CORAL SEA PETROLEUM LTD

ABN 30 073 099 171

ANNUAL REPORT and FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2014

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CORPORATE DIRECTORY

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

Company Secretary
Louisa Martino

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Stock Exchange Listing
The Company is listed on the Australian Securities Exchange Limited and Deutsche Borse AG
Home Exchange-Perth, Australia

ASX Code- CSP
WKN Code-924249

Australian Business Number
ABN 30 073 099 171

DIRECTORS' REPORT

The Directors submit their report on Coral Sea Petroleum Ltd (the "Company" or "CSP") and its controlled entities (the "Group") for the year ended 30 June 2014.

1. DIRECTORS

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

Name	Length of Service
Domenic Martino	2 years
Joseph Goldberg	2 years
Julian Sandt	11 years
Alvin Tan	14 years
Chris Haiveta [1]	18 months

[1] Resigned on 14 February 2014

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

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

During the past three years Mr Martino held the following directorships in other ASX listed companies:
Australasian Resources Ltd (27 November 2003-Current), Citation Resources Ltd (9 October 2009-13 December 2012), Cokal Ltd (24 December 2010-Current), ORH Limited (6 May 2009-Current), Pan Asia Corporation Ltd (24 December 2010-Current), Synergy Plus Limited (7 July 2006-Current) and NuEnergy Capital Limited (1 March 2011-18 May 2011).

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

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

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

On his return to Australia he became a consultant and major shareholder in a number of companies and helped companies create a foothold in countries such as PNG, Indonesia, Cameroon, South Africa and Turkey. Mr Goldberg has also consulted to Sydney Gas Limited, Blue Energy Limited, Kimberley Diamond Company NL, Sundance Resources Limited, CuDeco Limited, Gindalbie Metals Ltd about resource projects such as iron ore, oil

DIRECTORS' REPORT (CONTINUED)

and gas bed methane and copper. Recently Mr Goldberg has been engaged in establishing a major thermal, cooking oil and gas project in Indonesia requiring major infrastructure and financing.

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

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

Mr Sandt holds a German MBA from Koblenz Business School ("WHU Koblenz"). During the past three years Mr Sandt has held no other directorships in ASX listed companies.

Alvin Tan - Non-Executive Director
Alvin Tan has over 16 years corporate experience in Australia and Asia, including mergers, acquisitions, capital raisings and listings (on ASX, the Alternative Investments Market (AIM) of the London Stock Exchange, Kuala Lumpur Stock Exchange (KLSE) and the German Stock Exchange). Mr Tan studied at the University of Western Australia, gaining a Bachelor of Commerce with honours, and subsequently was employed by KPMG in Kuala Lumpur from 1993-1995 as a financial consultant.

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

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

During the past three years Mr Tan held the following directorships in other ASX listed companies:
Non- Executive Director of Advanced Share Registry Ltd (11 September 2007-Current) and BKM Management Limited (5 February 2002-Current).

Chris Haiveta - Non-Executive Chairman (resigned 14 February 2014)
Chris Haiveta attended Lese Oalai Catholic Mission and De La Salle High School at Mainohana in Central Province followed by completing a Bachelor of Education and a Bachelor of Arts Degree with Honours between 1976 and 1981 at University of Papua New Guinea, Waigani. He completed post graduate degree studies in Development Economics at Sussex University in the United Kingdom and then returned to PNG to serve as a senior researcher at the Institute of Applied Social and Economic Research.

Mr Haiveta 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 Papua New Guinea ("PNG"). Mr Haiveta has held positions as Governor representing PNG on the World Bank, IMF and Asian Development Bank Boards and was the national programme officer for the EU Programme in PNG. He also served a term in 1996-1997 as the Deputy Chairman of the joint IMF-World Bank annual meetings.

Mr Haiveta 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.

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

DIRECTORS' REPORT (CONTINUED)

2. COMPANY SECRETARY

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

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

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

3. DIRECTORS' SHAREHOLDINGS

The following table sets out each current Director's relevant interest in shares of the Company or a related body corporate as at the date of this report.

	Fully Paid Ordinary Shares
Mr Martino[1]	11,250,000
Mr Goldberg[1]	11,250,000
Mr Sandt	1,694,637
Mr Tan	423,190

[1] 11,250,000 shares were issued to each director (or their associated entity) as part of the acquisition of Indo Pacific Energy Pty Ltd (refer page 42). These shares were held in escrow until 29 August 2014.

4. DIVIDENDS

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

DIRECTORS' REPORT (CONTINUED)

5. DIRECTORS' MEETINGS

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

	No. Eligible to Attend	No. Attended
Mr Martino	7	7
Mr Goldberg	7	6
Mr Sandt	7	5
Mr Tan	7	7
Mr Haiveta[1]	4	2

[1] Number until resignation on 14 February 2014

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

6. PRINCIPAL ACTIVITIES

The principal activities of the Group during the year were oil and gas exploration.

7. REVIEW OF OPERATIONS

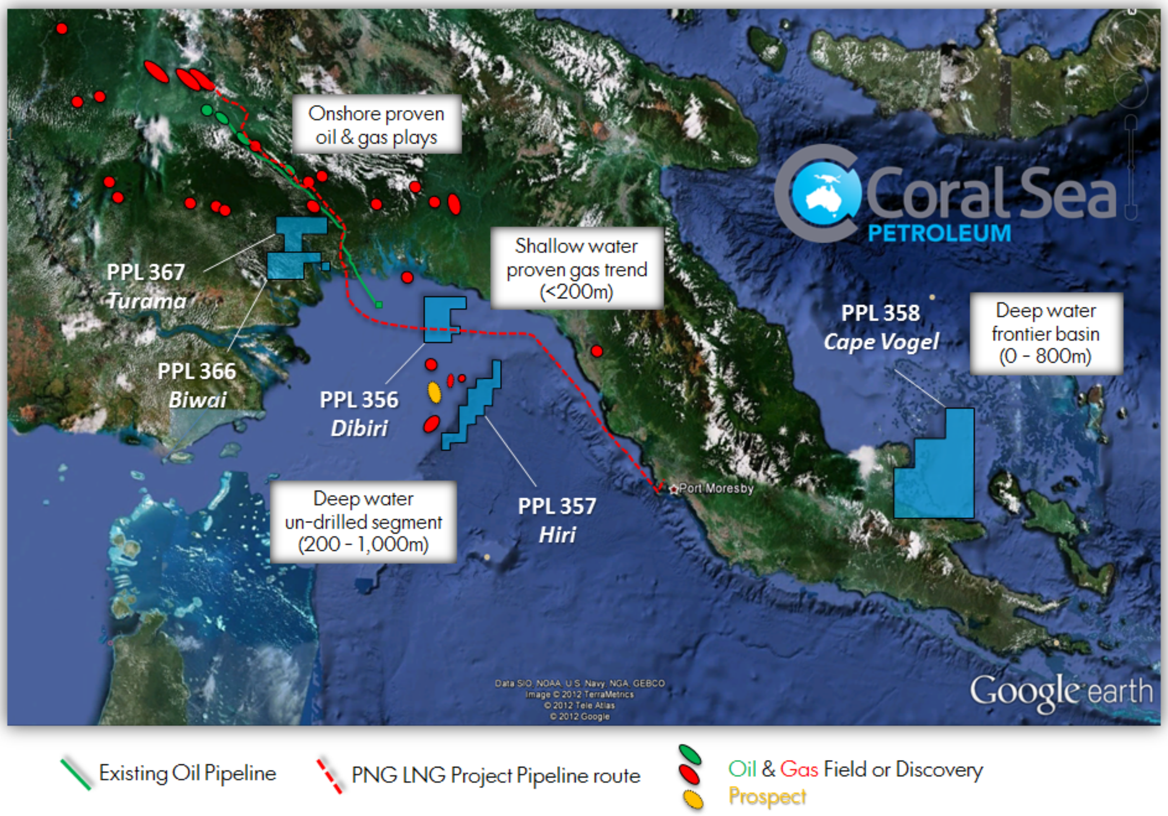
The operating loss after income tax of the Group for the year ended 30 June 2014 was $3,298,274 (30 June 2013: loss $1,210,035). The loss for the year ended 30 June 2014 includes an impairment provision for exploration expenditure of $2,209,336. This provision has been raised as a result of the uncertainty surrounding the veracity of the exploration licences held by the Company's 100% owned subsidiary, Coral Sea Petroleum (PNG) Limited ("CSP (PNG)") and their commitments. Once confirmation has been received from the PNG Department of Petroleum and Energy as to the standing of the licences, directors may consider reversing the provision, thereby re-instating the exploration expenditure as an asset on the statement of financial position. CSP (PNG) has also commenced the process of identifying third parties for potential joint venture or farm-in arrangements.

The Group is seeking to build a successful, sustainable, oil and gas entity, with a regional focus. The Group aims to be a significant oil and gas business in Papua New Guinea and plans to achieve this through the pursuit, exploration and development of the prospecting licences, while continuing to identify and target new projects via proven relationships and networks in Papua New Guinea.

The Group operates, and currently holds a 100% working interest, in five Petroleum Prospecting Licenses in PNG ('PPL'). These cover an area of 11,972km^2 in both onshore and offshore settings (Figure 1). Four of the licenses (PPL 356, 357, 366 & 367) are in the Papuan Basin close to existing oil and gas fields and the associated production infrastructure. The fifth (PPL 358) is in the underexplored offshore frontier Cape Vogel Basin where natural oil and gas seepages have been reported.

DIRECTORS' REPORT (CONTINUED)

Figure 1 Location of the five PPLs (on Google Earth image)



Highlights

During the year ended 30 June 2014 CSP (PNG) completed a feasibility study and reviewed the applicability of the Gravity Gradiometry technology as a possible precursor to seismic acquisition in PPL 366, 367 and 358. It also noted that the Hagana-1 well drilled offshore in the Papuan Basin close to PPL 356 & 357, like the previous Flinders-1 well had discovered gas in Pliocene age sandstone reservoirs. Whilst CSP (PNG) is not a participant in either well, this play may extend into PPL 357 and possibly PPL 356.

To date Coral Sea Petroleum Ltd has built and interpreted an extensive technical database and now has a solid basis for future exploration activities. More recently, Coral Sea Petroleum Ltd has focussed on its strategic and financial direction. The Company has commenced the process of identifying third parties for potential joint venture or farm-in arrangements.

The following sections document the key conclusions from the exploration activities undertaken in each license area during the year.

Petroleum Prospecting Licenses PPL 366 & 367 (CSP interest 100%)

Initial regional evaluation of three prospective Leads in PPL 366 and 367 (Turama, East Turama and Gamma River) was completed during the 2013 financial year. During the current year CSP (PNG) has communicated with candidate geoscience consultants to undertake more detailed prospect scale evaluations. Such additional analysis is prudent to determine the possible subsurface geometries for each Lead, their size in terms of prospective petroleum resources and the probability of discovering petroleum in the event of exploration drilling. Such evaluation will commence during the forthcoming reporting period. The results will help locate a small number of new seismic lines that may be acquired in 2014 to demonstrate whether or not any of the three Leads represent future drilling targets.

DIRECTORS' REPORT (CONTINUED)

The success of seismic acquisition onshore in PNG is highly dependent on the character of the terrain. Nevertheless, while costly, the acquisition of correctly located seismic lines is an important and viable onshore subsurface risk quantification technology. Accordingly during the year CSP (PNG) completed a feasibility study of PPL 366 & 367 by Fugro Airborne Surveys to investigate whether Gravity Gradiometry can assist in optimising the placement of any new onshore seismic lines. The results were encouraging suggesting that near reservoir level structure can be imaged sufficient to constrain the locations, and improve the chance of success for any future seismic lines.

Petroleum Prospecting License 358
(CSP interest 100%)

CSP announced during the 2013 financial year that the Group had completed its initial evaluation of the frontier Cape Vogel Basin. That study concluded PPL 358 to be optimally located in the most prospective part of the basin where mature source, reservoir and cap rocks are predicted to be present. This is supported by the thermogenic gas encountered in the 1999 Ocean Drilling Programme well 1108 to the east of PPL 358.

Of particular importance within PPL 358 is the recognition of a mappable seismic sequence of likely Early Miocene age deep in the basin immediately above crystalline basement. The deep basinal position, depositional architecture and seismic facies character of this undrilled sequence suggest it was deposited during the early rift phase in the Cape Vogel Basin. Such 'Syn-rift' depositional settings are often characterised by basinal anoxic conditions that allow the preservation of organic material that when buried can become petroleum source rock.

The Cape Vogel Basin is characterised by a very low geothermal gradient. Accordingly, for petroleum generation and migration to occur the Syn-rift sequence must be sufficiently deeply buried within PPL 358 such that if source rocks are present they are likely to be thermally mature. The CSP (PNG) studies demonstrate that the potential source rock-bearing Syn-rift sequence is indeed sufficiently deeply buried to be thermally mature.

The Fugro Airborne Surveys feasibility study completed during the year also addressed whether or not Gravity Gradiometry can assist in predicting the structure at the top of crystalline basement in PPL 358 and possibly even the locations of overlying anticlinal traps. Once again the results were encouraging and the potential application of this technology will be further investigated for use in pre-seismic prospect quantification in PPL 358.

Petroleum Prospecting Licenses 356 & 357
(CSP interest 100%)

During the 2013 financial year Coral Sea Petroleum Ltd informed Shareholders of the discovery of gas by Oil Search Ltd in a Pliocene age sandstone reservoir in Flinders-1. On 25 July 2013 Oil Search Ltd announced its second exploration well Hagana-1 had also discovered gas in Pliocene age sands. Furthermore, while not gas-bearing the well also encountered a shallower 35m thick interval of good quality Pleistocene age sandstone.

Flinders-1 and Hagana-1 respectively are located only 32 km and 22 km west of CSP (PNG) operated PPL 357. The presence and proximity of reservoir quality Pleistocene and gas-bearing Pliocene sandstones at Flinders and Hagana are therefore highly encouraging in this poorly explored part of the offshore Papuan Basin region. Consequently CSP (PNG) will assess new study options to help understand the implications for the petroleum prospectivity of similar basin-floor fan sandstone plays should they extend into PPL 357 and 356. This will build on its comprehensive report completed during the previous reporting period that involved a major regional CRS mapping and evaluation study of Tertiary plays in the offshore Papuan Gulf.

New Opportunities

New opportunities will be sought principally within Papua New Guinea. Target opportunities will include exploration for hydrocarbons as well as participation in developing selected high quality discovered oil and gas assets. These can provide value for shareholders and offer an exciting blend of projects consistent with the clear metrics embodied in its mission statement.

Progress by the Group towards securing new opportunities will be announced in due course.

8. SIGNIFICANT CHANGES IN STATE OF AFFAIRS

There have been no other significant changes in the Group's state of affairs during the year ended 30 June 2014.

DIRECTORS' REPORT (CONTINUED)

9. MATERIAL AND AFTER BALANCE SHEET DATE EVENTS

There are no significant events after balance date likely, in the opinion of the Directors of the Group, to affect significantly the operations of the Group, the results of those operations, or the state of affairs of the Group in future financial years except as follows:

On 6 August 2014, CSP sold its financial investments totalling $71,447 as at 30 June 2014. The Company realised $85,202 (net of brokerage fees) from the sale.

On 26 August 2014, CSP completed a placement of 5,383,332 shares, with an attaching free option at an issue price of $0.075 per share to raise $403,750 for working capital purposes. The options have an exercise price of $0.20 each and an expiry date of 25 February 2016.

On 29 August 2014, CSP resumed its General Meeting that was adjourned on 26 June 2014 due to the political uncertainty surrounding the Papua New Guinea government at that time. The resumed meeting obtained shareholder approval for the placement of 30 million options at an issue price of $0.05 per option, with an expiry date 18 months from the date of issue and an exercise price of $0.20 per option ("Option Placement") and the issue of options to Minimum Risk Pty Ltd under the shortfall (if any) and as part consideration for the underwriting of the Option Placement. The issue of such options will result in $1.5 million in funds being received by the Company that will be used as working capital to pursue the Company's business objectives. Shareholders had previously approved the Option Placement and issue of options to Minimum Risk Pty Ltd, however the Option Placement had to be complete by 23 June 2014. With the shareholder approval obtained at the resumed General Meeting held on 29 August 2014, the completion date has essentially been extended to 28 September 2014.

44,125,000 restricted securities were released from escrow on 29 August 2014.

10. FUTURE DEVELOPMENTS, PROSPECTS AND BUSINESS STRATEGIES

The Group will continue to pursue its mission to be a significant oil and gas entity in Papua New Guinea and to grow shareholder value by exploring for, developing and producing oil and gas principally in PNG.

The Group has identified, evaluated and ranked a portfolio of possible new hydrocarbon projects in PNG and has proactively positioned itself to secure any of them should they eventuate. These projects can fulfil some near and long term growth objectives. Details of any such new initiatives will be released to the market in due course if any are secured.

In a relatively short time the Group has developed excellent relationships with the relevant Government Agencies and with a number of established players in the PNG petroleum industry. Such relations offer the possibility for undertaking joint studies, initiatives and operations where appropriate and for sharing knowledge, experience and costs.

During the year to November 2014 the Group commenced preparations such that at the right time it can attract a partner of choice to bring additional technical and financial support into the existing exploration licenses as well as participate in future new initiatives that will expand the existing license footprint. The period to November 2016 will allow the Group to review the results of its detailed technical and commercial studies and to assess the findings of any newly acquired seismic data. Within that timeframe the aim is to determine those licenses where exploration drilling is supported. Exploration drilling may, for sound technical reasons, not be supported in one or more of the existing licences. In that event then astute business demands that the Group relinquish those areas and leave them in good standing. In the event of any relinquishment the continued objective will be to replenish, improve and grow the current acreage portfolio with new prospective exploration licenses.

11. ENVIRONMENTAL ISSUES

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

DIRECTORS' REPORT (CONTINUED)

12. REMUNERATION REPORT (Audited)

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

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

A Remuneration Philosophy

B Remuneration Structure

C Remuneration Approvals

D Remuneration and Performance

E Details of Directors' Remuneration

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

G Share-based Compensation

H Equity Instruments Issued on Exercise of Remuneration Options

The remuneration arrangements detailed in this report are for Chairman (this position is currently vacant), Managing Director and Non-Executive Directors during the financial year as follows:

Domenic Martino	Managing Director
Julian Sandt	Non-Executive Director
Alvin Tan	Non-Executive Director
Joseph Goldberg	Non-Executive Director
Chris Haiveta	Non- Executive Chairman[1]

[1] Resigned on 14 February 2014

The previous remuneration report was considered at the Company's last Annual General Meeting held on 26 November 2013. There were no comments on the previous remuneration report that were discussed at the 2013 Annual General Meeting and shareholders approved the remuneration report.

A Remuneration Philosophy

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

The Group's broad remuneration policy is to ensure the remuneration package properly reflects the person's duties and responsibilities and that remuneration is competitive in attracting, retaining and motivating people of the highest quality. The Group does not have an employee share option scheme and no remuneration options or shares have been issued to Directors.

A remuneration consultant has not been employed by the Group to provide recommendations in respect of the remuneration, given the size of the Group and its current structure.

DIRECTORS' REPORT (CONTINUED)

B Remuneration Structure

There are no formal agreements with Directors. Directors are paid on a month to month basis. All Directors are paid via their director-related entity, with the exception of Mr Martino who is paid directly and whose remuneration includes superannuation.

Executive Director

Mr Martino's employment with the Company is on a month to month basis at $120,000 plus superannuation for the financial year (2013: $110,000).

Non-Executive Directors

Mr Sandt, Non-Executive Director, accrues on a month to month basis at $36,000 for the financial year (2013: $37,272).

Mr Tan, Non-Executive Director, accrues on a month to month basis at $36,000 for the financial year (2013: $36,000).

Mr Goldberg, Non-Executive Director, accrues on a month to month basis at $120,000 for the financial year (2013: $110,000).

Mr Haiveta, the Chairman accrued until his resignation on 14 February 2014, on a month to month basis at $60,000 for the financial year (2013: $100,000).

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

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

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

	30 June 2010	**30 June 2011**	**30 June 2012**	**30 June 2013**	**30 June 2014**
	Consolidated	**Company**	**Company**	**Consolidated**	**Consolidated**
Revenue ($)	715,103	167,011	44,765	28,511	2,881
Net profit/(loss) ($)	263,926	(279,855)	(796,055)	(1,210,035)	(3,298,274)
Share price (cents)	3.8	4.2	N/A[1]	17.0	7.0
Dividend ($)	Nil	Nil	Nil	Nil	Nil
Return of capital	Nil	Nil	Nil	Nil	Nil

[1] The Company was suspended from trading as at 30 June 2012, awaiting re-listing as an oil and gas entity. At this time the Company consolidated its share capital on the basis 1 share for every 4 shares held.

DIRECTORS' REPORT (CONTINUED)

C Remuneration Approvals

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

Non-Executive Directors receive fees which are determined by the Board within the aggregate limit set by the shareholders at a General Meeting. The current limit is $500,000 per annum as resolved at the 2012 Annual General Meeting.

D Remuneration and Performance

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

E Details of Directors' Remuneration

	Short-Term				Post employment			Long-term	Share-based payments	TOTAL	Total perform-ance related
2014	Salary fees *	Cash bonus	Non-monetary	Other	Super-annuation	Retirement benefits	Termination benefits	Incentive plans	Options		
	$	$	$	$	$	$	$	$	$	$	%
Directors											
Mr Martino	120,000	-	-	-	11,100	-	-	-	-	131,100	-
Mr Goldberg	120,000	-	-	-	-	-	-	-	-	120,000	-
Mr Sandt	36,000	-	-	-	-	-	-	-	-	36,000	-
Mr Tan	36,000	-	-	-	-	-	-	-	-	36,000	-
Mr Haiveta[1]	60,000	-	-	-	-	-	-	-	-	60,000	-
Sub-total	372,000	-	-	-	11,100	-	-	-	-	383,100	-
Other key management personal											
None	-	-	-	-	-	-	-	-	-	-	-
Sub-total	-	-	-	-	-	-	-	-	-	-	-
Total	372,000	-	-	-	11,100	-	-	-	-	383,100	-

[1] Mr Haiveta resigned on 14 February 2014

DIRECTORS' REPORT (CONTINUED)

	Short-Term				Post employment			Long-term	Share-based payments	TOTAL	Total perform-ance related
2013	Salary fees *	Cash bonus	Non-monetary	Other	Super-annuation	Retirement benefits	Termination benefits	Incentive plans	Options		
	$	$	$	$	$	$	$	$	$	$	%
Directors											
Mr Martino[2]	110,000	-	-	-	9,900	-	-	-	-	119,900	-
Mr Goldberg[2]	110,000	-	-	-	-	-	-	-	-	110,000	-
Mr Sandt	37,273	-	-	-	-	-	-	-	-	37,273	-
Mr Tan	36,000	-	-	-	-	-	-	-	-	36,000	-
Mr Haiveta[1, 2]	100,000	-	-	-	-	-	-	-	-	100,000	-
Sub-total	393,273	-	-	-	9,900	-	-	-	-	403,173	-
Other key management personal											
None	-	-	-	-	-	-	-	-	-	-	-
Sub-total	-	-	-	-	-	-	-	-	-	-	-
Total	393,273	-	-	-	9,900	-	-	-	-	403,173	-

[1] Mr Haiveta resigned on 14 February 2014

[2] Messrs Haiveta, Martino and Goldberg were appointed on 3 August 2012.

* All directors' fees were paid to the Directors' entity, with the exception of Mr Martino.

F. Compensation Options Granted, Exercised or Lapsed During the Financial Year

There were no options issued to Directors as part of their remuneration in the past 12 months. There were no compensation options that were exercised or lapsed during the year.

Details of compensation options held directly, indirectly or beneficially by key management personnel and their associated entities during the year ended 30 June 2014 are as follows:

DIRECTORS' REPORT (CONTINUED)

Company Directors and associated entities		Opening Balance $	Granted as Remuneration $	Options Acquired $	Net Change Other[1] $	Closing Balance $	Total Vested and Exercisable as at Year End $	Unvested as at Year End $
Mr Martino	**2014**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
	2013	-	-	-	-	-	-	-
Mr Sandt	**2014**	**250,000**	**-**	**-**	**(250,000)**	**-**	**-**	**-**
	2013	-	-	250,000	-	250,000	250,000	-
Mr Tan	**2014**	**437,500**	**-**	**-**	**(437,500)**	**-**	**-**	**-**
	2013	**-**	-	437,500	-	437,500	437,500	-
Mr Goldberg	**2014**	**-**	**-**	**-**	**-**	-	-	**-**
	2013	-	-	-	-	-	-	-
Mr Haiveta[2]	**2014**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
	2013	-	-	-	-	**-**	**-**	-

[1] During the 2014 financial year, the options issued lapsed.
[2] Mr Haiveta resigned on 14 February 2014.

G Share-based Compensation

The Company may reward Directors for their performance and align their remuneration with the creation of shareholder wealth by issuing share options and or shares. Share-based compensation is at the discretion of the Board and no individual has a contractual right to participate in any share-based plan or to receive any guaranteed benefits. No share based compensation has occurred in 2014 or 2013.

(i) Options

There were no options granted to Directors during the financial year, nor were shares issued upon exercise of options. As at the date of this report no options have been exercised. However, options previously lapsed have received an entitlement under the Prospectus and were issued on 28 August 2012. Of these options, Mr Sandt received 250,000 options and Mr Tan received 437,500 options exercisable at 20 cents each. These options expired on 29 August 2013 and were not exercised during the year.

(ii) Shares

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

In 2013, shares were issued in relation to the acquisition by CSP of Indo Pacific Energy Pty Ltd and its subsidiary Coral Sea Petroleum (PNG) Ltd. The following shares were issued to Directors (or their associated company) as the vendors of Indo Pacific Energy Pty Ltd:

	Fully Paid Ordinary Shares
Mr Martino	11,250,000
Mr Goldberg	11,250,000
Mr Haiveta	11,250,000

(iii) Link to Performance

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

DIRECTORS' REPORT (CONTINUED)

H Equity Instruments Issued on Exercise of Remuneration Options

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

There are currently no contractual arrangements with directors, they are engaged on a month to month basis.

END OF REMUNERATION REPORT

13. OPTIONS

Under the Prospectus dated 29 May 2012, 29,758,832 options were offered on a pro rata basis to persons who previously held options in the Company as at the time of their expiry on 28 February 2012, as well as various other investors introduced to the Company by the underwriter. The Company received applications for 28,767,165 options. The options were each exercisable at $0.20 on or before the expiry date, and were issued at $0.004 to raise $115,069. The expiry date was the date 12 months from when the Company satisfied the requirements of the Listing Rules in relation to the re-listing of its securities on ASX. These options expired on 29 August 2013. 17,422 options were exercised prior to their expiry, raising $3,485.

During the 2014 financial year, the Company issued 3 million options as part of a $300,000 capital raising. These options have an exercise price of $0.20 and an expiry date of 20 August 2015.

Since year end the Company has finalised a further capital raising of $403,750 which included the issue of 5,383,332 options with an exercise price of $0.20 and an expiry date of 25 February 2016.

The Company has held General Meetings that propose a fully underwritten option placement of 30 million options issued at $0.05 each, exercisable 18 months from the date of issue and with an exercise price of $0.20 per option to raise $1.5 million in working capital. Should the option placement complete, the underwriter will receive 1 million options, with an exercise price of $0.20 and an expiry date 18 months from the date of issue for a nil issue price. Latest approval given by shareholders is such that the placement is to occur by 28 September 2014.

14. PROCEEDINGS ON BEHALF OF THE COMPANY

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

15. INDEMNIFYING OFFICERS

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

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

16. NON-AUDIT SERVICES

The Board of Directors, at the date of this report, is satisfied that the provision of non-audit services during the 30 June 2014 financial year was compatible with the general standard of independence for auditors imposed by the Corporations Act 2001. The Directors are satisfied that the services disclosed below did not compromise the external auditor's independence for the following reasons:

DIRECTORS' REPORT (CONTINUED)

- All non-audit services are reviewed by the Board prior to commencement to ensure they do not adversely affect the integrity and objectivity of the auditor; and
- The nature of the services does not compromise the general principles relating to auditors independence as set out in APES 110 Code of Ethics for Professional Accountants.

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

Audit services	
Pitcher Partners Corporate & Audit (WA) Pty Ltd	$52,500
Non-audit services - Taxation	
Pitcher Partners (WA) Pty Ltd	$23,000

17. AUDITOR'S INDEPENDENCE DECLARATION

The auditor's independence declaration for the year ended 30 June 2014 has been received and can be found on page 55.

Signed in accordance with a resolution of the Board of Directors

Domenic Martino
Director

Date: 26th day of September 2014

CORPORATE GOVERNANCE STATEMENT

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

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

COMPOSITION OF THE BOARD

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

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

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

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

REMUNERATION COMMITTEE

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

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

The Company has established a remuneration policy that states:

- non executive Directors are to receive fees which are determined by the Board within the aggregate limit set by the shareholders at a general meeting; and

- executive Directors' remuneration is determined by the Board with reference to current market rates and remuneration paid to executives in comparable listed companies determined by the size and nature of operations.

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

AUDIT COMMITTEE

The Board is of the view that given the current size of the Company and the size and composition of the board, that there would be no efficiencies or other benefits gained by having a separate audit committee. However, the issues

CORPORATE GOVERNANCE STATEMENT (continued)

relevant to the integrity of the Company's financial reporting typically dealt with by such a committee are dealt with by the full Board. The Company has as a standing agenda item at each Board meeting to deal with any audit related matters that would normally be carried out by an audit committee.

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

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

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

BOARD AND SENIOR EXECUTIVE RESPONSIBILITIES

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

The Company has a board charter that discloses the specific responsibilities of the Board, and those delegated to senior executives. The responsibility for the operation and administration of the Company is delegated by the Board to the Managing Director. The Board ensures that the Managing Director is appropriately qualified and experienced to discharge his responsibilities, and has in place procedures to assess the performance for the Company's officers, contractors and consultants. Senior executives are responsible for reporting all matters which fall within the Company's materiality thresholds at first instance to the Managing Director or, if the matter concerns the Managing Director, directly to the Chairman. If there is no Chairman in place, the matter is to be reported to the independent directors.

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

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

MONITORING OF BOARD AND SENIOR EXECUTIVE PERFORMANCE

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

SHAREHOLDER COMMUNICATION POLICY

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

The Company has established procedures to provide shareholders with important information in a timely manner via electronic communication. All information, including financial information, disclosed to the ASX is posted to the Company's website as soon as practicable after release to the market. A copy of the Company's annual report is issued to shareholders who have requested one and is posted on the Company's website as soon as practicable after disclosure to the ASX has been made and confirmation of receipt has been received.

CORPORATE GOVERNANCE STATEMENT (continued)

BEST PRACTICE RECOMMENDATION

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

Best Practice Recommendation	Action Taken
Principle 1: Lay solid foundation for management and oversight	
1.1 Companies should establish the functions reserved to the Board and those delegated to senior executives and disclose those functions.	The Company's corporate governance policies include a board charter which discloses the specific responsibilities of the Board, and those delegated to senior executives. The responsibility for the operations and administration of the Company is delegated by the Board to the Managing Director.
1.2 Companies should disclose the process for evaluating the performance of senior executives.	The performance of all senior executives is reviewed annually by the Chairman or independent directors which includes measuring actual performance against planned performance. There were no senior executives employed by the Company during the year.
1.3 Companies should provide the information indicated in the 'Guide to reporting Principle 1'	
Principle 2: Structure the Board to add value	
2.1 A majority of the Board should be independent directors.	Two of the four Board members are considered independent. This matter will be addressed over the next few years, depending upon the growth of the Company.
2.2 The chairperson should be an independent director.	There is currently no Chairman of the Company, however it is anticipated that the position will be filled within the next 6 months.
2.3 The roles of chairperson and chief executive officer should not be exercised by the same individual.	The Managing Director is Mr Domenic Martino.
2.4 The Board should establish a nomination committee.	The Company is not of a size that justifies having a separate nomination committee. However, matters typically dealt with by such a committee are dealt with by the full Board.
2.5 Companies should disclose the process for evaluating the performance of the Board, its committees and individual directors.	In order to ensure that the Board continues to discharge its responsibilities in an appropriate manner, the performance of all directors is reviewed annually by the Chairman or independent directors. Directors whose performance is unsatisfactory are asked to retire. The skills, experience and expertise of the Directors and the period of office held by each Director in office at the date of the annual report are disclosed in the Directors' Report. The Board seeks to have a mix of skills and diversity amongst its members, with a focus on commercial and financial skills. In the short-term the Company will contract geological skills. There are currently no female members of the Board, however the Company Secretary is female. Should a vacancy exist in the future, the Board will consider a diverse range of candidates who will be assessed on various aspects including merit, judgement, skill, diversity, experience with business and other organisations of a

CORPORATE GOVERNANCE STATEMENT (continued)

Best Practice Recommendation	Action Taken
Principle 2: Structure the Board to add value (continued)	comparable size. To assist the Directors with independent judgement, it is the Board's policy that if a director considers it necessary to obtain independent professional advice to properly discharge the responsibility of their office as a director then, provided the director first obtains approval from the Chairman or independent directors for incurring such expense, the Company will pay the reasonable expenses associated with obtaining such advice.
2.6 Companies should provide the information indicated in the 'Guide to reporting on Principle 2'	The Company provides details of each director, such as their skills, experience and expertise relevant to their position.
Principle 3: Promote ethical and responsible decision-making	
3.1 Establish a code of conduct to guide the directors, the chief executive officer (or equivalent), the chief financial officer (or equivalent) and any other key executives as to: (a) the practices necessary to maintain confidence in the company's integrity; (b) the practices necessary to take into account their legal obligations and reasonable expectations of their stakeholders; and (c) the responsibility and accountability of individuals for reporting and investigating reports of unethical practices.	The Company recognises the need for Directors and employees to observe the highest standards of behaviour and business ethics in conducting its business activities and intends to maintain a reputation of integrity. The Company has subscribed to a general Code of Conduct. The Code of Conduct lists the standards of ethical behaviour that are expected to be met by the Directors and employees of the Company. Such persons are also expected to meet the ethical standards of any professional bodies they belong to. Any breaches of the Code of Conduct are to be reported to the Chairman for notification to the Board. The Board will decide on appropriate disciplinary action and may report breaches to the appropriate authorities. All Directors, managers and employees are required to act honestly, in good faith and in the best interests of the Company while exercising due care and diligence, recognising and respecting their responsibility to shareholders and other stakeholders of the Company. All Directors, managers and employees of the Company are required to act in an ethical manner at all times, avoiding conflicts of interest and observing the principals of independence in decision-making.
3.2 Companies should establish a policy concerning diversity and disclose the policy or a summary of that policy. The policy should include requirements for the board to establish measurable objectives for achieving gender diversity and for the board to assess annually both the objectives and progress in achieving them. 3.3 Companies should disclose in each annual report the measurable objectives for achieving gender diversity set by the board in accordance with the diversity policy and progress towards achieving them.	The Board considers the Company is not of a size to justify the establishment of a diversity policy or measurable objectives to achieve gender diversity. The Board will continue to address diversity and assess the need to adopt a diversity policy. There are no female board members; however the Company secretary is female.

CORPORATE GOVERNANCE STATEMENT (continued)

Best Practice Recommendation	Action Taken
Principle 3: Promote ethical and responsible decision-making (continued)	
3.4 Companies should disclose in each annual report the proportion of women employees in the whole organisation, women in senior executive positions and women on the board. 3.5 Companies should provide the information indicated in the 'Guide to reporting on Principle 3'	
Principle 4: Safeguard integrity in financial reporting	
4.1 The Board should establish an audit committee.	The Company is not of a size that justifies having a separate Audit Committee. However, matters typically dealt with by such committee are dealt with by the full Board.
4.2 Structure the audit committee so that it: • Consists of only non-executive directors; • Consists of a majority of independent directors; • Is chaired by an independent director who is not the chair of the company; and • Has at least three members. 4.2 The audit committee should have a formal charter. 4.3 Companies should provide the information indicated in the 'Guide to reporting on Principle 4'	Composition, roles and responsibilities of the Audit Committee when it is established will be set out in the Corporate Governance Plan. The Company has appointed external auditors who have clearly demonstrated quality and independence. The performance of the external auditor is reviewed annually and applications for tender of external audit services are requested as deemed appropriate, taking into consideration assessment of performance, existing value and tender costs.
Principle 5: Make timely and balanced disclosure	
5.1 Companies should establish written policies and procedures designed to ensure compliance with ASX Listing Rules disclosure requirements and to ensure accountability at a senior executive level for that compliance and disclose those policies or a summary of those policies.	The Company recognises its obligations of continuous disclosure to the ASX in order to keep the market fully informed of information that may have a material effect on the price or value of its securities. The Company has formulated policies and procedures to discharge its disclosure requirements to ensure information is released promptly to the market and is fairly available to all those with an interest in the Company. A copy of the Disclosure policy is available on the Company's website.
5.2 Companies should provide the information indicated in the 'Guide to reporting on Principle 5'	

CORPORATE GOVERNANCE STATEMENT (continued)

Best Practice Recommendation	Action Taken
Principle 6: Respect the rights of shareholders	
6.1 Design a communications policy for promoting effective communication with shareholders and encouraging their participation at general meetings and disclose their policy or a summary of the policy.	The Board encourages shareholder communication and ensures that shareholders are kept up to date with the Company's activities. The Company has a policy that focuses on the continuous disclosure of any information that a reasonable person would expect to have a material effect on the price of the Company's securities. All information, including financial information, disclosed to the ASX is posted to the Company's website as soon as practicable after release to the market. A copy of the Company's Annual Report is issued to shareholders who have requested one and is posted on the Company's website as soon as practicable after disclosure to the ASX has been made and confirmation of receipt has been received.
6.2 Companies should provide the information indicated in the 'Guide to reporting on Principle 6'	

CORPORATE GOVERNANCE STATEMENT (continued)

Best Practice Recommendation	Action Taken
Principle 7: Recognise and manage risk	
7.1 Companies should establish policies for oversight and management of material risks and disclose a summary of these policies.	The Company's risk management policy is designed to provide the framework to identify, assess, monitor and manage the risks associated with the Company's business. The Board adopts practices designed to identify significant areas of business risk and to effectively manage those risks in
7.2 The Board should require management to design and implement the risk management and internal control systems to manage the Company's material business risks and report to it on whether those risks are being managed effectively. The Board should disclose that management has reported to it as to the effectiveness of the Company's management of its material business risks.	accordance with the Company's risk profile. Where necessary, the Board draws on the expertise of appropriate consultants to assist in dealing with or mitigating risk. Main areas of risk include fluctuating commodity prices and exchange rate fluctuation, political and economic climate, exploration and development and continuous disclosure obligations. Regular consideration is given to these matters by the Board. The Company has in place an internal control framework to assist in identifying, assessing, monitoring and managing risk. This framework includes quarterly financial reporting, maintenance of and adherence to the Company's continuous disclosure policy and regular informal operations reports provided by the Managing Director for the Board. The Company's internal control system is monitored by the Board and assessed regularly to ensure effectiveness and relevance to the Company's current and future operations.
7.3 The Board should disclose whether it has received assurance from the chief executive officer (or equivalent) and the chief financial officer (or equivalent) that the declaration provided in accordance with section 295A of the Corporations Act 2001 is founded on a sound system of risk management and internal control and that the system is operating effectively in all material respects in relation to financial reporting risks.	The Managing Director and the Company Secretary have stated in writing to the Board that the integrity of the financial statements is founded on a sound system of risk management and internal compliance and control and that the Company's risk management and internal compliance and control system is operating efficiently and effectively in all material respects in relation to financial reporting risks. The Company is not currently of a size to enable the formation of committees. The full Board currently has the responsibility for the risk management of the Company. The Board will continue to assess the need to form a risk management committee.
7.4 Companies should provide the information indicated in the 'Guide to reporting on Principle 7'	

CORPORATE GOVERNANCE STATEMENT (continued)

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

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 30 JUNE 2014

	Notes	2014	2013
		$	$
Continuing Operations			
Other income	5	2,881	28,511
Net unrealised gain from held-for-trading investments		31,689	-
Gain from a bargain purchase	16	-	148,805
Total other income		34,570	177,316
Total Revenues and other income		34,570	177,316
Consultancy and other professional fees		(840,169)	(1,010,878)
Computer and office expenses		(181,973)	(162,151)
Travel and entertainment expenses		(84,941)	(107,879)
Impairment provision against exploration expenditure		(2,209,336)	-
Interest expenses		-	(66,370)
Net foreign exchange losses		(4,999)	(6,395)
Other expenses		(11,426)	(33,678)
Total Expenditure		(3,332,844)	(1,387,351)
Loss from ordinary activities before income tax expenses		(3,298,274)	(1,210,035)
Income tax expenses relating to ordinary activities	6	-	-
Loss for the year		(3,298,274)	(1,210,035)
Other Comprehensive Income			
Other comprehensive income, net of income tax:			
Items that may be reclassified subsequently to profit and loss			
Exchange differences on translation of foreign operations		17,694	6,142
Total comprehensive loss for the year attributable to the owners of the parent		(3,280,580)	(1,123,893)
Loss per share	15		
Basic and diluted loss per share (cents)		(2.79)	(1.14)
From continuing operations	15		
Basic and diluted loss per share (cents)		(2.79)	(1.14)

The Consolidated Statement of Comprehensive Income is to be read in conjunction with the notes to the financial statements set out on pages 28 to 53.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2014

	Notes	2014	2013
		$	$
Current Assets			
Cash and cash equivalents	7	23,403	778,738
Trade and other receivables	8	84,848	68,166
Prepayments	9	159,708	15,110
Financial assets	10	71,447	39,758
Total Current Assets		339,406	901,772
Non-Current Assets			
Exploration expenditure	11	-	1,994,201
Plant and equipment		-	275
Total Non-Current Assets		-	1,994,476
Total Assets		339,406	2,896,248
Current Liabilities			
Trade and other payables	12	837,306	400,553
Total Current Liabilities		837,306	400,553
Total Liabilities		837,306	400,553
Net Assets		(497,900)	2,495,695
Equity			
Issued capital	13	4,064,025	3,777,040
Reserves	14	184,838	282,213
Accumulated losses		(4,746,763)	(1,563,558)
Total Equity		(497,900)	2,495,695

The Consolidated Statement of Financial Position is to be read in conjunction with the notes to the financial statements set out on pages 28 to 53.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 30 JUNE 2014

	Ordinary Shares	Option Reserve	Foreign Currency Translation Reserve	Accumulated Losses	Total Attributable to Members
	$	$	$	$	$
Balance at 1 July 2012	220	-	81,002	(353,523)	(272,301)
Comprehensive expenses for the period:					
Foreign exchange movement	-	-	86,142	-	86,142
Loss for the period	-	-	-	(1,210,035)	(1,210,035)
Total comprehensive loss for the period	-	-	86,142	(1,210,035)	(1,123,893)
Transactions with owners in their capacity as owners:					
Issued capital					
55,000,000 on acquisition of Indo Pacific Energy Pty Ltd	2,076,826	-	-	-	2,076,826
10,000,000 shares issued under a Prospectus	2,000,000	-	-	-	2,000,000
28,767,165 options issued under a Prospectus	-	115,069	-	-	115,069
375,000 shares issued to broker on acquisition of Indo Pacific Energy Pty Ltd	15,000	-	-	-	15,000
Capital raising costs	(315,006)	-	-	-	(315,006)
Balance at 30 June 2013	3,777,040	115,069	167,144	(1,563,558)	2,495,695
Balance at 1 July 2013	3,777,040	115,069	167,144	(1,563,558)	2,495,695
Comprehensive expenses for the period:					
Foreign exchange movement	-	-	17,694	-	17,694
Loss for the period	-	-	-	(3,298,274)	(3,298,274)
Total comprehensive loss for the period	-	-	17,694	(3,298,274)	(3,280,580)
Transactions with owners in their capacity as owners:					
Issued capital					
Options expired August 2013	-	(115,069)	-	115,069	-
Exercise of 17,422 options before expiry at $0.20 per option	3,485	-	-	-	3,485
3,000,000 shares and free attaching options issued at $0.10 per share	300,000	-	-	-	300,000
Capital raising costs	(16,500)	-	-	-	(16,500)
Balance at 30 June 2014	4,064,025	-	184,838	(4,746,763)	(497,900)

The Consolidated Statement of Changes in Equity is to be read in conjunction with the notes to the financial statements set out on page 28 to 53.

CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 30 JUNE 2014

	Notes	2014	2013
		$	$
Cash Flows From Operating Activities			
Cash paid to suppliers and employees		(617,643)	(1,383,927)
Interest received		7,034	23,195
Sundry income		801	496
Net cash used in operating activities	7(b)	(609,808)	(1,360,236)
Cash Flows From Investing Activities			
Exploration expenditure		(418,055)	(827,433)
Net cash used in investing activities		(418,055)	(827,433)
Cash Flows From Financing Activities			
Loan from Coral Sea Petroleum Ltd		-	200,000
Repayment of borrowings		(14,458)	(23,519)
Proceeds from issue of shares		303,485	-
Share capital costs		(16,500)	(110,000)
Cash balance on acquisition of Coral Sea Petroleum Limited		-	2,894,754
Net cash from financing activities		272,528	2,961,235
Net increase/(decrease) in cash and cash equivalents		(755,335)	773,566
Cash and cash equivalents at beginning of the year		778,738	5,172
Cash and cash equivalents at end of year	7(a)	23,403	778,738

The Consolidated Statement of Cash Flows is to be read in conjunction with the notes to the financial statements set out on pages 28 to 53.

Notes to the Financial Statements

For the year ended 30 June 2014

1. Reporting Entity

Coral Sea Petroleum Limited (the "Company" or "CSP") is a company limited by shares, incorporated in Australia and listed on the Australian Securities Exchange. The Company completed the legal acquisition of Indo Pacific Energy Pty Ltd and Coral Sea Petroleum (PNG) Ltd on 3 August 2012.

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

2. Basis of Preparation

a) Statement of compliance

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

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

The financial statements were approved by the Board of Directors on 26 September 2014.

b) Basis of preparation

The financial statements have been prepared on the basis of historic costs, except for the financial assets for which the fair value basis of accounting has been applied.

This is the second year that the Company has prepared an annual report following the acquisition of Indo Pacific Energy Pty Ltd and its controlled entity on 3 August 2012 (refer Note 16 for further information).

The Group has adopted all of the new and revised Standards and Interpretations issued by the Australian Accounting Standards Board (the AASB) that are relevant to their operations and effective for the current reporting period.

The adoption of all the new and revised Standards and Interpretations has not resulted in any changes to the Group's accounting policies and has no effect on the amounts reports for the current or prior periods.

c) Functional and presentation currency

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

d) New and amended standards adopted by the Group

None of the new standards and amendments to standards that are mandatory for the first time for the financial year beginning 1 July 2013 affected any of the amounts recognised in the current period or any prior period. Those new standards adopted by the Group during the 2014 financial year are as follows:

- AASB 10 - establishes the principles for the presentation and preparation of consolidated financial statements when an entity controls one or more other entities. This standard replaces AASB 127 *Consolidated and Separate Financial Statements* and Interpretation 112 *Consolidation – Special Purpose Entities*. This standard fundamentally changes the way control is defined for the purpose of identifying those entities to be included in the consolidated financial statements. Applies to annual reporting periods beginning on or after 1 January 2013.
- AASB 11 - includes requirements for the entity that is a party to a joint arrangement in which it is involved by assessing its rights and obligations and account for those rights and obligations in accordance with the type of joint arrangement. This standard replaces AASB 131 *Interest in Joint Ventures*. This standard changes the way that joint arrangements are considered and accounted for. Applies to annual reporting periods beginning on or after 1 January 2013.

Notes to the Financial Statements

For the year ended 30 June 2014

- AASB 12 – sets new minimum disclosure requirements for interests in subsidiaries, joint arrangements, associates and unconsolidated structured entities. This standard replaces the disclosure requirements in AASB 127 *Consolidated and Separate Financial Statements* and AASB 128 *Investments in Associates and Joint Ventures*. Applies to annual reporting periods beginning on or after 1 January 2013.
- AASB 127 (August 2011) carried forward the existing accounting and disclosure requirements for separate financial statements with some minor classifications. This standard replaces the disclosure requirements in AASB 127 *Consolidated and Separate Financial Statements* (July 2011). Applies to annual reporting periods beginning on or after 1 January 2013.
- AASB 128 *Investments in Associates and Joint Ventures* (August 2011) provide clarification to the accounting for investment in an associate and investment in a joint venture. This standard replaces AASB 128 *Investments in Associates* (July 2011). Applies to annual reporting periods beginning on or after 1 January 2013.

e) Early adoption of standards

The Group has not elected to apply any pronouncements before their operative date in the annual reporting period beginning 1 July 2013.

3. Significant Accounting Policies

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

a) Basis of consolidation

A controlled entity is any entity over which Coral Sea Petroleum Ltd has the power to govern the financial and operating policies so as to obtain benefits from its activities. In assessing the power to govern, the existence and effect of holdings of actual and potential voting rights are considered.

A list of controlled entities is contained in Note 19(e).

As at reporting date, the assets and liabilities of all controlled entities have been incorporated into the financial report as well as their results for the period then ended (refer business combination Note 3(b)).

All inter-group balances and transactions between entities in the consolidated group, including any unrealised profits or losses, have been eliminated on consolidation.

b) Business combination

When Coral Sea Petroleum Ltd (the legal parent) acquired the Indo Pacific Energy Pty Ltd group (being Indo Pacific Energy Pty Ltd and its controlled entity Coral Sea Petroleum (PNG) Ltd) (the legal subsidiary) in August 2012, the reorganisation was accounted for using the principles of reverse acquisition accounting in AASB 3 *Business Combinations* since the substance of the transaction is that the existing shareholders of Indo Pacific Energy Pty Ltd have effectively acquired Coral Sea Petroleum Ltd. Under reverse acquisition accounting, the consolidated financial statements are prepared as if Indo Pacific Energy Pty Ltd had acquired Coral Sea Petroleum Ltd, not vice versa as represented by the legal position.

The acquisition cost of the business is deemed to have been incurred by the legal subsidiary (the acquirer for accounting purposes) in the form of equity instruments issued to owners of the legal parent (the acquiree for accounting purposes). However due to the fact that the fair value of the equity instruments of the legal subsidiary (Indo Pacific Energy Pty Ltd) was not clearly evident at the date at which the control was passed, the alternative method (per AASB 3, paragraph B20), where the cost of the business combination was determined as the total fair value of all the issued equity instruments of the legal parent (Coral Sea Petroleum Ltd) immediately prior to the business combination was used.

As a consequence:

- An exercise was performed to fair value the assets and liabilities of the legal acquirer, Coral Sea Petroleum Ltd;

Notes to the Financial Statements

For the year ended 30 June 2014

- The cost of investment held by the legal parent (Coral Sea Petroleum Ltd) in the legal subsidiary (Indo Pacific Energy Pty Ltd) was reversed on consolidation and the cost of the reverse acquisition was eliminated on consolidation against the consolidated equity and reserves of Coral Sea Petroleum Ltd and its consolidated entities at the date when control is passed. The effect of this was to restate the consolidated equity and reserves balances to reflect those of Indo Pacific Energy Pty Ltd at the date of acquisition; and
- The amount recognised as issued equity instruments was determined by adding to the issued equity of the legal subsidiary immediately before the business combination, the cost of the combination.

c) Foreign currency translation and balances

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

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

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.

For the purpose of presenting consolidated financial statements, the assets and liabilities of the Group's foreign operations are translated into Australian dollars using exchange rates prevailing at the end of the reporting period. Income and expense items are translated at the average exchange rates for the period, unless exchange rates fluctuated significantly during that period, in which case the exchange rates at the dates of the transactions are used. Exchange differences arising, if any, are recognised in other comprehensive income and accumulated in equity (attributed to non-controlling interests as appropriate)

d) Income tax

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

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

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

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

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

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

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

(i) the same taxable entity; or

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

Notes to the Financial Statements

For the year ended 30 June 2014

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

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

e) Other taxes

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

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

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

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

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

f) Financial assets

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

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

At 30 June 2014, the Group has financial assets in the FVTPL and 'loans and receivables' categories.

(i) Effective interest method

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

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

(ii) Financial assets at FVTPL

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

A financial asset is classified as held for trading if:

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

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

- Such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise; or

Notes to the Financial Statements

For the year ended 30 June 2014

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

Financial assets at FVTPL are stated at fair value, with any gains or losses arising on remeasurement recognised in profit or loss. The net gain or loss recognised in profit or loss incorporate any dividend or interest earned on the financial asset and is included in the 'other gains and losses' line item in the statement of comprehensive income. Fair value is determined in the manner described in note 18(h).

(iii) Loans and receivables

Trade receivables, loans and other receivables that have fixed or determinable payments that are not quoted in an active market are classified as 'loans and receivables'. Loans and receivables are measured at amortised cost using the effective interest method, less any impairment. Interest income is recognised by applying the effective interest rate, except for short-term receivables when the recognition of interest would be immaterial.

(iv) Impairment of financial assets

Financial assets, other than those at FVTPL, are assessed for indicators of impairment at the end of each reporting period. Financial assets are considered to be impaired when there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the investment have been affected.

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

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

The carrying amount of financial assets is reduced by the impairment loss directly for all financial assets with the exception of trade receivables, where the carrying amount is reduced through the use of an allowance account. When a trade receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against the allowance account. Changes in the carrying amount of the allowance account are recognised in profit or loss.

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

With the exception of AFS equity instruments, if, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent that the carrying amount of the investment at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

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

Notes to the Financial Statements

For the year ended 30 June 2014

(v) De-recognition of financial assets

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

g) Provisions

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

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

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

h) 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 statement of financial position.

i) Revenue recognition

(i) Interest Revenue

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

(ii) Dividend

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

j) Trade and other payables

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

k) Contributed equity

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

Notes to the Financial Statements

For the year ended 30 June 2014

l) Earnings per share

(i) Basic earnings per share

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

(ii) Diluted earnings per share

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

m) Plant and equipment

Plant and equipment are stated at cost less accumulated depreciation and accumulated impairment losses.

Depreciation is recognised so as to write off the cost or valuation of assets less their residual values over their useful lives, using the straight-line method. The estimated useful lives, residual values and depreciation method are reviewed at the end of each year end, with the effect of any changes in estimate accounted for on a prospective basis. Depreciation rates and methods shall be reviewed at least annually and, where changed, shall be accounted for as a change in accounting estimate. Where depreciation rates or methods are changed, the net written down value of the asset is depreciated from the date of the change in accordance with the new depreciation rate or method. Depreciation recognised in prior financial years shall not be changed, that is, the change in depreciation rate or method shall be accounted for on a “prospective” basis.

The annual depreciation rates used for each class of assets are as follows:

Plant and equipment 33%

The gain or loss arising on the disposal or retirement of an item of plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss.

n) Exploration, evaluation and development expenditure

Exploration, evaluation and development expenditure incurred is accumulated in respect of each identifiable area of interest. These costs are only carried forward to the extent that they are expected to be recouped through successful development on the area or where activities in the area have not yet reached a stage which permits reasonable assessment of the existence of economically recoverable reserve.

Accumulated costs in relation to an abandoned area are written off in full against the statement of comprehensive income in the year in which the decision to abandon the area is made.

A regular review is undertaken of each area of interest to determine the appropriateness of continuing to carry forward costs in relation to that area of interest.

o) Comparative figures

When required by the Accounting Standards, comparative figures have been adjusted to conform to changes in presentation for year.

p) Critical accounting estimates and judgements

In the application of the Group’s accounting policies, management is required to make judgements, estimates and assumptions about carrying values of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements. Actual results may differ from these estimates.

Notes to the Financial Statements

For the year ended 30 June 2014

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.

The following are the critical judgments including those involving estimations, that management has made in the process of applying the Group's accounting policies and that have the most significant effect on the amounts recognised in the financial report:

i. The Group has capitalised significant exploration and evaluation expenditure on the basis either that this is expected to be recouped through future successful development or alternatively sale of the areas of interest. If ultimately the areas of interest are abandoned or are not successfully commercialised, the carrying value of the capitalised exploration and evaluation expenditure would need to be written down to its recoverable amount;

ii. The Group has recorded an impairment provision in the accounts as a result of the uncertainty surrounding the veracity of the exploration licences held by CSP (PNG) and their commitments. Once confirmation has been received from the PNG Department of Petroleum and Energy as to the standing of the licences, directors may consider reversing the impairment provision, thereby re-instating the exploration expenditure as an asset on the statement of financial position; and

iii. The Group has carried forward tax losses which have not been recognised as deferred tax assets because it is not considered sufficiently probable at this point in time, that these losses will be recouped by means of future profits taxable in the relevant jurisdictions.

q) Going concern

The consolidated financial statements have been prepared on a going concern basis which contemplates the continuity of normal business activities and the realisation of assets and the settlement of liabilities in the normal course of business.

The Group has incurred a net loss after tax for the year ended 30 June 2014 of $3,298,274 (30 June 2013: $1,210,035), and a net cash outflow from operations of $609,808 (30 June 2013: $1,360,236). As at 30 June 2014 the Group had net current liabilities of $497,900 (2013: net current assets $501,219) and negative net equity of $497,900 (2013: positive net equity $2,495,695).

The Group's ability to continue as a going concern and pay its debts as and when they fall due is dependent upon the following:

- the Group raising additional capital via any means available to it inclusive of, but not limited to, placements, option conversions, rights issues, or joint venture arrangement in a timely manner in order to fund the ongoing exploration and operation activities of the Group;
- the Group seeking approval to vary exploration activity commitments in certain tenements if sufficient funds are not raised;
- the Group selling certain tenements in Papua New Guinea if sufficient funds are not raised;
- the non-executive and executive Directors not invoicing any payments for their fees if the Group is not in a position to pay these fees; and
- the accounting and company secretarial fees not being invoiced if the Group is not in a position to pay these fees.

Notes to the Financial Statements

For the year ended 30 June 2014

The Directors have reviewed the business outlook and cash flow forecasts after taking into account the above matters and are of the opinion that the use of the going concern basis of accounting is appropriate as the Directors believe the Group will achieve the matters set out above and be able to pay its debts as and when they fall due.

The financial statements are normally prepared on the assumption that the Group is a going concern and will continue in operation for the foreseeable future. Hence, it is assumed that the Group has neither the intention nor the need to liquidate or curtail materially the scale of its operations; if such an intention or need exists, the financial statements may have to be prepared on a different basis and, if so, the basis used will be disclosed.

r) New standards and interpretation not yet adopted

The Company has adopted all of the new and revised standards and interpretations issued by the Australian Accounting Standards Board (the AASB) that are relevant to its operations and effective for the current reporting period.

The adoption of all the new and revised standards and interpretations has not resulted in any changes to the Company's accounting policies and has no effect on the amounts reported for the current or prior periods. The new and revised accounting standards and interpretations have not had a material impact and not resulted in changes to the Company's presentation of, or disclosure in its financial statements.

Accounting standards that have been issued, but are not yet effective include the following that may be relevant to the Group:

- AASB 9 *Financial Instruments* was published in December 2009. The 2009 version of AASB 9 introduces requirements for the classification, measurement and derecognition of financial assets. Requirements for financial liabilities were later added to AASB 9 (December 2009). Most of the requirements for financial liabilities were carried forward unchanged from AASB 139. However, some changes were made to the fair value option for financial liabilities to address the issue of own credit risk. In December 2013, a revised AASB 9 was published which includes the requirements for general hedge accounting. AASB 9 (December 2013) applies to annual reporting periods beginning on or after 1 January 2017. However, the effective date is expected to be amended to 1 January 2018 to align with IFRS 9.
- AASB 2010-7 - Amendments to Australian Accounting Standards arising from AASB 9 (December 2010). Annual reporting periods beginning on or after 1 January 2017.
- AASB 2103-7 – Amendments to AASB 1038 arising from AASB 10 in relation to consolidation and interests of policyholders [AASB 1038]. Annual reporting periods beginning on or after 1 January 2014.
- AASB 2013-9 – Amendments to Australian Accounting Standards – Conceptual Framework, Materiality and Financial Instruments. Operative dates: Part A Conceptual Framework – annual reporting periods beginning on or after 20 December 2013. Part B Materiality – annual reporting periods beginning on or after 1 January 2014. Part C Financial Instruments – annual reporting periods beginning on or after 1 January 2015.
- AASB 2014-1 – Amendments to Australian Accounting Standards. Annual reporting periods beginning on or after 1 July 2014.

4. Segment Information

AASB 8 requires operating segments to be identified on the basis of internal reports about components of the Company that are regularly reviewed by the chief operating decision maker in order to allocate resources to the segment and to assess its performance.

The Group engages in two businesses being exploration and development of oil and gas licences and investment management, activities from which it incurs costs. The major results of the Group are from the exploration and development of oil and gas licences, the investment management business is immaterial and consequently the results of the Group are analysed as a whole by the chief operating decision maker.

Notes to the Financial Statements

For the year ended 30 June 2014

5. Other Income

	2014	2013
	$	$
Interest income	2,213	28,016
Dividends received	668	495
	2,881	28,511

6. Income Tax Expenses

(a) Income tax expense

The components of income tax expense / (benefit) comprise:		
Current tax	-	-
Deferred tax	-	-
	-	-

(b) Reconciliation of income tax expense / (benefit) to prima facie tax payable on accounting profit / (loss)

Accounting loss before tax	(3,298,274)	(1,210,035)
Australian prima facie tax benefit on loss at 30% (2013: 30%)	(158,121)	(602,568)
Papua New Guinea prima facie tax benefit on loss at 30% (2013: 45%)	(804,816)	(186,750)
Effect of expenses that are not deductible in determining taxable profit	2,323	15,784
Foreign currency translation reserve	16,404	-
Tax losses not utilised	-	-
Tax losses foregone	-	135,693
Tax losses not brought to account	944,210	637,841
Income tax expenses	-	-

(c) Deferred tax assets and liabilities not brought to account

The directors estimate that the potential deferred tax assets and liabilities carried forward but not brought to account as year end at the Australian corporate tax rate of 30% are made up as follows:

On income tax account:		
Carried forward tax losses	6,885,252	6,509,240
Deductible temporary differences	1,314,670	376,012
	8,199,922	6,885,252

Notes to the Financial Statements

For the year ended 30 June 2014

6. Income Tax Expenses (continued)

During the year a taxation review was undertaken, whereby it was determined that losses prior to the reverse takeover of Indo Pacific Energy Pty Ltd (refer Note 16) are able to be carried forward by the Group. Previously a conservative approach had been taken whereby these tax losses were not recorded.

The Company estimates the Group has accumulated income tax losses of $22,950,840 (2013: $3,219,373). The benefit of these losses and timing difference will only be obtained if:

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

7. Cash and Cash Equivalents

	2014	2013
	$	$
Cash and cash equivalents	23,403	778,738

(a) Reconciliation to cash at the end of the year

Balance as per above	23,403	778,738
Balance per statement of cash flows	23,403	778,738

(b) Reconciliation of loss after income tax to net cash flows used in operations

Operating loss after income tax	(3,298,274)	(1,210,035)
Adjustments for non-cash items		
Depreciation on plant and equipment	275	160
(Net unrealised gain)/impairment of assets held for re-sale	(31,689)	10,686
Gain from a bargain purchase	-	(148,805)
Provision for exploration expenditure	2,209,336	-
Changes in assets and liabilities		
Trade and other receivables	18,426	(71,578)
Trade and other payables	472,323	(13,099)
Accrued expenses	8,463	25,812
Foreign exchange movement (affect on operating loss)	11,332	3,635
Refund of share applications oversubscribed in Coral Sea Petroleum Ltd	-	(23,382)
Interest – Coral Sea Petroleum Ltd (prior to acquisition)	-	66,370
Net cash used in operating activities	(609,808)	(1,360,236)

Notes to the Financial Statements

For the year ended 30 June 2014

8. Trade and Other Receivables

	2014	2013
	$	$
Sundry debtors	-	2,166
Interest receivable	-	4,821
Option application monies received	20,000	-
Rental bond	50,000	50,000
GST receivables	14,848	11,179
Total trade and other receivables	84,848	68,166

(a) Trade receivables past due but not impaired

There were no trade receivables past due but not impaired.

(b) Fair value and credit risk

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

9. Prepayments

	2014	2013
	$	$
Prepayment	-	15,110
Prepayment of exploration licences (refer Note 11)	159,708	-
	159,708	15,110

10. Financial Assets (Current)

Listed shares at fair value	71,447	39,758

11. Exploration Expenditure

Capitalised exploration expenditure	-	1,994,201

Movement in carrying values

Capitalised exploration expenditure		
Carrying value at the beginning of the year	1,994,201	1,002,716
Additions	320,155	991,485
Reclassified – prepayment of exploration licences	(159,708)	-
Impairment provision recorded against exploration expenditure	(2,154,648)	-
Carrying value at end of Year	-	1,994,201

An impairment provision has been made against exploration expenditure given the uncertainty surrounding the veracity of the exploration licences (refer Note 21).

Refer to note 3(p) for significant judgements and estimates made in relation to the recoverability of capitalised exploration expenditure.

Notes to the Financial Statements

For the year ended 30 June 2014

12. Trade and Other Payables

	2014	2013
	$	$
Trade payables	644,772	172,449
Trade payables – exploration expenditure	133,180	182,755
Accrued expenses	38,854	30,391
Loans payable	500	500
Loans payable – related parties	-	14,458
Share application liability	20,000	-
Total trade and other payables	837,306	400,553

Trade payables are non-interest bearing and are predominantly settled on 30-day terms.

Loans payable to related parties are unsecured without interest and repayable on demand.

13. Issued Capital

	2014 No.	2014 $	2013 No.	2013 $
Fully paid ordinary shares	120,358,409	4,064,025	117,340,987	3,777,040

During the year ended 30 June 2014, the following movements of ordinary shares were noted:

	Number of shares	$
Balance as at 1 July 2013	117,340,987	3,777,040
Exercise of options	17,422	3,485
The Issue of 3,000,000 ordinary shares at $0.10 per share	3,000,000	300,000
Capital raising costs	-	(16,500)
	120,358,409	4,064,025

Ordinary shares

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

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

Notes to the Financial Statements

For the year ended 30 June 2014

14. Reserves

	2014	2013
	$	$
Option Premium Reserve		
Opening balance as at 1 July 2013 / 2012	115,069	-
The issue of 28,767,165 options at 0.4 cents under a Prospectus	-	115,069
Expiry of options	(115,069)	-
Closing balance as at 30 June 2014 / 2013	-	115,069
Foreign Currency Translation Reserve		
Opening balance as at 1 July 2013 / 2012	167,144	81,002
Foreign exchange movement	17,694	86,142
Closing balance as a 30 June 2014 / 2013	184,838	167,144
Total Reserves	184,838	282,213

Nature and Purposes of Reserves

(i) Option Premium Reserve

The option premium reserve records the issue of share options for cash.

(ii) Foreign Currency Translation Reserve

The foreign currency translation reserve records the exchange difference resulting from the translation of the CSP (PNG) accounts from United States Dollars (2014 financial year) and Papua New Guinea Kina (2013 financial year) to Australian Dollars.

15. Earnings Per Share

	2014	2013
Net loss attributable to the ordinary equity holders of the Company ($)	(3,298,274)	(1,210,035)
Weighted average number of ordinary shares for basis per share	118,415,635	106,410,614
Continuing operations		
- Basic and diluted loss (cents per share)	(2.79)	(1.14)

The effect of options has been excluded from the calculation of the diluted EPS on the basis that this would indicate a better EPS resulting from dividing the loss by a larger number of securities.

Notes to the Financial Statements

For the year ended 30 June 2014

16. Business Combination

On 3 August 2012, Coral Sea Petroleum Ltd acquired 100% of the issued capital of Indo Pacific Energy Pty Ltd. When Coral Sea Petroleum Ltd (the legal parent) acquired Indo Pacific Energy Pty Ltd and its controlled entity Coral Sea Petroleum (PNG) Ltd (the legal subsidiary), the acquisition was accounted for using the principles of reverse acquisition accounting under AASB 3 *Business Combinations* since the substance of the transaction is that the existing shareholders of Indo Pacific Energy Pty Ltd have effectively obtained control of Coral Sea Petroleum Ltd. Accordingly Indo Pacific Energy Pty Ltd is the accounting acquirer, and Coral Sea Petroleum Ltd is the accounting acquiree.

Under the principles of reverse acquisition accounting, the consolidated financial report is issued under the name of the legal parent (Coral Sea Petroleum Ltd) but are a continuation of the consolidated financial statements of the legal subsidiary (Indo Pacific Energy Pty Ltd and Coral Sea Petroleum (PNG) Ltd), with the assets and liabilities of the legal subsidiaries being recognised and measured at their pre-combination carrying amounts rather than their fair values. Under the reverse acquisition accounting and for the purpose of preparing the financial information below, no value has been attributed to Indo Pacific Energy Pty Ltd.

The basis of the merger was that Indo Pacific Energy Pty Ltd shareholders would receive 247,748 Coral Sea Petroleum Ltd shares for every Indo Pacific Energy Pty Ltd share owned by them, resulting in the issue of 55 million shares in Coral Sea Petroleum Ltd.

In relation to the successful acquisition of Indo Pacific Energy Pty Ltd, a brokering fee became payable and was approved by shareholders at the general meeting held on 15 May 2012. This fee was payable in the form of 375,000 fully paid ordinary shares in the Company.

The Group recognised the fair values of identifiable assets and liabilities of Coral Sea Petroleum Ltd based on the information available as at the date of acquisition as follows:

	Recognised on acquisition $
Cash and cash equivalents	2,894,754
Sundry debtors and prepayments	219,238
Financial asset (current asset)	50,444
Intercompany loans	1,229,817
	4,394,253
Trade creditors	27,297
Share application account	2,141,324
	2,168,621
Fair value of identifiable net assets	2,225,632
Gain from a bargain purchase	(148,805)
	2,076,827
Cost of the combination:	
Fair value of issued equity instruments of acquiree before business combination	2,076,827
Total cost of the combination	2,076,827

The acquisition cost of the business is deemed to have been incurred by the legal subsidiary (the acquirer for accounting purposes) in the form of equity instruments issued to owners of the legal parent (the acquiree for accounting purposes). However due to the fact that the fair value of the equity instruments of the legal subsidiary (Indo Pacific Energy Pty Ltd) was not clearly evident at the date at which the control was passed, the alternative method (per AASB 3, paragraph B20), where the cost of the business combination was determined as the total fair value of all the issued equity instruments of the legal parent (Coral Sea Petroleum Ltd) issued at acquisition date.

Notes to the Financial Statements

For the year ended 30 June 2014

16. Business Combination (continued)

In the prior year, acquisition costs of $371,818 were incurred as part of this business combination. $315,006 has been included in capital raising costs on the consolidated statement of financial position and $56,812 in consultancy and other professional fees.

In the prior year, the gain from a bargain purchase of $148,805 resulting from the acquisition was due to the actual fair value of issued equity instruments of the acquiree at the date of business combination being slightly lower than the estimated fair value of issued equity instruments of the acquiree when the acquisition was negotiated.

17. Financial Risk Management

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

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

The non-interest bearing financial assets and liabilities of the Group in the table below are due or payable within 30 days. The financial investments are held for trading and are realised at the discretion of the Board of Directors. These financial investments were realised on 6 August 2014. The Company received $85,202 (net of brokerage fees) from the sale.

2014	Weighted Average Interest Rate %	<6 months $	>6 - 12 months $	> 12 months $	Total Contractual Cash Flows $	Carrying Amount $
Financial assets						
Cash	2%	23,403	-	-	23,403	23,403
Non-interest bearing	-	84,848	-	-	84,848	84,848
Financial investments	-	71,447	-	-	71,447	71,447
		179,698	-	-	179,698	179,698
Financial liabilities						
Non-interest bearing	-	837,307	-	-	837,307	837,307
		837,307	-	-	837,307	837,307

2013	Weighted Average Interest Rate %	<6 months $	>6 - 12 months $	> 12 months $	Total Contractual Cash Flows $	Carrying Amount $
Financial assets						
Cash	3.6%	778,738	-	-	778,738	778,738
Non-interest bearing	-	83,276	-	-	83,276	83,276
Financial investments	-	39,758			39,758	39,758
		901,772	-	-	901,772	901,772
Financial liabilities						
Non-interest bearing	-	400,553	-	-	400,553	400,553
		400,553	-	-	400,553	400,553

Notes to the Financial Statements

For the year ended 30 June 2014

17. Financial Risk Management (continued)

(a) Capital risk management

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

(b) Financial risk management objectives and policies

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

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

(c) Credit risk management

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

The Company loaned an additional $200,000 to IPE during the year ended 30 June 2013 prior to its acquisition in August 2012. The Company completed the acquisition of IPE and its 100% owned subsidiary CSP (PNG) on 3 August 2012 and accordingly these loans are now loaned by 100% owned subsidiary companies.

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

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

	2014	**2013**
	$	$
Cash and cash equivalents	23,403	778,738
Receivables	64,848	83,276

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

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

Notes to the Financial Statements

For the year ended 30 June 2014

17. Financial Risk Management (continued)

(d) Foreign currency risk

The Group is exposed to foreign currency risk on the following:
- listed shares in Avation PLC. The shares are listed on the London Stock Exchange;
- transactions carried out in Papua New Guinea in the local currency, Kina;
- recording of CSP (PNG) financial accounts in USD from 1 July 2013 onwards; and
- translation of the CSP (PNG) financial accounts on consolidation.

The Group has not entered into any forward exchange contracts as at balance date and is currently fully exposed to foreign exchange risk.

Based on the above, the Group is exposed to GBP and Papua New Guinea Kina foreign currency risk. The Group's exposure to foreign currency risk for years 2014 and 2013 was as follows:

2014	**Kina**	**GBP**	**AUD**
Current:			
Cash and cash equivalents	1,664	-	-
Financial assets (current)	-	39,660	-
Receivables	-	-	-
Payables	2,500	-	-

2013	**Kina**	**GBP**	**AUD**
Current:			
Cash and cash equivalents	9,086	-	4,477
Financial assets (current)	-	24,141	39,758
Receivables	-	-	-
Payables	563,270	-	277,541

(e) Equity price risk exposure

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

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

The Group did not have exposure to material equity price risk as the Group has disposed most of the investments.

(f) Liquidity risk management

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

Liquidity risk is the risk that the Group will encounter difficulty in meeting obligations associated with financial liabilities. The Group has no borrowings.

Notes to the Financial Statements

For the year ended 30 June 2014

17. Financial Risk Management (continued)

(g) Interest rate risk exposure

Interest rate risk is the risk that the value of a financial instrument will fluctuate due to changes in market interest rates. The Group is exposed to interest rate risk as it invests funds at floating interest rates. The entity has no borrowings. The weighted average interest rates are 2.0% for the Company (2013: 3.6%).

	2014	2013
	$	$
Interest bearing financial instruments:		
Cash and cash equivalents	23,403	778,738
Effective interest rate	2.0%	3.6%
Weighted average effective interest rate	2.0%	3.6%

(h) Fair value

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

	2014		2013	
	Carrying amount	Fair value	Carrying amount	Fair value
	$	$	$	$
Assets carried at fair value				
Financial assets held for trading	71,447	71,447	39,758	39,758
Cash and cash equivalents	23,403	23,403	778,738	778,738
Assets carried at amortised cost				
Loans and receivables	64,848	64,848	83,276	83,276
Liabilities carried at amortised cost				
Payables	837,307	837,307	400,553	400,553

Fair value hierarchy

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

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

Notes to the Financial Statements

For the year ended 30 June 2014

17. Financial Risk Management (continued)

2014	**Level 1**	**Level 2**	**Level 3**	**Total**
	$	$	$	$
Financial assets	71,447	-	-	-

2013	**Level 1**	**Level 2**	**Level 3**	**Total**
	$	$	$	$
Financial assets	39,758	-	-	39,758

There were no transfers among levels during the year.

(i) Sensitivity analysis

The Group has performed sensitivity analyses on its exposure to foreign exchange risk on balances as at balance date.

The analysis demonstrates the effect on current year results and equity that would result from a 10% movement in the United States Dollar / Australian Dollar exchange rate (2013: Papua New Guinea Kina / Australian Dollar). Directors believe that a 10% movement for the 2014 financial year sensitivity gives a reasonable reflection of the possible movement in United States Dollar / Australian Dollar exchange rates in light of current economic conditions.

Since the Group has disposed of most of its investments and has no borrowings, exposure to equity price risk and interest rate risk is immaterial in terms of the possible impact on the statement of comprehensive income and total equity. It has therefore not been included in the sensitivity analysis.

Foreign exchange rate risk		**2014**	**2013**
Change in loss		$	$
Increase USD / AUD rate by 10% (2013 Kina / AUD: 5%)		6,495	(19,472)
Decrease USD / AUD rate by 10% (2013 Kina / AUD: 5%)		(7,938)	19,472
Change in other comprehensive income			
Increase USD / AUD rate by 10% (2013 Kina / AUD: 5%) – reduction in loss		(62)	86,057
Decrease USD / AUD rate by 10% (2013 Kina / AUD: 5%) – increase in loss		76	(86,057)

18. Share-Based Payments

No share-based payment arrangements were entered into in either the years ended 30 June 2014 or 30 June 2013.

19. Related Party Disclosure

(a) Key management personnel

Disclosures relating to Directors and executives are set out in Note 20.

(b) Transactions and balances with related parties

Disclosures relating to transactions and balances with related parties are set out in Note 20.

(c) Equity Interests in related parties

Details of the percentage of ordinary shares held by Directors or their related entities are disclosed in Note 20 to the financial statements.

Notes to the Financial Statements

For the year ended 30 June 2014

19. Related Party Disclosure (continued)

(d) Loans to related parties

Refer to Note 12.

(e) Subsidiaries

The consolidated financial report includes the financial information of Coral Sea Petroleum Ltd and the subsidiaries listed in the following table:

Name	Country of incorporation and operation	Principal activity	Equity interest		Investment	
			2014 %	2013 %	2014 $	2013 $
Indo Pacific Energy Pty Ltd	Australia	Holding company	100	100	2,076,827	2,076,827
Coral Sea Petroleum (PNG) Ltd	Papua New Guinea	Oil and gas exploration	100	100	1	1

20. Key Management Personnel Disclosures

(a) Key management personnel

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

(i) Directors

Chris Haiveta [1]	Non-Executive Chairman
Domenic Martino	Managing Director
Julian Sandt	Non-Executive Director
Alvin Tan	Non-Executive Director
Joseph Goldberg	Non-Executive Director

The following persons were additional directors of Coral Sea Petroleum Ltd during the 2013 financial year:

Clive McKee [2]	Chairman
Richard Lambe	Finance Director [2] and Company Secretary [3]

[1] Resigned on 14 February 2014
[2] Resigned on 3 August 2012
[3] Resigned on 8 August 2012

No other key management personnel were noted for the years ended 30 June 2014 and 2013.

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

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

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

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

Notes to the Financial Statements
For the year ended 30 June 2014

20. Key Management Personnel Disclosures (continued)

2014	Short-Term				Post employment			Long-term	Share-based payments	TOTAL	Total performance related
	Salary fees *	Cash bonus	Non-monetary	Other	Super-annuation	Retirement benefits	Termination benefits	Incentive plans	Options		
	$	$	$	$	$	$	$	$	$	$	%
Directors											
Mr Haiveta[2]	60,000	-	-	-	-	-	-	-	-	60,000	-
Mr Martino	120,000	-	-	-	11,100	-	-	-	-	131,000	-
Mr Goldberg	120,000	-	-	-	-	-	-	-	-	120,000	-
Mr Sandt	36,000	-	-	-	-	-	-	-	-	36,000	-
Mr Tan	36,000	-	-	-	-	-	-	-	-	36,000	-
Sub-total	372,000	-	-	-	11,100	-	-	-	-	383,100	-
Other key management personal											
None	-	-	-	-	-	-	-	-	-	-	-
Sub-total	-	-	-	-	-	-	-	-	-	-	-
Total	372,000	-	-	-	11,100	-	-	-	-	383,100	-

2013	Short-Term				Post employment			Long-term	Share-based payments	TOTAL	Total performance related
	Salary fees *	Cash bonus	Non-monetary	Other	Super-annuation	Retirement benefits	Termination benefits	Incentive plans	Options		
	$	$	$	$	$	$	$	$	$	$	%
Directors											
Mr Haiveta[2]	100,000	-	-	-	-	-	-	-	-	100,000	-
Mr Martino[2]	110,000	-	-	-	9,900	-	-	-	-	119,900	-
Mr Sandt	37,273	-	-	-	-	-	-	-	-	37,273	-
Mr Tan	36,000	-	-	-	-	-	-	-	-	36,000	-
Mr Goldberg[2]	110,000	-	-	-	-	-	-	-	-	110,000	-
Mr McKee[3]	4,000	-	-	-	-	-	-	-	-	4,000	-
Mr Lambe[3]	6,000	-	-	15,049[1]	-	-	-	-	-	21,049	-
Sub-total	403,273	-	-	15,049	9,900	-	-	-	-	428,222	-
Other key management personal											
None	-	-	-	-	-	-	-	-	-	-	-
Sub-total	-	-	-	-	-	-	-	-	-	-	-
Total	403,273	-	-	15,049	9,900	-	-	-	-	428,222	-

[1] Fee for Company Secretarial and services related to notice of meeting and Prospectus.

[2] Messers Haiveta, Martino and Goldberg were appointed on 3 August 2012. Mr Haiveta resigned on 14 February 2014.

[3] Messers McKee and Lambe resigned on 3 August 2012.

* All directors' fees were paid to the Directors' related entities, except for Mr Martino.

Notes to the Financial Statements

For the year ended 30 June 2014

20. Key Management Personnel Disclosures (continued)

	2014	2013
	$	$
Short-term employee benefit	372,000	418,322
Post employment benefit	11,100	9,900
Termination benefits	-	-
Other long-term benefits	-	-
Share-based payments	-	-
	383,100	428,222

(b) Equity instruments disclosures relating to key management personnel

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

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

(ii) Shares issued on exercise of compensation options

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

(iii) Option holdings

Details of options held directly, indirectly or beneficially by key management personnel and their related parties during the year ended 30 June 2014 are as follows:

Company Directors and Related Parties		Opening Balance $	Granted as Remuneration $	Options Acquired $	Net Change Other[1] $	Closing Balance $	Total Vested and Exercisable as at Year End $	Unvested as at Year End $
Mr Haiveta[2]	**2014**	-	-	-	-	**-**	**-**	-
	2013	-	-	-	-	-	-	-
Mr Martino	**2014**	-	-	-	-	-	-	-
	2013	-	-	-	-	-	-	-
Mr Sandt	**2014**	**250,000**	-	-	(250,000)	**-**	**-**	-
	2013	**-**	-	250,000	-	**250,000**	**250,000**	-
Mr Tan	**2014**	**437,500**	-	-	(437,500)	**-**	-	-
	2013	**-**	-	437,500	-	**437,500**	**437,500**	-
Mr Goldberg	**2014**	-	-	-	-	-	-	-
	2013	-	-	-	-	-	-	-

[1] During the financial year, these options have lapsed.
[2] Resigned on 14 February 2014.

On 29 August 2014 the Company resumed its adjourned General Meeting and shareholders approved a fully underwritten Option Placement of 30 million options to be issued at 5 cents each, exercisable 18 months after the date of issue and with an exercise price of 20 cents per option. This will raise $1.5 million in working capital. Directors will not be granted options under the Option Placement. Mr Martino's son's company, Minimum Risk Pty Ltd has fully underwritten the Option Placement and may take options in its capacity as underwriter, should the Option Placement not be fully subscribed. In addition, Minimum Risk Pty Ltd will receive 1 million options at a nil issue price, but otherwise on the same terms as the Option Placement as part consideration for the underwriting.

Notes to the Financial Statements

For the year ended 30 June 2014

20. Key Management Personnel Disclosures (continued)

(iv) Shareholdings

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

Company Directors and Associated Entities		Opening Balance $	Received During Year on Exercise of Options $	Net Change Other $	Closing Balance $
Mr Haiveta [2]	**2014**	**11,250,000**	**-**	-	**11,250,000**[2]
	2013	-	**-**	11,250,000	11,250,000
Mr Martino	**2014**	**11,250,000**	**-**	-	**11,250,000**
	2013	-	**-**	11,250,000	11,250,000
Mr Sandt	**2014**	**1,694,637**	**-**	-	**1,694,637**
	2013	6,778,546	**-**	(5,083,909)	1,694,637
Mr Tan	**2014**	**423,190**	**-**	**-**	**423,190**
	2013	1,692,762	-	(1,269,570)	423,190
Mr Goldberg	**2014**	**11,250,000**	**-**	-	**11,250,000**
	2013	-	**-**	11,250,000	11,250,000
Mr McKee [1]	**2014**	**n/a**	**n/a**	n/a	**n/a**
	2013	770,378	**-**	-	770,378[1]
Mr Lambe [1]	**2014**	n/a	**n/a**	n/a	n/a
	2013	-	**-**	-	-[1]

[1] Messers Mckee and Lambe resigned on 3 August 2012. Their shareholding for the 2013 financial year is the number held as at that date.

[2] Mr Haiveta resigned on 14 February 2014. His shareholding for the 2014 financial year is the number held as at that date.

(c) Material contracts

On 20 August 2013 the Company entered in to an Underwriting Agreement with Minimum Risk Pty Ltd (as amended), a company owned by Domenic Martino's son. The underwriting fee comprises 5% of $1.5 million (being the amount sought under the option placement totalling $75,000) plus the issue of 1 million options to Minimum Risk Pty Ltd (on the same terms as the options issued under the option placement, except that no payment is to be made by Minimum Risk Pty Ltd). The Underwriting Agreement is on arm's length terms.

(d) Loans to Directors

There were no loans made to the Directors of the Company, including their related parties during the financial year (2013: $14,458).

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

The Company has paid $134,766 inclusive of GST during the year for company secretarial, accounting, office rental and administration services to Transaction Services Pty Ltd, since it became a related party of Domenic Martino. A total of $50,537inclusive of GST remains due and payable at year end.

Notes to the Financial Statements

For the year ended 30 June 2014

21. Commitments and Contingent Liabilities

The Group's commitments in respect of its oil and gas licences as at 30 June 2014 were as follows:

PPL	Date Granted	Commitments	
		To November 2014	To November 2016
366	29 November 2010	USD 1 million	USD 15 million
367	29 November 2010	USD 1 million	USD 15 million
356	29 November 2010	USD 1 million	USD 15 million
357	29 November 2010	USD 1 million	USD 15 million
358	21 November 2010	USD 1 million	USD 25 million

It should be noted that the above commitments may change depending upon the granting of variations as noted below or as a result of work carried out. For example, if the Company is not satisfied with exploration results, it may choose to relinquish all or part of a PPL and focus its efforts and funds on the other PPLs.

In July 2014, CSP (PNG) applied for variations to its licences, essentially reducing the licence commitments to USD 150,000 for each licence except in respect of PPL 358 for which a reduction to USD 200,000 has been requested. The Group awaits correspondence from the Papua New Guinean Department of Petroleum and Energy in this regard. An impairment provision has been raised in the Group accounts as a result of the uncertainty surrounding the veracity of the exploration licences held by CSP (PNG) and their commitments.

There are nil contingent liabilities for the Group as at 30 June 2014 (2013: Nil).

22. Subsequent Events

There are no significant events after balance date likely, in the opinion of the Directors of the Group, to affect significantly the operations of the Group, the results of those operations, or the state of affairs of the Group in future financial years except as follows:

On 6 August 2014, CSP sold its financial investments totalling $71,447 as at 30 June 2014. The Company realised $85,202.52 (net of brokerage fees) from the sale.

On 26 August 2014, CSP completed a placement of 5,383,332 shares, with an attaching free option at an issue price of $0.075 per share to raise $403,750 for working capital purposes. The options have an exercise price of $0.20 each and an expiry date of 25 February 2016.

On 29 August 2014, CSP resumed its General Meeting that was adjourned on 26 June 2014 due to the political uncertainty surrounding the Papua New Guinea government at that time. The resumed meeting obtained shareholder approval for the placement of 30 million options at an issue price of $0.05 per option, with an expiry date 18 months from the date of issue and an exercise price of $0.20 per option ("Option Placement") and the issue of options to Minimum Risk Pty Ltd under the shortfall (if any) and as part consideration for the underwriting of the Option Placement. The issue of such options will result in $1.5 million in funds being received by the Company that will be used as working capital to pursue the Company's business objectives. Shareholders had previously approved the Option Placement and issue of Options to Minimum Risk Pty Ltd, however the Option Placement had to be complete by 23 June 2014. With the shareholder approval obtained at the resumed General Meeting held on 29 August 2014, the completion date has essentially been extended to 28 September 2014.

44,125,000 restricted securities were released from escrow on 29 August 2014.

23. Dividend

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

Notes to the Financial Statements

For the year ended 30 June 2014

24. Remuneration of Auditors

	2014	2013
	$	$
Current year		
Auditors of the Company – Pitcher Partners Corporate & Audit (WA) Pty Ltd and its associated Pitcher Partners (WA) Pty Ltd		
Remuneration for audit and review of the financial report	52,500	72,750
Remuneration for other services - taxation	23,000	12,555
	75,500	85,305

25. Parent Entity Information

Coral Sea Petroleum Limited is the legal parent entity of the consolidated group. The following information is provided for the Company:

Financial position

	2014	2013
	$	$
Assets		
Current assets	154,112	859,857
Non-current assets	2,241,915	1,576,827
Total assets	2,396,027	2,436,684
Liabilities		
Current liabilities	449,377	109,526
Non-current liabilities	-	-
Total liabilities	449,377	109,526
Equity		
Issued capital	36,560,925	36,273,941
Option reserve	-	115,069
Retained earnings	(34,614,275)	(34,061,852)
Total equity	1,946,650	2,327,158
Financial performance		
Loss for the year	(667,683)	(3,797,594)
Other comprehensive income	-	-
Total comprehensive loss	(667,683)	(3,797,594)

Commitments and contingent liabilities of the parent entity

There are nil commitments and contingent liabilities of the parent entity (2013: Nil).

DIRECTORS' DECLARATION

The Directors declare that the financial statements and notes set out on pages 28 to 53 are in accordance with the *Corporations Act 2001*:

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

b) As stated in Note 2(a) the financial statements also comply with International Financial Reporting Standards; and

c) Give a true and fair view of the financial position of the Group at 30 June 2014 and of their performance for the year ended on that date.

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

This declaration has been made after receiving the declarations required to be made by the Managing Director and Company Secretary to the Directors in accordance with section 295A of the *Corporations Act 2001* for the year ended 30 June 2014.

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

On behalf of the Directors

Domenic Martino

Director

26th day of September 2014

AUDITOR'S INDEPENDENCE DECLARATION

To the Directors of Coral Sea Petroleum Ltd

In relation to the independent audit of Coral Sea Petroleum Ltd and its controlled entities for the year ended 30 June 2014, to the best of my knowledge and belief there have been:

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

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

Pitcher Partners Corporate & Audit (WA) Pty Ltd

PITCHER PARTNERS CORPORATE & AUDIT (WA) PTY LTD

C P Leong

C.P. LEONG
Executive Director
Perth, 26 September 2014

An Independent Western Australian Company ABN 17 111 032 930
Registered Audit Company Number 342083
Liability limited by a scheme approved under Professional Standards Legislation

an independent member of
BAKER TILLY
INTERNATIONAL

INDEPENDENT AUDITOR'S REPORT
TO THE MEMBERS OF
CORAL SEA PETROLEUM LTD

Report on the Financial Report

We have audited the accompanying financial report of Coral Sea Petroleum Ltd and controlled entities, which comprises the consolidated statement of financial position as at 30 June 2014, the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration of the consolidated entity comprising the company and the entities it controlled at the year's end or from time to time during the financial year.

Directors' Responsibility for the Financial Report

The directors of the company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error. In Note 2, the directors also state, in accordance with Accounting Standard AASB 101 *Presentation of Financial Statements,* that the financial statements comply with *International Financial Reporting Standards.*

Auditor's Responsibility

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. Those standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance about whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the company's preparation of the financial report that gives a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Independence

In conducting our audit, we have complied with the independence requirements of the *Corporations Act 2001*.

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INDEPENDENT AUDITOR'S REPORT
TO THE MEMBERS OF
CORAL SEA PETROLEUM LTD

Opinion

In our opinion:

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

   (i) giving a true and fair view of the consolidated entity's financial position as at 30 June 2014 and of its performance for the year ended on that date; and

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

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

Emphasis of Matter

Without further modifying our opinion, we draw attention to Note 3 (q) to the consolidated financial report which indicates that the consolidated entity incurred a net loss of $3,298,274 during the year ended 30 June 2014, and as of that date, the consolidated entity net current liabilities of $497,900 and negative net equity of $497,900. These conditions, along with other matters as set forth in Note 3 (q), indicate the existence of a material uncertainty that may cast significant doubt about the consolidated entity's ability to continue as a going concern and therefore the consolidated entity may be unable to realise its assets and discharge its liabilities in the normal course of business.

Report on the Remuneration Report

We have audited the Remuneration Report included in pages 9 to 14 of the directors' report for the year ended 30 June 2014. The directors of the company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

Opinion

In our opinion, the Remuneration Report of Coral Sea Petroleum Ltd for the year ended 30 June 2014, complies with section 300A of the Corporations Act 2001.

Pitcher Partners Corporate & Audit (WA) Pty Ltd

PITCHER PARTNERS CORPORATE & AUDIT (WA) PTY LTD

C P Leong

C.P. LEONG
Executive Director
Perth, 26 September 2014

STOCK EXCHANGE INFORMATION

Additional information required by Australian Securities Exchange Limited and not shown elsewhere in this Annual Report is as follows. The information is as at 9 September 2014.

NUMBER OF HOLDERS OF EQUITY SECURITIES

ORDINARY SHAREHOLDERS

There are 125,741,741 fully paid ordinary shares on issue, held by 617 individual shareholders. Each member entitled to vote may vote in person or by proxy or by attorney and on a show of hands every person who is a member or a representative or a proxy of a member shall have one vote and on a poll every member present in person or by proxy or attorney or other authorised representative shall have one vote for each share held.

TWENTY LARGEST SHAREHOLDERS (AS AT 9 September 2014)

	Fully Paid Ordinary	
Ordinary Shareholders	**Number**	**Percentage**
JP Morgan Nominees Australia Limited	27,023,032	21.49
Lightglow Enterprises Pty Ltd <The Paloma Investments A/c>	11,250,000	8.95
Fanucci Pty Ltd <The Fanucci Family A/c>	11,250,000	8.95
Chris Haiveta	11,250,000	8.95
Minimum Risk Pty Ltd	10,000,000	7.95
BBY Nominees Limited	4,654,838	3.70
Adelaide PNG Investments	2,500,000	1.99
Esplanade Holdings Pty Ltd	2,000,000	1.59
Roadhound Electronics Pty Ltd	1,736,719	1.38
Mr Julian Lionel Sandt	1,500,000	1.19
Slade Technologies Pty Ltd	1,482,806	1.18
Real Gold Pty Ltd	1,308,949	1.04
Mr Colin Weekes & Mr Michael Weekes	1,308,075	1.04
Louisa Martino	1,250,000	0.99
Australian Executor Trustees Limited	1,235,205	0.98
Straight Investment S A	1,133,269	0.90
HSBC Custody Nominees (Australia) Limited	1,107,476	0.88
Innovation Marketing & Finance Pty Ltd	991,843	0.79
HSBC Custody Nominees (Australia) Limited <Euroclear Bank SA NV A/c>	930,000	0.74
Merrill Lynch (Australia) Nominees Pty Ltd	870,959	0.69
	94,783,171	75.37

STOCK EXCHANGE INFORMATION

VOTING RIGHTS

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

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

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

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

HOLDERS OF NON-MARKETABLE PARCELS

There are 259 shareholders who hold less than a marketable parcel of shares.

DISTRIBUTION OF SHARE HOLDERS (AS AT 9 September 2014)

	Number of Holders	Number of Shares
1 to 1,000	88	40,900
1,001 to 5,000	166	458,105
5,001 to 10,000	102	887,054
10,001 to 100,000	156	5,963,942
100,001 and over	105	118,391,740
	617	125,741,741

OPTIONS

As at 9 September 2014 the following unlisted options were on issue:

- 3,000,000 unlisted options with an exercise price of $0.20 and an expiry date of 20 August 2015; and
- 5,383,332 unlisted options with an exercise price of $0.20 and an expiry date of 25 February 2016.

SUBSTANTIAL SHAREHOLDERS

As at report date, there are 5 shareholders recorded in the Register as Substantial Shareholders.

SHARE BUY-BACKS

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

RESTRICTED SECURITIES

On 29 August 2014, 44,125,000 shares were released from escrow. There are no restricted securities at 9 September 2014.

OTHER INFORMATION

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