128).

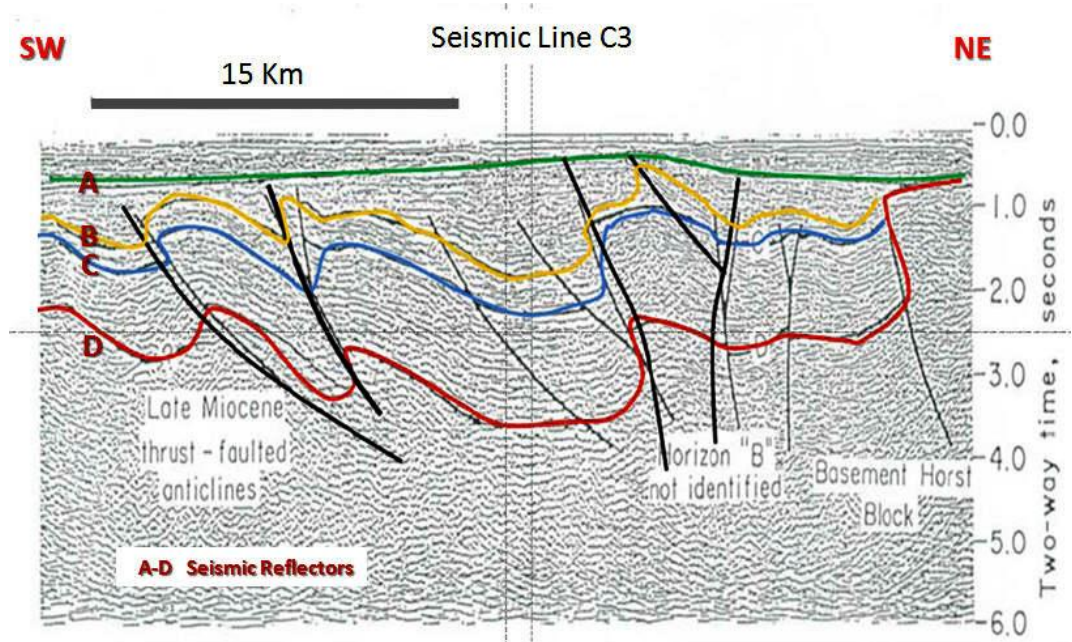


Figure 7: PPL 358 Indicative structure affecting the Cape Vogel Tertiary Basin fill. (From Pono, S. 1990. Petroleum Exploration in PNG, Proceedings of 1st PNG Petroleum Convention, page 33-49) – to be inserted.

2.4 Consent

In accordance with chapter 5 of the ASX Listing Rules, the geological information in this section of the Explanatory Statement is based on information compiled by Dr Enrique Carballido and Mr Paul Carter. Dr Carballido is the Chief Operating Officer, and Mr Carter a partner of, ISIS Petroleum Consultants Pty Ltd (**Isis**). Isis have been engaged by the Company to prepare the information in this section and to prepare the Independent Technical Expert's Report in Schedule 1 of this Notice of Meeting (**ITER**). Dr Carballido holds a Bs Eng in Geology, Magna Cum Laude, National University of Mexico and a PhD in Geology from Tulane University and has over 17 years of oil and gas exploration, appraisal and development experience. Mr Carter has obtained a degree in Applied Science (Geophysicist) from Curtin University Perth, Western Australia, and over 30 years of oil and gas exploration, appraisal and development experience. Dr Carballido and Mr Carter consent to the inclusion in this Notice of Meeting of the information in this section and to the ITER in the form and context in which they appear.

3. Profile of the Company post Acquisition

This section contains a summary of the Company assuming the Acquisition is approved by Shareholders and fully implemented.

3.1 Overview of the Company post Acquisition

The Acquisition of IPE by the Company will create a PNG oil and gas focussed company, with a strong balance sheet, and which is listed on ASX. The Company aims to be a significant oil and gas company in PNG within the next 3 years, and plans to achieve this through the pursuit, exploration and development of the PNG Oil & Gas Projects while continuing to identify and target new projects via its proven relationships and networks in PNG. The Company will be named Coral Sea Petroleum Ltd.

The principal assets of the Company will be the PNG Oil & Gas Projects.

The combination of the Company's capital, the skills and experience of the Directors and management team, and the PNG Oil & Gas Projects will result in a company with a good platform for future development and growth.

The Company's positive net asset position and funds raised through the Share Placement will allow it to immediately move forward with corporate objectives, including:

- (a) to implement work programs to evaluate and develop the PNG Oil & Gas Projects. In particular to undertake exploration and evaluation of the flagship pre development project of PPLs 356, 357, 358, 366 and 367; and
- (b) to evaluate and progress the number of high potential project opportunities with the benefit of its improved financial capacity.

3.2 Work Program and Use of Funds

The Company's primary business objective is to pursue the PNG Oil & Gas Projects. The Directors consider that the funds to be raised pursuant to the Share Placement and Option Placement, together with available cash and receivables, will provide sufficient capital to achieve the Company's primary business objectives.

The following is a summary of the Company's proposed funding and expenditure over approximately 15 months post Completion of the Acquisition:

	\$
Cash at bank	
- ORC Cash at Bank	1,718,771
- IPE Cash at Bank	1,670
-Share Placement	2,000,000
- Option Placement	119,035
Total funds budgeted to be available over the next 15 months:	3,839,476
- Work program on PNG Oil & Gas Projects	1,220,000
- Evaluation & initial work on potential projects	200,000
- Costs of Share Placement and Acquisition	285,950
- Budgeted administration, finance and operating costs	1,500,000
- Total funds budgeted to be used over next approximately 15 months:	3,205,950
- Working Capital	633,526

It is noted that the Company may use and expend its cash reserves more quickly than contemplated. It is noted that programs and budgets are dependent on results. These programs can therefore change depending on the results of the work. The Company's actual allocation of funds may change depending on the circumstances in which its business develops and operates. The exact timing of the implementation of the program is also dependant on weather, conditions for drilling and the timely availability of drilling and ancillary equipment.

3.3 Capital structure and ownership

Should the Acquisition be approved by Shareholders and following satisfaction of all other conditions to the Acquisition, including the Consolidation, ORC will issue 55,000,000 Shares (on a post-Consolidation basis) to the Vendors. The effect of the Consolidation, the issue of the Acquisition Shares, the issue of Shares under the Share Placement, and the issue of Options under the Option Placement is set out in the table below:

Current issued share capital (pre-Consolidation)	Current issued share capital (post-Consolidation)	Shares to be issued pursuant to the Acquisition	Share Placement and issue of Shares to Carsten Huebner *	Pro-forma total issued share capital
207,863,949	51,965,987	55,000,000	10,375,000	117,340,987
Options (pre-Consolidation)	Options issued under the Option Placement** (post – Consolidation)	Exercise Price (\$)	Expires	Pro-forma total number of Options
Nil	29,758,832	\$0.20	Expiry Date	29,758,832

*This assumes that \$2,000,000 is raised through the Share Placement the subject of Resolution 3 though the issue of 10,000,000 Shares at \$0.20 per Share (post-Consolidation) and 375,000 (post-Consolidation) Shares are issued to Mr Carsten Huebner the subject of Resolution 9.

**This assumes that 437,500 Options the subject of Resolution 11 are issued to Alvin Tan, and 250,000 Options the subject of Resolution 12 are issued to Julian Sandt.

Following the Acquisition, the Vendors will in aggregate own 46.87% of the Company's issued Share capital, post the Share Placement.

3.4 Board and management

On Completion of the Acquisition, Richard Lambe and Clive McKee will resign as Directors, and Chris Haiveta, Domenic Martino and Yosse Goldberg will be appointed to the Board. Accordingly, on Completion of the Acquisition, the Board comprise:

- (a) Mr Chris Haiveta (Chairman);
- (b) Mr Julian Sandt;
- (c) Mr Alvin Tan;
- (d) Mr Domenic Martino; and
- (e) Mr Yosse Goldberg

A profile of Messrs Haiveta, Martino and Goldberg is provided in section 9.

Presently, Mr John Warburton is engaged to provide geological, technical and executive services on a consulting basis through his company Insight Exploration Pty Ltd on a daily rate on normal commercial terms. It is the Company's intention to enter into a formal Executive Services Agreement with Mr John Warburton.

3.5 Interests of Directors

As at the date of this Explanatory Statement, the Directors and the Proposed Directors and their associates have interests in the following securities in the Company:

Director	Shares Held		Options Held	
	Directly	Indirectly	Directly	Indirectly
Mr Julian Sandt	6,778,546	-	-	-
Mr Alvin Tan	-	1,692,762	-	-
Mr Clive McKee	3,081,510	-	-	-
Mr Richard Lambe	-	-	-	-
Mr Chris Haiveta	-	-	-	-
Mr Domenic Martino	-	-	-	-
Mr Yosse Goldberg	-	-	-	-

The Directors and the Proposed Directors and their associates will have interests in the following securities in the Company post the Acquisition, the Consolidation, the Option Placement and the Share Placement:

Director	Shares Held		Options Held	
	Directly	Indirectly	Directly	Indirectly
Mr Julian Sandt	1,220,689	-	250,000	-
Mr Alvin Tan	-	423,191	-	437,500
Mr Chris Haiveta	11,250,000	-	-	-
Mr Domenic Martino	-	11,250,000	-	-
Mr Yosse Goldberg	-	11,250,000	-	-

No Directors or Proposed Directors will participate in the Share Placement.

3.6 Financial Information of Company

This Section contains historical and pro forma financial information for the Company.

(a) **Historical and Pro-Forma Consolidated Statements of Financial Position of ORC**

Set out below in this Section is:

- the historical Consolidated Statement of Financial Position of ORC as at 31 December 2011; and
- the pro-forma Consolidated Statement of Financial Position of ORC as at 31 December 2011 adjusted to reflect the Acquisition, the Share Placement and other material transactions up to the date of this Notice of Meeting.

The historical and pro-forma financial information has been prepared on the basis of the significant accounting policies adopted by the Company set out in Section 3.6(c) and should be read in conjunction with the accompanying notes set out in Section 3.6(b).

		ORC	ORC post Acquisition, Share Placement and Option Placement
		Actual Reviewed	Pro-forma Consolidated Reviewed
	Notes	31 December 2011	31 December 2011
		\$	\$
CURRENT ASSETS			
Cash and cash equivalents	1	2,136,914	3,553,526
Trade and other receivables	2	41,009	8,595
Financial assets	3	57,574	57,574
TOTAL CURRENT ASSETS		2,235,497	3,619,695
NON CURRENT ASSETS			
Financial assets		657,472	-
Exploration and evaluation		-	575,666
Plant and equipment		-	434
Goodwill on acquisition		-	7,142,054
TOTAL NON CURRENT ASSETS	3	657,472	7,718,154
TOTAL ASSETS		2,892,969	11,337,849
CURRENT LIABILITIES			
Trade and other payables	4	264,662	209,529
TOTAL CURRENT LIABILITIES		264,662	209,529
NON CURRENT LIABILITIES			
Trade and other payables		-	-
TOTAL NON CURRENT LIABILITIES		-	-
TOTAL LIABILITIES		264,662	209,529
NET ASSETS		2,628,307	11,128,320
EQUITY			
Issued capital	5	32,486,171	10,918,310
Option premium reserve		643,331	-
Option reserve		-	119,035
Foreign currency translation reserve		-	10,621
Accumulated losses		(30,501,195)	80,354
TOTAL EQUITY		2,628,307	11,128,320

(b) **Notes to the Financial Statements**

	ORC	ORC post Acquisition, Share Placement and Option Placement
	Actual Reviewed 31 December 2011	Pro-forma Consolidated Reviewed 31 December 2011
	\$	\$
Note 1: Cash and Cash Equivalents		
Cash and cash equivalents	2,136,914	1,720,441
Issue of Shares and Options under Share Placement and Option Placement (net of costs)*	-	1,833,085
	2,136,914	3,553,526
* This assumes that \$2,119,035 is raised through the Share Placement and Option Placement the subject of Resolutions 3 and 10.		
Note 2: Trade and Other Receivables		
Interest receivable	21,371	-
Sundry debtors and prepayments	15,260	8,595
GST receivables	4,378	-
	41,009	8,595
Note 3: Financial Assets		
Financial Assets (current)		
Listed shares at fair value	57,574	57,574
Financial Assets (non current)		
Loan to IPE	657,472	-
Note 4: Trade and Other Payables		
Trade and Other Payables (current)		
Trade and sundry payables	67,162	177,007
Related party loans	-	32,522
Share application liability	197,500	-
	264,662	209,529
Note 5: Issued Capital		
Shares (post-consolidation)		
51,910,939 ORC ordinary shares on issue as at 31 December 2011	32,486,171	
55,048 (220,193 pre consolidation) ORC ordinary shares issued on exercise of options (at an exercise price of 5 cents) post 31 December 2011	11,010	
IPE ordinary shares as at 31 December 2011		220
Proposed acquisition:		
55,000,000 ordinary shares issued to Vendors at 0.1661 cents pursuant to Acquisition		9,138,040
375,000 ordinary shares issued to Mr Carsten Heubner		66,000
Proposed Share Placement:		
Issue of 10,000,000 shares at 20 cents per ordinary share under Share Placement (net of costs)		1,714,050
117,340,987 total ORC ordinary shares on issue post Acquisition and Share Placement		10,918,310

(c) **Summary of Significant Accounting Policies**

The historical and pro-forma financial information has been prepared in accordance with Australian Accounting Standards, Australia Accounting Interpretations, other authoritative pronouncements of the Australian Accounting Standards Board and the Corporations Act 2001.

The financial information is presented in Australian dollars.

The financial information has been prepared on an accruals basis using historical costs and does not take into account changing money values or, except where stated, current valuations of non-current assets. Cost is based on the fair values of the consideration given in exchange for assets. The accounting policies adopted have been consistently applied.

The significant accounting policies set out in Schedule 2 to this Explanatory Statement have been applied in the preparation and presentation of the financial information presented in this Section 3.6.

It is highly recommended that the financial information be read in conjunction with the Company's published Financial Statements and any public announcements made by the Company in accordance with its continuous disclosure requirements arising under the Corporations Act 2001 and ASX Listing Rules.

4. Risk Factors

Shareholders should be aware that if the Acquisition proceeds, the Company will be changing the nature of its activities to an oil and gas company which is subject to various risk factors. Based on the information available, a non-exhaustive list of risk factors are as follows:

4.1 Specific Risks

(a) State Ownership

At the time of issue of a Petroleum Development Licence the Independent State of Papua New Guinea ("the State") has a right, but not an obligation, to elect to acquire up to 22.5% of a petroleum project at cost. This reduces the developer's equity interest in the project to 77.5%. The State can also elect to be carried by the developer, whereby both its share of past expenditure, and upcoming expenditure to be incurred throughout the construction phase, is met by the developer and repaid from the State's net share of oil and gas revenue once production commences. This results in the Company receiving a reduced share of the profits from the development of a licence.

(b) Future Capital Needs

Further funding will be required by the Company to support its ongoing activities and operations. There can be no assurance that funding will be available on satisfactory terms or at all. Any inability to obtain finance will adversely affect the business and financial condition of the Company and its performance. If additional funds are raised through the issuance of new equity or equity-linked securities of the Company other than on a pro rata basis to existing shareholders, the percentage ownership of shareholders may be reduced. Shareholders may experience subsequent dilution. There can be no guarantee that any capital raisings will be successful.

(c) Exploration

Oil and gas exploration is inherently associated with risk. Notwithstanding the experience, knowledge and careful evaluation a company brings to an exploration project there is no assurance that recoverable mineral resources will be identified. Even if identified, other factors such as technical difficulties, geological conditions, adverse changes in government policy or legislation or lack of access to sufficient funding may mean that the resource is not economically recoverable or may otherwise preclude the Company from successfully exploiting the resource.

(d) Exploration costs

Exploration expenditure estimates are based on certain assumptions with respect to the method and timing of exploration. By their nature, these estimates and assumptions are subject to significant uncertainties and accordingly, the actual costs may materially differ from these estimates and assumptions.

Accordingly, no assurance can be given that the cost estimates and the underlying assumptions will be realised in practice, which may materially and adversely affect the Company's viability.

(e) Country Risk

The Company's operations will predominantly be in PNG whose economy is subject to many global and internal forces beyond the control of the Company. Changes in the general economic and political climate in PNG, Australia and on a global basis that could impact on economic growth, the reformation of government structure or industry, change on mining policies and contract interpretation, oil and gas prices, interest rates, the rate of inflation, taxation and tariff laws, domestic security which may affect the value and viability of any oil and gas activity conducted by the Company.

Operating in a foreign country such as PNG has inherent risks which may impact adversely on the financial position, financial performance, cash flows, growth prospects, ability to pay dividends and the share price of the Company.

The following risks are specifically noted:

(i) Changes in government policies

Industry in PNG is subject to the policies which are implemented by the PNG Government from time to time. These policies may have a material impact on the business of the Company. The PNG Government may, for instance, withdraw subsidies or forms of preferential treatment such as tax benefits or favourable financing arrangements.

(ii) Economic considerations

It is unclear how future economic reforms and macroeconomic measures to be adopted by the PNG Government will affect the country's economic development. Further, there can be no assurance that such measures will be applied consistently and effectively or that the Company will be subject to such reforms. Indeed the business of the Company may be adversely affected by any reform.

(iii) Legal considerations

Statutes, regulations and government policies are subject to change from time to time, as is the interpretations of statutes and regulations and the application of policy. Such uncertainties may affect the Company's operations and accordingly, its profitability.

(iv) Foreign investment requirements

PNG has foreign exchange controls which need to be considered as far as repatriation of funds to Australia and elsewhere is concerned. These controls may have an adverse effect on the financial position, financial performance, cash flows, growth prospects, ability to pay dividends and the share price of the Company.

(v) Challenges to the ownership or nature of titles and other rights

The Company will be exposed to challenges to the ownership or nature of titles and other rights by its partners, PNG Government authorities or third parties.

(vi) Devaluation or appreciation of Kina

The external value of the Kina is affected by changes in policies of the PNG Government and to international economic and political developments. In addition, financial markets in many Asian countries have in the past experienced severe volatility. As a result, some Asian currencies have been subject to significant

devaluation from time to time. Movements in the value of the Kina could have an adverse effect on the Company's operations and accordingly, its profitability.

(vii) Timing considerations

Like all countries, in PNG, it may take many years to get from a discovery to extraction of a mineral asset. As such, there is a risk that the initial investment will not get to the exploitation stage. Such uncertainties as to timing may affect the Company's operations and accordingly, its profitability.

(f) Exploration and Development Risks

The business of oil and gas exploration, project development and production, by its nature, contains elements of significant risk with no guarantee of success. Ultimate and continuous success of these activities is dependent on many factors such as:

- (i) the discovery and/or acquisition of economically recoverable reserves;
- (ii) access to adequate capital for project development;
- (iii) design and construction of efficient development and production infrastructure within capital expenditure budgets;
- (iv) securing and maintaining title to interests;
- (v) obtaining consents and approvals necessary for the conduct of oil and gas exploration, development and production;
- (vi) securing suitable plant and equipment, particularly given equipment utilisation rates are high in the current period of global exploration/production activity, hence completion for such equipment may also be high;
- (vii) access to competent operational management and prudent financial administration, including the availability and reliability of appropriately skilled and experienced employees, contractors and consultants.

Whether or not income will result from projects undergoing exploration and development programs depends on successful exploration and establishment of production facilities. Factors including costs, actual oil and gas reserves and resources, grade, transportation and reliability and commodity prices affect successful project development and operations.

Exploration and production activities carry risk as such activities may be curtailed, delayed or cancelled as a result of weather conditions, mechanical difficulties, shortages or delays in the delivery of drill rigs or other equipment.

Oil and natural gas exploration, development and production operations are subject to all the risks and hazards typically associated with such operations, including hazards such as fire, explosions, industrial disputes, cave-ins, unexpected shortages or increases in the cost of consumables, spare parts, plant and equipment, mechanical failure and breakdown, blow outs, environmental hazards such as accidental sour gas releases and spills, ruptures, discharge of toxic gases or geological uncertainty. The occurrence of any of these risks could result in legal proceedings against the Company and substantial losses due to injury or loss of life, damage to or destruction of property, natural resources or equipment, pollution or other environmental damage, clean up responsibilities, regulatory investigation, and penalties or suspension of operations. Damage occurring to third parties as a result of such risks may give rise to claims against the Company.

There is no assurance that any exploration on current or future interests will result in the discovery of an economic deposit of oil and gas. Even if an apparently viable deposit is identified, there is no guarantee that it can be economically developed.

In addition, the Company will be subject to multi-jurisdictional compliance with governmental regulations in relation to licence conditions, the environment and operational conduct.

(g) Oil and Gas Price Volatility

If the Company achieves success leading to production, the revenue it will derive through the sale of commodities exposes the potential income of the Company to commodity price and exchange rate risks. Commodity prices fluctuate and are affected by many factors beyond the control of the Company.

The demand for, and price of oil and gas is highly dependent on a variety of factors, including international supply and demand, the level of consumer product demand, weather conditions, actions taken by governments and international cartels, and global economic and political developments.

Fluctuations in oil and gas prices and, in particular, a material decline in the price of oil and gas may have a material adverse effect on the Company's business, financial condition and results of operations.

(h) Joint Venture Parties, Contractors and Contractual Disputes

With respect to this issue, the Directors are unable to predict the risk of:

- (i) financial failure or default by a participant in any joint venture to which the Enlarged Company may become a party; or
- (ii) insolvency or other managerial failure by any of the operators and contractors used by the Enlarged Company in its exploration activities; or
- (iii) insolvency or other managerial failure by any of the other service providers used by the Enlarged Company or its operators for any activity; or
- (iv) title and payment obligations

Under the relevant PPL's and certain other contractual agreements to which the Company may in the future become party, the Company is or may become subject to payment and other obligations. If any contractual obligations are not complied with when due, in addition to any other remedies which may be available to other parties, this could result in dilution or forfeiture of interests held by the Company.

(i) Availability of Drilling Equipment and Access

Oil and natural gas exploration and development activities are dependent on the availability of drilling and related equipment (typically leased from third parties) in the particular areas where such activities are conducted. Demand for such limited equipment or access restrictions may affect the availability of such equipment and may delay exploration and development activities.

(j) Landowner Risk

The Enlarged Company may be required to pay compensation to landowners, local authorities, traditional land users and others who have an interest in the area covered by the licences. The Enlarged Company's ability to resolve compensation issues and compensation costs involved will have an impact on the future success and financial performance of the Enlarged Company's mining operations. If the enlarged Entity is unable to resolve such compensation claims on economic terms, this could have a materially adverse effect on the business, results or operations and financial condition of the Enlarged Company.

(k) Foreign Exchange Risk

The operations of the Company will be in Papua New Guinea and the costs of and revenues from operations will be in PNG Kina, AU\$ and/or US\$. As the Company's financial reports will be presented in Australian dollars, the Company will be exposed to the volatility and fluctuations of the exchange rate between the PNG Kina, the US dollar and the Australian dollar.

Global currencies are affected by a number of factors that are beyond the control of the Company. These factors include economic conditions in the relevant country and elsewhere and the outlook for interest rates, inflation and other economic factors. These factors may have a positive or negative effect on the Company's exploration, project development and production plans and activities together with the ability to fund those plans and activities.

(l) Reserves and Resource Estimates

Reserve and resource estimates are expressions of judgement based on knowledge, experience and industry practice. Estimates which were valid when originally calculated may alter significantly when new information or techniques become available. In addition, by their very nature, resource and reserve estimates are imprecise and depend to some extent on interpretations, which may prove to be inaccurate. As further information becomes available through additional drilling and analysis the estimates are likely to change. This may result in alterations to development and production plans which may in turn, adversely affect the Company and its operations.

(m) Environmental Risks

The Company's activities will be subject to the environmental risks inherent in the oil and gas industry. The Company will be subject to environmental laws and regulations in connection with operations it may pursue in the oil and gas industry, which operations will be in PNG. Environmental compliance is an ongoing liability of the Company. The Company intends to conduct its activities in an environmentally responsible manner and in accordance with all applicable laws. However, the Company may be the subject of accidents or unforeseen circumstances that could subject the Company to extensive liability.

The Company may also become liable for environmental damage caused by previous owners of any tenements the Company will hold. As a result, substantial liabilities to third parties or governmental entities may be incurred, the payment of which could reduce or eliminate funds available for acquisitions, exploration and development or cause the Enlarged Company to suffer losses.

Further, the Company may require approval from the relevant authorities before it can undertake activities that are likely to impact the environment. Failure to obtain such approvals will prevent the Company from undertaking its desired activities. The Company is unable to predict the effect of additional environmental laws and regulations that may be adopted in the future, including whether any such laws or regulations would materially increase the Company's cost of doing business or affect its operations in any area.

(n) Retention of key business relationships

The Enlarged Company may rely on strategic relationships with other entities such as joint venture and farm-in parties and also on good relationships with regulatory and governmental departments. It will also rely upon third parties to provide essential contracting services.

While the Company has no reason to believe otherwise, there can be no assurance that the Company's existing relationships will continue to be maintained or that new ones will be successfully formed and the Company could be adversely affected by changes to such relationships or difficulties in forming new ones. Any circumstance, which causes the early termination or non-renewal of one or more of these key business alliances or contracts, could adversely impact the Company, its business, operating results and prospects.

(o) Competition

The Company will compete with other companies, including major oil and gas companies. Some of these companies have greater financial and other resources than the Company and, as a result, may be in a better position to compete for future business opportunities. In addition new entrants may commence Oil & Gas exploration and development in PNG. There can be no assurance that the Company can compete effectively with these companies. Competition may also be presented by alternative fuel sources.

(p) Management of Growth

The Company may be subject to growth-related risks including capacity constraints and pressure on its internal systems and controls. The ability of the Company to manage growth effectively will require it to continue to implement and improve its operational and financial systems and to expand, train and manage its employee base. The inability of the Company to deal with this growth could have a material adverse effect on the Company's business, financial condition, results of operations and prospects.

(q) Insurance

Insurance against all risks associated with oil and gas exploration and mining is not always available or affordable. The Company will maintain insurance where it is considered appropriate for its needs however, it will not be insured against all risks either because appropriate cover is not available or because the Directors consider the required premiums to be excessive having regard to the benefits that would accrue.

(r) Uninsurable risks

Exploration, development and production operations on mineral properties involve numerous risks, including unexpected or unusual geological operating conditions, rock bursts, cave-ins, fires, floods, earthquakes and other environmental occurrences, and political and social instability. It is not always possible to obtain insurance against all such risks and the Company may decide not to insure against certain risks because of high premiums or other reasons. Should such liabilities arise, they could reduce or eliminate any further profitability and result in increasing costs and a decline in the value of the securities of the Company. Initially, the Company will not maintain insurance against operational, political or environmental risks.

4.2 General Risks

(a) Economic Risks

Factors such as inflation, currency fluctuations, interest rates, supply and demand of capital and industrial disruption have an impact on business costs, commodity prices and stock market prices. The Company's operating costs, possible future revenues and future profitability can be affected by these factors, which are beyond the control of the Company.

(b) Share Market Conditions

Share market conditions may affect the value of the Company's quoted securities regardless of the Company's operating performance. Share market conditions are affected by many factors such as, general economic outlook, interest rates and inflation rates, currency fluctuations, changes in investor sentiment toward particular market sectors, the demand for, and supply of, capital and terrorism or other hostilities.

(c) Reliance on Key Personnel

The responsibility of overseeing the day-to-day operations and the strategic management of the Company depends substantially on its senior management and its key personnel. There can be no assurance given that there will be no detrimental impact on the Company if one or more of these employees cease their employment.

(d) Investment Speculative

The above list of risk factors ought not to be taken as exhaustive of the risks faced by the Company or by investors in the Company. The above factors, and others not specifically referred to above, may in the future materially affect the financial performance of the Enlarged Company and the value of the Company's securities.

5. Resolution 1 – Approval of issue of Acquisition Shares

Resolution 1 seeks Shareholder approval to issue the Acquisition Shares to the Vendors as consideration for the acquisition by the Company of all the issued capital IPE from the Vendors.

ASX Listing Rule 7.1 broadly provides, subject to certain exceptions, that shareholder approval is required for any issue of securities by a listed company where the securities proposed to be issued represent more than 15% of the Company's securities then on issue.

ASX Listing Rule 7.3 sets out a number of matters which must be included in a notice of meeting seeking an approval under ASX Listing Rule 7.1. For the purposes of ASX Listing Rule 7.3, the following information is provided in relation to Resolution 1:

- (a) the maximum number of Acquisition Shares that will be issued pursuant to Resolution 1 is 55,000,000 Shares (post - Consolidation);
- (b) the Acquisition Shares will be issued as consideration under the Acquisition, at a deemed issue price of \$0.1661 per Share (post - Consolidation);
- (c) the Acquisition Shares are expected to be issued as soon as possible after the date of the General Meeting (upon Completion of the Acquisition) and in any event no later than 3 months (or such later date to the extent permitted by any ASX waiver or modification of the ASX Listing Rules) after the date of the General Meeting. It is intended that the allotment will occur on the same date;
- (d) the Acquisition Shares will be issued to the Vendors;
- (e) the Acquisition Shares issued pursuant to Resolution 1 are fully paid ordinary Shares and will rank equally in all respects with the existing ordinary Shares on issue in the Company; and
- (f) the Acquisition Shares are being issued in consideration for the acquisition of IPE and accordingly no funds will be raised from the issue.

6. Resolution 2 – Consolidation of Capital

6.1 General

Resolution 2 seeks Shareholder approval to consolidate the Company's issued capital by consolidating every four (4) existing Shares into one (1) new Share (**Consolidation**). The Company does not currently have any Options on issue.

The purpose of the Consolidation is to implement a more appropriate capital structure for the Company going forward and enable the Company to satisfy Chapters 1 and 2 of the ASX Listing Rules and obtain re-quotations of the Shares on ASX.

The Consolidation will take effect prior to the implementation of the Acquisition but will only occur if shareholder approval and all other conditions for the Acquisition are satisfied. An indicative timetable for the Consolidation is set out below.

Section 254H of the Corporations Act provides that a company may, by resolution passed at a general meeting, convert all or any of its securities into a larger or smaller number of securities. The result of the Consolidation is that each member's security holding will be reduced to one quarter of its current level. Fractions of a security resulting from the Consolidation will be rounded up to the nearest whole security. Each member's proportional interest in the Company's issued capital will, however, remain unchanged as a result of the Consolidation (other than minor variations resulting from rounding).

Shareholders will hold the same proportion of the Company's Share capital and net assets before and after the Consolidation. The current rights attaching to the Shares will not be affected by the Consolidation.

As from the effective date of the Consolidation, all holding statements for Shares will cease to have any effect except as evidence of entitlement to a certain number of post-Consolidation Shares.

After the Consolidation becomes effective, the Company will despatch a notice to Shareholders advising them of the number of Shares held by each Shareholder both before and after the Consolidation. The Company will also arrange for new holding statements to be issued to Shareholders.

6.2 Effect on Capital Structure

The Company does not currently have any Options on issue. It is proposed that up to 29,758,832 Options the subject of Resolution 10 will be issued by the Company post Consolidation. The following table shows the effects of the Consolidation on the Shares in the Company:

Current issued share capital (pre-Consolidation)	Current issued share capital (post-Consolidation)	Shares to be issued pursuant to the Acquisition	Share Placement and issue of Shares to Carsten Huebner *	Pro-forma total issued share capital
207,863,949	51,965,987	55,000,000	10,375,000	117,340,987

*This assumes that \$2,000,000 is raised through the Share Placement the subject of Resolution 3 through the issue of 10,000,000 Shares at \$0.20 per Share (post-Consolidation) and the issue of 375,000 shares (post-Consolidation) to Mr Carsten Huebner the subject of Resolution 9.

6.3 Indicative timetable

Set out below, and subject to compliance with all regulatory requirements, is the expected timetable for completion of the Consolidation. These dates are indicative only and may be varied without notice.

Date	Event
15 May 2012	Consolidation date
16 May 2012	Trading commences in the reorganised securities on a deferred settlement basis.
22 May 2012	Last day for Company to register transfers on a pre-Consolidation basis.
23 May 2012	First day for the Company to send a notice to each shareholder and the first day for the Company to register Shares on a post re-organisation basis and first day for issue of holding statements. From now on, the Company must reject transfers accompanied by a certificate that was issued before the Consolidation.
29 May 2012	Despatch date. Deferred settlement market ends. Last day for the Company to send notice to all shareholders. Last day for securities to be entered into the holders' security holdings.

7. Resolution 3 – Approval of Share Placement

The Company will be required to raise capital for the purposes of achieving its business objectives and satisfying the requirements of the ASX Listing Rules in relation to the re-listing of its securities. Prior to the General Meeting, the Directors intend to prepare a disclosure document to raise up to \$2,000,000 through the issue of up to 10,000,000 Shares (on a post-Consolidation basis) at an issue price of not less than \$0.20 per Share (**Share Placement**) (**Prospectus**).

Accordingly, Resolution 3 seeks Shareholder approval for the allotment and issue of up to 10,000,000 Shares (on a post-Consolidation basis) at \$0.20 per Share (**Share Placement**) to raise up to \$2,000,000.

A summary of ASX Listing Rule 7.1 is set out in section 5 above.

For the purposes of ASX Listing Rule 7.3, the following information is provided in relation to Resolution 3:

- (a) the maximum number of Shares to be issued is up to 10,000,000 (post-Consolidation);
- (b) the Shares will be issued after the Consolidation Date and no later than 3 months after the date of the Meeting (or such later date to the extent permitted by any ASX waiver or modification of the ASX Listing Rules) and it is intended that allotment will occur on the same date;
- (c) the Shares will be issued at an issue price of \$0.20 per Share (post-Consolidation);

- (d) the Shares will be issued to subscribers under the Prospectus but these persons will not be related parties of the Company;
- (e) the Shares issued will be fully paid ordinary shares in the capital of the Company issued on the same terms and conditions as the Company's existing Shares (on a post-Consolidation basis); and
- (f) details of the proposed use of funds raised under the Share Placement is set out in section 3.2.

8. Resolution 4 – Approval of Change of Activities

Resolution 4 seeks approval from Shareholders for a change in activities of the Company from an investment company to an oil and gas exploration company.

Given the Company's focus was previously on investment activities, ASX has determined that implementation of the Acquisition will result in a change to the nature and scale of the activities of the Company for the purposes of Chapter 11 of the ASX Listing Rules.

8.1 Re-compliance with Chapters 1 and 2 of the ASX Listing Rules

ASX has indicated that as part of the Acquisition, the Company must comply with the admission requirements of Chapters 1 and 2 of the Listing Rules which prescribe the conditions for official quotation. Some of the key requirements of Chapters 1 and 2 of the ASX Listing Rules are as follows:

- (a) a prospectus must be issued and lodged with ASX;
- (b) the Company must satisfy the shareholder spread requirements relating to the minimum number of Shareholders in the Company and the minimum value of the shareholdings of those Shareholders; and
- (c) the Company must satisfy the "asset test" as set out in the ASX Listing Rules.

As part of the re-compliance, the Company will seek to carry out the Share Placement (Resolution 3) through the issue of a Prospectus. Following completion of the Share Placement, the Company will have sufficient funds for the purposes of its proposed oil and gas activities.

9. Resolutions 5, 6 and 7 – Election of Chris Haiveta, Domenic Martino and Yosse Goldberg as Directors

On Completion of the Acquisition, three persons nominated by the Vendors, being Chris Haiveta, Domenic Martino and Yosse Goldberg are to be elected as Directors of the Company. If approved, their appointment will commence immediately on Completion of the Acquisition.

A summary of Messrs Haiveta, Martino and Goldberg is set out below:

Chris Haiveta

Chris Haiveta attended Lese Oalai Catholic Mission and De La Salle High School at Mainohana in Central Province and later completed a Bachelor of Education and a Bachelor of Arts Degree with Honours between 1976 and 1981 at the 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.

He 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.

He 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 for Mines 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, International Monetary Fund (IMF) and Asian Development Bank Boards and was the national programme officer for the European Union 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 Papua New Guinea Statutory Organisations including Post PNG, Telicom, Pangtel Air Niugini, 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.

He 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.

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.

Domenic Martino

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.

In particular 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 and NuEnergy Gas Limited.
- Has a strong reputation in China and is the Chairman of Australasian Resources Limited.
- Has a lengthy track record of operating in Papua New Guinea and Indonesia, and successfully closed key energy and resources deals with key local players.
- Has a 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.

Yosse Goldberg

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 the 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 on resources projects such as iron ore, coal bed methane and copper. Recently Mr Goldberg has been engaged in establishing a major thermal and coking coal project in Indonesia requiring major infrastructure and financing.

10. Resolution 8 – Change of Name to Coral Sea Petroleum Ltd

Resolution 8 seeks Shareholder approval by special resolution to change the Company's name from "Orchid Capital Ltd" to "Coral Sea Petroleum Ltd".

Pursuant to section 157 of the Corporations Act, a company may change its name by passing a special resolution to that effect. The resolution must be lodged with the ASIC within 14 days after it is passed. A special resolution must be passed by at least 75% of the votes cast by members entitled to vote on the resolution.

The Directors believe that the new name more accurately reflects the broadening interests of the Company.

11. Resolution 9 – Approval of Issue of Shares to Mr Carsten Huebner

Resolution 9 seeks Shareholder approval to issue 375,000 Shares (on a post-Consolidation basis) to Mr Carsten Huebner as consideration for brokering the Acquisition.

ASX Listing Rule 7.1 broadly provides, subject to certain exceptions, that the Company can issue up to 15% of the Company's securities then on issue without shareholder approval in a 12 month period. By passing Resolution 9, the Directors do not need to include the shares issued to Mr Huebner under this ASX Listing Rule.

ASX Listing Rule 7.3 sets out a number of matters which must be included in a notice of meeting seeking an approval under ASX Listing Rule 7.1. For the purposes of ASX Listing Rule 7.3, the following information is provided in relation to Resolution 9:

- (a) the maximum number of Shares that will be issued pursuant to Resolution 9 is 375,000 Shares (post-Consolidation);
- (b) the Shares will be issued as consideration for brokerage of the Acquisition;
- (c) the Shares are expected to be issued as soon as possible after the date of the General Meeting (upon Completion of the Acquisition) and in any event no later than 3 months (or such later date to the extent permitted by any ASX waiver or modification of the ASX Listing Rules) after the date of the General Meeting. It is intended that the allotment will occur on the same date;
- (d) the Shares will be issued to Mr Carsten Huebner;
- (e) the Shares issued pursuant to Resolution 9 are fully paid ordinary Shares and will rank equally in all respects with the existing ordinary Shares on issue in the Company; and
- (f) the Shares are being issued in consideration for brokerage of the Acquisition and accordingly no funds will be raised from the issue.

12. Resolution 10 – Option Placement

Resolution 10 seeks shareholder approval pursuant to ASX Listing Rule 7.1 to the issue of up to 29,758,832 Options at an issue price of 0.4 cents each to raise up to \$119,035 (**Option Placement**). The Option Placement will be 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 including investors introduced to the Company by Minimum Risk. Neither the allottees (nor their associates) will be related parties of the Company.

A summary of ASX Listing Rule 7.1 is set out in section 5 above.

The purpose of the Option Placement is to raise funds for the purposes of achieving its business objectives and satisfying the requirements of the ASX Listing Rules in relation to the re-listing of its securities. Options under the Option Placement will be offered under the Prospectus and will be issued on a post Consolidation basis.

For the purposes of ASX Listing Rule 7.3, the following information is provided in relation to the Option Placement:

- (a) the maximum number of Options to be issued is up to 29,758,832;
- (b) the Options will be issued no later than 3 months after the date of the Meeting, unless otherwise extended by way of ASX granting a waiver of to the ASX Listing Rules. It is intended that the issue of the Options will occur on the same day;
- (c) the Options will be issued at an issue price of 0.04 cents per Option;
- (d) the Options will be 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 Minimum Risk. Neither the allottees (nor their associates) will be related parties of the Company;
- (e) the terms and conditions of the Options are set out in Schedule 3 to this Explanatory Statement; and
- (f) details of the proposed use of funds raised by the issue of the Options are set out in section 3.2.

13. Resolutions 11 and 12 – Participation by Alvin Tan and Julian Sandt in Option Placement

The Company intends to undertake the Option Placement set out in Resolution 10.

Resolutions 11 and 12 seek shareholder approval pursuant to Listing Rule 10.11 to allow Alvin Tan and Julian Sandt (both Directors) to participate in the Option Placement by permitting them or their nominees to subscribe for the following number of Options:

Director	Number of Options
Alvin Tan, or his nominee(s)	437,500
Julian Sandt, or his nominee(s)	250,000
Total	687,500

In the event the Options are exercised, the following amounts will need to be paid to the Company by Messrs Tan and Sandt:

Director	Amount to be paid
Alvin Tan, or his nominee(s)	\$87,500
Julian Sandt, or his nominee(s)	\$50,000
Total	\$137,500

The Company will therefore receive \$137,500 from Messrs Tan and Sandt should all the Options be exercised.

The following information in relation to the Options to be granted pursuant to Resolutions 11 and 12 is provided to shareholders for the purposes of Listing Rule 10.13:

- (a) the Options will be granted to Alvin Tan and Julian Sandt, or their nominees, as noted above;
- (b) the maximum number of Options to be granted is 687,500 (being 437,500 Options granted to Alvin Tan and 250,000 Options granted to Julian Sandt);

- For personal use only
- (c) the Options will be allotted and granted on a date which will be no later than 1 month after the date of this Meeting, unless otherwise extended by way of ASX granting a waiver to the Listing Rules;
 - (d) the Options will be granted at an issue price of 0.4 cents per Option;
 - (e) it is proposed that the funds raised by the grant of the Options will be used for the purposes set out in section 3.2; and
 - (f) the terms and conditions of the Options are set out in Schedule 3 to this Explanatory Statement.

If approval is given for the grant of the Options under Listing Rule 10.11, approval is not required under Listing Rule 7.1.

14. Resolution 13 – Ratification of Prior Issue of Shares

Resolution 13 seeks Shareholder ratification for the prior allotment and issue of 27,000,000 Shares (on a pre-Consolidation basis) on 29 December 2011 (**Capital Raising**). The Capital Raising was fully underwritten by Minimum Risk under the Fundraising Agreement.

ASX Listing Rule 7.4 permits the ratification of previous issues of securities made without prior shareholder approval, provided the issue did not breach the 15% threshold set out in ASX Listing Rule 7.1. The effect of such ratification is to restore a company's maximum discretionary power to issue further shares up to 15% of the issued capital of the company without requiring shareholder approval.

Pursuant to Resolution 13, the Directors are seeking ratification under ASX Listing Rule 7.4 of the issue of 27,000,000 Shares (on a pre-Consolidation basis) that was made on 29 December 2011 in order to restore the right of the Company to issue further Shares within the 15% limit in the next 12 months.

The following information in relation to Shares is provided to Shareholders for the purposes of ASX Listing Rule 7.5:

- (a) 27,000,000 Shares were allotted and issued on a pre Consolidation basis on 29 December 2011;
- (b) the Shares were issued at an issue price of \$0.025 per Share;
- (c) the Shares issued were fully paid ordinary shares in the capital of the Company issued on the same terms and conditions as the Company's existing Shares;
- (d) \$675,000 was raised from this issue for the purpose of administration and other costs of the Share Placement and Acquisition, general working capital and to assist in the exploration and evaluation of the PNG Oil & Gas Projects and additional project opportunities; and
- (e) the Shares were issued to unrelated private investors pursuant to section 708 of the Corporations Act.

15. Definitions

In this Explanatory Statement and the Notice of Meeting:

Acquisition means the acquisition by ORC of all of the issued capital in IPE.

Acquisition Shares means 55,000,000 Shares (post-Consolidation).

ASIC means the Australian Securities and Investments Commission.

ASX means ASX Limited ACN 008 624 691 or the Australian Securities Exchange operated by ASX Limited, as the context requires.

ASX Listing Rules means the Listing Rules of ASX.

Board means the board of Directors of the Company .

Business Day means Monday to Friday inclusive, except New Year's Day, Good Friday, Easter Monday, Christmas Day, Boxing Day, and any other day that ASX declares is not a business day.

Capital Raising means the issue of 27,000,000 Shares at \$0.025 per Share (pre-Consolidation) the subject of Resolution 13 which occurred on 29 December 2011.

Company or **ORC** means Orchid Capital Limited ABN 30 073 099 171.

Completion means completion of the Share Sale Agreement in accordance with its terms.

Consolidation means the 1:4 consolidation of the capital of the Company the subject of Resolution 2.

Consolidation Date means 15 May 2012.

Constitution means the current constitution of the Company.

Corporations Act means the *Corporations Act 2001* (Cth).

CSP means Coral Sea Petroleum Limited, a company incorporated in PNG and 100% owned subsidiary of IPE.

Director means a director of the Company (and where applicable includes the proposed directors, Mr Chris Haiveta, Mr Domenic Martino and Mr Yosse Goldberg).

Expiry Date means the date 12 months from when the Company satisfies the requirements of the ASX Listing Rules in relation to the re-listing of its securities in relation to the Acquisition.

Explanatory Statement means the Explanatory Statement to the Notice of Meeting.

General Meeting or **Meeting** means the General Meeting of the Company the subject of the Notice of Meeting.

Independent Geologist's Report means the report prepared by Isis Petroleum Consultants Pty Ltd on the PNG Oil & Gas Projects as attached at Schedule 1 to this Explanatory Statement.

IPE means Indo Pacific Energy Pty Ltd ACN 140 463 565.

JORC Code means the 2004 Australian Code for Reporting of Exploration Results, Mineral Resources and Oil & Gas Reserves.

MOU means the memorandum of understanding between the Company, IPE, Chris Haiveta CMG and Minimum Risk Pty Ltd dated 14 March 2011.

Notice of Meeting means this notice of meeting.

Optionholder means the holder of an Option.

Options means an option to acquire a Share.

Option Placement means the proposed issue of up to 29,758,832 Options (on a post Consolidation basis) at an issue price of 0.4 cents per Option, each Option having an exercise price of \$0.20 and expiring on the Expiry Date pursuant to a Prospectus the subject of Resolution 10.

Papua New Guinea (PNG) means the Independent State of Papua New Guinea.

PNG Oil & Gas Projects means the oil and gas projects represented by the PPLs.

PPL means the PNG petroleum prospecting licences 356, 357, 358, 366 and 367

Proposed Directors means Mr Chris Haiveta, Mr Domenic Martino and Mr Yosse Goldberg.

Prospectus means the prospectus to be issued by the Company in respect of the Share Placement and the Option Placement as part of its re-compliance with Chapters 1 and 2 of the ASX Listing Rules.

Proxy Form means the proxy form attached to the Notice of Meeting.

Resolution means a resolution contained in this Notice of Meeting.

Section means a section of this Explanatory Statement.

Share means a fully paid ordinary share in the capital of the Company

Shareholder means a shareholder of the Company.

Share Placement means the proposed issue of up to 10,000,000 Shares at \$0.20 per Share (post-Consolidation) pursuant to a Prospectus the subject of Resolution 3.

Share Sale Agreement means the share sale agreement between the Company, IPE, Chris Haiveta CMG and Minimum Risk Pty Ltd dated 21 July 2011.

Vendors means Minimum Risk Pty Ltd and Chris Haiveta CMG.

WST time means Western Standard Time as observed in Perth, Western Australia.

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Schedule 1

Independent Technical Expert's Report

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Independent Technical Expert's Report

Coral Sea Petroleum Pty Ltd

(100% owned subsidiary of Indo Pacific Energy Pty Ltd)

Exploration Assets

PNG

Prepared for

Orchid Capital Ltd

March 2012

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Declaration

Orchid Capital Ltd (“Orchid”) commissioned Isis Petroleum Consultants Pty Ltd (“Isis”) to prepare an Independent Technical Expert’s Report on the petroleum exploration assets currently held by Coral Sea Petroleum Pty Ltd (“CSP”) in Papua New Guinea. CSP is a 100% owned subsidiary of Indo Pacific Energy Pty Ltd (“Indo Pacific”).

The evaluation of petroleum assets is subject to uncertainty because it involves judgments on many parameters that cannot be precisely assessed and which may change as new information becomes available.

The statements and opinions attributed to Isis are given in good faith and in the belief that such statements are neither false nor misleading. In carrying out its tasks, Isis has considered and relied upon data and information provided by Orchid. Consequently Isis and its servants do not accept any liability for its accuracy, nor do we warrant that our enquiries have revealed all of the matters that a more extensive examination may disclose.

Neither Isis nor its subcontractors have any pecuniary interest or any other interest in Orchid, or the assets evaluated other than for professional fees received for carrying out this project.

*Isis Petroleum Consultants Pty Ltd
Ground Floor, 47 Colin Street
West Perth
Western Australia 6005
AUSTRALIA*

*Tel: +61 8 9226 4610
Fax: +61 8 9226 0999
Email: isis@isispetroleum.com.au
Web: www.isispetroleum.com*

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1.0 INTRODUCTION

Orchid Capital Ltd (“Orchid”) commissioned Isis Petroleum Consultants Pty Ltd (“Isis”) to prepare an Independent Technical Expert’s Report on the petroleum exploration assets of Coral Sea Petroleum Pty Ltd (“CSP”). Isis has prepared an Independent Technical Expert’s Report that details the analysis, findings and conclusions of the evaluation.

Under the terms of the purchase agreement, Orchid will acquire a 100% interest in Indo Pacific Energy Pty Ltd (“Indo Pacific”), and its wholly owned subsidiary Papua New Guinea company, CSP.

CSP has been granted five Petroleum Prospecting Licences that lie both onshore and offshore, Papua New Guinea (“PNG”).

The scope of this report is an independent technical assessment of the hydrocarbon prospectivity of the onshore Biwai and Turama Licences and the offshore Dibiri, Hiri and Cape Vogel Licences in Papua New Guinea (Figure 1).

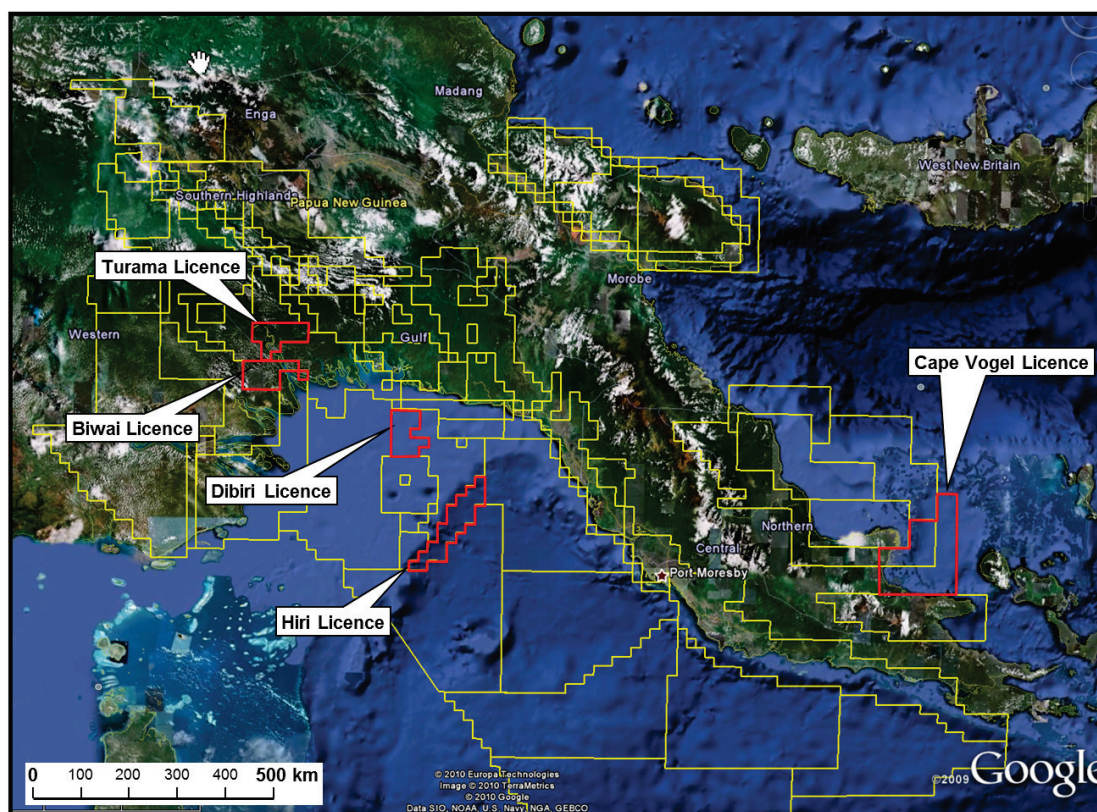


Figure 1: Location Map

The data and information used in the preparation of this report were provided by Indo Pacific and supplemented by public domain information. Isis has relied upon the information provided and has undertaken the evaluation on the basis of a review and audit of existing interpretations and assessments, as supplied by Indo Pacific. Indo Pacific was unable to provide any digital seismic or exploration well data over the licences however they did provide slides which illustrated the exploration data. This assessment therefore relies entirely on structural mapping provided by Indo Pacific.

Although Isis has made consistency checks where possible, this report needs to be read in the context of these factors.

This report has been completed according to the requirements of the Society of Petroleum Engineers / World Petroleum Council / American Association of Petroleum Geologists (SPE / WPC / AAPG) guidelines and standards as published in March 2007 and the guidelines from the Valmin Code.

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2.0 TECHNICAL EVALUATION

2.1 Introduction

The Biwai and Turama Licences are located onshore Papua New Guinea and 450 km from the capital of Port Moresby in a direct line of flight. The offshore Dibiri Licence is 30 km from the coast and 300 km from the capital and the Hiri Licence is 80 km from the coast and 200 km from the capital. The Cape Vogel Licence is on the northern coast of Papua New Guinea and is located immediately offshore and 230 km due east of the capital.

In total area the licences cover 11,500 sq km and 142 graticular blocks with over 50% of the area located in the prospective Papuan Basin (Figure 2).



Figure 2: Papua New Guinea - Tectonic Elements Map

The Papuan Basin is the most explored and developed of PNG's five sedimentary basins and has a proven hydrocarbon generative, migration and entrapment system. There have been 392 exploration and development wells drilled to December 2002 and this exploration effort has discovered approximately 1 billion barrels hydrocarbon liquids and more than 15 trillion cubic feet gas up to 2007 (Figure 3).

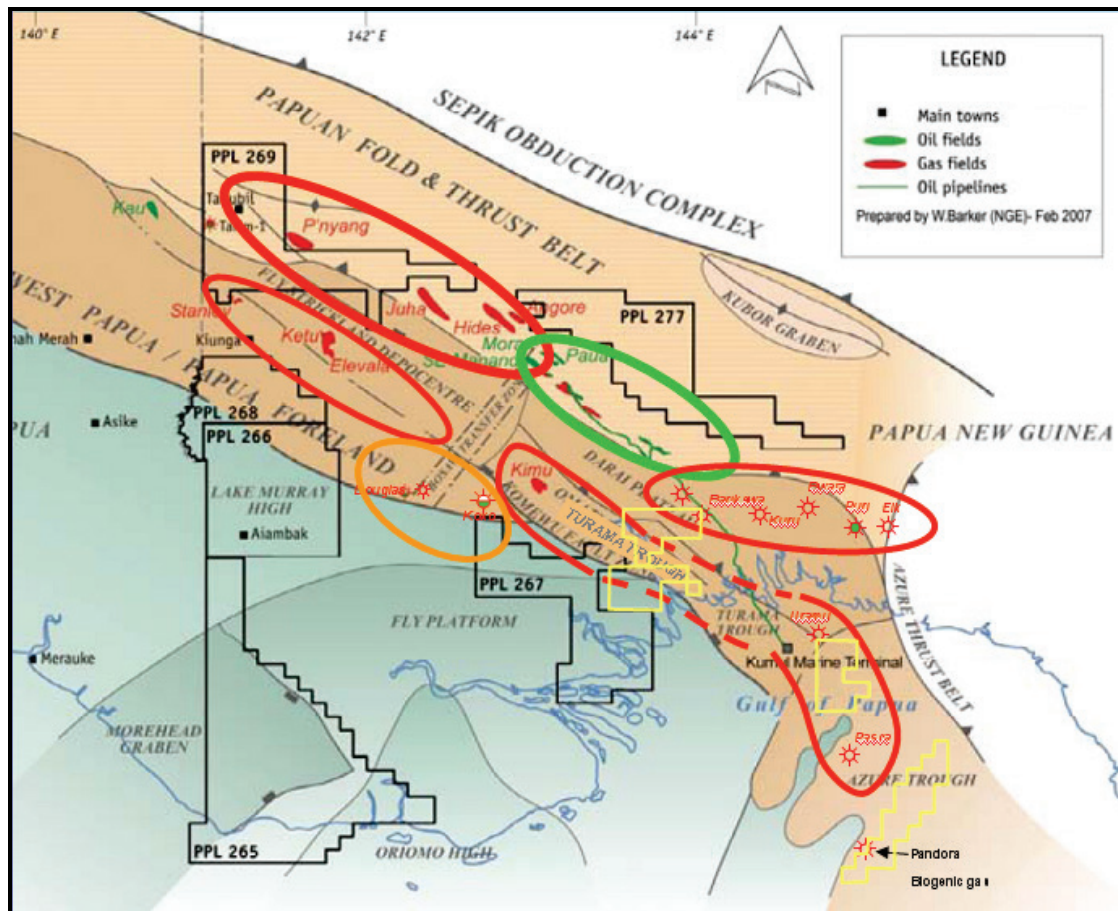


Figure 3: Distribution of Papuan Basin Oil and Gas Fields

Papuan Basin Tertiary Petroleum System (Figure 4)

Reservoirs: Oligocene to Miocene Limestones

Source Rocks: Jurassic and Cretaceous shales

Seals: Late Miocene and Pliocene shales and mudstones

Traps: Anticlines, fault dependent anticlines, carbonate buildups

Key Risk: Reservoir development

Papuan Basin Mesozoic Petroleum System (Figure 4)

Reservoirs: Triassic to Lower Cretaceous sandstones

Source Rocks: Jurassic shales and Triassic coals

Seals: Jurassic and Lower Cretaceous shales

Traps: Anticlines, fault dependent anticlines and thrust / wrench fault anticlines

Key Risk: Definition of the trap

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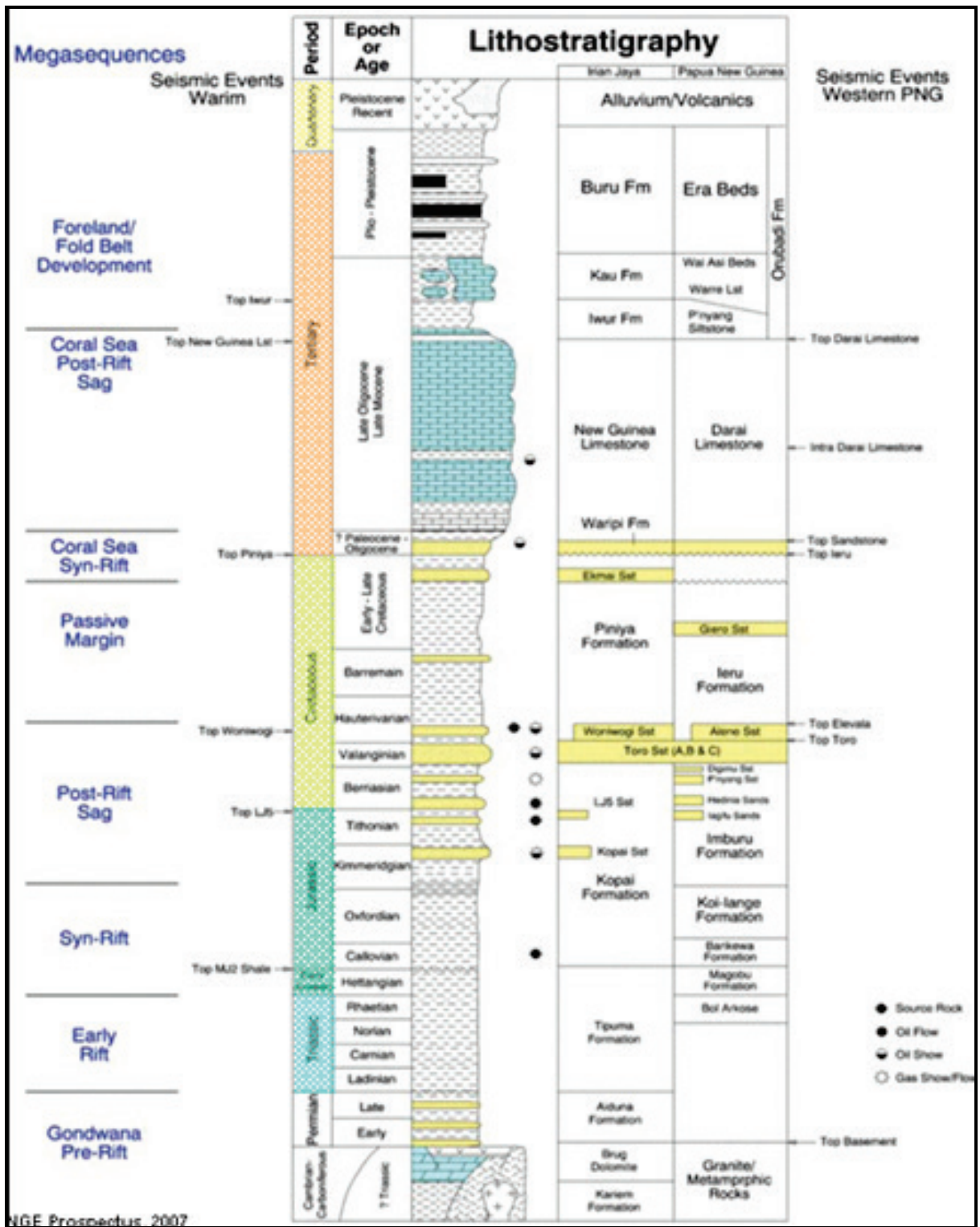


Figure 4: Lithostratigraphy of the Papuan Basin

2.2 Onshore Biwai and Turama Licences

Previous petroleum exploration in the Biwai and Turama permits has been limited to a semi detail 1970's vintage 2D seismic data of fair data quality and the drilling of one well, Goari-1. The Goari-1 well was drilled by Esso in 1979 and reached a total depth of 3,138 mKB in Mesozoic sandstones (Figure 5 & Figure 6). The Goari-1 confirms the presence of an effective top seal and the presence of multiple reservoirs with the Toro Sandstone as the primary target (Figure 7).

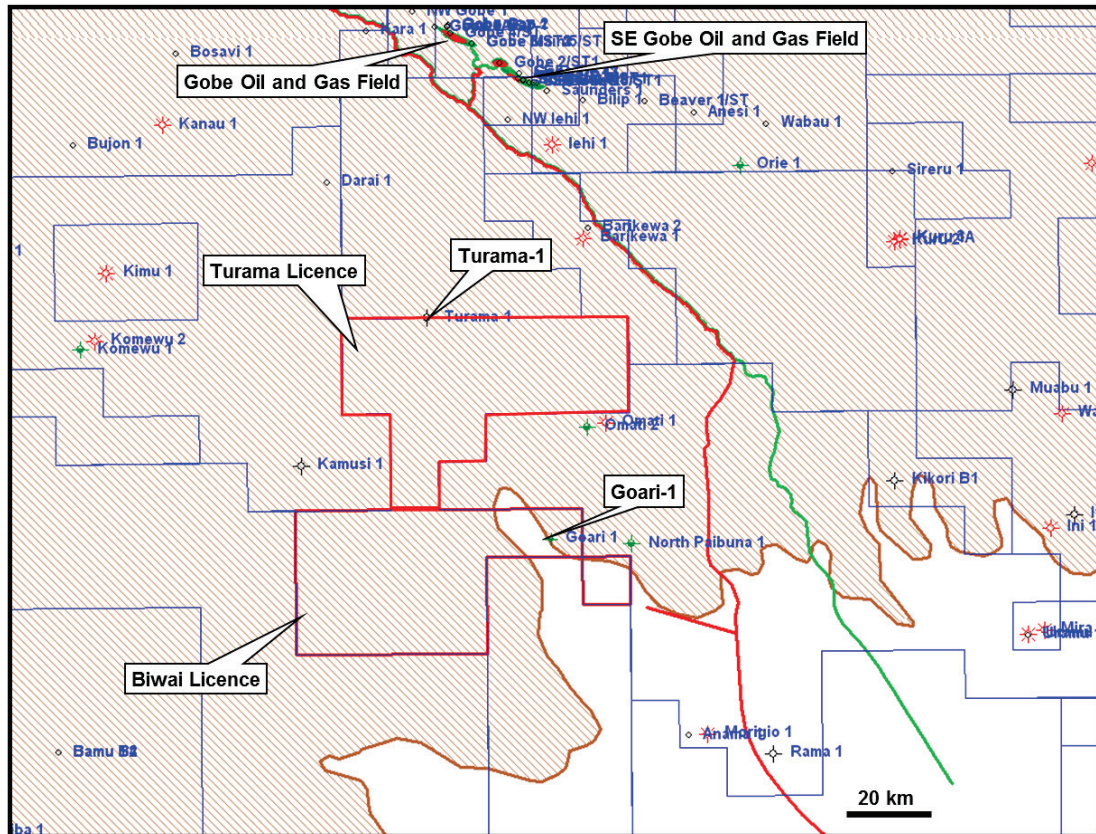


Figure 5: Location Map – Biwai and Turama Licences

A semi detail 2D seismic grid has been recorded over the entire Biwai Licence and the low relief part of the Turama Licence (Figure 6). Previous mapping by the operator Esso has defined the Gamma River Lead which is a fault dependent anticline updip from Goari-1.

The Turama Lead is also a fault dependent anticline and is updip from the Turama-1 well which was drilled by Oxy in 1997 and without seismic control (Figure 6). The well came in several hundred metres low to prognosis and dipmeter logs confirm steep dips at the reservoir level. Surface mapping has defined a closure north of the well location.

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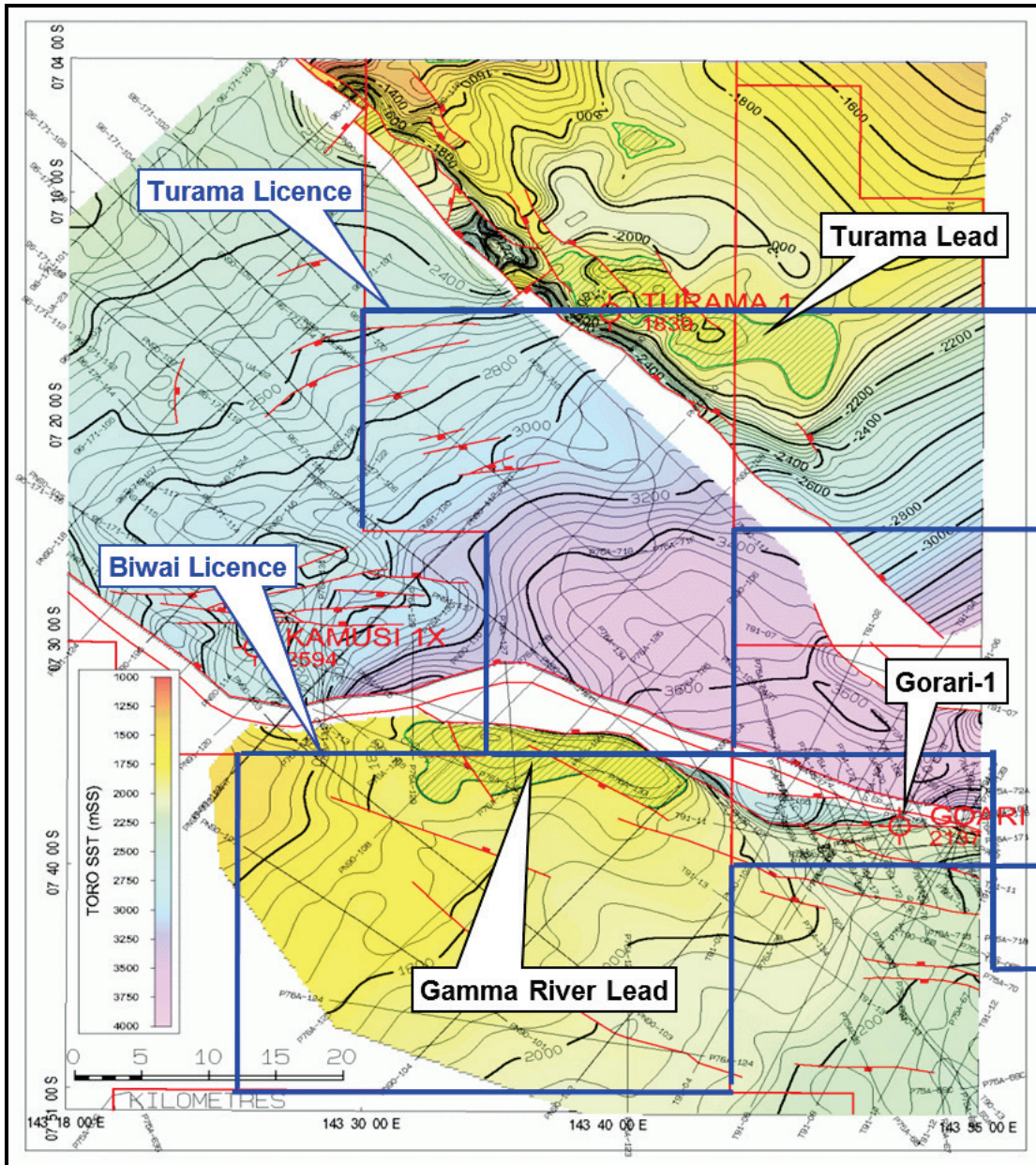


Figure 6: Gamma River and Turama Leads Map

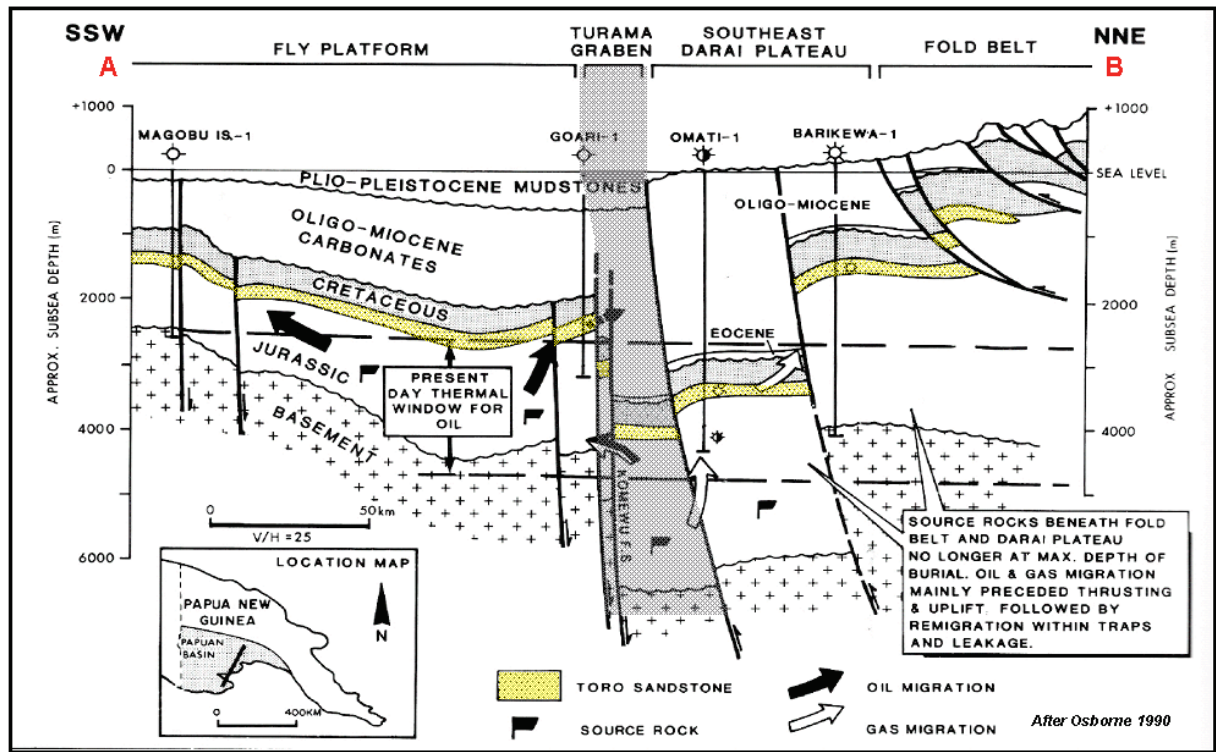


Figure 7: Diagrammatic Cross Section through Goari-1

The presence of the nearby Panakawa oil and gas seep demonstrates the oil potential for the region and the presence of an active petroleum system (Figure 8). The key components for the future exploration programme across the licences are seismic reprocessing of the existing 2D seismic data and new seismic acquisition to mature the leads to drillable prospect status.

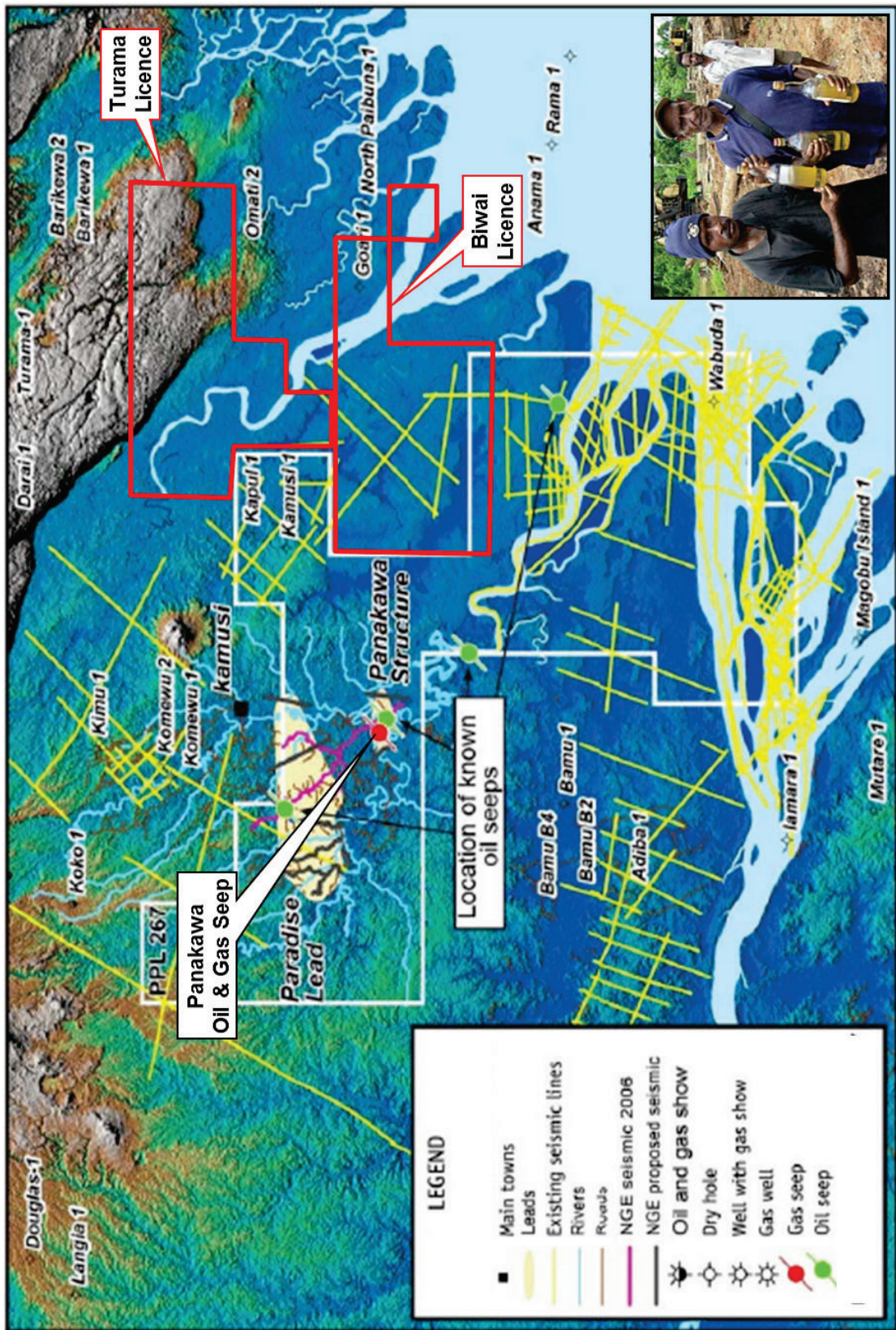


Figure 8: Panakawa Oil and Gas Seep

2.3 Offshore Dibiri and Hiri Licences

Previous petroleum exploration in the Dibiri and Hiri permits has been limited to regional 2D seismic data. The adjacent Tertiary carbonate gas discoveries at Pandora and Pasca demonstrate that an active petroleum system is present in the region (Figure 9).

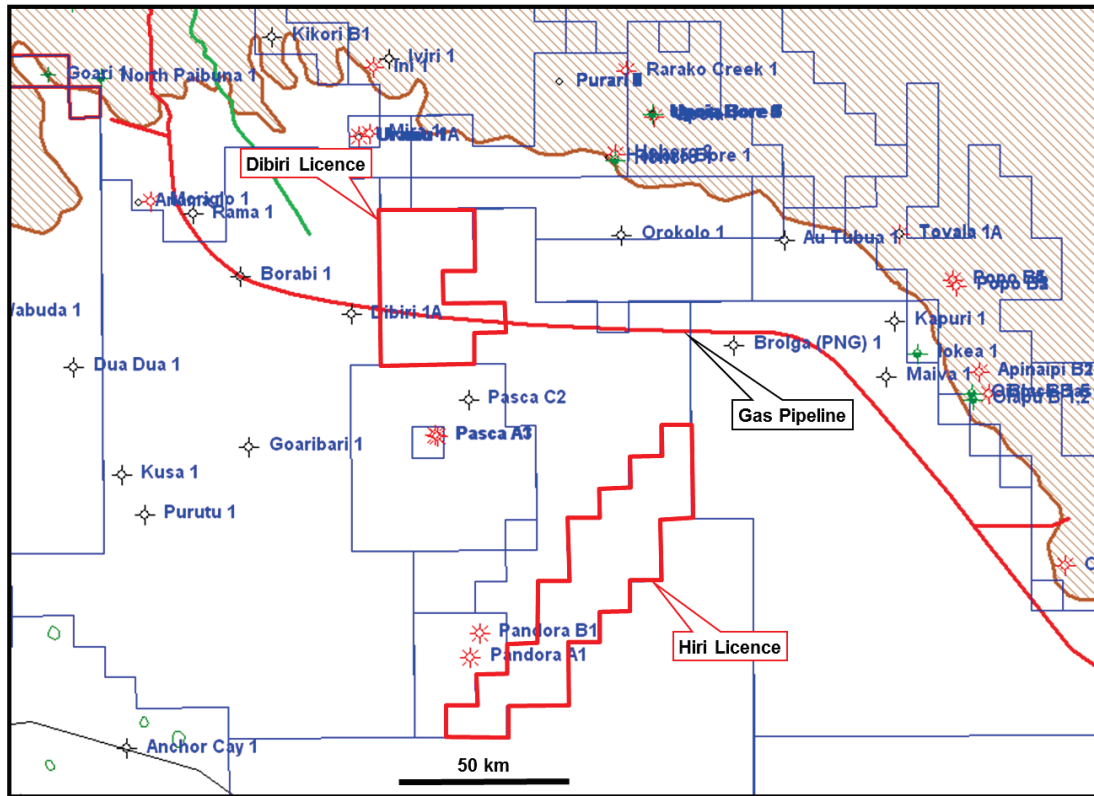


Figure 9: Location Map – Dibiri and Hiri Licences

The Tertiary carbonate play type has proven to be successful in the area with the discoveries at Pasca and Pandora however it is unlikely that this play type can be matured for drilling in the licence areas. The play types that are likely to provide better potential are the Early Pliocene channel levee stratigraphic plays and the Late Pliocene basin floor fans. The Flinders prospect in the adjacent permit is an example of such a play type (Figure 10). Rotated Mesozoic fault blocks form an additional play type.

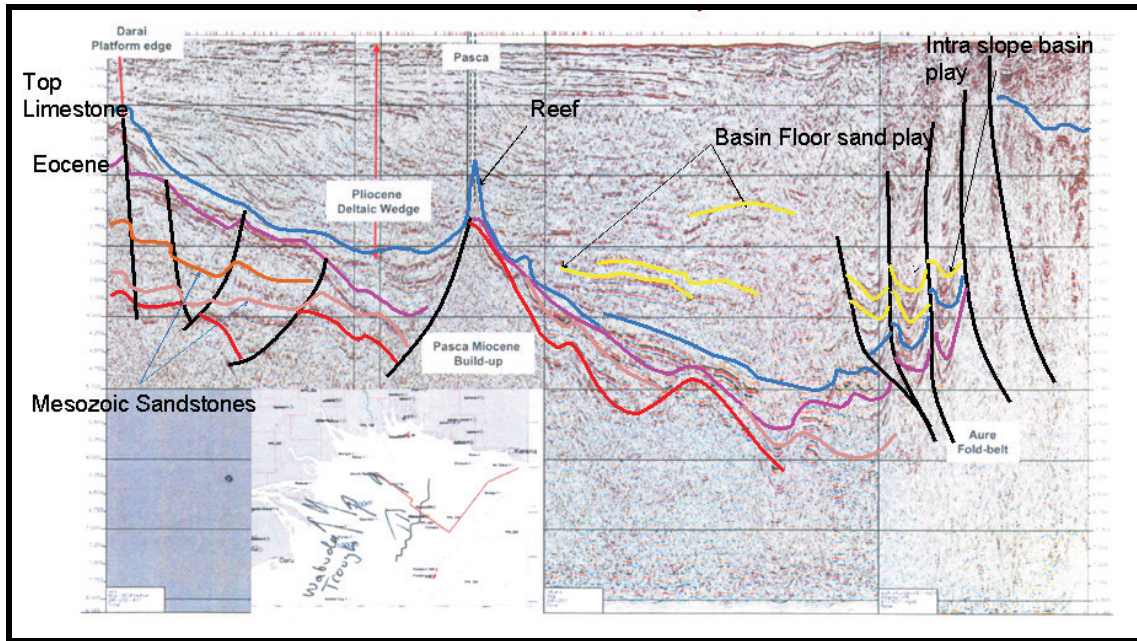


Figure 10: Regional Seismic Line showing a Variety of Play Types

The sea floor in the Dibiri Licence is shallow water and has low relief with a water depth range from 35m to 85m. The Hiri Licence is in deeper water with a strong northwest – southeast slope and a water depth range from 600m to 1,200m (Figure 11).

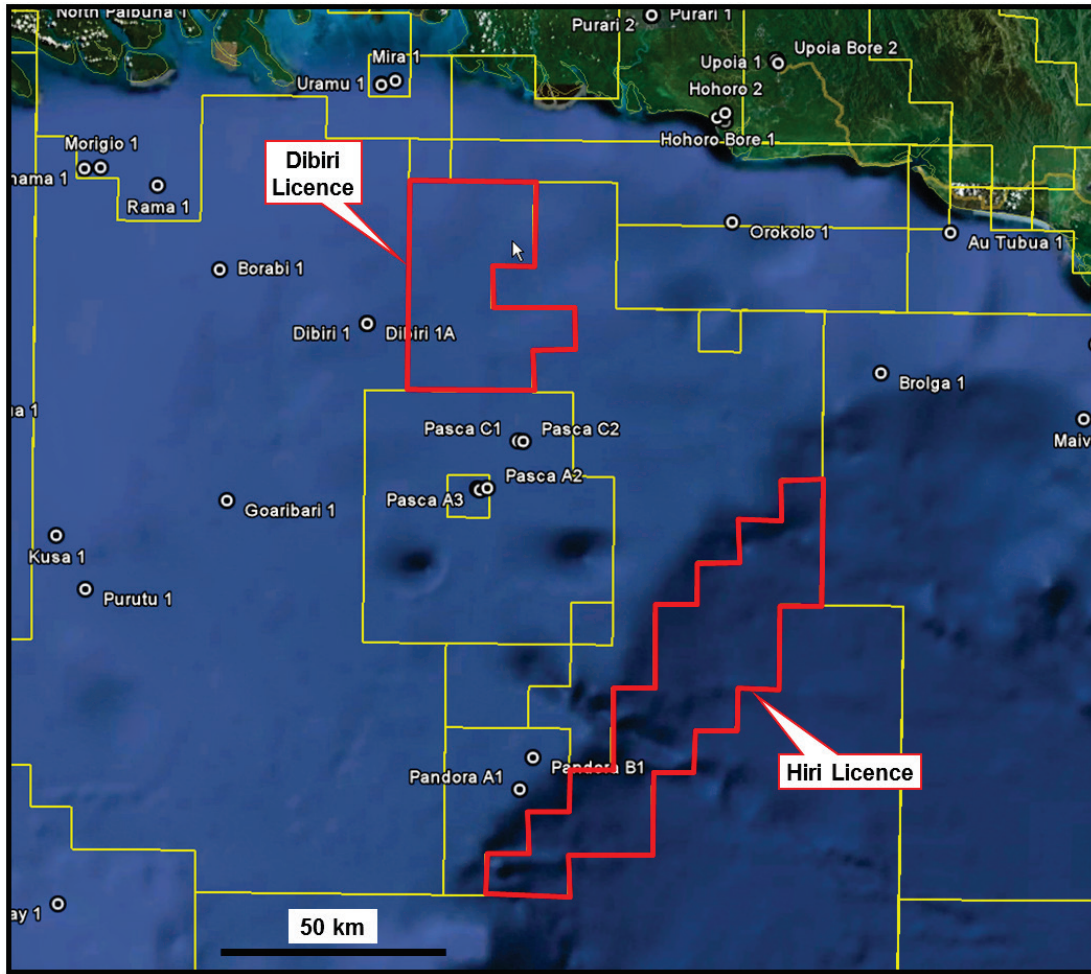


Figure 11: Sea Floor Map across Dibiri and Hiri Licences

Reprocessing of the existing 2D seismic grid and further seismic interpretation are key elements of the proposed future exploration programme.

2.4 Offshore Cape Vogel Licence

Previous petroleum exploration in the Cape Vogel Basin commenced in 1928 with the drilling of three shallow wells, Kukuia-1,2 and 3, located on the Vogel Peninsula (Figure 12). The Kukuia-2 well was the deepest well and encountered oil and gas shows prior to reaching a total depth of 310m.

In 1972-73 Amoco Australia acquired 2,500 km of 2D seismic data and a further 1,000 km was acquired by Texaco Exploration Co (Figure 12).

In 1973 two offshore wells were drilled, Goodenough-1 and Nubiam-1 to test Miocene reef buildups. The wells failed to record hydrocarbon shows and reached total in Basement at 2,835m and 2,366m respectively (Figure 12 and Figure 13).

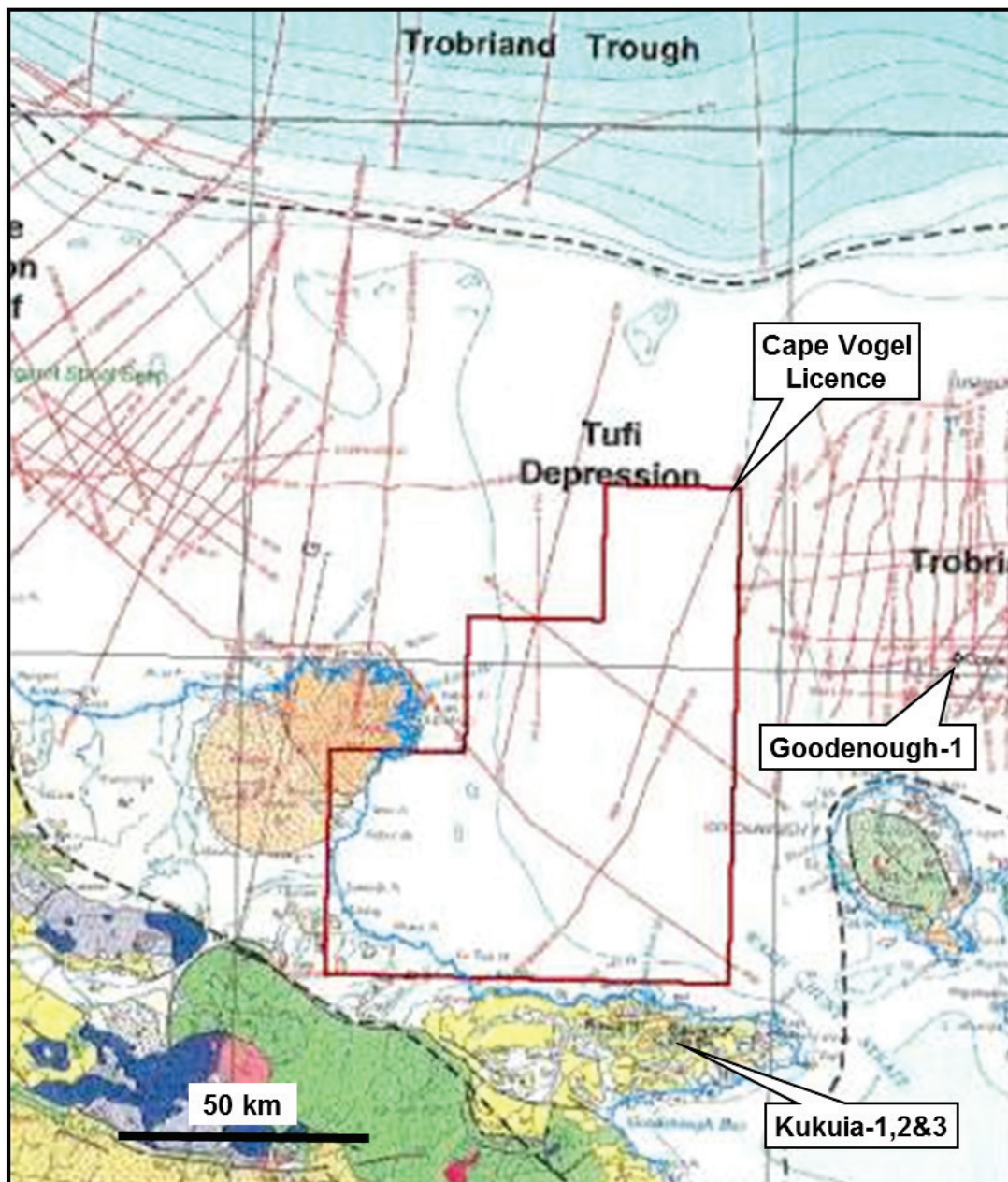


Figure 12: Well and Seismic Database – Cape Vogel Licence

Figure F4. Well correlation diagram, Goodenough 1 to Nubiam 1, showing the biostratigraphy, lithologies, and regional unconformities. Modified after Francis et al. (1987).

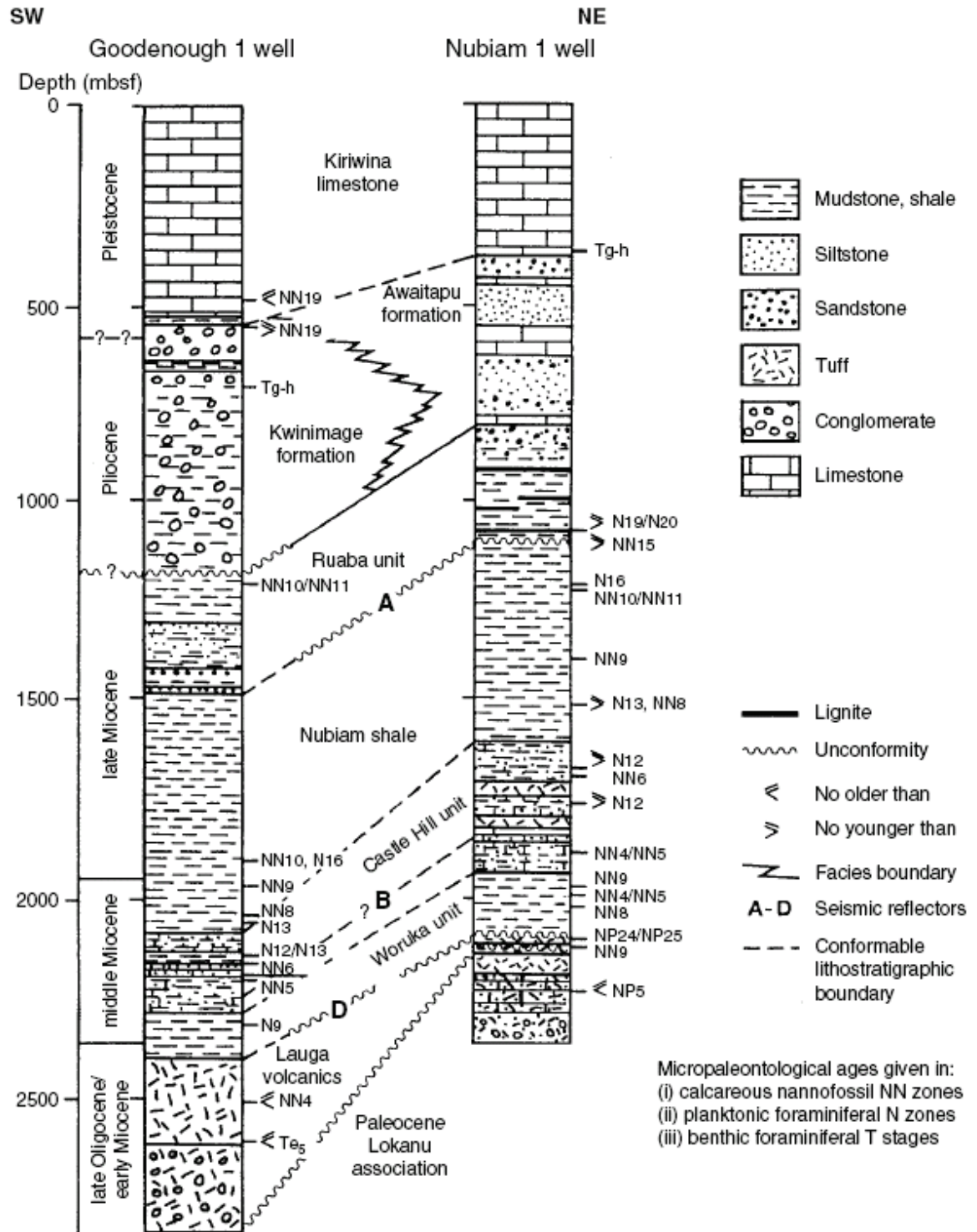


Figure 13: Well Cross Section - Goodenough-1 to Nubiam-1

The Cape Vogel Basin contains a thick sedimentary sequence of Late Oligocene to Middle Miocene bathyl clastics and minor carbonates, Late Miocene to Pliocene

shallow marine to terrestrial clastics and Pleistocene to Holocene platform carbonates (Figure 14). The bathymetry map is displayed in Figure 15.

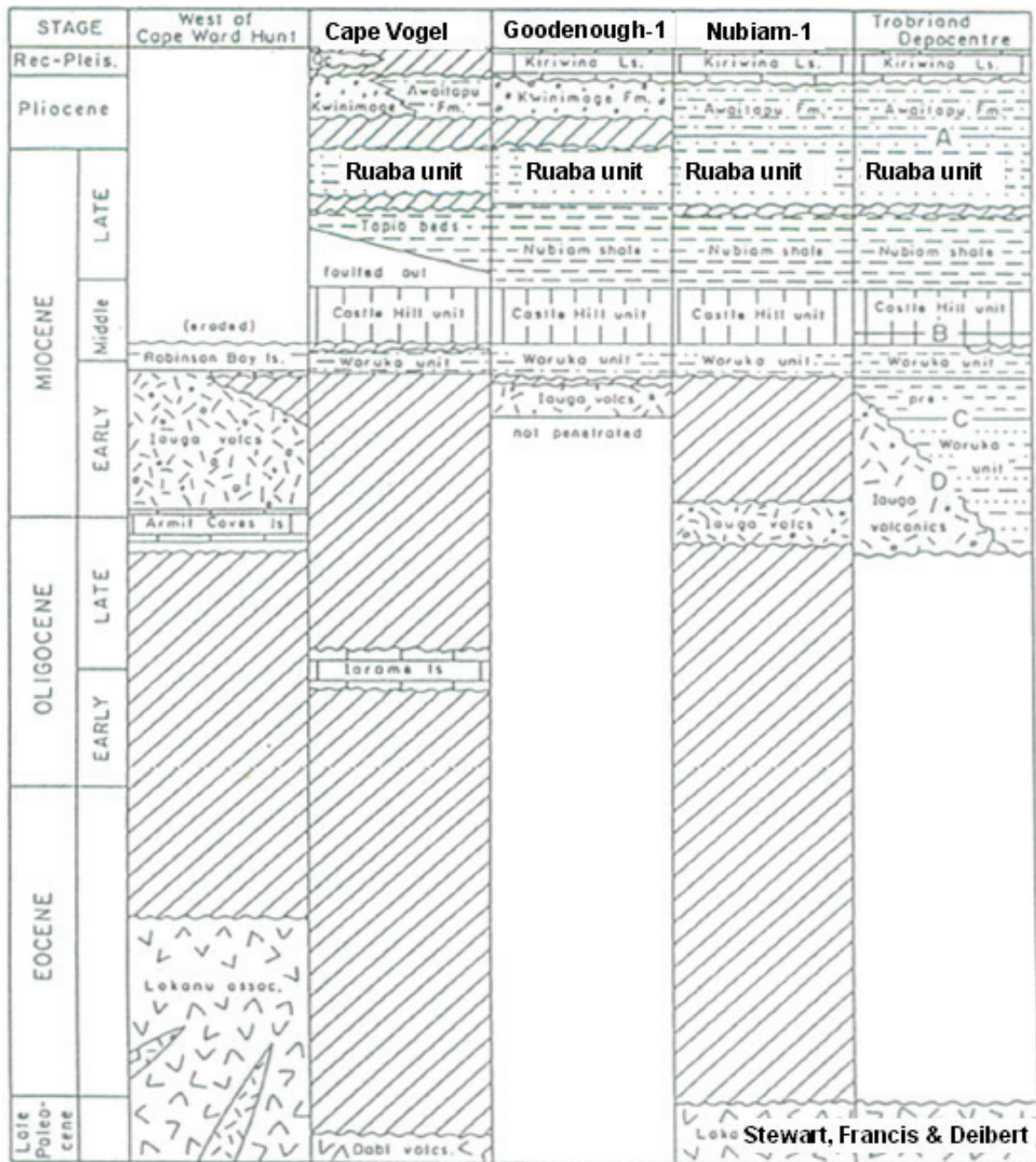


Figure 14: Generalised Stratigraphic Chart – Cape Vogel Basin

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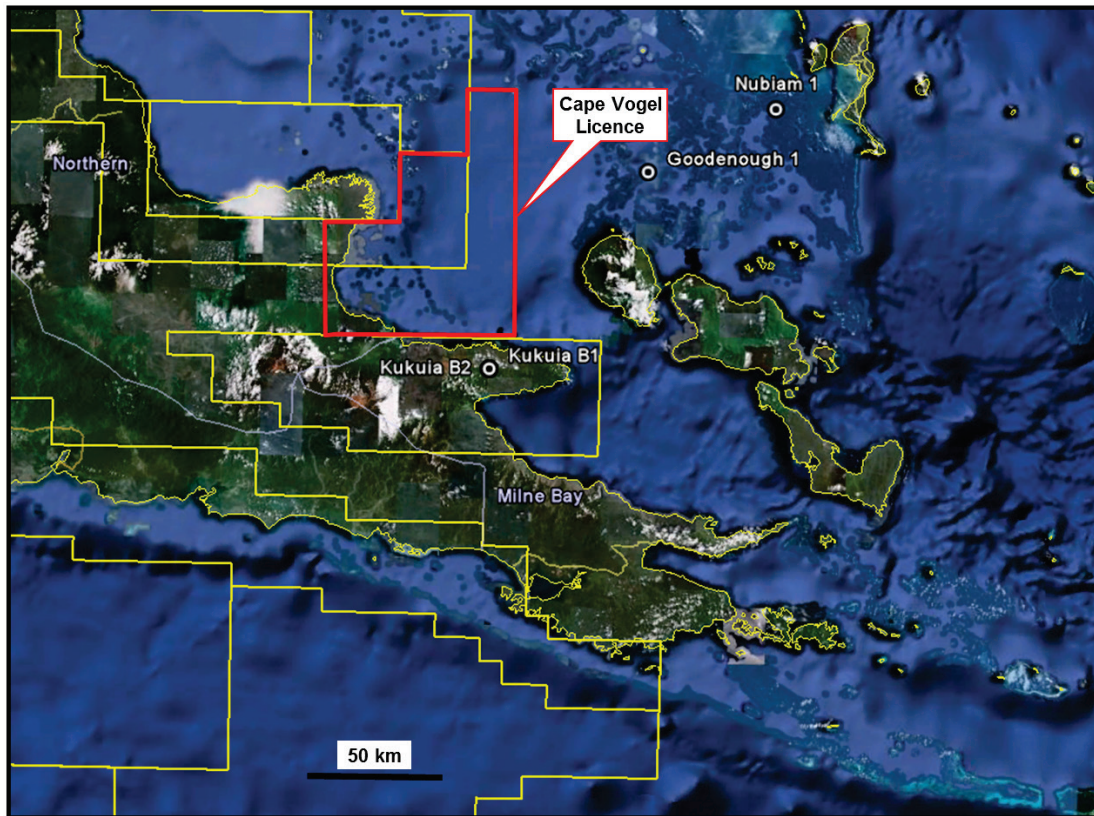


Figure 15: Sea Floor Map across Cape Vogel Licence

Cape Vogel Basin Petroleum System

Reservoirs: Late Miocene to Early Pliocene carbonates, Pleistocene Limestones

Source Rocks: Middle to Late Miocene shales and Early Pliocene shales in the depocentres

Seals: Late Miocene to Early Pliocene shales

Traps: Anticlines, carbonate buildups and fault seal, onlap/pinch out at basin margins

Key Risk: Reservoir development

The primary play type for the licence area is structural features with the widespread Late Miocene Ruaba Sandstone as the principle reservoir.

An aeromagnetic / aerogravity survey and reprocessing of the existing 2D seismic grid are key elements of the proposed future exploration programme

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3.0 RESUMES

Dr. Enrique Carballido

Enrique Carballido holds a Bs Eng in Geology, Magna Cum Laude, National University of Mexico and a Ph.D. in Geology from Tulane University USA. He has over 17 years of exploration, appraisal and development experience.

He worked for Shell for 17 years and in 2010 became an international oil and gas consultant. He has held a wide variety of technical and management roles in Shell.

He has extensive experience in completing seismic and well interpretations in a variety of depositional and structural settings.

He held a leadership role in the US deepwater Gulf of Mexico for development of hub-class projects of >200 MMbbl. The development of upstream gas reserves in Western China for a country wide pipeline project. The planning and production of the largest LNG project in Russia. He represented Shell's participation in development and production of major LNG projects in the North West Shelf of Australia.

Enrique was assigned in 2005 to become part of the Shell Development Australia Non-operated E&P organization, with accountability to represent Shell in the Greater Gorgon and North West Shelf joint ventures and with an advisory role for major subsurface Shell investment decisions on projects operated by Chevron and Woodside.

He was Project Manager for the Greater Western Flank Gas development operated by Woodside, a US \$6 billion multi-Tcf LNG development. Enrique had accountability on the strategy, planning, approval and corporate reporting activities in Shell's Australian portfolio.

Paul Carter

Paul Carter holds a B App Sc (Geophysics), from Curtin University, Perth, WA. He has 30 years of oil and gas exploration, appraisal and development experience.

Paul worked for Hudson Bay Oil & Gas for three years, Minora Resources for ten years, WMC for three years, Novus Petroleum Limited for two years, GSI for two years and as an independent international consultant at Isis Petroleum Consultants for ten years.

He has worked on a wide range of Tertiary Basins in Southeast Asia, West Africa, South Asia and Australia.

He has worked in several major Tertiary oil and gas provinces in Australia, Indonesia and India. He is very experienced in interpreting both shallow and deepwater depositional environments. He has successfully completed seismic stratigraphic interpretations in frontier deepwater areas.

Paul is very experienced in interpreting seismic data from a wide variety of structural and depositional settings and is ideally suited to working in both small scale and large technical teams.

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4.0 SIGNATURES



Signed:
Name: Dr. Enrique Carbadillo
Chief Operating Officer



Signed:
Name: Paul Carter
Principal Geophysicist

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5.0 REFERENCES

W.D. Stewart, G. Francis, D.H. Diebert : Hydrocarbon Potential of The Cape Vogel Basin, Papua New Guinea

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6.0 GLOSSARY OF ABBREVIATIONS

Abbreviation	Definition
1P	Taken to be equivalent to Proved Reserves; denotes low estimate scenario of Reserves
1Q	1 st quarter
2P	Taken to be equivalent to the sum of Proved plus Probable Reserves; denotes best estimate scenario of Reserves
2Q	2 nd quarter
2D	Two dimensional
3D	Three dimensional
3P	Taken to be equivalent to the sum of Proved plus Probable plus Possible Reserves; denotes high estimate scenario of Reserves
3Q	3 rd quarter
4Q	4 th quarter
ACQ	Annual contract quantity
A\$	Australian dollars
A\$ MM	Million Australian dollars
Bg	Gas formation volume factor unit reservoir volume per volume at standard conditions
Bo	Oil formation volume factor reservoir volume per volume at standard conditions
BOE	US barrels of oil equivalent
bbl	US barrel
bbl/d	US barrels per day
BBTU	Billion (10 ⁹) British Thermal Units
Bcf	Billion (10 ⁹) cubic feet
BCPD	Barrels of condensate per day
BFPD	Barrels of fluid per day
BML	Below mud line
BOPD	Barrels of oil per day
BRF	Batu Raja Formation
BTU	British Thermal Units
BWPD	Barrels of water per day
C	Celsius
Capex	Capital expenditure
CGR	Condensate Gas Ratio – usually expressed as bbl/MMscf
CIIP	Condensate initially in-place
Contingent Resources	Those quantities of petroleum estimated, as of a given date, to be potentially recoverable from known accumulations by application of development projects, but which are not currently considered to be commercially recoverable due to one or more contingencies
CO ₂	Carbon dioxide
Cp	Centipoise (measure of viscosity)
CPI	Consumer Price Index
CPF	Central processing facilities
DCF	Discounted cashflow
DCQ	Daily contract quantity
deg	Degrees
DHI	Direct hydrocarbon indicator
Discount Rate	The interest rate used to discount future cash flows into a dollars of a reference date
DST	Drill stem test
Eg	Gas expansion factor. Gas volume at standard (surface) conditions / gas volume at reservoir conditions (pressure & temperature)
EIA	US Energy Information Administration

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Abbreviation	Definition
EMV	Expected monetary value
EOR	Enhanced oil recovery
ESP	Electric submersible pump
EUR	Estimated ultimate recovery
Expectation	The mean of a probability distribution
F	Degrees Fahrenheit
FDP	Field Development Plan
FEED	Front end engineering design
FID	Final investment decision
Fm	Formation
FPSO	Floating offshore production and storage unit
FS	Flooding surface
FWL	Free water level
FVF	Formation volume factor
G&G	Geological and Geophysical
GIIP	Gas initially in-place
GJ	Giga (10 ⁹) joules
GOC	Gas-oil contact
GRV	Gross rock volume
GSA	Gas sales agreement
GWC	Gas water contact
H ₂ S	Hydrogen sulphide
HHV	Higher heating value
HI	Hydrocarbon Index
ID	Internal diameter
IRR	Internal Rate of Return is the discount rate that results in the NPV being equal to zero.
JV(P)	Joint Venture (Partners)
KB	Kelly Bushing
K _h	Horizontal permeability
k _{rg}	Relative permeability to gas
k _{ro}	Relative permeability to oil
k _{rw}	Relative permeability to water
k _v	Vertical permeability
km	Kilometres
kPa	Kilo (thousand) pascal (measurement of pressure)
LCC	Lowest closing contour
Lead	A project associated with a potential accumulation that is currently poorly defined and requires more data acquisition and/or evaluation in order to be classified as a prospect
LKG	Lowest known gas
LKO	Lowest known oil
LNG	Liquefied natural gas
LPG	Liquefied petroleum gas, predominantly propane and butane
m	Metres
Ma	Millions of years
MDT	Modular dynamic formation tester
MDQ	Maximum daily quantity
Mean	Arithmetic average of a series of values
mD	Millidarcies (permeability)
MFS	Maximum flooding surface

Abbreviation	Definition
Mgal	Milligal. A unit of acceleration used with gravity measurements (1.0^{+5} Mgal = 1.0 m/sec^2)
MJ	Mega (10^6) Joules
mKB	Metres below Kelly Bushing
Mm ³	Million cubic metres
MMbbl	Million US barrels
MMBOE	Million US barrels of oil equivalent
MMBTU	Million British Thermal Units
MMscf	Million standard cubic feet
MMscfd	Million standard cubic feet per day
MMstb	Million US stock tank barrels
MOD	Money of the Day (nominal dollars) as opposed to money in real terms
Mscf	Thousands standard cubic feet
Mstb	Thousand US stock tank barrels
Mstb/d	Thousand US stock tank barrels per day
MPa	Mega (10^6) pascal (measurement of pressure)
mss	Metres subsea
Mtpa	Million metric tonnes per annum
mTVDss	Metres true vertical depth subsea
NPV	Net Present Value (of a series of cash flows)
NTG	Net to Gross (ratio)
NZ\$	New Zealand dollars
NZ\$ MM	Million New Zealand dollars
Opex	Operating expenditure
OWC	Oil-water contact
P10 / high estimate	There should be at least a 10% probability that the quantities actually recovered will equal or exceed the high estimate
P50 / best estimate	There should be at least a 50% probability that the quantities actually recovered will equal or exceed the best estimate
P90 / low estimate	There should be at least a 90% probability that the quantities actually recovered will equal or exceed the low estimate
PBU	Pressure build-up
PHIE	Effective porosity
PHIT	Total porosity
PJ	Peta (10^{15}) Joules
Prospect	A project associated with a potential accumulation that is sufficiently well defined to represent viable drilling target
Prospective Resources	Those quantities of petroleum which are estimated, on a given date, to be potentially recoverable from undiscovered accumulations according to the definitions of the Society of Petroleum Engineers, World Petroleum Council and American Association of Petroleum Geologists.
P&L	Prospects and leads
PSC	Production Sharing Contract
POS	Probability of success
PSDM	Pre-stack depth migration
psi(a)	Pounds per square inch pressure (absolute)
p.u.	Porosity unit e.g. porosity of 20% +/- 2 p.u. equals a porosity range of 18% to 22%
PVT	Pressure, volume & temperature
QA	Quality assurance
QC	Quality control
rb/Mscf	Reservoir barrels per thousand standard cubic feet under standard conditions
rb/stb	Reservoir barrels per stock tank barrel under standard conditions

Abbreviation	Definition
Real Terms (RT)	Real Terms (in the reference date dollars) as opposed to Nominal Terms of Money of the Day
Reserves	Reserves are those quantities of petroleum anticipated to be commercially recoverable by application of development projects to known accumulations from a given date forward under defined conditions
RT	Measured from Rotary Table or Real Terms, depending on context
SB	Sequence boundary
SC	Service Contract
scf	Standard cubic feet (measured at 60 degrees F and 14.7 psia)
S _g	Gas saturation
S _{gr}	Residual gas saturation
Sh	Hydrocarbon saturation
SPE	Society of Petroleum Engineers
sq km	Square kilometres
ss	Subsea
STB	Stock tank barrels
STEO	Short term energy outlook
STOIIIP	Stock tank oil initially in-place
s.u.	Fluid saturation unit. e.g. saturation of 80% +/- 10 s.u. equals a saturation range of 70% to 90%
S _w	Water saturation
TAC	Technical assistance contract
TBTU	One trillion (10 ¹²) British thermal units
Tcf	Trillion (10 ¹²) cubic feet
TJ	Tera (10 ¹²) Joules
TOC	Total organic carbon
tpa	Tonnes (metric) per annum
tpd	Tonnes (metric) per day
TS	Transgressive surface
TVD	True vertical depth
Unc.	Unconformity
US\$	United States dollar
US\$ MM	Million United States dollars
V _R	Vitrinite Reflectance
WACC	Weighted average cost of capital
WHFP	Well Head Flowing Pressure
Working interest	A company's equity interest in a project before reduction for royalties or production share owed to others under the applicable fiscal terms.
WP&B	Work programme and budget
WPC	World Petroleum Council
WTI	West Texas Intermediate Crude Oil

7.0 GLOSSARY OF GEOLOGICAL TERMS

[\(modified after \(1\) Dictionary of Geological Terms, American Geological Institute, 1962 and \(2\) Glossary of Geology; Bates R. L. & Jackson J. A. \(eds\), American Geological Institute, 1980](#)

Geological Term	Definition
alluvial fans	A cone-shaped deposit of alluvium made by a stream where it runs from hills onto a level plain
anticline	A fold, generally convex upward, whose core contains older rocks; forms basis of many hydrocarbon traps
basement depth structure maps	A map which illustrates the depth to the top of the basement surface; contour lines are drawn to link points of equal basement depth; basement usually consists of non-sedimentary rocks, but the term is often used to indicate the base of the prospective section
basement highs	Elevated structures at the basement level; significant because related structures may exist in the overlying prospective sedimentary section
bouguer gravity map	A map showing the variations in Bouguer gravity over an area; Bouguer gravity is the gravity measurement corrected for the altitude of the station & the attraction of the rock mass between the station & sea-level
braided	Refers to a stream where branches form and rejoin producing a braided or net-like pattern; caused by stream dumping some of its sediment load and being forced to create new branches
burial modelling	Describing the infilling of a sedimentary trough as a function of time and space; used to predict the time of generation, migration and expulsion of oil & gas
chronostratigraphy	The organisation of rock strata in an area into units on the basis of their age or time of origin; usually includes information on periods of non-deposition or erosion & the lithology and environments of deposition of the sediments
clastic	Refers to rock or sediment composed mainly of broken fragments which are derived from pre-existing rocks & have been transported some distance from their place of origin; the commonest clastics are sand and shale
conglomerate	Coarse grained clastic sedimentary rock composed of rounded to subangular fragments larger than 2 mm in diameter set in a fine grained matrix of sand or silt
continuously cored	An interval where that is cored over the entire interval of interest or in some cases the entire well; the recovered core is invaluable for directly analysing rock properties
cratonic fill	Refers to sediments deposited in basins or troughs within an area of the earth's crust which has been stable and relatively undeformed for a prolonged period
depth structure map	Refers to a map which shows the varying depths to a specific geological horizon or unit; contour lines are drawn to link points with equal depth
depth to basement map	See above for basement depth structure map
EMV	Expected monetary value; refers to the computed value of a business opportunity taking into consideration cost, benefit and chance of success; allows different opportunities to be compared
fault lineaments	A fault is a fracture or fracture zone where there has been displacement of the sides relative to each other parallel to the fracture; the displacement may range from a few cm to several km; faults appear in map view as lineaments or lines
feldspars	The most widespread mineral group, comprising 60% of the earth's crust; decompose to form most of the clay in soils, including kaolinite; may be significant in reducing reservoir porosities in sandstones
fluvial channel	A channel produced by the erosional action of a river or a stream
fluvio deltaics	Sediments which are deposited in river channels and deltas where the river is close to or reaches a lake or the sea
formation volume factor	The conversion factor required to convert a barrel of gas-free oil in a stock tank at the surface into an equivalent amount of oil in the reservoir
G&G studies	Geological and geophysical studies which are conducted to understand some or all of the components of a petroleum system, e.g. source, maturation, migration, reservoir, seal, play, structure, trap
graben	An elongated trough bounded by faults on its longer sides
gravity & magnetic survey	A field operation and the results thereof, in which the earth's magnetic field or gravity field are measured on the surface in some form of regular grid
HI	Hydrogen index; the ratio of hydrogen atoms in a unit volume of rock to the number of hydrogen atoms in a unit volume of pure water at surface conditions
horst	A structurally high block generally elongated and bounded by faults on its two longer sides

Geological Term	Definition
hydrocarbon system	A term which describes the total environment in which oil and gas has been generated, migrated and trapped; it can refer to a proven system such as the Viking Graben in the North Sea hydrocarbon system or it can be used to describe an unproven system
isochron mapping	Mapping in which the interpreted seismic time interval between mapped geological horizons is shown; contour lines are drawn to link points of equal time interval
lacustrine	Pertaining to, produced by or formed in a lake; e.g. lacustrine sediments are deposited in lakes
LCC	Lowest Closing Contour defines the extent of the closure on each Prospect/Lead
lead	A potential trap for hydrocarbons which is not mature for drilling; additional information could make it mature it to prospect status e.g. a structure which has sparse seismic control
lenticular	Shaped like a lens; e.g. a lenticular sand body refers to the cross-sectional shape of a sand deposit
metamorphics	Types of rocks which have been altered from their original state by marked changes in temperature, pressure or chemical environment, usually at depth within the Earth's crust
misties	Mismatches in seismic travel times to a specific horizon at two intersecting seismic lines; if large and not properly corrected they can throw doubt on the validity of potential hydrocarbon traps
net to gross	The proportion of "pure" or net reservoir section over a defined gross interval
permeability	The capacity of a rock for transmitting a fluid; the unit is the Darcy
play types	The types of traps that may be present to entrap hydrocarbons in an area
pore-clogging	During the drilling of a well, the invasion of drilling fluids can either result in clays being forced into the reservoir section or cause clays in reservoir pore spaces to swell or to be altered, resulting in pore-clogging and damaging the formation
post-rift sedimentary fill	Refers to the ongoing infilling of a sedimentary depression at the end of a rifting phase; post rifting, a more quiescent period usually follows, with more widespread deposition
porosity	The percentage of the volume of a given rock mass which is not made up of solid rock, but of interstices or voids between the rock material
probabilistic volumetrics	A method of calculating the potential distribution of hydrocarbon volumes in a trap using probability distributions of the key parameters such as gross rock volume, porosity, net to gross etc.; assumes lognormal distribution functions
prograding	A seaward advance or building outwards of the shore line into the ocean or a lake
prospect	An undrilled potential trap for hydrocarbons which is mature or close to mature for drilling
rotated fault block	A fault block that has been rotated and tilted so that the beds within the block are now tilted
S2	During the rock-e-val process sediments are heated in the laboratory. The proportion of hydrocarbons that can be liberated as the temperature rises are defined as S1, S2 and S3. S1 is the initial amount of hydrocarbons that lies with in the pore spaces; S2 is amount of hydrocarbons generated after S1 has been released and is the latent potential of the rocks prior to the generation of CO2
seal	An impermeable layer of rocks which does not allow transmission of fluids
seismic	A geophysical technique in which the generation of sound waves near the ground surface or in the ocean and the recording of reflected signals from rock interfaces allows a picture of the subsurface structure of the earth to be generated
shale	A fine-grained laminated fissile sedimentary rock formed by the consolidation of clay
source rock maturity maps	A map which shows for a specific source rock the level of maturity of the organic material in the rocks over an area; contour lines are drawn linking points of equal maturity
spill point	A point on a hydrocarbon trap where if the structure is filled to that level with hydrocarbons, any additional hydrocarbons which move to the structure will spill out of the trap
stratigraphy	The science of rock strata; the original succession of strata, their age relations, form, distribution, lithologic composition, fossil content, geophysical & geochemical properties; their interpretation in terms of environment, mode of origin, geologic history.
syn-rift fill	The sediments deposited during a period of active rifting; sediment type and distribution is profoundly affected by the horsts and grabens which develop during the rifting
tectonic elements	Tectonics- a branch of geology dealing with the broad architecture of the outer part of the earth, i.e. the regional assembling of structural or deformational features, a study of their mutual relations, origin and historical evolution Tectonic elements- The key features that define the architecture of the outer part of the earth; including but not limited to faults, basins and structural highs
tectonic evolution	The development through geological time of an area in regard to the large-scale architecture of its crustal blocks
tectonic setting	The large scale architecture of crustal blocks in an area which provides a context for the development and history of sedimentary basins or troughs

Geological Term	Definition
thermal gradient	The rate of change of temperature with distance; for the earth, it is referred to as geothermal gradient, i.e. rate of change of temperature with depth below the surface of the earth
time structure maps	Refers to a map which shows the varying seismic travel-time to a specific geological horizon or unit; contour lines are drawn to link points with equal depth
time thickness maps	See isochron maps above
TOC	Total organic carbon- percentage of rock which comprises organic carbon
transtensional structuring	Structuring which combines the two elements of extension and strike-slip motion
trap	<p>Trap- any barrier to the upward movement of oil and or gas allowing either or both to accumulate; it includes both the reservoir rocks and the overlying or updip impermeable sealing rocks</p> <p>Structural trap- in this case the trap or “container” is formed entirely by folding or faulting of beds to create the impermeable barriers to further migration</p> <p>Stratigraphic trap- at least in part. the trap is formed by a lateral change in the reservoir permeability, e.g. a reservoir sand being replaced by a shale</p>
unconformity	A surface of erosion or no-deposition that separates younger strata from older rocks
velocity surveys	Measurements of seismic travel-time recorded at various depths in a well to allow seismic reflectors to be associated with specific geological boundaries in the rock sequence

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Schedule 2

Significant Accounting Policies

The following significant accounting policies set out below have been applied in the preparation and presentation of the financial information presented in Section 3.6 of the Explanatory Statement.

The preparation of a financial report in conformity with Australian Accounting Standards requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values that are not apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

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 exploration and evaluation expenditure item 4 below.

It is highly recommended that the financial information be read in conjunction with the Company's published Financial Statements and any public announcements made by the company in accordance with its continuous disclosure requirements arising under the Corporations Act 2001 and ASX Listing Rules.

1. *Basis of preparation*

The financial statements have been prepared on a historical cost basis. Cost is based on the fair value of the consideration given in exchange for assets. The Company is domiciled in Australia and all amounts are presented in Australian dollars, unless otherwise noted.

2. *Critical accounting estimates and judgements*

The preparation of financial statements requires management to make judgements, 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 judgements 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 business. 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.

Exploration and evaluation costs carried forward

The recoverability of the carrying amount of exploration and evaluation costs carried forward has been reviewed by the directors. In conducting the review, the recoverable amount has been assessed by reference to the higher of "fair value less costs to sell" and "value in use". In determining value in use, future cash flows are based on:

- (a) Estimates of ore reserves and mineral resources for which there is a high degree of confidence of economic extraction;
- (b) Estimated production and sales levels;
- (c) Estimate future commodity prices;
- (d) Future costs of production;
- (e) Future capital expenditure; and/or
- (f) Future exchange rates.

Variations to expected future cash flows, and timing thereof, could result in significant changes to the impairment test results, which in turn could impact future financial results.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions are recognised in the period in which the estimate is revised if it affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

3. *Basis of consolidation*

The consolidated financial statements comprise the financial statements of the Company and the entities it controlled ("the Group"). Control is achieved where the Company has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

The results of subsidiaries acquired or disposed of during the year are included in the consolidated statement of comprehensive income from the effective date of acquisition and up to the effective date of disposal, as appropriate.

Where necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with those used by other members of the Group.

All intra-group transactions, balances, income and expenses are eliminated in full on consolidation.

Non-controlling interests in subsidiaries are identified separately from the Group's equity therein. The interests of non-controlling shareholders may be initially measured either at fair value or at the non-controlling interests' proportionate share of the fair value of the acquiree's identifiable net assets. The choice of measurement basis is made on an acquisition-by-acquisition basis. Subsequent to acquisition, the carrying amount of non-controlling interest is the amount of those interests at initial recognition plus the non-controlling interests' share of subsequent changes in equity. Total comprehensive income is attributed to non-controlling interests even if this results in the non-controlling interests having deficit balance.

Changes in the Group's interests in subsidiaries that do not result in a loss of control are accounted for as equity transactions. The carrying amounts of the Group's interests and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognised directly in equity and attributed to owners of the Company.

When the Group loses control of a subsidiary, the profit or loss on disposal is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the previous carrying amount of the assets (including goodwill), and liabilities of the subsidiary and any non-controlling interests. Amounts previously recognised in other comprehensive income in relation to the subsidiary are accounted for (i.e. reclassified to profit or loss or transferred directly to retained earnings) in the same manner as would be required if the relevant assets or liabilities were disposed of. The fair value of any investment retained in the former subsidiary at the date when the control is lost is regarded as the fair value on initial recognition for subsequent accounting under AASB 139 *Financial Instruments: Recognition and Measurement* or, when applicable, the cost on initial recognition of an investment in an associate or jointly controlled entity.

4. *Exploration and evaluation expenditure*

Exploration and evaluation expenditure in relation to each separate area of interest are recognised as an exploration and evaluation asset in the year in which they are incurred where the following conditions are satisfied:

- (a) the right to tenure of the area of interest are current; and
- (a) at least one of the following conditions is also met;
 - (i) the exploration and evaluation expenditures are expected to be recouped through successful development and exploitation of the area of interest, or alternatively, by its sale; or
 - (ii) exploration and evaluation activities in the area of interest have not at the reporting date reached a stage which permits a reasonable assessment of the existence or

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otherwise of economically recoverable reserves, and active and significant operations in, or in relation to, the area of interest are continuing.

Exploration and evaluation assets are initially measured at cost and include acquisition of rights to explore, studies, exploratory drilling, trenching and sampling and associated activities and an allocation of depreciation and amortised of assets used in exploration and evaluation activities. General and administrative costs are only included in the measurement of exploration and evaluation costs where they are related directly to operational activities in a particular area of interest

Exploration and evaluation assets are assessed for impairment when facts and circumstances suggest that the carrying amount of an exploration and evaluation asset may exceed its recoverable amount. The recoverable amount of the exploration and evaluation asset (for the cash generating unit(s) to which it has been allocated being no larger than the relevant area of interest) is estimated to determine the extent of the impairment loss (if any). Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but only to the extent that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in previous years.

Where a decision has been made to proceed with development in respect of a particular area of interest, the relevant exploration and evaluation asset is tested for impairment and the balance is then reclassified to development.

5. *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.

6. *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.

7. *Trade and other payables*

Trade payables and other payables are carried at amortised costs and represent liabilities for goods and services provided prior to the end of the period that are unpaid and arise when there is an obligation to make future payments in respect of the purchase of these goods and services.

8. *Employee Benefits*

Provision is made for the liability for employee benefits arising from services rendered by employees to balance date. Employee benefits that are expected to be settled within one year have been measured at the amounts expected to be paid when the liability is settled, plus related on-costs. Employee benefits payable later than one year have been measured at the present value of the estimated future cash outflows to be made for those benefits.

There are no defined benefit plans or contribution plans.

9. *Issued Capital*

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

10. *Revenue*

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured. Revenues are stated net of the amount of goods and services tax (GST) payable to the taxation authority Interest revenue is recognised as it accrues, taking into account the effective yield on the financial asset.

11. *Income Tax*

Deferred income tax is provided on all temporary differences at the balance 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:

- (a) except where the deferred income tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and that, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- (b) 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 off-set current tax assets against current tax liabilities;
- (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 balance sheet date.

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

12. *Other taxes*

Revenues, expenses and assets 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 the amount 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 and contingencies are disclosed net of the amount of GST recoverable from, or payable to, the taxation authority.

13. *Foreign currency translation and balances*

1) *Functional and presentation currency*

The functional currency of each entity is measured using the currency of the primary economic environment in which that entity operates. The consolidated financial statements are presented in Australian dollars which is the Company's functional and presentation currency.

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2) 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 the 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.

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.

3) Group companies

The financial results and position of foreign operations whose functional currency is different from ORC's presentation currency are translated as follows:

- Assets and liabilities are translated at year-end exchange rates prevailing at the reporting date;
- Retained profits are translated at the exchange rates prevailing at the date of the transaction;
- Income and expenses are translated at average exchange rates for the period; and
- Exchange rate differences arising on translation of foreign operations are transferred directly to the foreign currency translation reserve in the statement of financial position. These differences are recognised in the statement of comprehensive income in the period in which the operation is disposed

Schedule 3

Option Terms

- a) The Options will be exercisable at any time prior to 5.00pm WST on the Expiry Date. Options not exercised on or before the Expiry Date will automatically lapse;
- b) the Options may be exercised wholly or in part by completing an application form for Shares (**Notice of Exercise**) delivered to the Company's share registry and received by it any time prior to the Expiry Date;
- c) each Option will entitle the holder to subscribe (in respect of each Option held) for a Share with an exercise price of 20 cents per Share;
- d) upon the exercise of an Option and receipt of all relevant documents and payment, the holder will be allotted and issued a Share ranking pari passu with the then issued Shares. The Company will apply to ASX to have the Shares granted Official Quotation;
- e) a summary of the terms and conditions of the Options, including the Notice of Exercise, will be sent to all holders of Options when the initial holding statement is sent;
- f) any Notice of Exercise received by the Company's share registry on or prior to the Expiry Date will be deemed to be a Notice of Exercise as at the last Business Day of the month in which such notice is received;
- g) there will be no participating entitlements inherent in the Options to participate in new issues of capital which may be offered to Shareholders during the currency of the Options. Prior to any new pro rata issue of securities to Shareholders, holders of Options will be notified by the Company and will be afforded 7 Business Days before the record date (to determine entitlements to the issue), to exercise Options;
- h) in the event of any reconstruction (including consolidation, sub-division, reduction or return) of the issued capital of the Company prior to the Expiry Date, all rights of an Option Holder are to be changed in a manner consistent with the ASX Listing Rules. Subject to the Corporations Act, the ASX Listing Rules and the Constitution, the Options may be transferred at any time prior to the Expiry Date; and
- i) Shares issued pursuant to the exercise of an Option will be issued not more than 14 days after the date of the Notice of Exercise.

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Orchid Capital Ltd
ABN 30 073 099 171

Proxy Form

The Company Secretary
Orchid Capital Ltd

By Delivery:
Suite 6, 32 Hines Road
O'Connor, Western Australia, 6163

By Post:
Suite 6, 32 Hines Road
O'Connor, Western Australia, 6163

By Facsimile:
Fax number: 08 9338 8699
International: +61 8 9338 8699

I/We ¹ _____
of _____
being a Shareholder of the Company and entitled to vote at the General Meeting, hereby appoint ²

or failing such appointment, or if your named appointment fails to attend the General Meeting, the Chairman of the General Meeting as my/our proxy to vote for me/us on my/our behalf at the General Meeting of the Company to be held at Suite 6, 32 Hines Road, O'Connor, Western Australia, 6163 11.00 am (WST) on Tuesday 15 May 2012 and at any adjournment thereof in the manner indicated below or, in the absence of such directions, as he thinks fit. If no directions are given, the chairman will vote in favour of all of the resolutions.

The proxy is to vote for or against the Resolutions referred to in the Notice of Meeting as follows:

	For	Against	Abstain
Resolution 1 Approval of the Issue of Acquisition Shares	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 2 Consolidation of Capital	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 3 Approval of Share Placement	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 4 Approval of change of activities	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 5 Election of Chris Haiveta as Director	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 6 Election of Domenic Martino as Director	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 7 Election of Yosse Goldberg as Director	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 8 Change of name to Coral Sea Petroleum Ltd	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 9 Approval of Issue of Shares to Mr Carsten Huebner	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 10 Option Placement	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 11 Participation by Alvin Tan in Option Placement	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 12 Participation by Julian Sandt in Option Placement	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 13 Ratification of Prior Issue of Shares	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

If you mark the abstain box for a particular item, you are directing your proxy not to vote on that item on a show of hands or on a poll and that your shares are not to be counted in computing the required majority on a poll

Authorised signature/s

This section *must* be signed in accordance with the instructions overleaf to enable your voting instructions to be implemented.

Individual or Shareholder 1

Shareholder 2

Shareholder 3

[Signature box for Individual or Shareholder 1]

[Signature box for Shareholder 2]

[Signature box for Shareholder 3]

Sole Director and Sole Company Secretary

Director

Director/Company Secretary

Contact Name

Contact Daytime Telephone

Date

¹ Insert name and address of shareholder

² Insert name and address of proxy

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Proxy Notes

A Shareholder entitled to attend and vote at the Meeting may appoint a natural person or a corporation as the Shareholder's proxy to attend and vote for the Shareholder at that Meeting. If the Shareholder is entitled to cast 2 or more votes at the Meeting the Shareholder may appoint not more than 2 proxies (an additional Proxy Form will be supplied by the Company on request). Where the Shareholder appoints more than one proxy the Shareholder may specify the proportion or number of votes each proxy is appointed to exercise. If such proportion or number of votes is not specified each proxy may exercise half of the Shareholder's votes. A proxy may, but need not be, a Shareholder of the Company.

If a Shareholder appoints a body corporate as the Shareholder's proxy to attend and vote for the Shareholder at that Meeting, the representative of the body corporate to attend the meeting must produce the appropriate Certificate of Appointment of Representative prior to admission. A form of the certificate may be obtained from the Company's Share Registry.

You must sign this form as follows in the spaces provided:

Joint Holding: where the holding is in more than one name all of the holders must sign.

Power of Attorney: if signed under a Power of Attorney, you must have already lodged it with the registry, or alternatively, attach a certified photocopy of the Power of Attorney to this Proxy Form when you return it.

Companies: a Director can sign jointly with another Director or a Company Secretary. A sole Director who is also a sole Company Secretary can also sign. Please indicate the office held by signing in the appropriate space.

If a representative of the corporation is to attend the Meeting the appropriate "Certificate of Appointment of Representative" should be produced prior to admission. A form of the certificate may be obtained from the Company's Share Registry.

Proxy Forms (and the power of attorney or other authority, if any, under which the Proxy Form is signed) or a copy or facsimile which appears on its face to be an authentic copy of the Proxy Form (and the power of attorney or other authority) must be deposited at or received by facsimile transmission at the registered office of the Company Suite 6, 32 Hines Road, O'Connor Western Australia, 6163, Facsimile (08) 9338 8699 if faxed from within Australia or +61 8 9338 8699 if faxed from outside Australia) no later than 11.00 am (WST), on Sunday 13 May 2012.

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