

Orchid Capital Ltd

(To be renamed Coral Sea Petroleum Ltd)

ABN 30 073 099 171

Prospectus

In relation to the offer of:

- 10,000,000 New Shares at an issue price of 20 cents each to raise \$2,000,000 (**Share Offer**); and
- the offer of 29,758,832 New Options each exercisable at 20 cents on or before the Expiry Date at an issue price of 0.4 cents each to raise up to \$119,035 (**Option Offer**).

The Share Offer is fully underwritten by Minimum Risk Pty Ltd.

Important Notice

This is a re-compliance prospectus for the purposes of satisfying Chapters 1 and 2 of the ASX Listing Rules and to satisfy ASX requirements for re-listing following a change in the nature and scale of the Company's activities. The Share Offer and the Option Offer are conditional upon satisfaction or waiver of all of the conditions precedent to the Share Sale Agreement between the Company, Indo Pacific Energy Pty Ltd and the shareholders of Indo Pacific Energy Pty Ltd dated 19 July 2011. Please refer to Section 2 of this Prospectus for further details.

The New Shares and New Options offered by this Prospectus should be considered highly speculative and potential investors should refer to Section 8 for further details concerning the Risk Factors associated with an investment in New Shares and New Options

This Prospectus provides important information to assist investors in deciding whether or not to invest in the Company and should be read in its entirety. If you are in any doubt as to how to deal with this document, please consult your professional adviser.

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Important Information

Date

This Prospectus is dated 29 May 2012 and was lodged with ASIC on that date. Neither ASIC nor ASX takes any responsibility for the contents of this Prospectus. No securities will be allotted or issued on the basis of this Prospectus later than 13 months after the date of this Prospectus.

Change in Nature and Scale of Activities and Re-compliance with Chapters 1 and 2 of the ASX Listing Rules

The Company has historically focused on investment activities. The Company has entered into the Acquisition Agreements pursuant to which it has agreed, subject to Shareholder approval, to acquire 100% of the issued capital in IPE and its 100% owned subsidiary CSP, which is the holder of the PNG Oil & Gas Projects. Shareholder approval for the Acquisition was obtained at a general meeting of the Company held on 15 May 2012.

The acquisition of IPE will result in a significant change in the nature and scale of the Company's activities which requires approval of its Shareholders under Chapter 11 of the ASX Listing Rules. At a general meeting of the Company held on 15 May 2012, Shareholders approved, among other approvals, the acquisition of IPE, the change in the nature and scale of the Company's activities and the consolidation of the existing issued capital of the Company on a four to one basis.

The Company's securities were suspended from trading on ASX on the day of the general meeting on 15 May 2012 and will not be reinstated until satisfaction of the conditions to the Share Offer and ASX approval of the Company's re-compliance with the admission requirements of Chapters 1 and 2 of the ASX Listing Rules.

There is a risk that the Company may not be able to meet the requirements of ASX for re-quotations on the ASX. In the event the conditions of the Share Offer or Option Offer are not satisfied or the Company does not receive conditional approval for re-quotations on ASX then the Company will not proceed with the Share Offer or Option Offer and will repay all applications received.

Conditional Offers

The Offers are conditional on satisfaction or waiver of all of the conditions precedent to the Share Sale Agreement. The terms and conditions of the Acquisition are more particularly summarised in Section 9.3 and the various conditions to the Offers are summarised in Section 2.2.

Application for Quotation

The Company will apply to ASX within seven days after the date of this Prospectus for the New Shares to be admitted to quotation on ASX. In the event that the New Shares are not admitted to quotation on ASX, they will not be issued by the Company and all Application Monies in respect of the Share Offer will be refunded to Applicants. The admission of the New Shares to quotation (and the re-admission of the Company following compliance with Chapters 1 and 2 of the ASX Listing Rules) is not to be taken in any way as an indication by ASX of the merits of the Company.

The Company will apply to ASX within seven days after the date of this Prospectus for the New Options to be admitted to quotation on ASX. In the event that the New Options are not admitted to quotation on ASX, they will not be issued by the Company and all Application Monies in respect of the Option Offer will be refunded to Applicants. The admission of the New Options to quotation (and the re-admission of the Company following compliance with Chapters 1 and 2 of the ASX Listing Rules) is not to be taken in any way as an indication by ASX of the merits of the Company.

Speculative

It is important that Applicants read this Prospectus in its entirety before deciding to invest so that they may make an informed assessment of the assets and liabilities, financial position and prospects of the Company and the rights attaching to the New Shares and New Options offered by this Prospectus. An investment in the Company must be considered highly speculative. Refer to Section 8 of this Prospectus for details relating to risks involved with an investment in the Company.

Foreign Jurisdictions

This Prospectus does not constitute an offer in any place in which, or to any person to whom, it would not be lawful to make such an offer. The distribution of this Prospectus in jurisdictions outside Australia may be restricted by law and any person who comes into possession of this Prospectus should seek advice and observe any such restrictions. Any failure to comply with such restrictions may constitute a violation of applicable securities laws.

Electronic version of this Prospectus

A copy of this Prospectus may be viewed on the company announcements section of the ASX website at www.asx.com.au and on the Company's website at www.orchidcapital.net. Any person accessing the electronic version of this Prospectus for the purposes of becoming a shareholder must be an Australian resident and must only access the Prospectus from within Australia.

The Corporations Act prohibits any person passing on to another person the Application Form unless it is attached to a hard copy of this Prospectus or accompanied by the complete and unaltered version of this Prospectus. Prospective Applicants should read this Prospectus in its entirety before completing the Application Form. Any person may obtain a hard copy of this Prospectus free of charge by contacting the Company.

No Forecasts

The business of oil and gas exploration, appraisal and development is speculative where there are no proved reserves and there are significant uncertainties associated with forecasting revenues and expenses of such operations. Accordingly, the Directors believe that reliable forecasts cannot be prepared and forecasts have therefore not been included in this Prospectus in accordance with ASIC Regulatory Guide 170.

Disclaimer

No person is authorised to provide any information or to make any representation in connection with the Offers described in this Prospectus which is not contained in this Prospectus. Any information or representation not so contained may not be relied on as having been authorised by the Company or any other person in connection with the Offers.

Privacy

The Application Form accompanying this Prospectus requires you to provide information that may be personal information for the purposes of the *Privacy Act 1988* (Commonwealth). The Company (and the Share Registry on its behalf) may collect, hold and use that personal information in order to assess your Application, service your needs as an investor in the Company, provide facilities and services that you request or that are connected with your investment in the Company and carry out appropriate administration. You may request access to your personal information held by the Company or the Share Registry by contacting the Company Secretary.

Definitions

Certain abbreviations and other defined terms are used throughout this Prospectus. Defined terms are generally identifiable by the use of an upper case first letter. Details of the definitions and abbreviations used are set out in Section 10 of this Prospectus.

Corporate Directory

Orchid Capital Ltd

ABN 30 073 099 171

Existing Directors

Mr Clive McKee (Chairman)
Mr Julian Sandt (Managing Director)
Mr Richard Lambe (Executive Director)
Mr Alvin Kon Kee Tan (Non-Executive Director)

Company Secretary

Mr Richard Lambe

Proposed Directors

Mr Domenic Martino
(Proposed Managing Director)

Mr Chris Haiveta
(Proposed Non-Executive Director)

Mr Yosse Goldberg
(Proposed Non-Executive Director)

Registered Office

Suite 6, 32 Hines Road
O'Connor, Western Australia, 6163
Telephone: +61 8 9338 8670
Facsimile: +61 8 9338 8699

Independent Technical Expert

Isis Petroleum Consultants Pty Ltd
47 Colin Street
West Perth, WA 6005

Auditors

Pitcher Partners Corporate & Audit (WA) Pty Ltd
Level 1
914 Hay Street
Perth WA 6000

Investigating Accountant

Pitcher Partners Securities Pty Ltd
Level 1
914 Hay Street
Perth WA 6000

Australian Solicitors

Gilbert + Tobin
1202 Hay Street
West Perth WA 6005

Share Registry*

Advanced Share Registry Services
150 Stirling Hwy
Nedlands, Western Australia, 6009
Telephone: +61 8 9389 8033
Facsimile: +61 8 9389 7871

Stock Exchange Codes

ASX code: ORC
Deutsche Börse AG WKN code: 924249

Website

www.orchidcapital.net

*This entity is included for information purposes only. It has not been involved in the preparation of this Prospectus.

Offer Summary

Number of Shares	51,965,987
New Shares to be issued to Vendors and Adviser pursuant to Acquisition	55,375,000
New Shares to be issued pursuant to Share Offer	10,000,000
Total Shares on completion of Offers	117,340,987
Existing Options	Nil
New Options to be issued pursuant to Option Offer*	29,758,832

* Refer Section 9.4 for details of terms of Options.

Key Dates*

Suspension in trading in Company's Shares	Before opening of trading on 15 May 2012
General Meeting	15 May 2012
Lodgement of this Prospectus with ASIC	29 May 2012
Opening Date of Offers	29 May 2012
Closing Date of Offers	8 June 2012
Shares issued to Vendors and Carsten Huebner on completion of Acquisition.	8 June 2012
Issue of New Shares and New Options to applicants under the Offers	8 June 2012
Expected date for Shares to recommence trading on ASX (subject to satisfaction of Chapters 1 and 2 of the ASX Listing Rules)	12 June 2012

* The anticipated date of quotation of the New Shares is subject to the approval of ASX. The dates shown in the table above are indicative only and subject to change. The Company, subject to the Corporations Act, the ASX Listing Rules and other applicable laws, reserves the right to change any of these dates without notice. This may include varying the Opening Date or the Closing Date, extending, or closing early, the Offer or accepting late Applications, either generally or in particular cases. Any variation may have a consequential effect on other dates. You are encouraged to submit your Application Forms as soon as possible after the Offer opens. The Company also reserves the right not to continue with the Offer at any time before allotment of Shares to successful Applicants.

Letter from the Board

Dear Investor

On behalf of the Board of Directors, I am pleased to be able to offer you the opportunity to invest in Orchid Capital Ltd (the **Company**). By this Prospectus, the Company is seeking to raise up to a total of \$2,119,035, before costs and expenses associated with the Prospectus through offers of:

- 10,000,000 New Shares at an issue price of \$0.20 per New Share to raise \$2,000,000; and
- 29,758,832 New Options each exercisable at \$0.20 on or before the Expiry Date¹, at an issue price of \$0.004 to raise \$119,035,

(together the **Offers**).

The funds raised by the Offers will allow the Company to meet the funding requirements arising from its acquisition of Indo Pacific Energy Pty Ltd (**IPE**) (**Acquisition**) and to commence exploration programs on the oil and gas projects held by IPE in Papua New Guinea. The Company intends to establish itself as a significant participant in oil and gas exploration and production in Papua New Guinea.

Shareholders of the Company approved the Acquisition at a general meeting of the Company held on 15 May 2012. The Offers and the Acquisition are conditional on a number of matters, including ASX confirming the Company's re-compliance with Chapters 1 and 2 of the Listing Rules.

Before you make your investment you are asked to read this Prospectus in its entirety and to seek financial advice.

Yours faithfully

Richard Lambe
Director

¹ The Expiry Date is the date 12 months from when the Company satisfies the requirements of the Listing Rules in relation to the re-listing of its securities on ASX.

1 Investment Overview

This section is a summary only and not intended to provide full information for investors intending to apply for New Shares and/or New Options. This Prospectus should be read and considered in its entirety.

1.1 The Company and Background to the Offers

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

As announced to ASX on 14 March 2011, the Company entered into a binding memorandum of understanding (**MOU**) with Indo Pacific Energy Pty Ltd (**IPE**) and the shareholders of IPE (**Vendors**) pursuant to which the Vendors agreed to sell, and the Company agreed to acquire, 100% of the shares in the capital of IPE, in consideration for the issue of 55,000,000 Shares to the Vendors (**Acquisition Shares**) (**Acquisition**).

IPE is the owner of all the issued capital in Coral Sea Petroleum Ltd 1-70021 (**CSP**), a Papua New Guinean company which is the 100% holder of five petroleum prospecting licences (**PPLs**) in Papua New Guinea (**PNG**) (**PNG Oil & Gas Projects**). The Acquisition, if completed, will result in the Company acquiring ownership of all of the issued capital of IPE from the Vendors and thereby acquire ownership of the PNG Oil & Gas Projects.

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

- (a) the Share Sale Agreement;
- (b) loan agreement dated 6 October 2010 between the Company, IPE, Chris Haiвета (a shareholder of IPE), CS Advisory Services Ltd (PNG) and CSP for a loan to IPE from the Company for an amount of \$250,000 (**First Loan Agreement**);
- (c) loan agreement dated 4 April 2011 between the Company, IPE and CSP for a loan to IPE from the Company for an amount of up to \$750,000, in addition to the amount loaned under the First Loan Agreement (**Second Loan Agreement**); and
- (d) underwriting agreement between the Company and Minimum Risk Pty Ltd (a shareholder of IPE) (**Minimum Risk**) pursuant to which Minimum Risk underwrote the placement of 27,000,000 Shares (pre-Consolidation) at an issue price of \$0.025 per Share on 29 December 2011 to raise \$675,000, and received an underwriting fee of 5% of the value of the placement (**Fundraising Agreement**),

(collectively, the **Acquisition Agreements**).

Summaries of the Share Sale Agreement, First Loan Agreement and Second Loan Agreement are set out in Section 9.3 of this Prospectus.

A summary of the PNG Oil & Gas Projects is set out in Section 4 of this Prospectus and further information is included in the Independent Technical Expert's Report in Section 5 of this Prospectus.

Completion under the Share Sale Agreement is subject to satisfaction of a number of condition precedents, including that the Company successfully undertakes the Share Offer the subject of this Prospectus. Further details of the Share Sale Agreement are set out in Section 9.3.

1.2 General Meeting

A general meeting of Shareholders was held on 15 May 2012 (**General Meeting**) at which Shareholders approved:

- (a) the issue of the Acquisition Shares;
- (b) the Consolidation of the Company's issued capital on the basis that every 4 Shares in the Company will be consolidated into 1 Share;
- (c) the offer of New Shares under the Share Offer;
- (d) the change in nature of the Company's activities;
- (e) the election of Chris Haiveta, Domenic Martino and Yosse Goldberg as new Directors of the Company;
- (f) the change of Company name to Coral Sea Petroleum Limited;
- (g) the issue of 375,000 Shares to Carsten Huebner as consideration for brokering the Acquisition;
- (h) the offer of New Options under the Option Offer;
- (i) the participation of Alvin Tan and Julian Sandt in the Option Offer; and
- (j) the ratification of the issue of Shares which was made on 29 December 2011.

1.3 Business Model

The Company has entered into the Acquisition Agreements to acquire 100% of the issued capital in IPE and the PNG Oil & Gas Projects. The PNG Oil & Gas Projects comprise the following five PPLs:

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

The PPLs are 100% owned by CSP, a wholly owned subsidiary of IPE, and were granted in November 2010. Further information on the PNG Oil & Gas Projects is contained in Section 4 and in the Independent Technical Expert's Report in Section 5 of this Prospectus.

ORC is seeking to build a successful, sustainable, oil and gas company, with a regional focus, producing strong returns for stakeholders. To date IPE has spent Kina 1.43 million (approximately \$720,000) on the acquisition of the PPLs, data gathering and analysis. After completion of the Acquisition, the Company proposes to reprocess existing and acquire further seismic data as part of its licence commitment programme and possibly acquire and analyse aeromagnetic and aero-gravity data over its Cape Vogel licence. While technically justified this work is not a requirement of the license commitment work programme. Previous exploration over the areas has identified some poorly constrained targets or 'Leads', which have previously been subjected to limited follow up exploration. It is likely, given the lack of data, that failure to discover petroleum in some areas is due to poor and inadequate pre-drill trap definition and drilling off-structure (refer to further discussion on PPLs in Section 4 of this Prospectus).

The initial expenditure on the exploration of the five PPLs will not result in the generation of income in the short-term, although ORC's goal is to convert the PNG Oil & Gas Projects into cash flow producing assets by discovering and producing petroleum as quickly as possible. To achieve this

objective, ORC intends to farm-out an appropriate proportion of its equity in each PPL to companies that can bring state-of-the art technology and operational skills to maximise the chance of early petroleum discovery.

In addition to the ‘foundation assets’ comprising the five PPLs, ORC will also screen and evaluate additional exploration and early oil and gas production opportunities both in PNG and in the East and South-East Asia region. Such new exploration opportunities will be selected such as to secure a small number of large acreage footprints of sufficient scale and prospectivity to attract farm-in by major and credible petroleum companies with ORC maintaining significant participating interests.

The Company also intends to acquire interests in highly prospective oil and gas acreage positions in proven petroleum provinces proximal to existing oil and gas infrastructure.

1.4 Purpose of the Offers

The principal purpose of the Offers is to complete the Acquisition and raise funds:

- (a) to ensure the viability of the Company's business following the Acquisition of IPE, and to complete the resultant change of activities and re-admission to the Official List of the ASX;
- (b) to complete Stage 1 of the exploration work programs in relation to the PNG Oil & Gas Projects as set out in Section 1.7 of this Prospectus;
- (c) to commence work on Stage 2 of the exploration work programs in relation to the PNG Oil & Gas Projects as set out in Section 1.7 of this Prospectus;
- (d) for evaluation of additional project opportunities;
- (e) for administration and the costs of the Offers and the Acquisition; and
- (f) for general working capital.

Further details of the planned work program and expenditure for the PNG Oil & Gas Projects is contained in Section 4 of this Prospectus and in the Independent Technical Expert’s Report contained in Section 5 of this Prospectus.

1.5 Investment Highlights

In summary, the Directors consider that the Offers represent an attractive investment as:

- (a) PNG has an established and growing oil and gas industry including existing petroleum reserves, developing infrastructure and attractive fiscal terms for explorers and producers;
- (b) there are a number of international oil and gas exploration and development companies with operational exploration and development activities in PNG;
- (c) it is well located with respect to the growing energy demanding markets of Asia;
- (d) following the Global Financial Crisis in 2009, the oil price has steadily increased, improving the value and economics of oil and gas projects;
- (e) PNG has a proven Jurassic and Cretaceous oil and gas prone petroleum system and excellent Jurassic and Lower Cretaceous reservoir and source rock development has been established; and
- (f) existing production infrastructure is available to commercialise a successful discovery should it be made in the PPLs.

1.6 Key Risks

Prospective investors in the Company should be aware that subscribing for New Shares and New Options in the Company involves a number of risks. The Company proposes to be an oil and gas exploration and development Company and an investment in it should be considered highly speculative. The key risks investors should be aware of are described in Section 8. Investors are urged to consider these risks carefully before deciding whether to invest in the Company.

In particular, the following risks are noted:

(a) Re-Quotation of Shares on ASX

The acquisition of IPE constitutes a significant change in the nature and scale of the Company's activities and the Company needs to re-comply with Chapters 1 and 2 of the ASX Listing Rules as if it were seeking admission to the official list of ASX.

There is a risk that the Company may not be able to meet the requirements of the ASX for re-quotation of its Shares on the ASX. Should this occur, the Shares will not be able to be traded on the ASX until such time as those requirements can be met, if at all. Whilst this is not a risk for investors applying for New Shares in so far as their application monies will be returned should the Company not successfully re-comply, it is a risk for existing Shareholders who may be prevented from trading their Shares should the Company be suspended until such time as it does re-comply with the ASX Listing Rules. The Option Offer is not subject to the Company re-complying with Chapters 1 and 2 of the ASX Listing Rules. Accordingly, it is also a risk for applicants for New Options in that the value of the New Options may decrease if the Company is unable to re-comply with Chapters 1 and 2 of the ASX Listing Rules.

(b) Failure to meet conditions of PPLs

Under the PPL conditions the Company is or may become subject to payment and other obligations. In particular, the Company is required to expend the funds necessary to meet the minimum work commitments attaching to the PPLs. Failure to meet these commitments may render the PPLs liable to transferred or cancelled. As set out in Section 1.7 of this Prospectus, funds raised from the Offers (together with the Company's existing funds) will only enable the Company to complete Stage 1 of its work program on the PPLs, and commence Stage 2. If the results of Stage 1 are satisfactory, the Company intends to raise further funds and/or seek joint venture partners to enable it to complete its work program on the PPLs and meet its long term objectives. If it is unable to do so, the Company will not be able to meet the work commitments on the PPLs and may be forced to relinquish one or more of the PPLs. Additionally, as detailed in Section 1.7, the Company is required to submit proposals to the Minister for work and expenditure for Stages 2 and 3 of the work program. If the proposals submitted are not acceptable to the Minister and cannot be subsequently agreed with the Minister, the Company may be forced to relinquish one or more of the PPLs.

Searches conducted on PPLs 357, 366 and 367 from the register of tenements note that CSP has not paid the annual fees with respect to PPL 357, and the application and annual fees in respect of PPLs 366 and 367 and accordingly the Minister may exercise his discretion to suspend or cancel these PPLs. CSP has provided the Company with a copy of a letter from the PNG Department of Petroleum and Energy and a copy of a receipt confirming that the application fees for PPLs 366 and 367 have been paid, and has also confirmed that the annual fees for PPLs 357, 366 and 367 have been paid and that documentary evidence of this will be provided to the Company in due course, but it appears that the register of tenements has not been updated to reflect these payments. Accordingly there remains a residual risk that the Minister may exercise his discretion to suspend or cancel PPLs 357, 366 and 367. The Directors consider this risk to be minimal.

(c) Future Capital Needs

As noted above, the Company must seek joint venture partners and/or raise further funds to enable it to complete its work program on the PPLs and meet its long term objectives. There can be no assurance that funding will be available on satisfactory terms or at all. If additional funds are raised through the issuance of new equity, this may result in dilution of shareholder ownership. If the Company is unable to raise funds to meet the work commitments on the PPLs, it may be forced to relinquish the PPLs.

(d) Exploration and Development Risks and Costs

Exploration and development of oil and gas projects are high risk ventures with no guarantee of success and often encounter technical difficulties which can lead to budget overruns requiring participants to make available additional cash commitments in short time frames.

(e) Country Risk

The Company's operations will predominantly be in PNG whose economy is subject to many global and internal forces beyond the control of the Company. The reformation of government structure or industry, change in petroleum policies and contract interpretation, oil and gas prices, interest rates, foreign exchange rates, the rate of inflation, taxation and tariff laws, and domestic security may affect the value and viability of any oil and gas activity conducted by the Company.

(f) Renewal of PPLs

PPLs are subject to periodic renewal. There are no guarantees that the PPLs will be renewed. Further, renewal or transfer conditions may be imposed upon the Company's PPLs in the future.

(g) Joint venture Parties, Contractors and Contractual Disputes

As noted above, the Company must seek joint venture partners and/or raise further funds to enable it to complete its work program on the PPLs and meet its long term objectives. There can be no assurance that the Company will be able to find a suitable joint venture partner to develop the PPLs, or that a satisfactory commercial arrangement with such a partner can be reached. If the Company is unable to find a joint venture partner and/or raise further funds, it will be unable to complete meet the work commitments on the PPLs and may be forced to relinquish the PPLs.

If the Company does enter into commercial agreements with third parties to develop the PPLs, there is a risk that the counterparties may not meet their obligations under those agreements or terminate an agreement early. Commercial consequences are likely to flow from any non-observance of commercial obligations.

(h) Availability of Infrastructure

High demand exists for oil and gas exploration and development equipment as well as experienced operators of this equipment. The Company may not always have access to experienced seismic crews, drill rigs and operators and this may cause delays which result in increased costs.

(i) Landowner Risk

Immediate access to the licences in which the Company has an interest, cannot in all cases be guaranteed. The Company may be required to seek the consent of landholders and may be required to pay compensation to landholders to allow the Company to carry out its exploration activities.

(j) Foreign Exchange and Oil and Gas Price Volatility

Foreign exchange and oil and gas price movements may adversely affect the Company's financial position, operating results and share price.

(k) Environmental Risks

The Company must adhere to and comply with all environmental policies and guidelines. The Company's projects are likely to have an impact on the environment.

1.7 Use of Funds

The total funds the Company will have on completion of the Offers, prior to the costs of the capital raising is as follows:

ORC cash at bank	\$1,310,382
IPE cash at bank	\$26,500
Funds raised from Share Offer	\$2,000,000
Funds raised from Option Offer*	\$119,035
Total	\$3,455,917

*assuming full subscription

The following table sets out the proposed use of funds in the event the maximum amount is raised (i.e. the Option Offer is fully subscribed) and the minimum amount is raised (i.e. no funds are raised under the Option Offer) over the 12 months post completion of the Acquisition:

Application	Minimum Amount (\$)	Percentage of Funds Used	Maximum Amount (\$)	Percentage of Funds Used
Exploration Expenditure on Stage 1 of the work program*	895,000	26.82%	895,000	25.90%
Commencement of Stage 2 of the work program*	500,000	14.98%	600,000	17.37%
Evaluation and initial work on potential projects	120,023	3.60%	139,058	4.02%
Cost of Offers to be paid	277,924	8.33%	277,924	8.04%
Working capital	1,543,935	46.27%	1,543,935	44.67%
Total	3,336,882		3,455,917	

* Further information on the work program in respect of the PPLs is provided below.

Work Program

IPE through its 100% owned subsidiary CSP owns the PPLs which cover approximately 11,972 square kilometres (sq kms) in the Independent State of Papua New Guinea (PNG). Of these, approximately 9,359 sq kms are offshore while 2,613 sq kms are located onshore.

PPLs are granted for a period of 6 years, after which the Company may apply for them to be extended. The Company is required to meet minimum work commitments to keep the PPLs for the full 6 year term. At the end of Stage 1, the Company is required to submit a proposal to the Minister for the work

it intends to do for Stage 2. If the proposal is not accepted by, and cannot subsequently be agreed with the Minister, the Company will relinquish the PPL at the end of Stage 1. Similarly, at the end of Stage 2, the Company is required to submit a proposal to the Minister for the work it intends to do for Stage 3. If the proposal is not accepted by, and cannot subsequently be agreed with the Minister, the Company will relinquish the PPL at the end of Stage 2. Further information on this is provided below.

Stage 1 commenced on the date of grant of the PPLs and ends in November 2012. Stage 2 is from November 2012 until November 2014, and Stage 3 is from November 2014 until November 2016.

Stage 1

The Company intends to expend a total of \$895,000 by November 2012 to complete Stage 1 of the work program as set out in the table below.

Licence Name	PPL	Expiry	No. of Graticular Blocks	Approx. Area (sq kms)*	Stage 1 Work Program – to November 2012
Biwai (onshore)	366	29 th Nov 2016	15	1,264	Estimated \$172,000 to be spent on data purchase and studies and reprocessing of existing seismic data.
Turama (onshore)	367	29 th Nov 2016	16	1,349	Estimated \$172,000 to be spent on data purchase and studies and reprocessing of existing seismic data.
Dibiri (offshore)	356	29 th Nov 2016	18	1,518	Estimated \$172,000 to be spent on data purchase and studies and reprocessing of existing seismic data.
Hiri (offshore)	357	29 th Nov 2016	21	1,771	Estimated \$172,000 to be spent on data purchase and studies and reprocessing of existing seismic data.
Cape Vogel (offshore)	358	21 st Nov 2016	72	6,070	Estimated \$207,000 to be spent on data purchase and studies and reprocessing of existing seismic data.

**The Oil and Gas Act (PNG) 1998 defines the size and shape of a Petroleum Prospecting License by the number of Graticular Blocks bounded by two meridians of latitude and two of longitude that are five minutes apart. The area of a Graticular Block is dependent upon its location on the Earth's surface and as such the values quoted here are approximate. 84.3 sq kms per Graticular Block has been used in this Prospectus.*

The Directors expect that funds raised from the Offers will enable the Company to complete Stage 1 of the work program, and commence Stage 2. The Company intends to seek joint venture partners and/or raise further funds to complete Stages 2 and 3 of the work program. If the Company is unable to do so, the Company may need to relinquish one or more of the PPLs. Investors should refer to the risk factors in Sections 1.6 and 8 of this Prospectus.

Whilst the Directors are satisfied that, upon completion of the Offers, the Company will have sufficient working capital to meet its current stated objectives set out in Section 1.4, investors should

be aware that the Company may use and expend its cash reserves more quickly than contemplated. It is also noted that programs and budgets are dependent on results. These programs can therefore change depending on the results of the work. For example, if the Company is not satisfied with the results of Stage 1 on one of the PPLs, the Company may choose to relinquish all or part of that PPL and focus its efforts and funds on the other PPLs. The Company's actual allocation of funds may change depending on the circumstances in which its business develops and operates. The exact timing of the implementation of the program is also dependant on weather, conditions for drilling and the timely availability of drilling and ancillary equipment.

Stage 2

In respect of each of the PPLs, not later than 2 months before the end of Stage 1, the Company must submit proposals for work and expenditure to the Minister for Stage 2. If the program carried out under Stage 1 does not show significant results, or the proposal submitted for Stage 2 is not acceptable to the Minister and cannot subsequently be agreed with the Minister, or if the Minister requests additional particulars to the proposal which are not acceptable to the Company, and the proposal for Stage 2 has not been accepted within 2 months of the final submission being made, the Company may apply to the Minister to surrender the PPL.

The Company has budgeted an amount of \$500,000 (in the event the minimum amount is raised under the Offers) or \$600,000 (in the event the maximum amount is raised under the Offers) to be spent on Stage 2 of the work program to be allocated between the PPLs as follows;

Licence Name	PPL	Stage 2 Work Program (minimum amount raised under the Offers)	Stage 2 Work Program (maximum amount raised under the Offers)
Biwai (onshore)	366	Estimated \$100,000 to be spent on acquisition of further seismic data and processing.	Estimated \$100,000 to be spent on acquisition of further seismic data and processing.
Turama (onshore)	367	Estimated \$100,000 to be spent on acquisition of further seismic data and processing.	Estimated \$100,000 to be spent on acquisition of further seismic data and processing.
Dibiri (offshore)	356	Estimated \$100,000 to be spent on acquisition of further seismic data and processing.	Estimated \$100,000 to be spent on acquisition of further seismic data and processing.
Hiri (offshore)	357	Estimated \$133,333 to be spent on acquisition of further seismic data and processing.	Estimated \$200,000 to be spent on acquisition of further seismic data and processing.
Cape Vogel (offshore)	358	Estimated \$66,667 to be spent on acquisition of further seismic data and processing.	Estimated \$100,000 to be spent on acquisition of further seismic data and processing.

As noted above, not later than 2 months before the end of Stage 1, the Company is required to submit a proposal to the Minister for work and expenditure for Stage 2. Further details on what this proposal must entail are set out in Section 4.2.1 of this Prospectus. The Company has committed an amount of \$500,000 (in the event the minimum amount is raised under the Offers) or \$600,000 (in the event the maximum amount is raised under the Offers) to be spent on Stage 2 of the work program, however, as noted above, it is not expected that this amount will be sufficient to complete Stage 2, and the Company will be required to raise further funds and/or seek joint venture partners to do this.

Stage 3

Not later than 2 months before the end of Stage 2, the Company must submit proposals for work and expenditure to the Minister for Stage 3. If the program carried out under Stage 2 does not show significant results, or the proposal submitted for Stage 3 is not acceptable to the Minister and cannot subsequently be agreed with the Minister, or if the Minister requests additional particulars to the proposal which are not acceptable to the Company, and the proposal for Stage 3 has not been accepted within 2 months of the final submission being made, the Company may apply to the Minister to surrender the PPL.

1.8 The Offers

The key information relating to the Offers and references to further details are set out below.

Share Offer

The Company invites applications for up to 10,000,000 New Shares at an issue price of \$0.20 per Share to raise \$2,000,000 before costs. The New Shares will rank equally with Existing Shares. A summary of the rights attaching to the New Shares is set out in Section 9.3.8 of this Prospectus. The Share Offer is subject to satisfaction or waiver of all of the conditions precedent to the Share Sale Agreement. The Share Offer is fully underwritten by the Underwriter pursuant to the Underwriting Agreement. Details of the Underwriting Agreement are provided in Section 9.3 of this Prospectus. Further details of the Share Offer are set out in Section 2 of this Prospectus.

Option Offer

The Option Offer is made on a pro rata basis to persons who previously held options in the Company as at the time of their expiry on 28 February 2012, as well as various other investors including investors introduced to the Company by Minimum Risk. The Option Offer is subject to satisfaction or waiver of all of the conditions precedent to the Share Sale Agreement.

The New Options will be listed and have the terms as set out in Section 9.4 of this Prospectus.

Further details of the Option Offer are set out in Section 2 of this Prospectus.

1.9 Financial Information

As set out in Section 1.1, the Directors made the decision to abandon the Company's strategy of investing in private companies intending to make an IPO as a result of the global financial crisis in 2009. The Company has not made any significant investments since this time as the Directors sought to conserve cash on hand whilst seeking opportunities in other industries for the Company to undertake. Accordingly, the Company's recent operational and financial historical performance is limited.

Set out below is:

- the historical reviewed Statement of Financial Position of ORC as at 31 December 2011 which has been extracted from the Company's Half-Year Financial Report (for the half-year ended 31 December 2011) which was reviewed by Pitcher Partners Corporate and Audit (WA) Pty Ltd; and
- the Pro-forma Statement of Financial Position of ORC as at 31 December 2011 which is based on the Company's reviewed Statement of Financial Position as at 31 December 2011 and incorporates the Acquisition of IPE and the Offers as if the Acquisition and Offers had occurred as at 31 December 2011.

	Orchid Capital Limited	Orchid Capital Limited post Acquisition and the Offers
	Actual Reviewed	Pro-forma Consolidated
	31 December 2011	31 December 2011
	\$	\$
CURRENT ASSETS		
Cash and cash equivalents	2,136,914	3,155,026
Trade and other receivables	41,008	8,594
Financial assets	57,574	57,574
TOTAL CURRENT ASSETS	2,235,496	3,221,194
NON CURRENT ASSETS		
Financial assets	657,472	-
Exploration and evaluation expenditure	-	743,841
Plant and equipment	-	434
Goodwill on acquisition	-	6,767,978
TOTAL NON CURRENT ASSETS	657,472	7,512,253
TOTAL ASSETS	2,892,968	10,733,447
CURRENT LIABILITIES		
Trade and other payables	264,661	183,718
TOTAL CURRENT LIABILITIES	264,661	183,718
NON CURRENT LIABILITIES		
Trade and other payables	-	-
TOTAL NON CURRENT LIABILITIES	-	-
TOTAL LIABILITIES	264,661	183,718
NET ASSETS	2,628,307	10,549,729
EQUITY		
Issued capital	32,486,171	11,218,220
Share issue costs	-	(351,841)
Option premium reserve	643,331	119,035
Foreign currency translation reserve	-	10,621
Accumulated losses	(30,501,195)	(446,306)
TOTAL EQUITY	2,628,307	10,549,729

Further information on the financial position and performance of the Company is set out in the Investigating Accountant's Report in Section 6 of this Prospectus.

1.10 Directors and Key Personnel

The current directors of the Company are Mr Julian Sandt, Mr Alvin Tan, Mr Clive McKee and Mr Richard Lambe. On completion of the Share Sale Agreement, Mr Chris Haiveta, Mr Domenic Martino and Mr Yosse Goldberg will be appointed as Directors, and Messrs McKee and Lambe will resign as Directors. Mr Lambe will continue with the Company as Company Secretary. Mr John Warburton has a verbal arrangement with IPE pursuant to which he provides geological, technical and executive services to IPE through his company Insight Exploration Pty Ltd. IPE and Mr Warburton have agreed to continue this arrangement post completion of the Share Sale Agreement. It is proposed that Mr Domenic Martino will be appointed Managing Director of the Company on completion of the Acquisition.

Information relating to the interests of, and benefits payable to, the Directors is set out in Section 9.8 of this Prospectus.

A profile of Messrs Sandt, Tan, Haiveta, Martino, Goldberg, Lambe and Warburton is set out below.

Julian Sandt - Managing Director (Non Executive Director Post Acquisition)

Julian Sandt has been a director of ORC 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).

Alvin Tan - Non Executive Director

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

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

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

Chris Haiveta – Proposed Non Executive Director

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.

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

He is a senior Papua New Guinean who has served the country in both public service and politics over 29 years until the 2007 General Elections. Mr Haiveta has held several ministerial portfolios including the Ministry of Finance and Planning from 1994 to 2002. He also served as Minister for Mines, Petroleum and Energy, Deputy Prime Minister and at times acting Prime Minister of PNG. As Deputy Prime Minister and Minister for Mines, Petroleum and Energy he presided over a period during which some of the major projects in mining and petroleum were awarded, implemented or renegotiated

including the Lihir Gold Project, Moran Oil Project, Kainantu Gold Mine, and the current arrangements pertaining to the Ok Tedi Mine. He was also instrumental in floating Orogen Minerals Ltd on the ASX. Mr Haiveta has held positions as Governor representing PNG on the World Bank, IMF and Asian Development Bank Boards and was the national programme officer for the EU Programme in PNG. He also served a term in 1996-1997 as the Deputy Chairman of the joint IMF-World Bank annual meetings.

Mr Haiveta was also responsible for the corporatisation of most Papua New Guinea Statutory Organisations including Post PNG, Telicom, Pangtel Air Nuiguini, PNG Ports, Eda Ranu, 'B Mobile', MRDC, PNGBC, Investment Corporation and Agriculture Bank. He also enacted the Public Finances Management Act and Regulations of 1996 and oversaw the implementation of the new Supply and Tenders Board under this Act. He has also served as Chairman of the National Planning Committee and on the Boards of Gulf Investment Trust Fund and Gulf Papua Fisheries as Chairman, and as a trustee board member of Petroleum Resources Kutubu, Petroleum Resources Moran, and Petroleum Resources Gobe until 2007.

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

Domenic Martino - Proposed Managing Director

Domenic 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.

- Former CEO Deloitte Touche Tohmatsu Australia.
- Key player in the re-birth of a broad grouping of ASX companies including Cokal Limited, Pan Asia Corporation Limited, Clean Global Energy Limited and NuEnergy Capital Limited.
- Strong reputation in China and Chairman of Australasian Resources Limited.
- Lengthy track record of operating in Papua New Guinea and Indonesia, and successfully closed key energy and resources deals with key local players.
- 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.

Joseph (Yosse) Goldberg - Proposed Non Executive Director

In the early 1960s Josef 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 and Gindalbie Metals Ltd about resources projects such as iron ore, oil and gas bed methane and copper. Recently Mr Goldberg has been engaged in establishing a major thermal and coking oil and gas project in Indonesia requiring major infrastructure and financing.

It is noted that Mr Goldberg was previously the sole director and shareholder of Paloma Investments Pty Ltd (Paloma). Paloma was put into liquidation by a creditor of Paloma in June 2009 for non payment reasons. Paloma was subsequently reinstated in June 2011 and has since changed its name to KAI Ventures Pty Ltd.

Richard Lambe – Company Secretary

Richard Lambe has been Company Secretary of ORC since November 2006 and has also served as Finance Director for ORC since that date. He has worked in various positions with companies including PriceWaterhouseCoopers (formerly Coopers and Lybrand) and Wescorp International Ltd (former subsidiary of Wesfarmers Ltd). Mr Lambe serves as a director of the Certified Practising Accountant (CPA) firm of accountants and business advisers, Mercia Taxation and Accounting. Mr Lambe holds a Bachelor of Business degree in Economics and Finance from Curtin University, a graduate diploma of accounting from Murdoch University and is a CPA.

John Warburton – Petroleum Consultant

John Warburton currently has a verbal arrangement with IPE to provide geological, technical and executive services on a consulting basis to the company. Under this arrangement, IPE currently pays Dr Warburton an amount of \$2,500 per day. The parties have agreed to continue this arrangement post completion of the Acquisition, with a revised rate per day to be negotiated.

Dr Warburton has a 1st Class Honours Degree in Geological Sciences from Leeds University, UK and a Ph.D in Structural Geology from the University of Wales, UK. He has published numerous technical papers on structural geology and petroleum systems including about PNG.

Dr Warburton's industry career commenced as a North Sea Rig Geologist with BP in 1983. He spent 11 years with BP in various international Geoscience positions as an expatriate in Pakistan, Spain, Yemen and Oman. John was a team member in the pre-drill evaluation of Caspian Sea prospects that later proved to be giant oil and gas fields offshore Azerbaijan and Kazakhstan.

Dr Warburton joined Oil Search Ltd in 1997 where he was involved in the company's non-operated exploration activities in the PNG Fold-belt and was instrumental in placing the discovery well for the Moran Oil Field.

He moved to LASMO in 1998 and served as the Exploration Manager for North Africa & South Atlantic Region. From 1999 to 2002 John was the Eni/LASMO Manager Exploration & New Business based in Karachi, Pakistan where he also led the HSES Vision Implementation Team. John led a multi-discipline team in the discovery and appraisal of both operated and non-operated gas fields in the Middle Indus Basin and Kirthar Fold-belt. In Pakistan John was appointed to Vice President of the Pakistan Government's industry-wide Technical & Operations advisory group of the Petroleum Exploration & Producing Companies Association and served as Vice Chairman of the Pakistan Association of Petroleum Geologists.

Dr Warburton joined Roc Oil in Sydney in 2002 as the Regional Manager - West Africa. In 2004 he founded his consulting business Insight Exploration Pty Ltd that provides diverse technical and business services to the international petroleum industry. Insight Exploration's clients range from international Super-majors to small and pre-IPO companies. Projects have included conventional petroleum exploration opportunity screening and resource assessment in Australia, New Zealand, West Africa, SE Asia, China, Korea and Japan, plus onshore China CBM and shale-gas potential onshore Australia.

Dr Warburton is a Member of the Australian Institute of Company Directors, a Fellow of the Geological Society of London and an Alumni of Cranfield School of Management, UK. He serves on the External Advisory Board of the Centre for Integrated Petroleum Engineering & Geoscience, Leeds University, UK, and is a Director of Imperial Oil and Gas Pty Ltd, a 100% owned subsidiary of ASX listed Empire Energy Group Ltd.

1.11 Substantial shareholders

The substantial Shareholders in the Company as at the date of this Prospectus and on completion of the Offers are summarised below.

As at the date of this Prospectus:

Shareholder	Shares	Options	%
JP Morgan Nominees Australia ¹	20,320,878	Nil	39.10%
BBY Nominees Limited	3,990,141	Nil	7.68%

¹JP Morgan Nominees Australia holds these shares as bare trustee on behalf of a number of beneficial shareholders, none of whom hold greater than 20% of the issued shares in the Company.

On completion of the Acquisition and Offers, and assuming:

- the substantial shareholders do not acquire any New Shares under the Share Offer;
- full subscription under the Option Offer; and
- the Vendors do not apply for New Options under the Option Offer,

the following percentage shareholding in the Company will result:

Investment Overview

Shareholder	Shares	Number of New Options issued under the Option Offer	% (undiluted)	% (fully diluted)
JP Morgan Nominees Australia	20,320,878	984,099	17.32%	14.48%
Lightglow Enterprises Pty Ltd ATF the Paloma Investments Trust	11,250,000	Nil	9.59%	7.65%
Fanucci Pty Ltd ATF the Fanucci Family Trust	11,250,000	Nil	9.59%	7.65%
Minimum Risk Pty Ltd ATF the CDM Family Trust	10,000,000	Nil	8.52%	6.80%
Confianza Pty Ltd	7,500,000	Nil	6.39%	5.10%
Chris Haiveta	11,250,000	Nil	9.59%	7.65%

The Company will announce to the ASX details of its top 20 Shareholders and will lodge substantial holder notices received following completion of the Offers.

1.12 Restricted Securities

Subject to the Shares being re-instated to quotation, the Acquisition Shares will be subject to escrow for a minimum of 12 months as required under the Share Sale Agreement, and up to a period of 24 months in accordance with the Listing Rules, calculated from the date of the Company's re-admission to quotation on ASX.

It is noted that, subject to the Shares being re-instated to quotation, the Shares issued under the Capital Raising *may* be restricted for a period of 12 months, calculated from the date of the Company's re-admission to quotation on ASX. The Company has lodged submissions with ASX that these Shares should not be restricted, but ASX will ultimately determine whether any escrow period will apply

2 Details of the Offers

2.1 The Offers

By this Prospectus, the Company is offering:

- (a) 10,000,000 New Shares at an issue price of 20 cents per New Share to raise \$2,000,000 before costs (**Share Offer**); and
- (b) 29,758,832 New Options at an issue price of 0.4 cents per New Option to raise \$119,035 before costs (**Option Offer**).

The Share Offer is fully underwritten by the Underwriter pursuant to the Underwriting Agreement. Details of the Underwriting Agreement are set out in Section 9.3 of this Prospectus. The New Shares will rank equally with existing Shares. The rights attaching to the New Shares are set out in Section 9.3.8 of this Prospectus.

The New Options will be listed and have the terms as set out in Section 9.4. The Options will be offered on a pro rata basis to persons who previously held Options in the Company as at the time of their expiry on 28 February 2012, as well as various other non related investors including investors introduced to the Company by Minimum Risk.

2.2 Offers are conditional

The Offers under this Prospectus are conditional upon satisfaction or waiver of all of the conditions precedent to the Share Sale Agreement, details of which are set out in Section 9.3.1 of this Prospectus.

In the event the relevant conditions are not met, the Company will refund all application monies for the New Shares and/or New Options (as applicable) as soon as is practicable in full without interest.

2.3 Capital Structure

Upon completion of the Acquisition and the Offers and assuming full subscription of the Option Offer, the issued share capital of the Company will be:

Number of Shares	51,965,987	44.29%
Acquisition Shares issued pursuant to the Acquisition	55,000,000	46.87%
Shares to be issued to Carsten Huebner as consideration for brokering the Acquisition	375,000	0.32%
New Shares issued pursuant to Share Offer	10,000,000	8.52%
Total Shares on completion of Share Offer	117,340,987	100%
Existing number of Options on issue	Nil	0%
New Options issued pursuant to Option Offer	29,758,832	100%
Total Options on completion of Option Offer*	29,758,832	100%

* Terms of the Options are set out in Section 9.4.

Details of the Offers

The Vendors, the number of IPE shares they currently hold, the number of Acquisition Shares they (or their nominee) will receive on completion of the Acquisition, and their voting power in the Company on completion of the Offers is set out below:

Legal owner	Vendor	IPE shares	Acquisition Shares	Voting Power (%)
Minimum Risk Pty Ltd ¹	Adelaide PNG Investments Pty Ltd	10	2,500,000	2.13
Minimum Risk Pty Ltd ¹	Lightglow Enterprises Pty Ltd ATF the Paloma Investments Trust ²	45	11,250,000	9.59
Minimum Risk Pty Ltd ¹	Fanucci Pty Ltd ATF the Fanucci Family Trust ³	45	11,250,000	9.59
Minimum Risk Pty Ltd	Minimum Risk Pty Ltd ATF the CDM Family Trust ⁴	40	10,000,000	8.52
Minimum Risk Pty Ltd ¹	Confianza Pty Ltd	30	7,500,000	6.39
Minimum Risk Pty Ltd ¹	Louisa Martino	5	1,250,000	1.06
Chris Haiveta	Chris Haiveta ⁵	45	11,250,000	9.59
Total		220	55,000,000	46.87

¹ It is noted that Minimum Risk holds the IPE shares as bare trustee on behalf of the underlying Vendors. The Acquisition Shares will be issued directly to the Vendors on completion of the Acquisition. The Vendors have confirmed that on completion of the Acquisition, none of the Vendors and their respective associates will have a relevant interest in 20% or greater of the issued Shares in the Company.

²Domenic Martino, a Proposed Director, has an interest in Fanucci Pty Ltd ATF the Fanucci Family Trust as his wife is a shareholder of the trustee and beneficiary of the trust.

³Yosse Goldberg, a Proposed Director, is a beneficiary of the Paloma Investments Trust.

⁴Domenic Martino's son, Christopher Martino is the sole director and shareholder of Minimum Risk.

⁵Chris Haiveta is a Proposed Director.

2.4 Underwriting

The Share Offer is fully underwritten by Minimum Risk pursuant to the Underwriting Agreement for an underwriting fee of 5% of the value of the Share Offer. Full details of the Underwriting Agreement are set out in Section 9.3 of this Prospectus. Christopher Martino is the sole director and shareholder of Minimum Risk and is the son of Domenic Martino, a Proposed Director. Accordingly, Minimum Risk is a related party of the Company. The Directors have determined that the Company has entered into the Underwriting Agreement with Minimum Risk on arms length terms and accordingly have not sought shareholder approval for the underwriting arrangement with Minimum Risk.

Minimum Risk does not currently have a beneficial interest in any securities in the Company. As set out in Section 1.1 and in the table above, on completion of the Acquisition, Minimum Risk will be issued 10,000,000 Acquisition Shares in its capacity as trustee of the CDM Family Trust (a Vendor). In the event the Share Offer is fully subscribed, Minimum Risk will not be required to take up any New Shares and will accordingly have a relevant interest in 8.5% of the issued Shares in the Company. In the event Minimum Risk is required to take up all the New Shares offered under the

Details of the Offers

Share Offer, Minimum Risk will have a relevant interest in 17.02% of the issued Shares in the Company.

2.5 Applications

Share Offer

If you wish to apply for New Shares under the Share Offer, complete the accompanying Share Offer Application Form in accordance with the instructions set out on the form.

Send your completed Share Offer Application Form (together with your cheque for the amount shown on the form) to reach the Company's Share Registry at:

Advanced Share Registry Limited
PO Box 1156
Nedlands WA 6009

by no later than 5pm (WST) on the Closing Date.

You must apply for a minimum parcel of 10,000 Shares representing a minimum investment of \$2,000. Applications for less than the minimum application of 10,000 Shares (equivalent to \$2,000) will not be accepted.

Option Offer

The Option Offer is being made 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 non related investors including investors introduced to the Company by the Underwriter. The Company will send Option Offer Applicants an individualised Option Application Form setting out the number of New Options they are entitled to apply for.

If you have been invited to participate in the Option Offer and wish to apply for New Options, complete your personalised accompanying Option Offer Application Form in accordance with the instructions set out on the form.

Send your completed Option Offer Application Form (together with your cheque for the amount shown on the form) to reach the Company's Share Registry at:

Advanced Share Registry Limited
PO Box 1156
Nedlands WA 6009

by no later than 5pm (WST) on the Closing Date.

All payments must be made in Australian currency by way of a cheque or Electronic Funds Transfer (EFT).

Cheques for Applications Monies under the Offers should be made payable to "Orchid Capital Limited" and crossed "Not Negotiable". EFT should be made to the following account:

Account Name: Orchid Capital Limited Application Account
SWIFT: NATAAU3303M
Bank: National Australia Bank
Branch Address: 96 High Street, Fremantle WA 6160

BSB Number: 086-217
Account Number: 11-577-3425

Receipts for payments will not be issued.

The Company reserves the right to vary the Closing Date without prior notice, which may have a consequential effect on the other dates. Applicants are therefore urged to lodge their Application Forms as soon as possible.

2.6 Application money held in trust

Application Monies will be held in trust in a subscription account until allotment. The subscription account will be established and kept by the Company on behalf of the Applicants until allotment of the New Shares and/or New Options to the Applicants. In the event that an Applicant is not issued with New Shares and/or New Options in full satisfaction of the Application Monies provided, the relevant Application Monies will be refunded without interest.

2.7 Allotment

Allotment of New Shares and New Options will take place as soon as practicable after the Closing Date. The Company, irrespective of when the allotment of New Shares and New Options takes place, will retain any interest earned on the application monies.

It is the responsibility of Applicants to confirm the number of New Shares and/or New Options allotted to them prior to trading in the securities. Applicants who sell New Shares and/or New Options before they receive notification of the number of securities allocated to them do so at their own risk.

The Directors reserve the right to allot New Shares and New Options in full for application or to allot any lesser number or to decline an application. Where the number of New Shares and/or New Options allotted is less than the number applied for, or where no allotment is made, the surplus application monies will be returned by cheque to the applicant within 7 days of the allotment date, without interest.

If an Application Form is not completed correctly, or if the accompanying payment of the Application Monies is for the wrong amount, it may still be treated as a valid Application. The Directors' decision whether to treat the Application as valid and how to construe, amend or complete the Application Form is final. However, an Applicant will not be treated as having applied for more New Shares and/or New Options than is indicated by the sum of the cheque for the Application Monies.

2.8 ASX Listing

The Company will not be reinstated to Official Quotation until satisfaction of the conditions to the Share Sale Agreement (as set out in section 9.3) and ASX approving the Company's re-compliance with Chapters 1 and 2 of the ASX Listing Rules and the Company satisfying any conditions imposed by ASX.

Within 7 days after the date of this Prospectus, the Company will apply to ASX for the New Shares issued under this Prospectus to be admitted to quotation. If the New Shares are not admitted to quotation within 3 months after the date of this Prospectus, all Application Monies in respect of the Share Offer will be refunded within the time prescribed under the Corporations Act, without interest.

Within 7 days after the date of this Prospectus, the Company will apply to ASX for the New Options issued under this Prospectus to be admitted to quotation. If the New Options are not admitted to quotation within 3 months after the date of this Prospectus, all Application Monies in respect of the Option Offer will be refunded within the time prescribed under the Corporations Act, without interest.

2.9 Foreign Shareholders

The distribution of this Prospectus in jurisdictions outside of Australia may be restricted by law and persons who come into possession of this Prospectus should seek their own advice on and observe any

such restrictions. Any failure to comply with such restrictions may constitute a violation of applicable securities laws. This Prospectus (and the accompanying Application Form) does not constitute an offer of, or invitation to subscribe for securities in any place in which, or to any person to whom, it would not be lawful to make such an offer or invitation.

Where this Prospectus is available to persons domiciled in a country other than Australia, and where that country's securities code or legislation requires registration, this Prospectus is provided for information purposes only. No action has been taken to register or qualify this Prospectus or to otherwise permit a public offering of New Shares and/or New Options outside Australia.

It is the responsibility of non-Australian resident investors to obtain all necessary approvals for applying for New Shares and/or New Options pursuant to this Prospectus. The return of a completed Application Form will be taken by the Company to constitute a representation and warranty by the Applicant that all approvals necessary in the jurisdiction in which the Applicant resides, have been obtained.

The Offers have not been, and will not be, registered under the United States Securities Act of 1933 and are not being made in the United States or to persons resident in the United States.

2.10 CHESSE and issuer sponsored holdings

The Company participates in the security transfer system known as CHESSE. ASTC, a wholly owned subsidiary of ASX, operates CHESSE in accordance with the ASX Listing Rules and the ASTC Settlement Rules. Under CHESSE, Applicants will not receive a share certificate but will be issued a statement of holding of shares.

If you are broker sponsored, and you are allocated New Shares under the Share Offer, ASTC will send you a CHESSE holding statement. The CHESSE holding statement will set out the number of New Shares and/or New Options issued to you under this Prospectus and provide details of your holder identification number and the participant identification number of the sponsor. If you are registered on the issuer sponsored sub-register, and you are allocated New Shares and/or New Options, your statement will be despatched by the Share Registry and will contain the number of New Shares issued to you under this Prospectus and a security holder reference number.

A CHESSE statement or issuer-sponsored statement will routinely be sent to security holders at the end of any calendar month during which the balance of their security holding changes. Security holders may request a statement at any other time. However, a fee may be charged for additional statements.

If investors have enquiries about CHESSE, they should contact their broker or ASX.

2.11 Taxation Implications

Applicants should be aware that there may be taxation liabilities arising from the subscription for New Shares and/or New Options and the sale of those New Shares and/or New Options. For this reason, it is very important that Applicants consult their own taxation or other advisers in relation to the taxation laws and regulations applicable to their personal circumstances. ORC and its officers accept no liability or responsibility in respect of any tax consequences connected with an investment in the New Shares or the New Options or the sale of those New Shares or New Options.

2.12 Restricted Securities

Subject to the Shares being re-instated to quotation, some of the Acquisition Shares may be subject to escrow in accordance with the ASX Listing Rules. ASX may, in its absolute discretion, impose an escrow for a period of between 12 and 24 months from the date of issue of some or all of the Shares.

2.13 Withdrawal of Offers

The Share Offer and the Option Offer may be withdrawn at any time. In this event, the Company will return all application monies (without interest) within 28 days of giving the notice of withdrawal.

2.14 No Forecasts

The business of oil and gas exploration, appraisal and development is speculative where there are no proved reserves and there are significant uncertainties associated with forecasting revenues and expenses of such operations. Accordingly, the Directors believe that reliable forecasts cannot be prepared and forecasts have therefore not been included in this Prospectus.

2.15 Privacy Statement

If you complete an Application Form, you will be providing personal information to the Company (directly or through the Share Registry). The Company collects, holds and uses such information to assess your Application, to service your needs as a Shareholder and to facilitate distribution payments and corporate communications to you.

The information may also be used from time to time and disclosed to persons inspecting the register, bidders for your securities in the context of takeovers, regulatory bodies (including the Australian Taxation Office), authorised securities brokers, print service providers, mail houses and the Share Registry.

You can access, correct and update the personal information which is held about you. If you wish to do so please contact the Share Registry at the relevant contact numbers set out in this Prospectus.

Collection, maintenance and disclosure of certain personal information is governed by legislation including the *Privacy Act 1988* (Cth) (as amended), the Corporations Act and certain rules such as the ASX Settlement Rules. You should note that if the information required on the Application Form is not provided, the Company may not be able to accept or process your Application.

2.16 Queries

If you have any queries concerning the Offers, your existing holding of Shares, or any part of this Prospectus, please contact the Company Secretary (refer to Section 11 of this Prospectus for contact details).

3 Company Overview

3.1 Background

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

The Acquisition of IPE by ORC will create a PNG oil and gas focussed company, with a strong balance sheet that is listed on ASX. The Company aims to be a significant oil and gas company in Papua New Guinea and plans to achieve this through the pursuit, exploration and development of the PNG Oil & Gas Projects while continuing to identify and target new projects via its proven relationships and networks in PNG. The Company will be renamed Coral Sea Petroleum Limited on completion of the Acquisition.

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

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

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

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

3.2 Corporate Strategy and Objectives

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

3.3 Directors

Upon implementation of the Acquisition and as at the completion of the Offers, Chris Haiveta, Domenic Martino and Yosse Goldberg will join the Board as nominees of the Vendors of IPE and the Directors will comprise Chris Haiveta, Domenic Martino, Yosse Goldberg and two current Directors of ORC, Julian Sandt and Alvin Tan. A profile of Messrs Haiveta, Martino, Goldberg, Sandt and Tan is set out in Section 1.9 of this Prospectus.

3.4 Capital Structure

Upon implementation of the Acquisition and as at the completion of the Offers, the capital structure of the Company will be as set out in the tables below.

Current issued share capital	Ordinary Shares to be issued pursuant to the Acquisition	Ordinary Shares to be issued to Carsten Huebner	Shares issued under the Share Offer	Pro-forma total issued share capital
51,965,987	55,000,000	375,000	10,000,000	117,340,987

Unlisted Options issued under the Option Offer	Exercise Price (\$)	Expiry Date	Pro-forma total Unlisted Options
29,758,832	\$0.20	Expiry Date*	29,758,832

*This is the date 12 months from when the Company satisfies the requirements of the Listing Rules in relation to the re-listing of its securities on ASX.

3.5 Dividend policy

The New Shares issued pursuant to this Prospectus will rank equally for dividends with all existing Shares from the date of allotment. As the Company is an exploration company, it is unlikely that dividends will be paid in the short to medium term. Payment of any dividend will be dependent upon many factors including the success of the Company's exploration program and the future achievement of profitable operations.

3.6 Environment

The Company is committed to achieving a high standard of environmental performance. The Board is responsible for the regular monitoring of environmental exposures and compliance with environmental regulations.

4 PNG Oil & Gas Projects Overview

The information contained in this Section contains an overview of the PNG Oil & Gas Projects and excerpts from the Independent Technical Expert's Report in Section 5. Investors should read the Independent Technical Expert's Report in Section 5 in its entirety, which contains more detailed information about the PNG Oil & Gas Projects, before making a decision to apply for New Shares and/or New Options.

4.1 PNG Oil & Gas Projects

Following the Acquisition, the Company's key business activities will relate to the contractual interests held by IPE in the PNG Oil & Gas Projects. The locations of the PNG Oil & Gas Projects are shown in the map below.

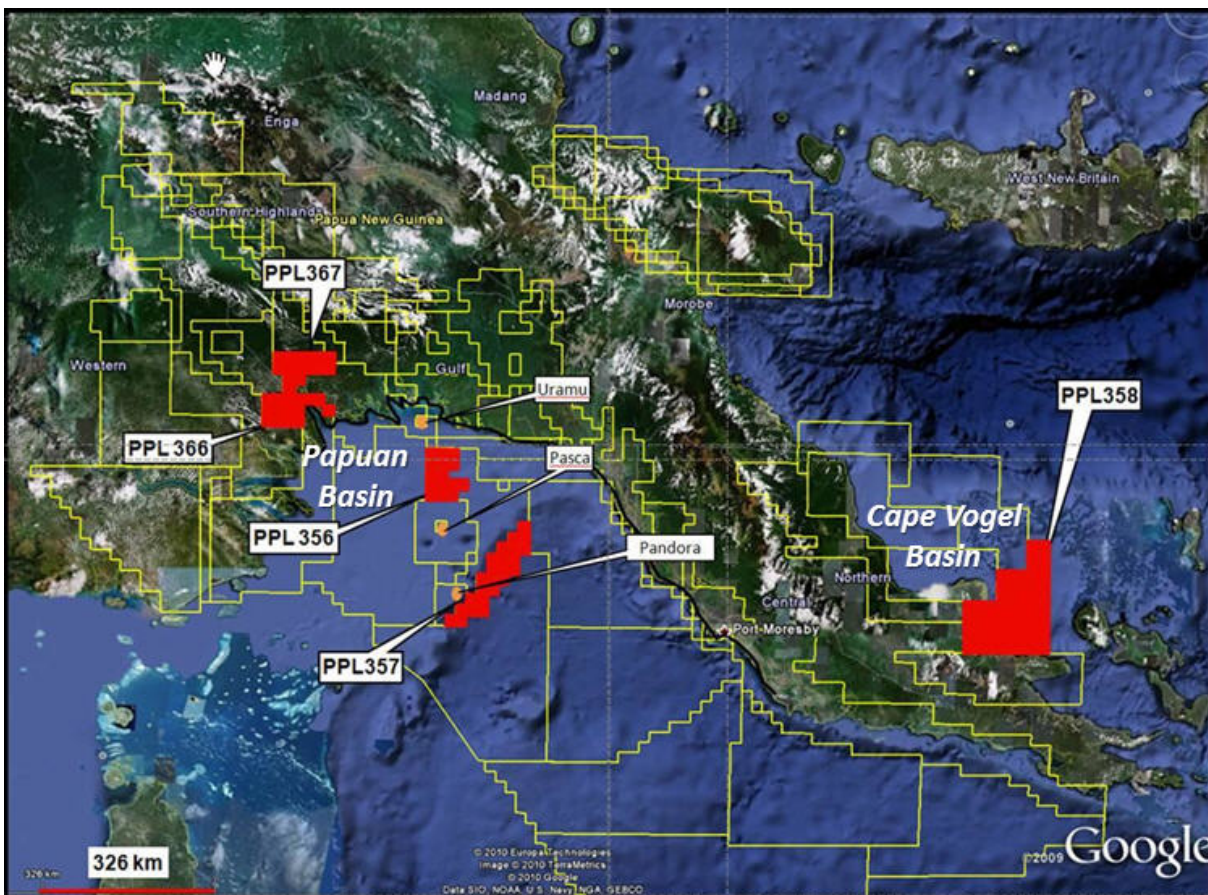


Figure 1: Topographic Map showing exploration licences (source: Google Earth, GPInfo).

This Section outlines IPE's interests in the PNG Oil & Gas Projects as illustrated generally in the maps above in this Section.

The PNG Oil & Gas Projects comprise the PPLs as follows:

- a) PPL 366 – Biwai licence;
- b) PPL 367 – Turama licence;
- c) PPL 356 – Dibiri licence;
- d) PPL 357 – Hiri licence; and
- e) PPL 358 – Cape Vogel licence.

Further information in relation to each of the PPL's is set out below, and in the independent Solicitor's Report and Independent Technical Expert's Report in Sections 7 and 5 of this Prospectus.

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

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

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

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

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

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

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

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

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

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

Plays in PPLs 356 and 357 are likely to include tilted fault blocks characteristically bounded by antithetic extensional faults and overlain by Plio-Pleistocene age slope and basin-floor fans in the Pandora Trough (Figure 3). The adjacent PPL 244 Joint Venture has recently acquired a 3D seismic survey that includes the Flinders Prospect (Figure 2).

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

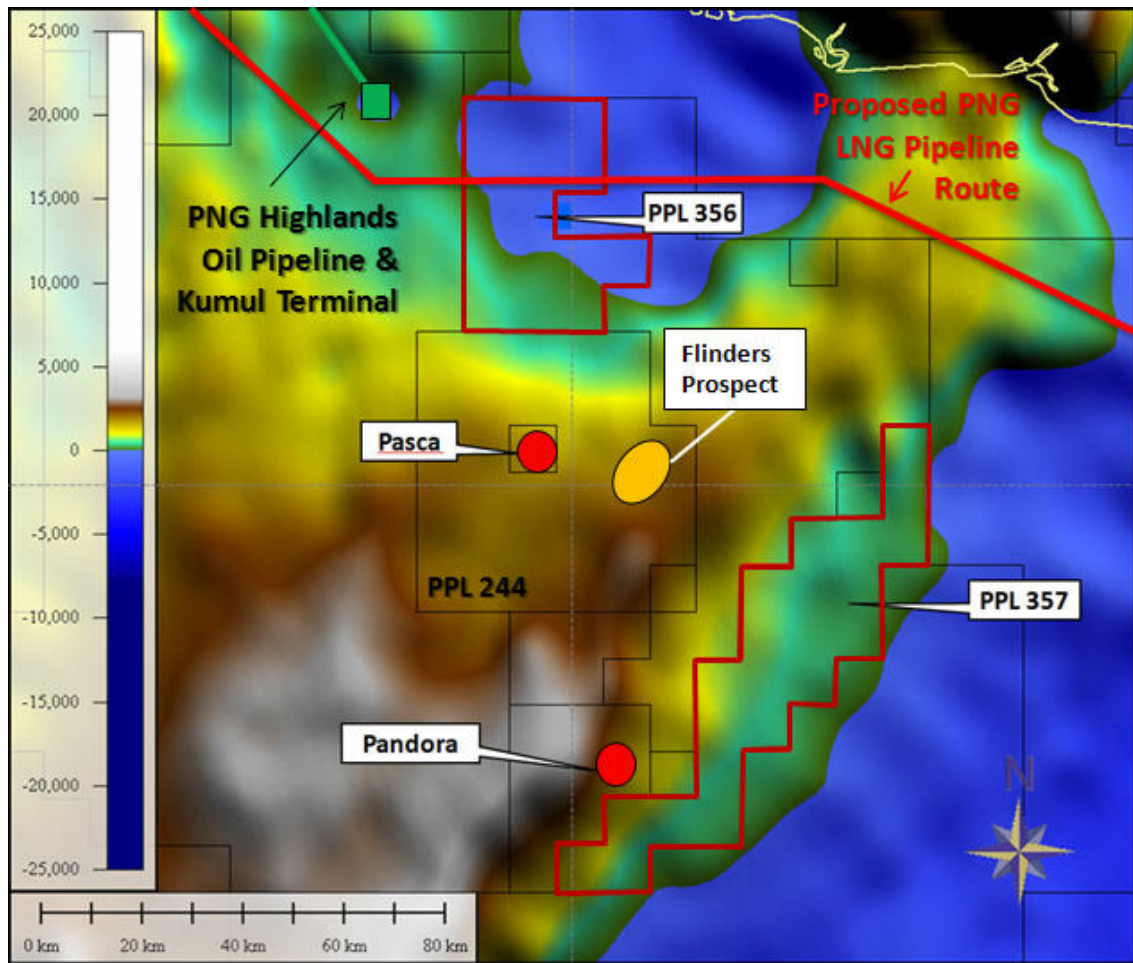


Figure 2: Location of PPL 356 & 357 on publicly available regional NOAA gravity map

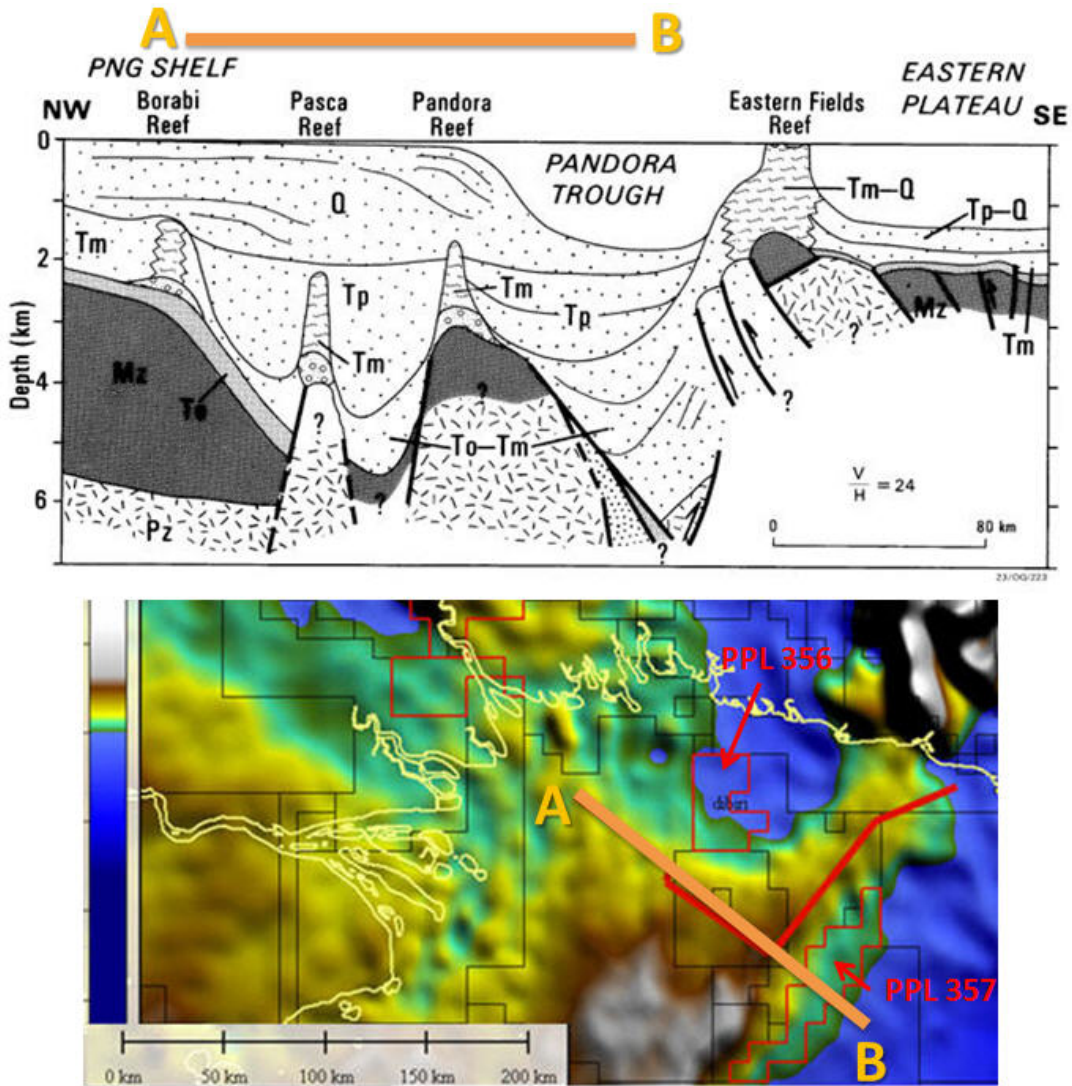


Figure 3: Schematic Geological Cross Section A-B, Gulf of Papua (Geoscience Australia, Papuan Basin Cross section, www.ga.gov.au/oceans/ea_ppn_XS.jsp)

(c) PPL 358 (Cape Vogel Licence)

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

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

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

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

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

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

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

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

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

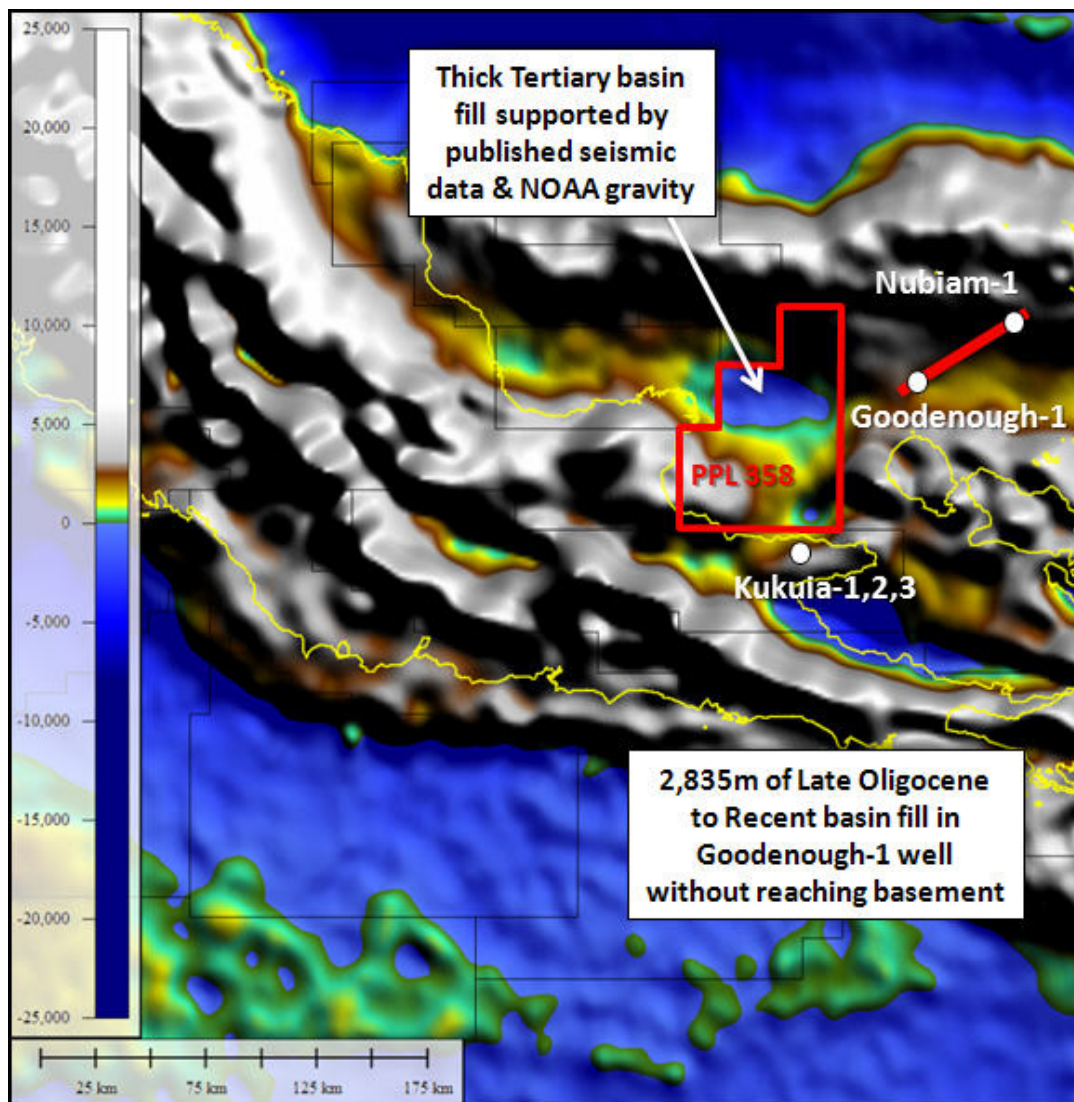


Figure 4: PPL 358 on regional NOAA gravity map (publicly available). Location of interpreted thick sedimentary basin fill is indicated by blue colour. Red line is well cross section in Figure 6.

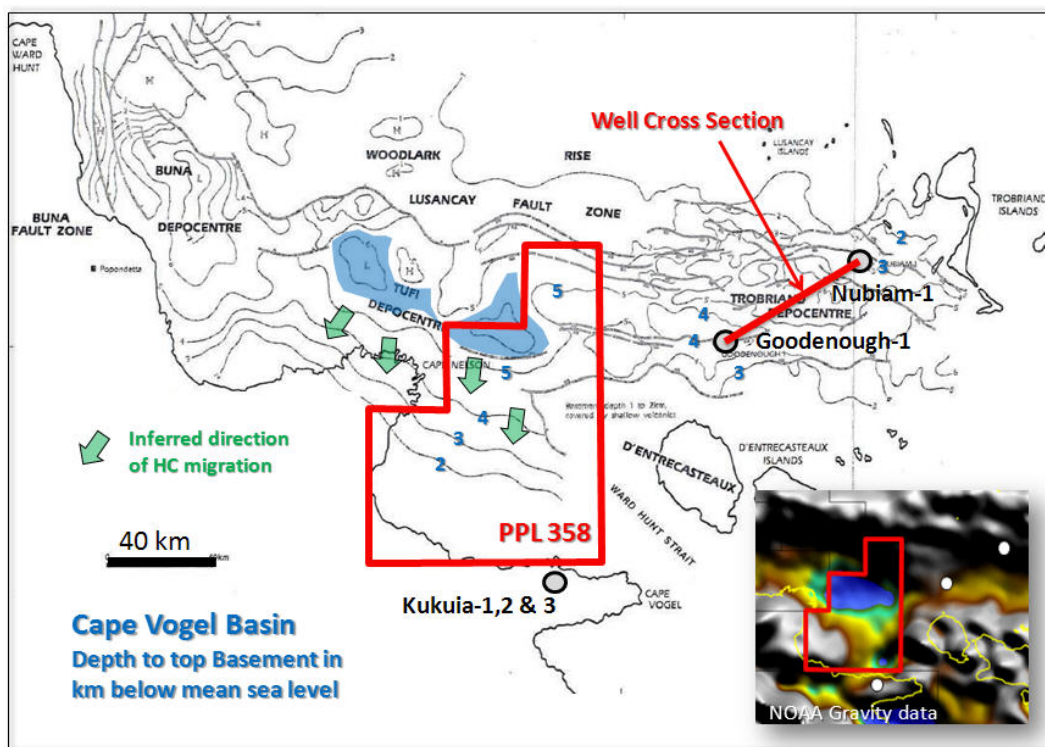
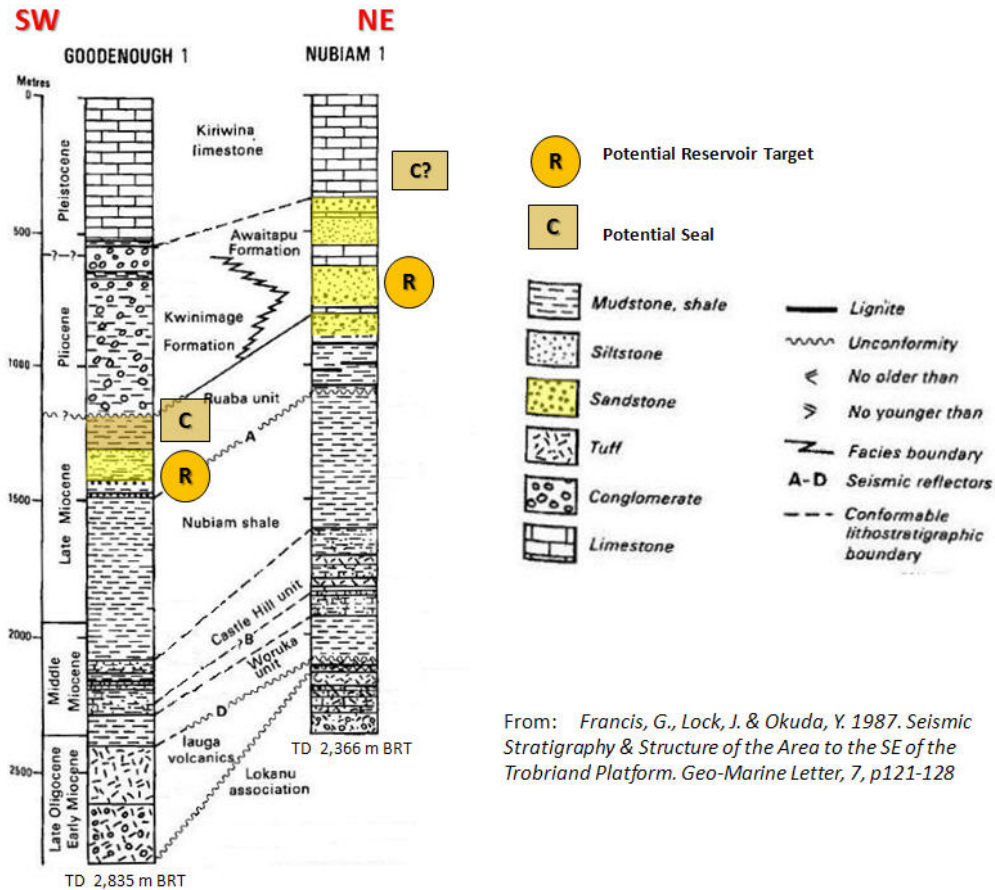


Figure 5: PPL 358 Tectonic Setting, Basement Structure, Well Control & Petroleum System. (Detail added to Depth to Basement Map from Figure 4 in Stewart, W.D., Francis, G. & Deibert, D.H. 1986. Hydrocarbon Potential of the Cape Vogel Basin, PNG. Oil and Gas Journal, Nov. 17th 1986, v.84 (46). Well cross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

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

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

The initial exploration campaign will involve reinterpretation of existing data to quantify the elements required for a viable petroleum system to be present in the basin. Aeromagnetic and aero-gravity data may be acquired if justified by the technical studies over the entire licence in 2012/13 though this is not a requirement of the commitment work programme. The existing seismic data over the block provide a widely spaced regional grid of poor to moderate quality data. The wide spacing of these seismic lines renders them of limited use in detailing potentially drillable traps. However, these data will be reprocessed during 2012, tied to the existing well data, integrated with the other existing data sets, and interpreted to provide a regional framework prior to the acquisition of additional prospect specific seismic data in 2013. The reprocessed existing seismic data will be used to provide a correlation and sequence stratigraphic context that links the reported sandstone outcrops onshore with those in the offshore basin sequences.



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

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

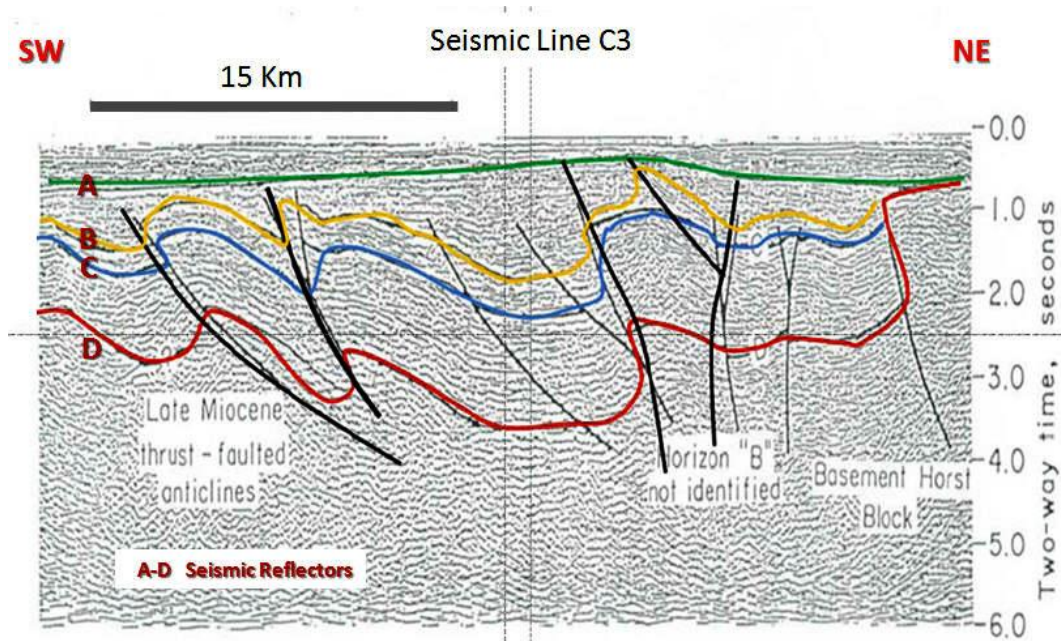


Figure 7: PPL 358 Indicative structure affecting the Cape Vogel Tertiary Basin fill. (From Pono, S. 1990. Petroleum Exploration in PNG, Proceedings of 1st PNG Petroleum Convention, page 33-49).

4.2 Work and Expenditure Program

The conditions and approved work and expenditure program for each of the PPLs as set out in the licence instruments for each PPL is summarised below:

4.2.1 PPL 366

Time Limit	Approved work and expenditure program / condition
Within 2 years of grant	At a cost of not less than US\$200,000, undertake the following work: - data purchase; - geological and geophysical studies; - seismic reprocessing; and - geochemical studies.
At least 2 months before the expiry of the second year	Submit to the Minister acceptable proposals for work and expenditure in the third and fourth years which shall at least include: - seismic acquisition; - drill one exploration well; - particulars of the financial resources available to CSP to carry out the forgoing work program or if so requested by the Director of the PNG Department of Petroleum and Energy (Petroleum Director) an acceptable schedule of actions to be taken by CSP to ensure the availability of necessary financial resources and of documentary evidence which will be submitted to the Petroleum Director at appropriate times during the third and fourth years to demonstrate that such actions have been taken.
At least 2 months before the expiry of the fourth year	Submit to the Minister acceptable proposals for work and expenditure in the fifth and sixth years which shall at least include: - drill one exploration well contingent upon the result of the first well in year 3 & 4; - if so requested, provide particulars of the financial resources available to CSP to carry out the forgoing work program and an acceptable schedule of actions to be taken by CSP to ensure the availability of necessary financial resources and of documentary evidence which will be submitted to the Petroleum Director at appropriate times during the fifth and sixth years to demonstrate that such actions have been taken.
	CSP must not transfer, or in any other way deal in, the licence unless to or with a related corporation during the first two years of the licence.
	CSP may carry forward work and expenditure in excess of approved work and expenditure commitments in any one year of the licence to future years of the licence as a credit against work and expenditure commitments of these future years. Such work so credited will be deemed to be work of these future years in compliance with the conditions related to these years.
	CSP may take samples of any petroleum found in the licence area for the purpose of testing and determining its chemical composition. CSP may carry out well flow tests with prior approval but shall not otherwise recover any petroleum from the licence area.

4.2.2 PPL 367

Time Limit	Approved work and expenditure program / condition
Within 2 years of grant	At a cost of not less than US\$200,000, undertake the following work: - data purchase; - geological and geophysical studies; - seismic reprocessing; and - geochemical studies.
At least 2 months before the expiry of the second year	Submit to the Minister acceptable proposals for work and expenditure in the third and fourth years which shall at least include: - plan and acquire seismic; - drilling of an exploration well; - review results of the well, revise inventory and establish a firm work program for the final term of the licence; and - particulars of the financial resources available to CSP to carry out the forgoing work program or if so requested by the Petroleum Director an acceptable schedule of actions to be taken by CSP to ensure the availability of necessary financial resources and of documentary evidence which will be submitted to the Petroleum Director at appropriate times during the third and fourth years to demonstrate that such actions have been taken.
At least 2 months before the expiry of the fourth year	Submit to the Minister acceptable proposals for work and expenditure in the fifth and sixth years which shall at least include: - the drilling of a contingent exploration well; - conduct complete license review to establish a summary of the licence prospectivity; - decide on the future of the licence; and - if so requested, provide particulars of the financial resources available to CSP to carry out the forgoing work program and an acceptable schedule of actions to be taken by CSP to ensure the availability of necessary financial resources and of documentary evidence which will be submitted to the Petroleum Director at appropriate times during the fifth and sixth years to demonstrate that such actions have been taken.
	CSP must not transfer, or in any other way deal in, the licence unless to or with a related corporation during the first two years of the licence.
	CSP may carry forward work and expenditure in excess of approved work and expenditure commitments in any one year of the licence to future years of the licence as a credit against work and expenditure commitments of these future years such work so credited will be deemed to be work of these future years in compliance with the conditions related to these years.
	CSP may take samples of any petroleum found in the licence area for the purpose of testing and determining its chemical composition. CSP may carry out well flow tests with prior approval but shall not otherwise recover any petroleum from the licence area.

4.2.3 PPL 356

Time Limit	Approved work and expenditure program / condition
Within 2 years of grant	At a cost of not less than US\$150,000, undertake the following work: - data purchase; - geological and geophysical studies; - seismic reprocessing; and - geochemical studies.
At least 2 months before the expiry of the second year	Submit to the Minister acceptable proposals for work and expenditure in the third and fourth years which shall at least include: - plan and acquire seismic; - drilling of an offshore exploration well; - review results of the well, revise inventory and establish a firm work program for the final term of the licence; and - particulars of the financial resources available to CSP to carry out the forgoing work program or if so requested by the Petroleum Director an acceptable schedule of actions to be taken by CSP to ensure the availability of necessary financial resources and of documentary evidence which will be submitted to the Petroleum Director at appropriate times during the third and fourth years to demonstrate that such actions have been taken.
At least 2 months before the expiry of the fourth year	Submit to the Minister acceptable proposals for work and expenditure in the fifth and sixth years which shall at least include: - the drilling of a contingent exploration well; - conduct complete license review to establish a summary of the licence prospectivity; - decide on the future of the licence; and - if so requested, provide particulars of the financial resources available to CSP to carry out the forgoing work program and an acceptable schedule of actions to be taken by CSP to ensure the availability of necessary financial resources and of documentary evidence which will be submitted to the Petroleum Director at appropriate times during the fifth and sixth years to demonstrate that such actions have been taken.
	CSP must not transfer, or in any other way deal in, the licence unless to a related corporation during the first two years of the licence.
	CSP may carry forward work and expenditure in excess of approved work and expenditure commitments in any one year of the licence to future years of the licence as a credit against work and expenditure commitments of these future years such work so credited will be deemed to be work of these future years in compliance with the conditions related to these years.
	CSP may take samples of any petroleum found in the licence area for the purpose of testing and determining its chemical composition. CSP may carry out well flow tests with prior approval but shall not otherwise recover any petroleum from the licence area.

4.2.4 PPL 357

Time Limit	Approved work and expenditure program / condition
Within 2 years of grant	At a cost of not less than US\$150,000, undertake the following work: - data purchase; - geological and geophysical studies; - seismic reprocessing; and - geochemical studies.
At least 2 months before the expiry of the second year	Submit to the Minister acceptable proposals for work and expenditure in the third and fourth years which shall at least include: - plan and acquire seismic; - drilling of an offshore exploration well; - review results of the well, revise inventory and establish a firm work program for the final term of the licence; and - particulars of the financial resources available to CSP to carry out the forgoing work program or if so requested by the Petroleum Director an acceptable schedule of actions to be taken by CSP to ensure the availability of necessary financial resources and of documentary evidence which will be submitted to the Petroleum Director at appropriate times during the third and fourth years to demonstrate that such actions have been taken.
At least 2 months before the expiry of the fourth year	Submit to the Minister acceptable proposals for work and expenditure in the fifth and sixth years which shall at least include: - the drilling of a contingent exploration well; - conduct complete license review to establish a summary of the licence prospectivity; - decide on the future of the licence; and - if so requested, provide particulars of the financial resources available to CSP to carry out the forgoing work program or and an acceptable schedule of actions to be taken by CSP to ensure the availability of necessary financial resources and of documentary evidence which will be submitted to the Petroleum Director at appropriate times during the fifth and sixth years to demonstrate that such actions have been taken.
	CSP must not transfer, or in any other way deal in, the licence unless to a related corporation during the first two years of the licence.
	CSP may carry forward work and expenditure in excess of approved work and expenditure commitments in any one year of the licence to future years of the licence as a credit against work and expenditure commitments of these future years such work so credited will be deemed to be work of these future years in compliance with the conditions related to these years.
	CSP may take samples of any petroleum found in the licence area for the purpose of testing and determining its chemical composition. CSP may carry out well flow tests with prior approval but shall not otherwise recover any petroleum from the licence area.

4.2.5 PPL 358

Time Limit	Approved work and expenditure program / condition
Within 2 years of grant	At a cost of not less than US\$250,000, undertake the following work: - data purchase; - geological and geophysical studies; - seismic reprocessing; and - geochemical studies.
At least 2 months before the expiry of the second year	Submit to the Minister acceptable proposals for work and expenditure in the third and fourth years which shall at least include: - seismic acquisition; - process and interpret seismic data; - establish inventory of leads & prospects; - data purchasing; - review and mature drillable prospect; and - particulars of the financial resources available to CSP to carry out the forgoing work program or if so requested by the Petroleum Director an acceptable schedule of actions to be taken by CSP to ensure the availability of necessary financial resources and of documentary evidence which will be submitted to the Petroleum Director at appropriate times during the third and fourth years to demonstrate that such actions have been taken.
At least 2 months before the expiry of the fourth year	Submit to the Minister acceptable proposals for work and expenditure in the fifth and sixth years which shall at least include: - the drilling of a contingent exploration well; - conduct complete license review to establish a summary of the licence prospectivity; - decide on the future of the licence; and - if so requested, provide particulars of the financial resources available to CSP to carry out the forgoing work program and an acceptable schedule of actions to be taken by CSP to ensure the availability of necessary financial resources and of documentary evidence which will be submitted to the Petroleum Director at appropriate times during the fifth and sixth years to demonstrate that such actions have been taken.
	CSP must not transfer, or in any other way deal in, the licence unless to a related corporation during the first two years of the licence.
	CSP may carry forward work and expenditure in excess of approved work and expenditure commitments in any one year of the licence to future years of the licence as a credit against work and expenditure commitments of these future years such work so credited will be deemed to be work of these future years in compliance with the conditions related to these years.
	CSP may take samples of any petroleum found in the licence area for the purpose of testing and determining its chemical composition. CSP may carry out well flow tests with prior approval but shall not otherwise recover any petroleum from the licence area.



Independent Technical Expert's Report

Coral Sea Petroleum Ltd

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

Exploration Assets

PNG

Prepared for

Orchid Capital Ltd

March 2012

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Declaration

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

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

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

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

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1.0 INTRODUCTION

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

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

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

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

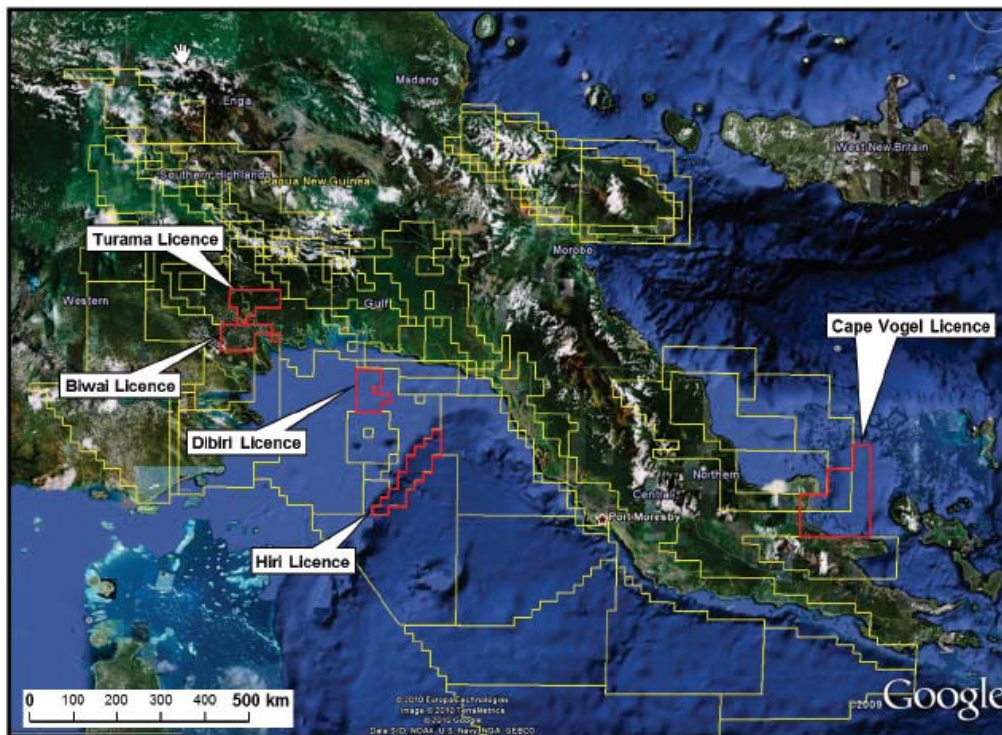


Figure 1: Location Map

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

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

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

2.0 TECHNICAL EVALUATION

2.1 Introduction

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

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



Figure 2: Papua New Guinea - Tectonic Elements Map

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

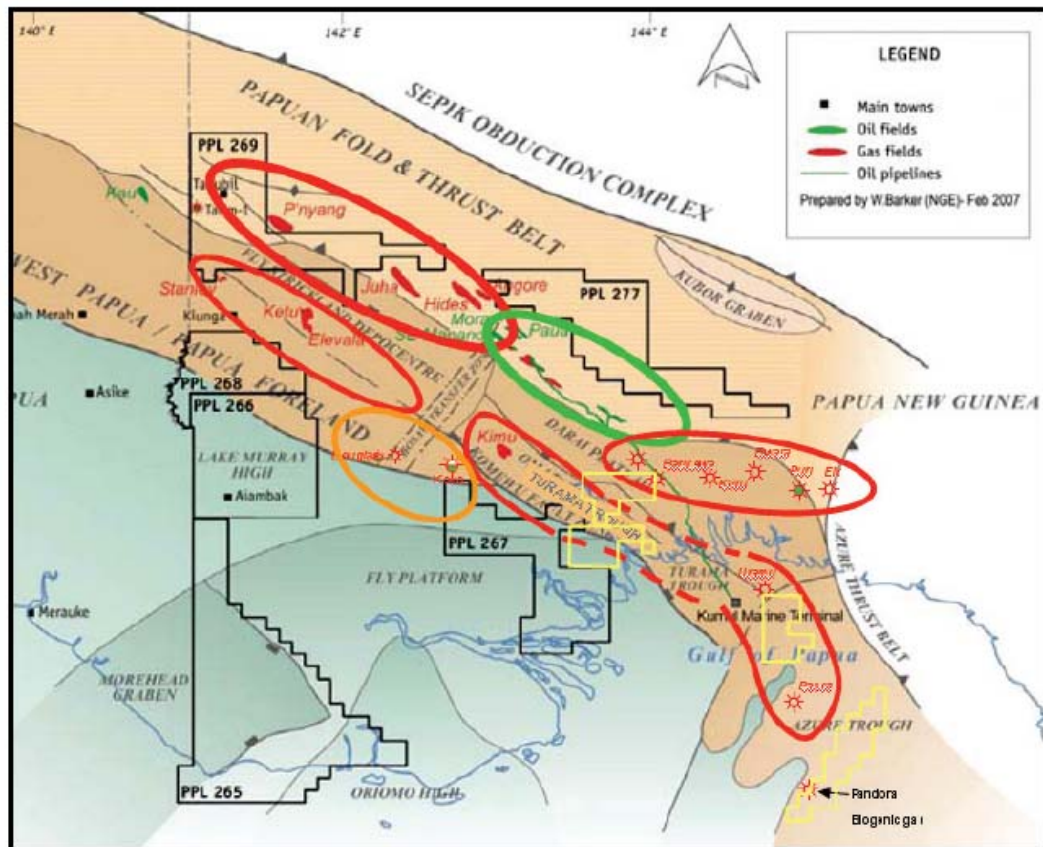


Figure 3: Distribution of Papuan Basin Oil and Gas Fields

Papuan Basin Tertiary Petroleum System (Figure 4)

Reservoirs: Oligocene to Miocene Limestones

Source Rocks: Jurassic and Cretaceous shales

Seals: Late Miocene and Pliocene shales and mudstones

Traps: Anticlines, fault dependent anticlines, carbonate buildups

Key Risk: Reservoir development

Papuan Basin Mesozoic Petroleum System (Figure 4)

Reservoirs: Triassic to Lower Cretaceous sandstones

Source Rocks: Jurassic shales and Triassic coals

Seals: Jurassic and Lower Cretaceous shales

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

Key Risk: Definition of the trap

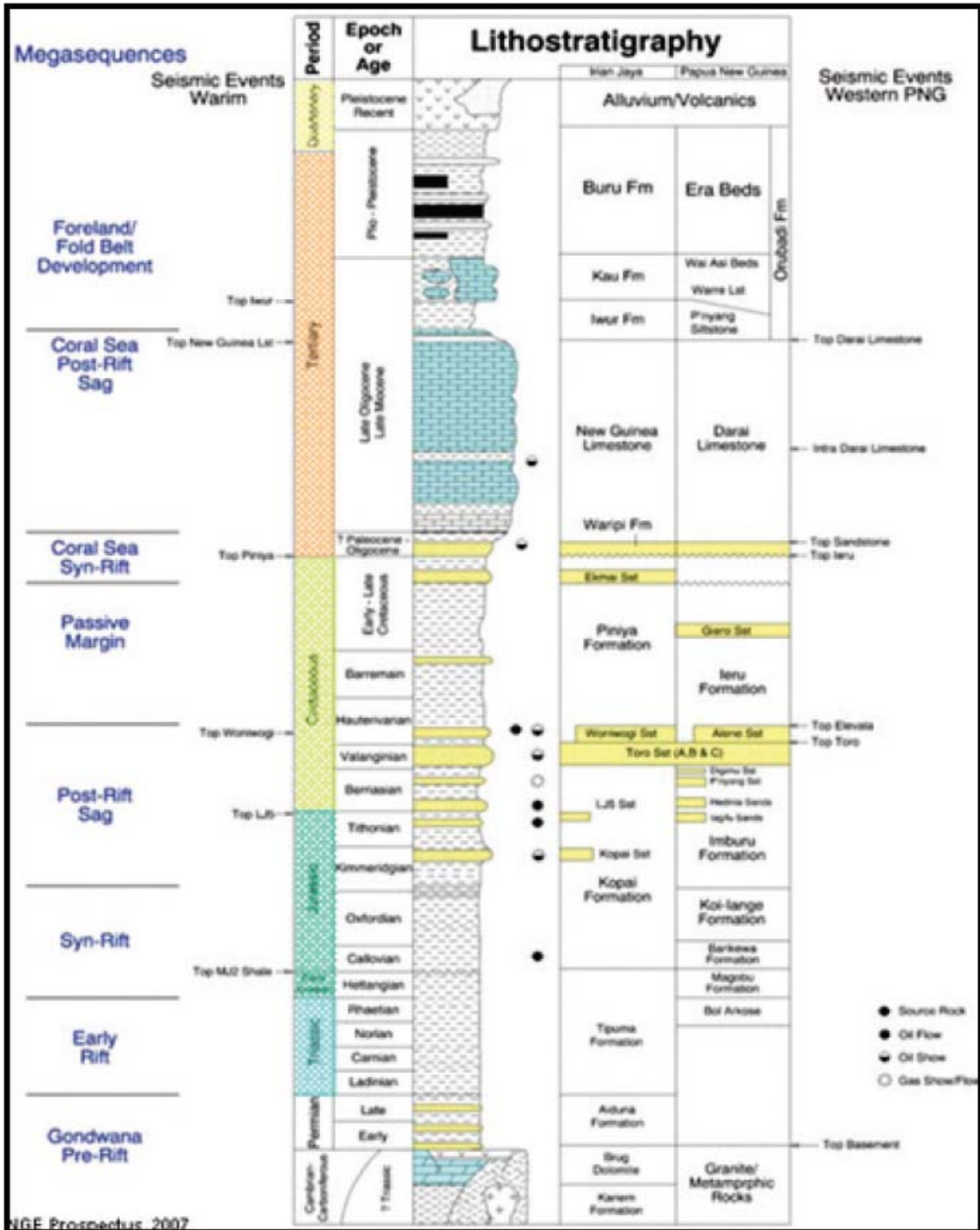


Figure 4: Lithostratigraphy of the Papuan Basin

2.2 Onshore Biwai and Turama Licences

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

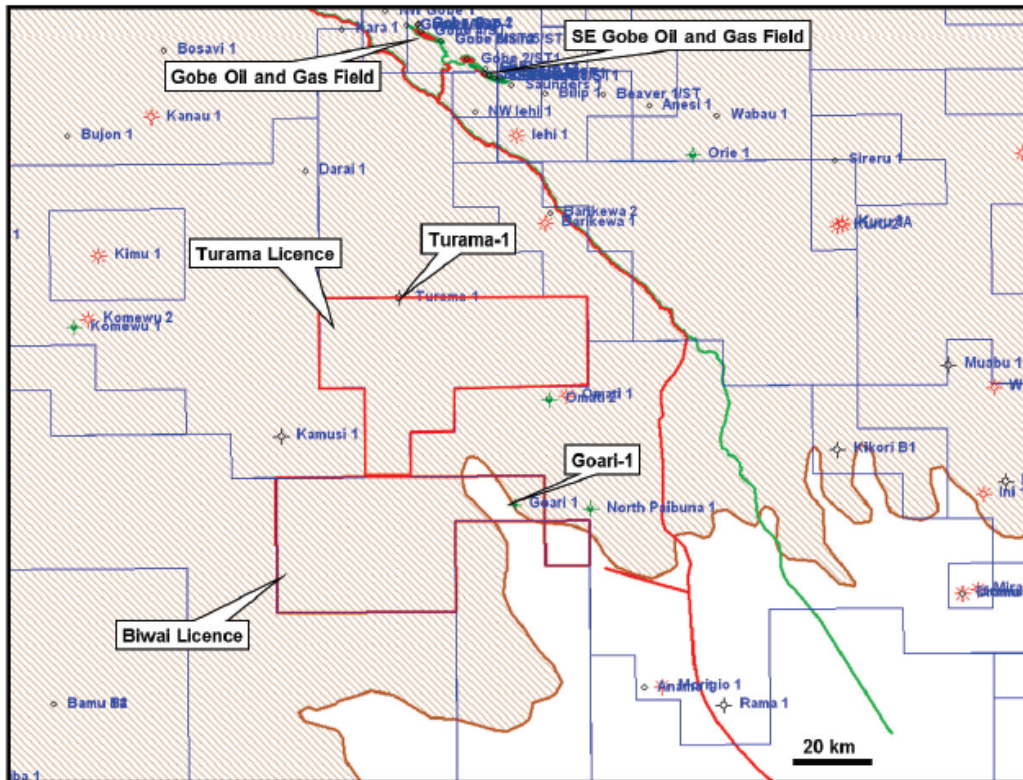


Figure 5: Location Map – Biwai and Turama Licences

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

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

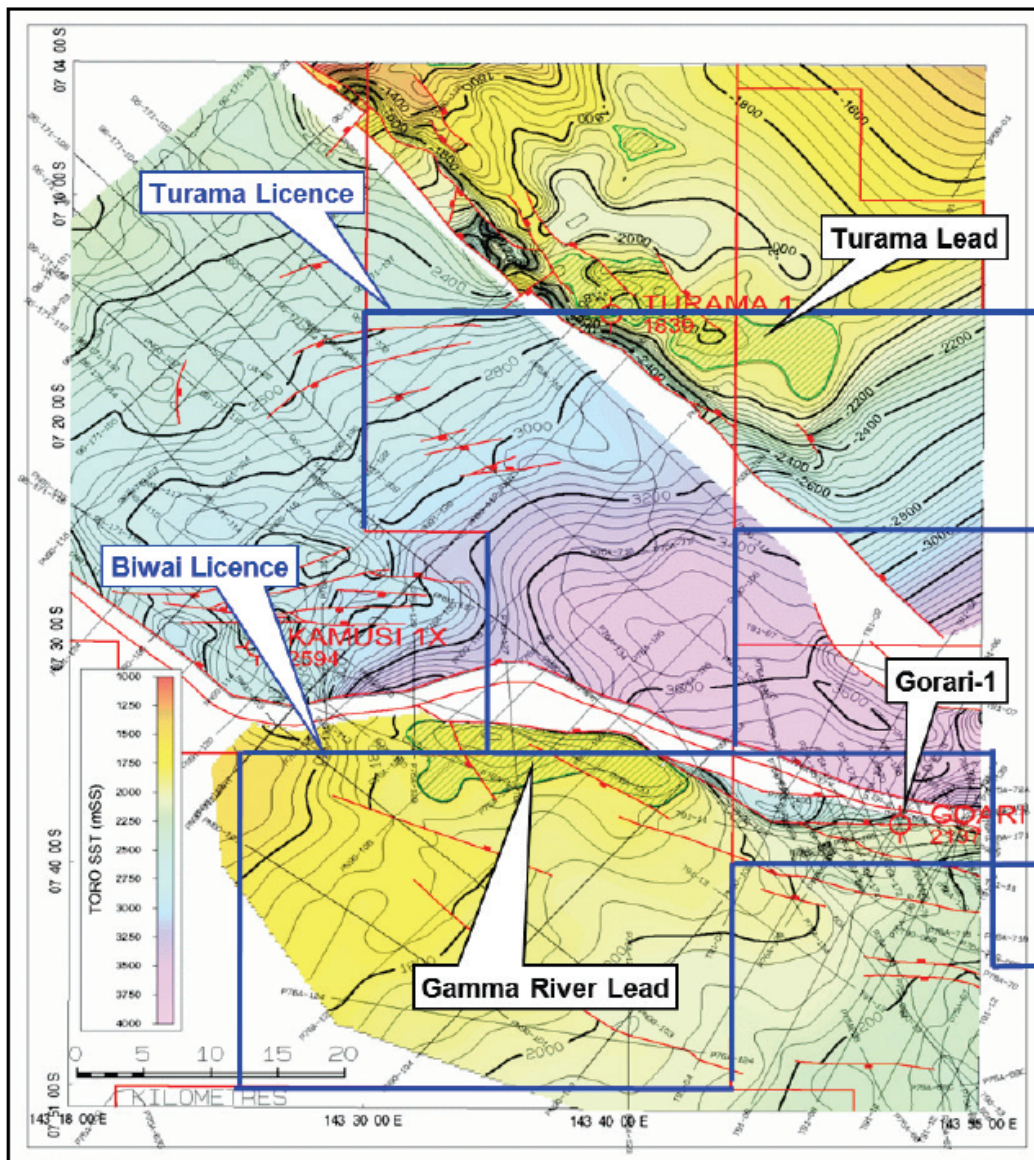


Figure 6: Gamma River and Turama Leads Map

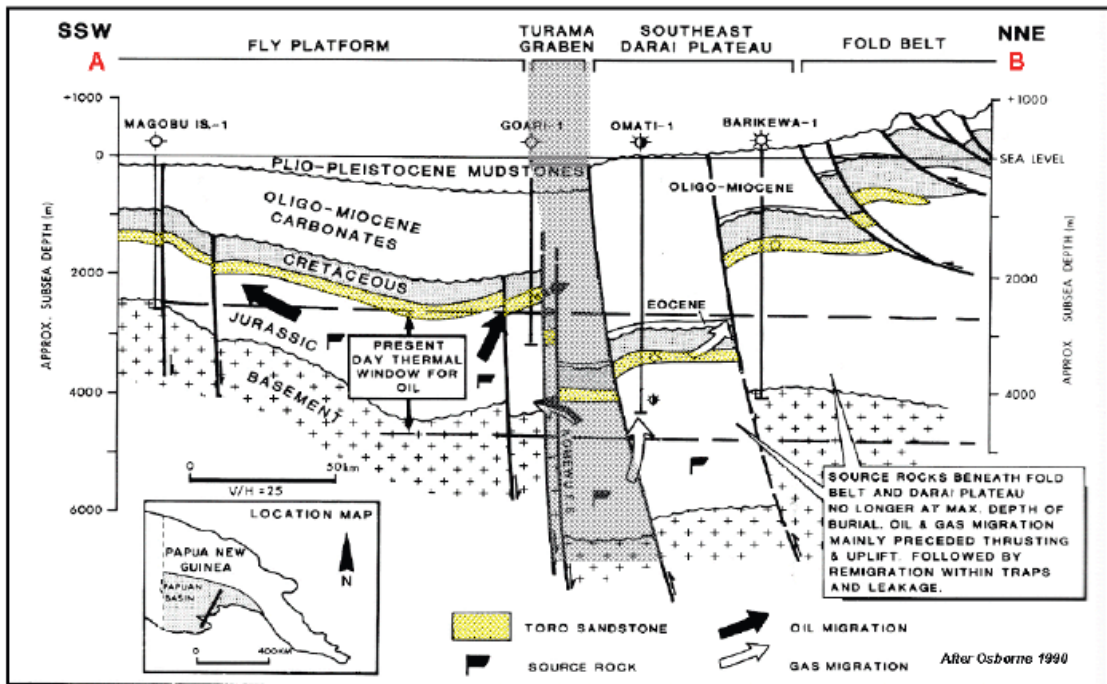


Figure 7: Diagrammatic Cross Section through Goari-1

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

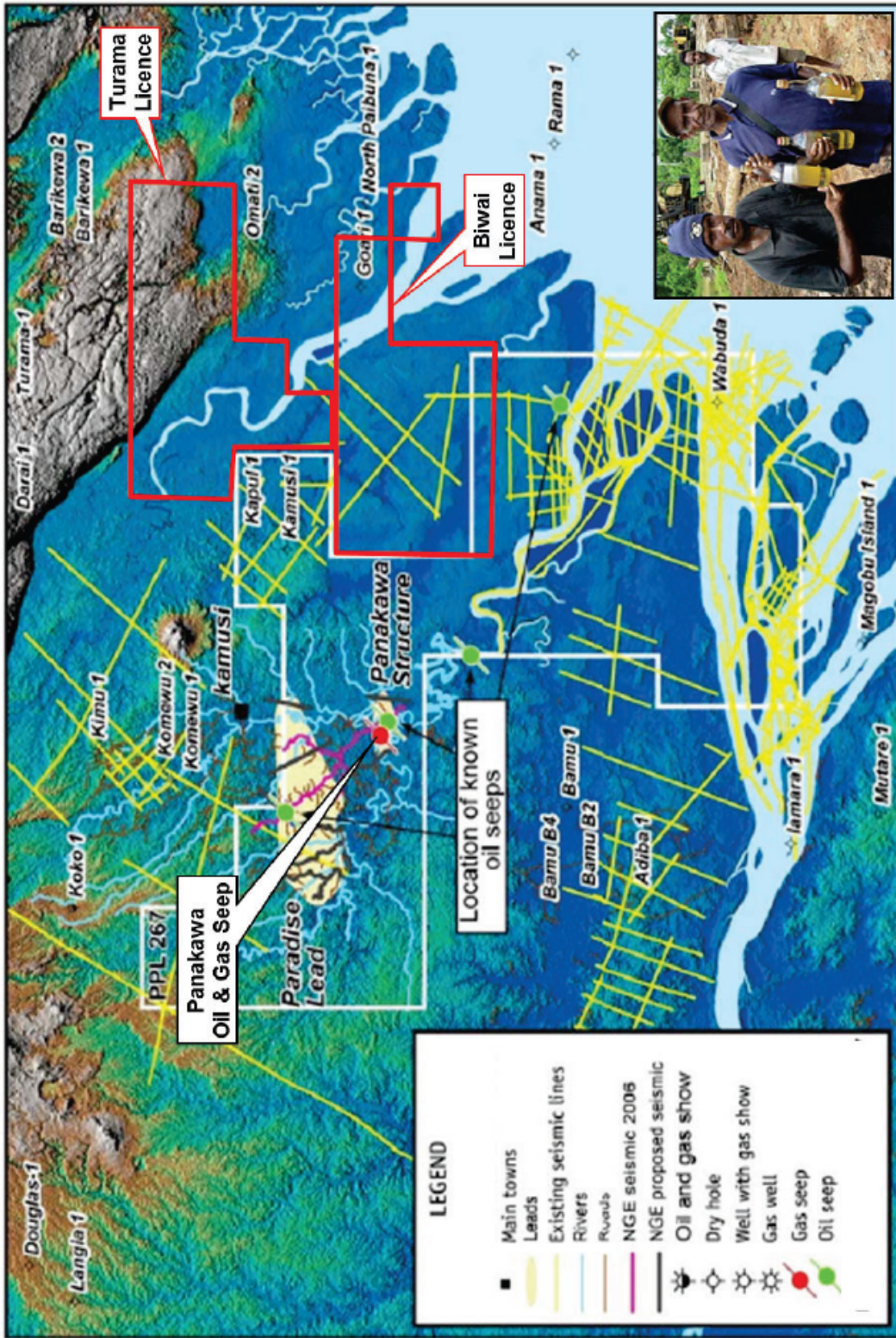


Figure 8: Panakawa Oil and Gas Seep

2.3 Offshore Dibiri and Hiri Licences

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

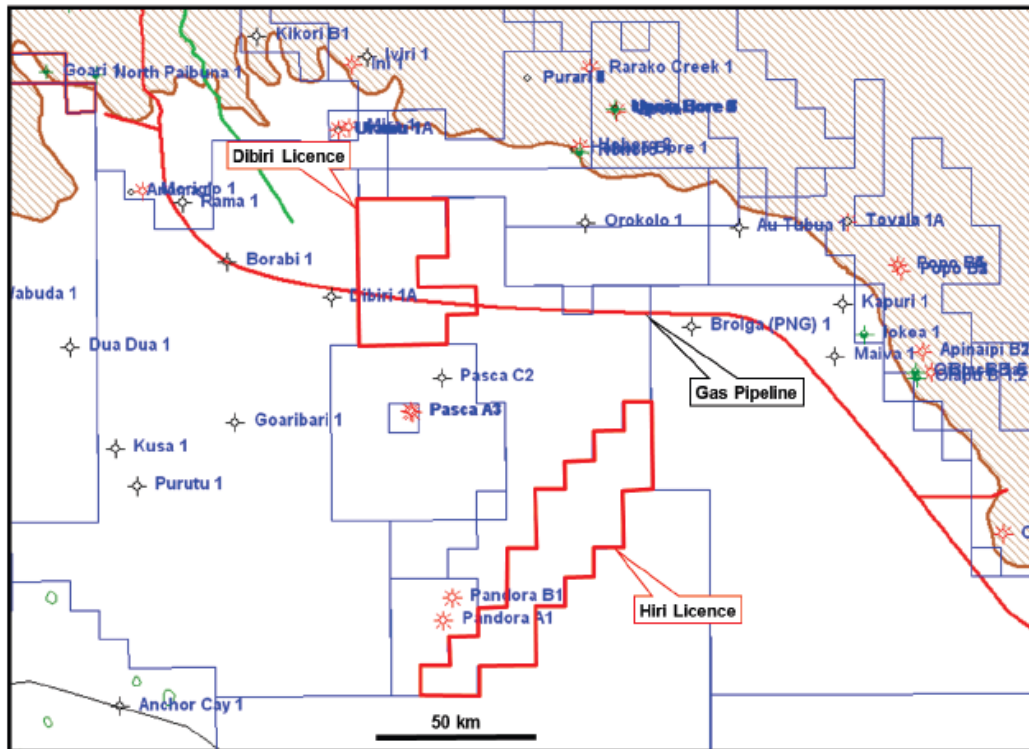


Figure 9: Location Map – Dibiri and Hiri Licences

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

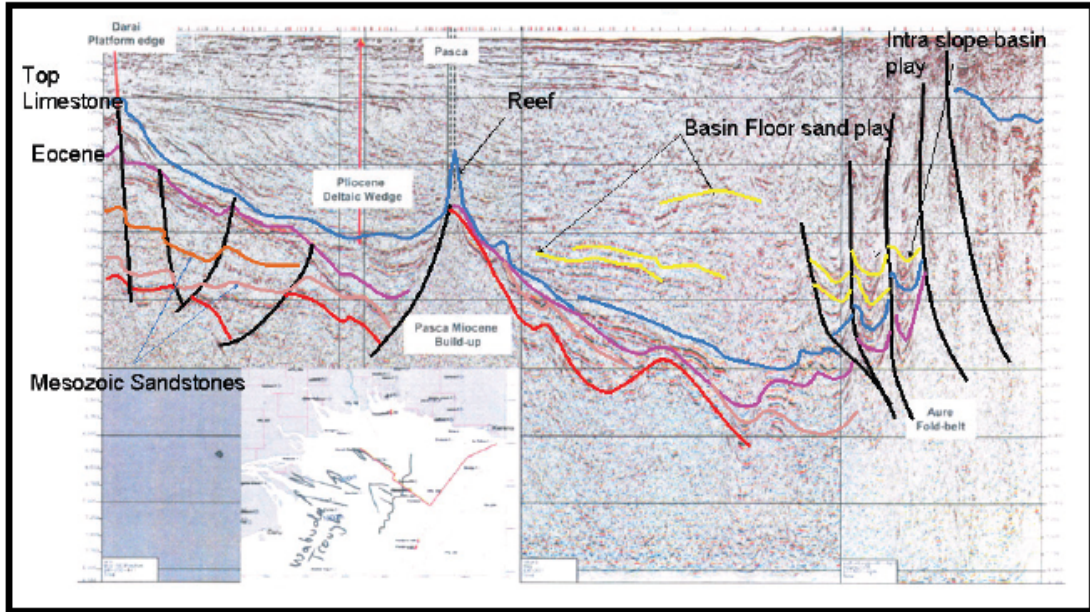


Figure 10: Regional Seismic Line showing a Variety of Play Types

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

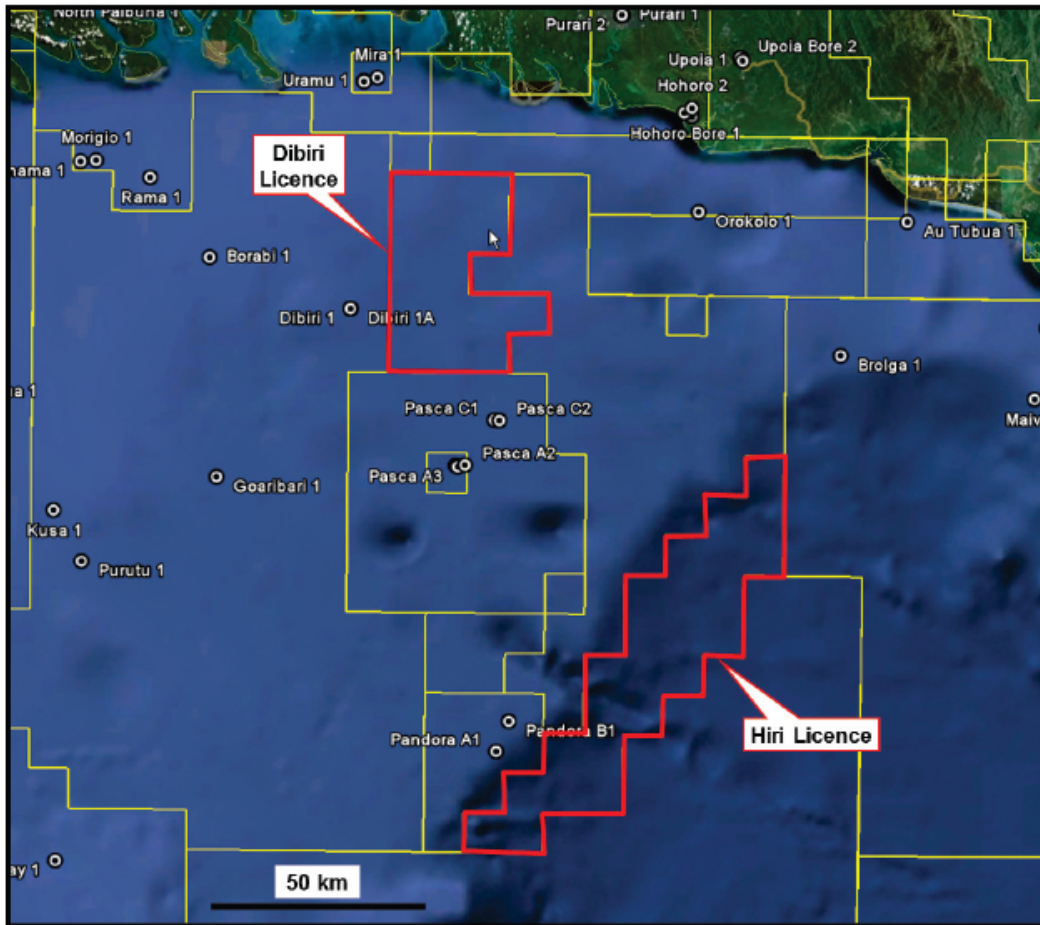


Figure 11: Sea Floor Map across Dibiri and Hiri Licences

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

2.4 Offshore Cape Vogel Licence

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

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

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

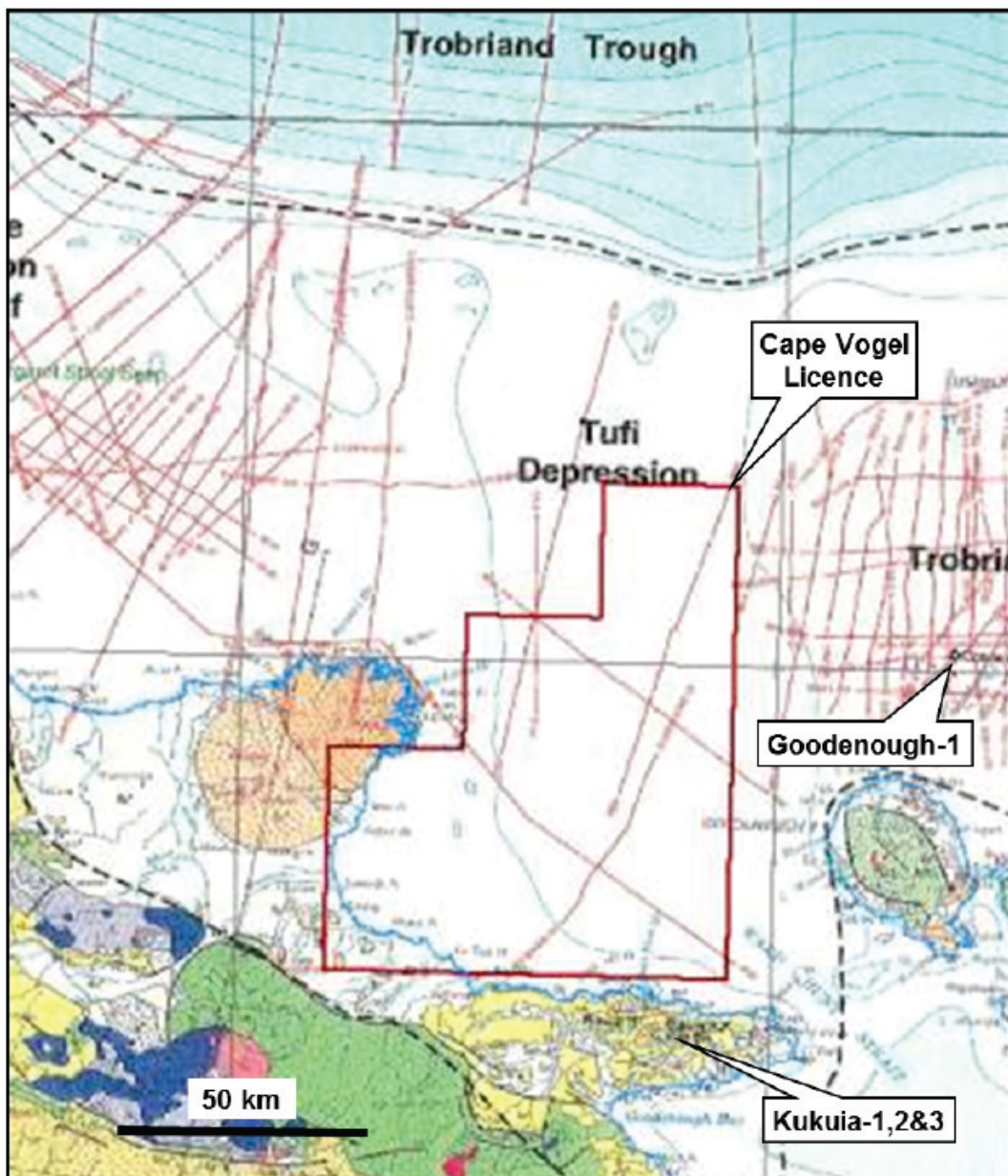


Figure 12: Well and Seismic Database – Cape Vogel Licence

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

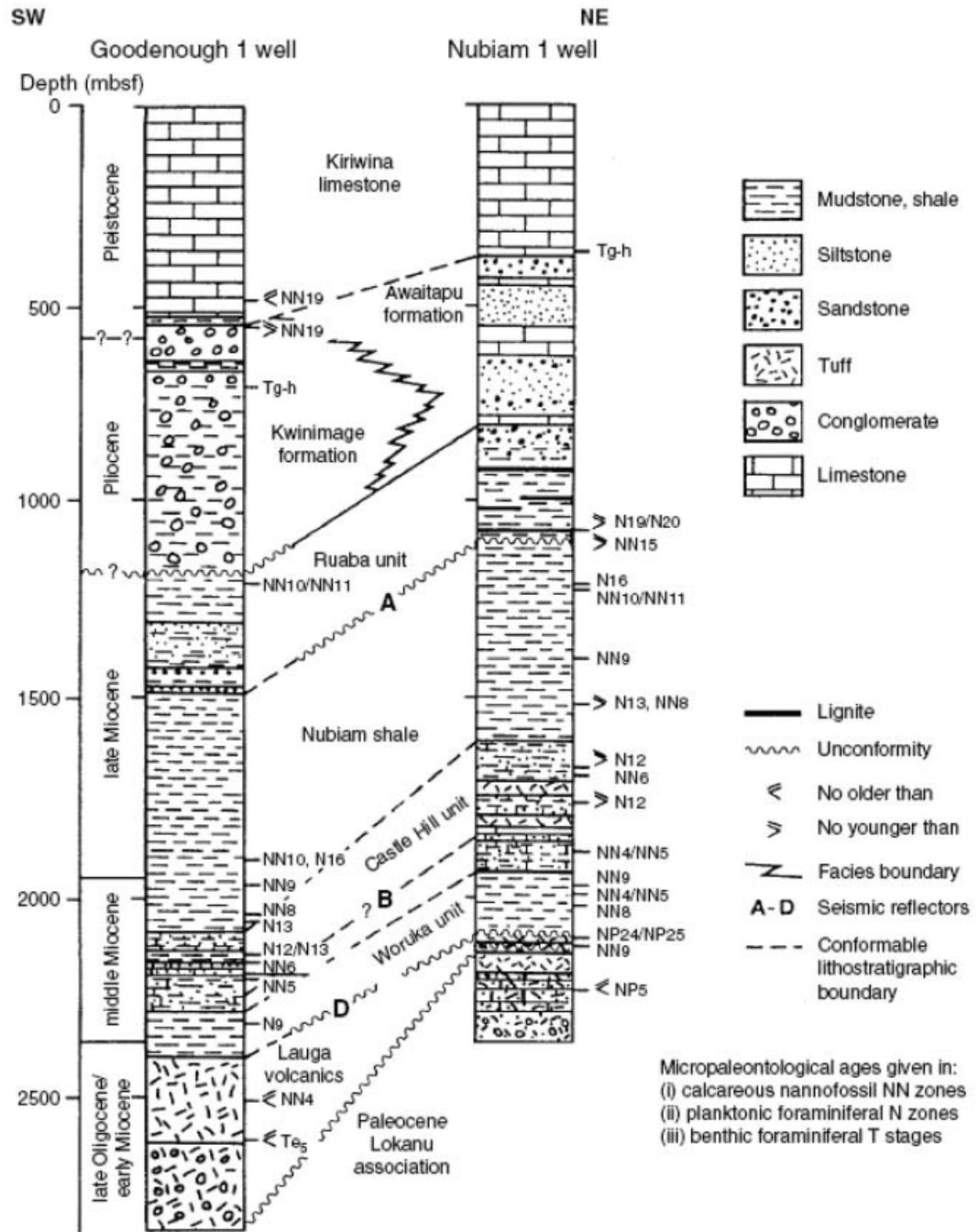


Figure 13: Well Cross Section - Goodenough-1 to Nubiam-1

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

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

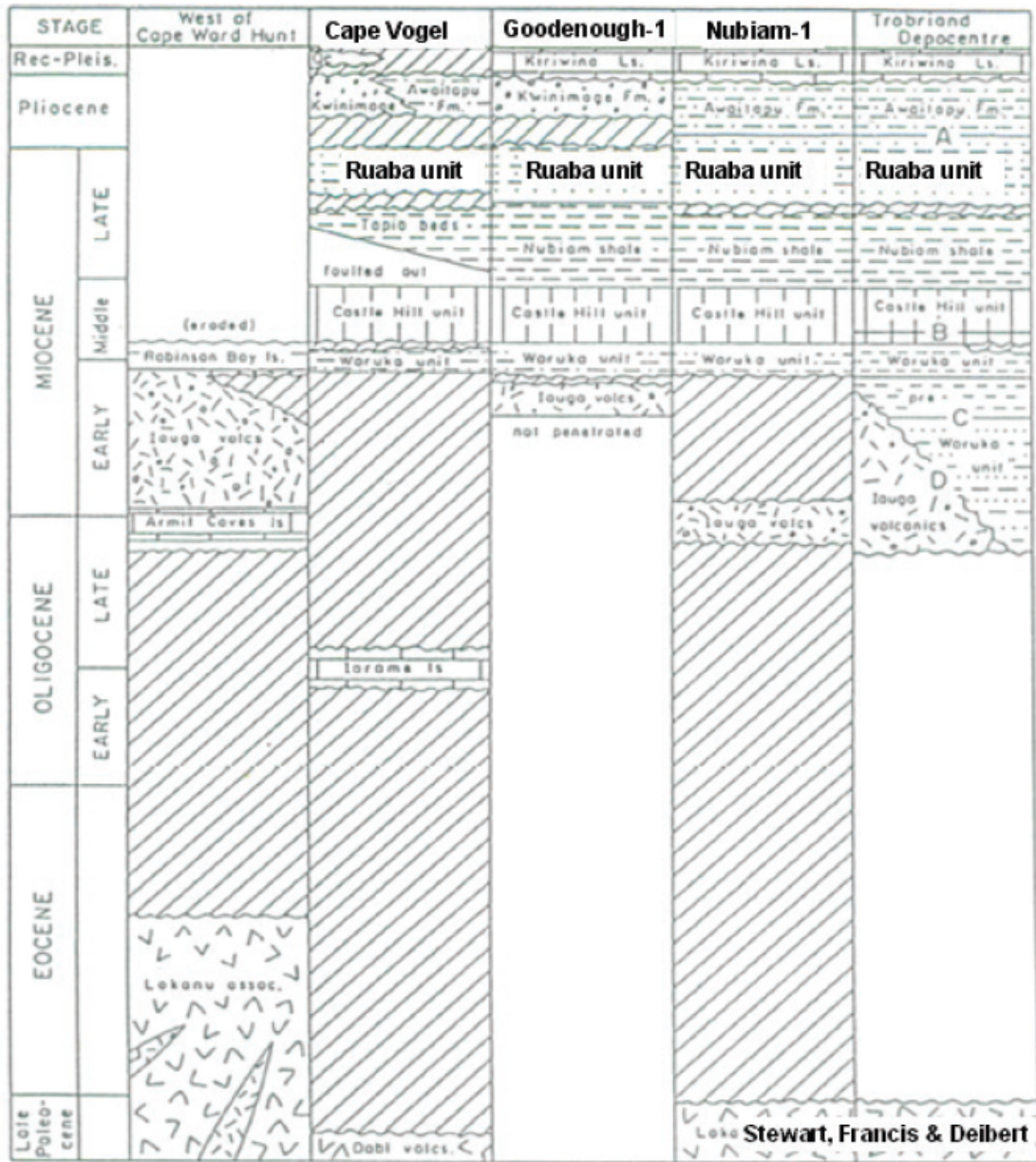


Figure 14: Generalised Stratigraphic Chart – Cape Vogel Basin



Figure 15: Sea Floor Map across Cape Vogel Licence

Cape Vogel Basin Petroleum System

Reservoirs: Late Miocene to Early Pliocene carbonates, Pleistocene Limestones

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

Seals: Late Miocene to Early Pliocene shales

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

Key Risk: Reservoir development

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

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

3.0 RESUMES

Dr. Enrique Carballido

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

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

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

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

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

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

Paul Carter

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

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

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

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

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

4.0 SIGNATURES



Signed:
Name: Dr. Enrique Carballido
Chief Operating Officer



Signed:
Name: Paul Carter
Principal Geophysicist

5.0 REFERENCES

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

6.0 GLOSSARY OF ABBREVIATIONS

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

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

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

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

7.0 GLOSSARY OF GEOLOGICAL TERMS

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

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

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

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



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SECURITIES PTY LTD

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Pitcher Partners (excluding Johnston Korke)
is an association of independent firms
Melbourne | Sydney | Perth | Adelaide | Brisbane

28 May 2012

The Directors
Orchid Capital Ltd (To be renamed Coral Sea Petroleum Limited)
PO Box 377
SOUTH FREMANTLE WA 6162

Dear Sirs

INVESTIGATING ACCOUNTANT'S REPORT

1. INTRODUCTION

Pitcher Partners Securities Pty Ltd ("**Pitcher Partners Securities**") has prepared this Investigating Accountant's Report ("**Report**") based on the historical financial information of Orchid Capital Ltd (to be renamed Coral Sea Petroleum Ltd) ("**Orchid Capital**" or "**the Company**") and the proposed acquisition of Indo Pacific Energy Pty Ltd ("**IPE**") along with its wholly owned subsidiary, Coral Sea Petroleum Ltd to be renamed CSP (PNG) Ltd ("**CSP**") (together "**the Group**") for inclusion in a Prospectus to be issued by Orchid Capital and dated on or about 28 May 2012 ("**the Prospectus**").

Broadly, the Prospectus will offer up to 10,000,000 Shares at an issue price of A\$0.20 per Share to raise up to A\$2,000,000 prior to costs and expenses associated with the Prospectus ("**Share Offer**") and up to 29,758,832 Options at an issue price of A\$0.004 per Option to raise up to A\$119,035 ("**Option Offer**") (together "**Offers**" or "**Securities**").

2. BASIS OF PREPARATION

This Report has been prepared to provide investors with information on the Statement of Financial Position, the Statement of Changes in Equity, the pro-forma Consolidated Statement of Financial Position and the pro-forma Consolidated Statement of Changes in Equity of the Group as noted in Appendices 1 and 2, together with the significant accounting policies of the Group forming part of this Report, as detailed in Appendix 3.

This Report does not address the rights attaching to the Securities to be issued in accordance with the Prospectus, nor the risk associated with the investment, and has been prepared based on both the Share Offer and Option Offer being successfully completed and fully subscribed.

Pitcher Partners Securities has not been requested to consider the prospects of the Group, the Securities on offer and related pricing issues, nor the merits and risks associated with becoming a Share or Option holder or anything else in relation to the issue of the Securities and whether it is fair or reasonable and accordingly has not done so, and does not purport to do so. In this regard, Pitcher Partners Securities takes no responsibility for these matters or for any matter or omission in the Prospectus, other than responsibility for this Report. Risk factors are as set out in Section 8 of the Prospectus and need to be read in conjunction with this Report.

Expressions and terminology defined in the Prospectus have the same meaning as in this Report unless the contrary intention appears.

3. BACKGROUND

Orchid Capital has historically been involved in investment activities with the strategy of investing in private companies intending to make an initial public offering (“**IPO**”). Subsequent to the global financial crisis in 2009 leading to the collapse of the IPO market, the Directors of Orchid Capital decided to abandon this strategy and instead sought to conserve cash reserves whilst seeking opportunities in other industries for Orchid Capital to undertake.

As announced to the ASX on 14 March 2011, the Company entered into a binding memorandum of understanding (“**MOU**”) with IPE and the Vendors. The MOU provided that the Company would acquire 100% of the shares in the capital of IPE in consideration for the issue of 55,000,000 Shares in the Company (“**Acquisition Shares**”) (“**Acquisition**”).

CSP, a Papua New Guinean company, is a wholly owned subsidiary of IPE and is the holder of five (5) petroleum prospecting licences (“**PPLs**”) in Papua New Guinea (“**PNG**”) (“**PNG Oil & Gas Projects**”).

The Acquisition, which was approved by the Shareholders at the General Meeting on 15 May 2012, will result in the Company acquiring ownership of all of the issued capital of IPE from the Vendors and thereby acquire ownership of the PNG Oil & Gas Projects by virtue of CSP being a wholly owned subsidiary of IPE. Further details are provided in Section 9.3.1 of the Prospectus.

3.1 Share Sale Agreement

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

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

- a. the Company conducting, and being satisfied in its absolute discretion, of the results of its due diligence investigations on IPE and the PNG Oil & Gas Projects;
- b. the execution by the Vendors of restriction agreements relating to the Acquisition Shares which provide that the Acquisition Shares will be escrowed for a period of 12 months from the date of the Company's re-admission to quotation on ASX;

- c. IPE not issuing any further shares, options or any other right to subscribe for shares prior to Completion;
- d. the parties obtaining all necessary regulatory, third party and shareholder consents and approvals, including but not limited to the Company obtaining Shareholder approval for:
 - i. the issue of the Acquisition Shares pursuant to ASX Listing Rule 7.1;
 - ii. the Consolidation of the Company's issued capital on a 4 to 1 basis;
 - iii. the issue of Shares under the Share Offer;
 - iv. the change in the Company's activities from an investment company to an oil and gas exploration and production company; and
 - v. the ratification of the issue of 27,000,000 pre consolidation Shares at an issue price of A\$0.025 per Shares ("**Capital Raising**").
- e. the lodgement of the Prospectus by the Company with ASIC;
- f. the successful completion of the Capital Raising, and if necessary, the Share Offer;
- g. ASX issuing a letter to the Company confirming that it will re-instate the quotation of the Shares on ASX on completion of the Acquisition upon completion of the re-compliance on terms and conditions acceptable to the Company; and
- h. the execution of the First Loan Agreement, Second Loan Agreement, and Fundraising Agreement by the relevant parties.

The General Meeting of the shareholders of the Company was held on 15 May 2012. All the resolutions detailed in Section 3.1(d) were passed by the Shareholders.

Under the Share Sale Agreement, the Company will appoint three persons nominated by the Vendors to the Board of Directors of the Company on Completion of the Acquisition, being Mr Chris Haiveta, Mr Domenic Martino and Mr Yosse Goldberg.

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

In relation to the Capital Raising, the Company had entered into an underwriting agreement between Company and Minimum Risk Pty Ltd (a shareholder of IPE) ("**Minimum Risk**") pursuant to which Minimum Risk underwrote the placement of 27,000,000 pre consolidation Shares on 29 December 2011 for an underwriting fee of 5% of the value of the placement.

3.2 General Meeting on 15 May 2012

The General Meeting was held on 15 May 2012. The Shareholders of the Company have approved the following:

- a. Issue of the Acquisition Shares;
- b. Consolidation of the Share Capital on 4 to 1 basis;
- c. Approval for the Share Offer and Option Offer;
- d. Change in activities of the Company;
- e. Appointment of Mr Chris Haiveta, Mr Domenic Martino and Mr Yosse Goldberg as Directors of the Company upon the Completion of Acquisition;
- f. Change the Company's name to Coral Sea Petroleum Ltd;
- g. Issue 375,000 post consolidation Shares to Mr Carsten Huebner;
- h. Ratification of prior issue Shares; and
- i. Participation of Alvin Tan and Julian Sandt in the Option Offer.

3.3 First Loan Agreement

The first loan agreement is dated 6 October 2010 between the Company, IPE, Mr Chris Haiveta (a shareholder of IPE), CS Advisory Services Ltd and CSP for a loan to IPE from the Company for an amount of A\$250,000 ("**First Loan Agreement**"). The principal terms of the First Loan Agreement are as follows:

- a. the principal sum is A\$250,000;
- b. interest on the principal sum shall accrue at an interest rate of 12% per annum;
- c. repayment of the principal sum plus interest was due on the earlier of the successful completion of a capital raising by the Company prior to 8 November 2010 (or such other date as reasonably agreed between the parties) but in any case no later than 15 December 2010. The repayment date for the First Loan Agreement was extended by the Second Loan Agreement (see below); and
- d. the loan is secured by a joint and several guarantee by Mr Haiveta, CS Advisory Services Ltd and CSP.

3.4 Second Loan Agreement

The second loan agreement is dated 4 April 2011 between the Company, IPE and CSP for a loan to IPE from the Company for an amount up to A\$750,000 ("**Second Loan Agreement**"). The A\$250,000 advanced under the First Loan Agreement is expressed to be the "First Tranche" of the Second Loan Agreement, however, some of the provisions of the Second Loan Agreement apply to the First Tranche.

The terms of the Second Loan Agreement are as follows:

- a. Further funding of A\$250,000 ("**Second Tranche**") and A\$500,000 ("**Subsequent Tranche**"), together with the First Tranche totalling A\$1,000,000;

- b. No interest on the Second and Subsequent Tranches. Interest of 12% continues to apply on the First Tranche;
- c. Repayment of the loan is the date of completion of the Acquisition, but in no case shall be later than five (5) years after the date the funds are advanced; and
- d. the agreement contemplates that a floating charge in favour of the Company over the assets of IPE and CSP will be granted to secure the loan, however no floating charge has been entered into.

3.5 Broker – Mr Carsten Huebner

As consideration for brokering the Acquisition, the Company will issue 375,000 post consolidation Shares to Mr Carsten Huebner at a deemed issue price of A\$0.176 per Share. In this regard, no funds will be raised from this issue of Shares.

The Shares are expected to be issued as soon as possible following completion of the Acquisition and will rank equally in all respects with the existing ordinary Shares on issue in the Company.

3.6 Reverse Acquisition

The acquisition of IPE by the Company has been considered as a reverse acquisition under Australian Accounting Standard AASB 3 “*Business Combinations*”, notwithstanding Orchid Capital being the legal parent. Consequently the pro-forma consolidated financial information presented in this Report is the historical financial information of Orchid Capital, IPE and CSP for the period ended 31 December 2011, assuming that the acquisition of IPE and consequently, CSP by the Company and the other proposed transactions set out in Sections 6 and 7 of this Report had been completed as at the date of the Company being readmitted to the official list of the ASX.

3.7 Issued Share Capital

As at the date of this Report, the issued share capital of the Company is 51,965,987 ordinary fully paid Shares after the share consolidation approved on the 15 May 2012. The following table summarises share capital movements for the period 31 December 2011 to the date of this Report.

DATE		NUMBER ISSUED	ISSUE PRICE	A\$
31 December 2011	Opening Balance of Shares (Reviewed)	207,643,756	Various	32,486,171
28 February 2012	Exercise of 220,193 Options Resulting in issue of Shares	220,193	A\$0.05	11,010
15 May 2012	Consolidation of Shares on 4 to 1 basis	(155,897,962)	Nil	Nil
		51,965,987		32,497,181

As at 31 December 2011, the Company had on issue 99,255,521 Options exercisable at A\$0.05 per Option. These Options expired on 28 February 2012. Prior to 28 February 2012 220,193 Options were exercised and the balance lapsed unexercised. As at the date of this Report, the Company does not have any Options on issue.

3.8 The Company – Cash Position

Orchid Capital is undertaking the Offers to raise a maximum of A\$2,119,035 before the costs and expenses associated with the Prospectus primarily to undertake exploration as detailed in Section 1.7 of the Prospectus.

Assuming full subscription is achieved, the Company's total cash reserves will be A\$3,155,026 after completion of the Prospectus and the costs of A\$351,841 associated thereto. The Company intends to use approximately A\$895,000 over the next 6 months for the purposes of conducting exploration and drilling programs on the PNG Oil & Gas Projects. Approximately A\$1,540,000 will be retained as working capital.

4. SCOPE

You have requested Pitcher Partners Securities to prepare an Investigating Accountant's Report covering the following financial information:

- a. reviewed Statement of Financial Position of Orchid Capital as at 31 December 2011 and reviewed Consolidated Statement of Financial Position of IPE as at 31 December 2011;
- b. pro-forma Consolidated Statement of Financial Position of the Group as at 31 December 2011 as if Orchid Capital, IPE and CSP had been operating throughout the period as one consolidated group;
- c. reviewed Statement of Changes in Equity of Orchid Capital for the period ended 31 December 2011 and reviewed Consolidated Statement of Changes in Equity of IPE for the period ended 31 December 2011;
- d. pro-forma Consolidated Statement of Changes in Equity of the Group for the period ended 31 December 2011 as if Orchid Capital, IPE and CSP had been operating throughout the period as one consolidated group;
- e. a subsequent events pro-forma Consolidated Statement of Financial Position of the Group as at 31 December 2011 reflecting the actual position as at that date, major transactions between 31 December 2011 to the date of this Report and transactions relating to the proposed Offers under the Prospectus;
- f. the pro-forma Consolidated Statement of Financial Position and pro-forma Consolidated Changes in Equity of the Group to take account of the transactions pursuant to the Prospectus; and
- g. the accounting policies applied by Orchid Capital, IPE and CSP in preparing its financial statements.

The historical financial information set out in the appendices to this Report has been extracted from the reviewed financial statements of Orchid Capital and reviewed consolidated financial statements of IPE for the period ended 31 December 2011.

The Directors are responsible for the preparation of the historical and pro-forma financial information of Orchid Capital and historical and pro-forma consolidated financial information of IPE including determination of the adjustments. Accordingly, we disclaim any responsibility for any reliance on this Report or on the financial information to which it relates for any purposes other than that for which it was prepared.

This Report should be read in conjunction with the full Prospectus.

We have conducted our review of the historical financial information of Orchid Capital and consolidated historical financial information of IPE in accordance with the Australian Auditing and Assurance Standard ASRE 2405 *“Review of Historical Financial Information Other than a Financial Report”*. We made such inquiries and performed such procedures as we, in our professional judgment, considered reasonable in the circumstances including:

- a. a review of the extracted historical financial information from the reviewed financial statements of Orchid Capital and historical consolidated financial information of IPE for the period ended 31 December 2011;
- b. a review of work papers, accounting records and other documents and reports provided by the Company;
- c. a review of the assumptions used to compile the pro-forma Consolidated Statement of Financial Position and pro-forma Consolidated Statement of Changes in Equity;
- d. a review of the adjustments made to the pro-forma historical consolidated financial information;
- e. a comparison of consistency in application of the recognition and measurement principles in Accounting Standards and other mandatory professional reporting requirements in Australia, and the accounting policies adopted by the Company and IPE disclosed in the Appendices to this Report; and
- f. enquiry of Directors and others.

These procedures do not provide all the evidence that would be required in an audit, thus the level of assurance provided is less than given in an audit. We have not performed an audit and, accordingly, we do not express an audit opinion.

Our review was limited primarily to an examination of the historical financial information of Orchid Capital and historical consolidated financial information of IPE, the pro-forma consolidated financial information of the Group, analytical review procedures and discussions with both management and Directors. A review of this nature provides less assurance than an audit and accordingly, this Report does not express an audit opinion on the historical financial information of Orchid Capital, historical consolidated financial information of IPE or the pro-forma consolidated financial information of the Group included in this Report or elsewhere in the Prospectus.

In relation to the information presented in this Report:

- a. support by another person, corporation or an unrelated entity has not been assumed;
- b. the amounts shown in respect of assets do not purport to be the amounts that would have been realised if the assets were sold at the date of this Report; and
- c. the going concern basis of accounting has been adopted.

The historical financial statements of the Company for the period ended 31 December 2011 were reviewed by Pitcher Partners Corporate & Audit (WA) Pty Ltd in accordance with Australian Auditing Standards. We note that the review opinion issued in respect of those financial statements were unqualified.

The historical consolidated financial statements of IPE and its wholly owned subsidiary CSP for the period ended 31 December 2011 were reviewed by Pitcher

Partners, an independent New South Wales partnership and an unqualified review opinion has been issued.

5. CONCLUSION

Statement on Historical Financial Information of Orchid Capital and Historical Consolidated Financial Information of IPE and CSP

Based on our review, which was not an audit, nothing has come to our attention which would cause us to believe the historical financial information of Orchid Capital and the historical consolidated financial information of IPE along with its wholly owned subsidiary CSP as set out in the Appendices to this Report does not present fairly the financial position of the Company and the consolidated financial position of IPE and CSP as at 31 December 2011 in accordance with the measurement and recognition requirements (but not all of the disclosure requirements) of applicable Accounting Standards and other mandatory professional reporting requirements in Australia.

Statement on Pro-forma Consolidated Financial Information of the Group

Based on our review, which was not an audit, nothing has come to our attention which would cause us to believe the pro-forma consolidated financial information of the Group does not present fairly the financial position of the Group as at 31 December 2011, in accordance with the measurement and recognition requirements (but not all of the disclosure requirements) of applicable Accounting Standards and other mandatory professional reporting requirements in Australia as if the pro-forma transactions had occurred on that date.

6. SUBSEQUENT EVENTS PRIOR TO PROSPECTUS

The Group had the following subsequent material transactions and events after 31 December 2011 and prior to the issue of the Prospectus:

6.1 Orchid Capital

- a. Exercise and expiry of Options:
 - i. Exercise of 220,193 Options resulting in receipt of A\$0.05 per Option totalling A\$11,010 and the issue of 220,193 Shares;
 - ii. Cancellation of the balance of Options on issue of A\$641,904 in respect of 99,035,328 Options which expired on 28 February 2012;
- b. Loan advanced to IPE of A\$350,000 pursuant to the Second Loan Agreement to lend IPE an amount not exceeding A\$1,000,000 prior to completion of the Acquisition to be used to progress the Acquisition and conduct exploration or other activities in respect of the PNG Oil & Gas Projects;
- c. Transactions associated with the issue of 27,000,000 pre consolidation Shares to raise capital of A\$675,000 including:
 - i. Payment to refund excess capital applications totalling A\$197,500;
 - ii. Payment of commission of 5% totalling A\$33,750;
- d. Miscellaneous payments resulting in net payout of A\$181,378;

- e. Transfer of the Option Premium Reserve to Retained Earnings of \$643,331 as a result of the exercise and lapsing of the Options on issue;
- f. Payment of costs of A\$73,917 in relation to the Prospectus which will be deducted from the share capital; and
- g. Consolidation of Shares 4 to 1 basis.

6.2 IPE and CSP

- a. Loan advanced from Orchid Capital of A\$350,000 pursuant to the Second Loan Agreement to lend IPE an amount not exceeding A\$1,000,000 prior to completion of the Acquisition to be used to progress the Acquisition and conduct exploration or other activities in respect of the PNG Oil & Gas Projects; and
- b. Miscellaneous receipts and payments resulting in net payments of A\$113,989.

Apart from the matters dealt with in this Report, and having regard to the scope of our Report, to the best of our knowledge and belief, no material subsequent transactions or events outside of the ordinary business of the Company and IPE have come to our attention that would require comment on, or adjustment to, the information referred to in our Report.

7. ASSUMPTIONS ADOPTED IN COMPILING THE PRO-FORMA CONSOLIDATED STATEMENT OF FINANCIAL POSITION

The pro-forma Statement of Financial Position of IPE and its wholly owned subsidiary CSP as at 31 December 2011 have been included for illustrative purposes only. The pro-forma Consolidated Statement of Financial Position of the Group post-issue is shown in Appendix 1. This has been prepared based on the reviewed financial information of Orchid Capital and the reviewed consolidated financial information of IPE as at 31 December 2011 after adjusting for the subsequent events noted in Section 6 of this Report and the following transactions and events relating to the issue of the Securities under the Prospectus detailed below as if they had occurred at 31 December 2011.

7.1 Acquisition Shares, Share Offer and Option Offer

- a. Issue of 55,000,000 Shares at a deemed issue price of A\$0.1664 per Share, a nominal amount of A\$9,152,000 to IPE as consideration for the acquisition of all issued capital of IPE;
- b. Issue of 10,000,000 Shares at an issue price of A\$0.20 per Share to raise A\$2,000,000;
- c. Issue of 29,758,832 Options at an issue price of A\$0.004 per Option to raise A\$119,035; and
- d. Share Offer and Option Offer costs in relation to the Prospectus totalling A\$277,924.

7.2 Broker Shares

- a. Issue of 375,000 Shares to Mr Carsten Huebner at a deemed issue price of A\$0.176 per Share as non-cash consideration for brokering of the Acquisition.

7.3 Other Matters regarding Acquisition

- a. The acquisition of IPE constitutes a direct transfer of mining or petroleum information the PPL's which is subject to stamp duty payable to the PNG Government of 50,000 Kinas converted to A\$22,967; and
- b. Elimination of loans totalling A\$1,007,472 from Orchid Capital to IPE.

7.4 Underwriting Agreement

The Company has entered into an agreement with Minimum Risk Pty Ltd, one of the vendors of IPE to act as the Underwriter to the Prospectus. Minimum Risk Pty Ltd will receive a fee of 5% of the Share Offer. The total amount payable is \$100,000.

8. DISCLOSURES

Pitcher Partners Securities is the corporate advisory arm of Pitcher Partners Chartered Accountants in Perth, Western Australia. Pitcher Partners Securities holds an Australian Financial Services License issued by the Australian Securities and Investments Commission for giving general product financial advice pursuant to the Corporations Act.

Mr Mark Anthony English, FCA, is a director of Pitcher Partners Securities and is the Responsible Manager of Pitcher Partners Securities. He has professional qualifications and experience appropriate to the general product advice offered.

Pitcher Partners Securities has acted as Investigating Accountant for the Company but has not been involved in the preparation of any other part of the Prospectus. Accordingly, it makes no representations as to the completeness and accuracy of the information in any other part of the Prospectus. Pitcher Partners Securities has not made and will not make any recommendation, through the issue of this Report, to potential investors in the Company as to the merits of the investment.

Pitcher Partners Securities will receive a fee for the preparation of this Report based on actual hours spent on the assignment at normal professional rates.

Pitcher Partners Corporate & Audit (WA) Pty Ltd are the auditors of the Company and will receive professional fees in relation to the statutory audit of the Company.

With the exception of the above fees, neither Mark Anthony English, Pitcher Partners Securities nor Pitcher Partners Corporate & Audit (WA) Pty Ltd will receive any other benefits, either directly or indirectly, from the preparation of this Report and have no pecuniary or other interest, which could be regarded as affecting the ability to provide an unbiased opinion in relation to the proposed transaction.

Pitcher Partners Securities has consented to the inclusion of the Investigating Accountant's Report in the Prospectus in the form and context in which it appears. At the date of this Report, this consent has not been withdrawn.

9. FINANCIAL SERVICES GUIDE

Pitcher Partners Securities has included our Financial Services Guide at Appendix 4 to our Report. The Financial Services Guide is designed to assist retail clients in their use of any general financial product advice in our Report and the Prospectus.

Yours faithfully

PITCHER PARTNERS SECURITIES PTY LTD



MARK ENGLISH
Executive Director

ORCHID CAPITAL LIMITED
CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Notes	Orchid Capital Reviewed 31 Dec 2011 AS	IPE Consolidated Reviewed 31 Dec 2011 AS	Subsequent Events AS	Pro-forma Adjustments AS	Reviewed Consolidated Pro-forma AS
CURRENT ASSETS						
Cash and cash equivalents	3	2,136,914	30,276	(830,308)	1,818,144	3,155,026
Trade and other receivables	5	41,008	27,085	(59,499)	-	8,594
Financial assets		57,574	-	-	-	57,574
TOTAL CURRENT ASSETS		<u>2,235,496</u>	<u>57,361</u>	<u>(889,807)</u>	<u>1,818,144</u>	<u>3,221,194</u>
NON-CURRENT ASSETS						
Financial assets	6	657,472	-	350,000	(1,007,472)	-
Exploration and evaluation expenditure		-	528,173	192,701	22,967	743,841
Plant and equipment		-	434	-	-	434
Goodwill on acquisition	4	-	-	-	6,767,978	6,767,978
TOTAL NON-CURRENT ASSETS		<u>657,472</u>	<u>528,607</u>	<u>542,701</u>	<u>5,783,473</u>	<u>7,512,253</u>
TOTAL ASSETS		<u>2,892,968</u>	<u>585,968</u>	<u>(347,106)</u>	<u>7,601,617</u>	<u>10,733,447</u>
CURRENT LIABILITIES						
Trade and other payables	7	264,661	257,889	(338,832)	-	183,718
TOTAL CURRENT LIABILITIES		<u>264,661</u>	<u>257,889</u>	<u>(338,832)</u>	<u>-</u>	<u>183,718</u>
NON CURRENT LIABILITIES						
Loans from related parties	8	-	657,472	350,000	(1,007,472)	-
TOTAL NON CURRENT LIABILITIES		<u>-</u>	<u>657,472</u>	<u>350,000</u>	<u>(1,007,472)</u>	<u>-</u>
TOTAL LIABILITIES		<u>264,661</u>	<u>915,361</u>	<u>(11,168)</u>	<u>(1,007,472)</u>	<u>183,718</u>
NET ASSETS		<u>2,628,307</u>	<u>(329,393)</u>	<u>(358,274)</u>	<u>8,609,089</u>	<u>10,549,729</u>
EQUITY						
Share capital	9	32,486,171	220	11,010	(21,279,181)	11,218,220
Share issue costs		-	-	(73,917)	(277,924)	(351,841)
Option premium reserve	10	643,331	-	(643,331)	119,035	119,035
Foreign currency translation reserve		-	10,621	-	-	10,621
Accumulated losses	11	(30,501,195)	(340,234)	347,964	30,047,159	(446,306)
TOTAL EQUITY		<u>2,628,307</u>	<u>(329,393)</u>	<u>(358,274)</u>	<u>8,609,089</u>	<u>10,549,729</u>

The reviewed Consolidated pro-forma Statement of Financial Position after the Prospectus is as per the Statement of Financial Position before the Prospectus adjusted for the subsequent events outlined in Section 6 of this Report and the pro-forma transactions outlined in Section 7 of this Report relating to the issue of Shares and Options pursuant to the Prospectus and the acquisition of IPE and CSP. The Consolidated Statement of Financial Position is to be read in conjunction with the notes to and forming part of the historical and pro-forma financial information set out in Appendix 3.

ORCHID CAPITAL LIMITED
CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

REVIEWED ORCHID CAPITAL (HISTORICAL)

	Ordinary Shares	Option Premium Reserve	Foreign Currency Translation Reserve	Accumulated Losses	Total Attributable to Members
	A\$	A\$	A\$	A\$	A\$
Orchid Capital as at 1 July 2011	31,848,559	643,331	-	(30,111,534)	2,380,356
Loss for the period	-	-	-	(389,661)	(389,661)
Total comprehensive loss				(389,661)	(389,661)
<i>Transactions with equity holders in their capacity as equity holders:</i>					
Issue of Shares	675,000	-	-	-	675,000
Shares issues expenses	(37,388)	-	-	-	(37,388)
Orchid Capital as at 31 December 2011	<u>32,486,171</u>	<u>643,331</u>	<u>-</u>	<u>(30,501,195)</u>	<u>2,628,307</u>
<i>Subsequent events adjustments:</i>					
Exercise and lapse of options	11,010	(643,331)	-	643,331	11,010
Shares issues expenses	(73,917)	-	-	-	(73,917)
Net payments	-	-	-	(181,378)	(181,378)
Orchid Capital including subsequent events	<u>32,423,264</u>	<u>-</u>	<u>-</u>	<u>(30,039,242)</u>	<u>2,384,022</u>

REVIEWED PRO-FORMA CONSOLIDATED (GROUP)

	Ordinary Shares	Option Premium Reserve	Foreign Currency Translation Reserve	Accumulated Losses	Total Attributable to Members
	A\$	A\$	A\$	A\$	A\$
IPE as at 31 December 2011	220	-	10,621	(340,234)	(329,393)
<i>Subsequent events adjustments:</i>					
Net losses	-	-	-	(113,989)	(113,989)
IPE including subsequent events	<u>220</u>	<u>-</u>	<u>10,621</u>	<u>(454,223)</u>	<u>(443,382)</u>
The Group including subsequent events	<u>32,423,484</u>	<u>-</u>	<u>10,621</u>	<u>(30,493,465)</u>	<u>1,940,640</u>
<i>Pro-forma adjustments:</i>					
Net proceeds from issue of Shares pursuant to Prospectus	1,722,076	-	-	-	1,722,076
Issue of broker shares	66,000	-	-	(66,000)	-
Issue of Options pursuant to Prospectus	-	119,035	-	-	119,035
Acquisition of Orchid Capital – accounted for under reverse acquisition principles	(23,345,181)	-	-	30,113,159	6,767,978
Pro-forma total	<u>10,866,379</u>	<u>119,035</u>	<u>10,621</u>	<u>(446,306)</u>	<u>10,549,729</u>

The Consolidated Statement of Changes in Equity is to be read in conjunction with the notes to and forming part of the historical and pro-forma financial information set out in Appendix 3.

ORCHID CAPITAL LIMITED
NOTES TO AND FORMING PART OF THE HISTORICAL
CONSOLIDATED AND PRO-FORMA FINANCIAL INFORMATION

1. REPORTING ENTITY

Orchid Capital Limited to be renamed (Coral Sea Petroleum Ltd) (“**Orchid Capital**” or the “**Company**”) is a company domiciled in Australia. The pro-forma consolidated balances of the Group for the period ended 31 December 2011 (latest review date) comprise the Company and the proposed Acquisition of Indo Pacific Energy Pty Ltd (“IPE”) and its wholly owned subsidiary, Coral Sea Petroleum Limited (“CSP”) (collectively referred to as “the Group”).

Orchid Capital will acquire IPE and therefore CSP following the completion of the Prospectus and settlement of the Acquisition of IPE.

In accordance with AASB 3 “*Business Combinations*”, the proposed acquisition of IPE has been determined to be a “reverse acquisition” as described in Note 4 of this Appendix 3.

In reverse acquisition accounting, the cost of the business acquired is deemed to have been incurred by the legal subsidiary (the acquirer for accounting purposes) in form of equity instruments issued to the 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 subsidiaries (IPE and CSP) is not clearly evident at the date of the pro-forma acquisition, the alternative method was used whereby the cost of the business combination was determined as the total fair value of all issued equity instruments of the legal parent (Orchid Capital) at the time of the business combination.

As a consequence:

- An exercise is performed to fair value the assets and liabilities of the accounting acquirees, IPE and CSP;
- The cost of investment held by the legal parent (Orchid Capital) in the legal subsidiaries (IPE and CSP) reversed on consolidation and the cost of the reverse acquisition is eliminated on consolidation against the equity and reserves of Orchid Capital at the date control is passed. The effect of this is to restate the consolidated equity and reverses balances to reflect those of IPE and CSP at the date of acquisition;
- The amount recognised as issued equity instruments is determined by adding to the issued equity of the legal subsidiaries (IPE and CSP) immediately before the business combination, the cost of the combination; and
- The consolidated financial statements are issued under the name of the legal parent (Orchid Capital) but are a continuation of the consolidated financial statements of deemed acquirer (IPE) under the reverse acquisition rules.

As a result of this accounting treatment, the financial statements presented in this Report comprise the following:

(i) Statement of Financial Position:

- Historical financial information -- Orchid Capital as at 31 December 2011.
- Historical consolidated financial information – IPE and CSP as at 31 December 2011.
- Pro-forma consolidated – Orchid Capital and IPE and CSP as at 31 December 2011, after incorporating the significant events and proposed transactions by the Company as detailed in Sections 6 and 7 of this Report, including the proposed transactions by the Company as detailed

in Note 4, including the acquisition of IPE and CSP. In accordance with AASB 3 “*Business Combinations*”, while Orchid Capital is the “legal acquirer” of IPE, IPE is treated as the parent for accounting purposes and therefore the balances as presented in the pro-forma consolidated statement of financial position comprise:

- (a) the historical consolidated balances of IPE and CSP; and
- (b) the balances of IPE and CSP at fair value.

(ii) Statements of Changes in Equity

- Historical statement of changes in equity - Orchid Capital for the period ended 31 December 2011.
- Historical consolidated statement of changes in equity - IPE and CSP for the period ended 31 December 2011.
- Pro-forma consolidated – Orchid Capital, IPE and CSP for the period ended 31 December 2011, after including the subsequent events as detailed in Section 6 of this Report and pro-forma adjustments as detailed in Section 7 of this Report.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies adopted in the preparation of the historical and pro-forma financial information included in this Report have been set out below.

(a) Basis of Preparation of Historical and Pro-Forma Financial Information

The historical and pro-forma financial information has been prepared in accordance with the recognition and measurement, but not all the presentation and disclosure requirements of the Australian Accounting Standards, other authoritative pronouncements of the Australian Accounting Standards Board, Australian Accounting Interpretations and the *Corporations Act 2001*.

The historical and pro-forma financial information has been prepared on a historical cost basis and does not take into account changing money values or, except where stated, current valuations of non-current assets. Cost is based on the fair value of the consideration given in exchange for assets.

The preparation of financial statements in conformity with Australian Accounting Standards requires the use of certain accounting estimates. It also requires management to exercise its judgement in the process of applying the Group’s accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in Note 2(s).

(b) Going Concern

The financial information has been prepared on a going concern basis, which contemplates the continuity of normal business activity and the realisation of assets and the settlement of liabilities in the normal course of business.

The ability of the Company to continue as a going concern is dependent on the Company being able to raise additional funds as required to meet ongoing commitments and for working capital. The Directors may need to raise additional capital or realise assets as required to further explore and evaluate the current opportunities. The Directors believe that the Company will continue as a going concern. As a result the financial information has been prepared on a going concern basis. However should the Company be unsuccessful in undertaking the proposed capital raising or realising assets, the Company may not be able to continue as a going concern. No adjustments have been made relating to the recoverability and classification of liabilities that might be necessary should the Company not continue as a going concern.

(c) Basis of Consolidation

The consolidated financial information incorporates the assets and liabilities of Orchid Capital, IPE and CSP as at 31 December 2011 and the results of all entities for the period then ended. Orchid Capital, IPE and CSP are referred to in this Report as the Group.

The financial information of the Group is prepared for the same reporting period as the parent entity, using consistent accounting policies. In preparing the consolidated financial information, all intercompany balances and transactions, income and expenses and profit and losses resulting from intra-group transactions have been eliminated in full.

Subsidiaries are fully consolidated from the date on which control is transferred to the Company and cease to be consolidated from the date on which control is transferred out of the Company. Control exists where the Company has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing when the Company controls another entity.

Investments in subsidiaries are carried at their cost of acquisition in the Company's financial information. The cost of acquisition has been determined by applying AASB 3 "*Business Combinations*" using reverse acquisition principles. Please refer to Notes 1 and 4 in this Appendix 3 for further details.

(d) Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision maker. The chief operating decision maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the Board of Directors of Orchid Capital.

(e) Foreign Currency Translation

Both the functional and presentation currency of the Company is Australian dollars. Each entity in the Group determines its own functional currency and items included in the financial information of each entity are measured using that functional currency.

Transactions in foreign currencies are initially recorded in the functional currency by applying the exchange rates ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the rate of exchange ruling at the balance date.

All exchange differences in the consolidated financial information are taken to the statement of comprehensive income.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as at the date of the initial transaction. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rate at the date when the fair value was determined. Translation differences on assets and liabilities carried at fair value are reported as part of the fair value gain or loss.

As at balance date the assets and liabilities of these subsidiaries are translated into the presentation currency of the Company at the rate of exchange ruling at the balance date and their statement of comprehensive income are translated at the weighted average exchange rate for the period.

The exchange differences arising on the translation are taken directly to a separate component of equity, being recognised in the foreign currency translation reserve.

On disposal of a foreign entity, the deferred cumulative amount recognised in equity relating to that particular foreign operation is recognised in the statement of comprehensive income.

(f) Revenue Recognition

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured. The following specific recognition criteria must also be met before revenue is recognised:

Interest Income

Interest revenue is recognised on a time proportionate basis that takes into account the effective yield on the financial asset.

(g) Income Tax

The income tax expense for the period is the tax payable on the current period's taxable income based on the national income tax rate for each jurisdiction adjusted by changes in deferred tax assets and liabilities attributable to temporary differences between the tax base of assets and liabilities and their carrying amounts in the financial statements, and to unused tax losses.

Deferred tax assets and liabilities are recognised for all temporary differences, between carrying amounts of assets and liabilities for financial reporting purposes and their respective tax bases, at the tax rates expected to apply when the assets are recovered or liabilities settled, based on those tax rates which are enacted or substantively enacted for each jurisdiction. Exceptions are made for certain temporary differences arising on initial recognition of an asset or a liability if they arose in a transaction, other than a business combination, that at the time of the transaction did not affect either accounting profit or taxable profit.

Deferred tax assets are only recognised for deductible temporary differences and unused tax losses if it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

Deferred tax assets and liabilities are not recognised for temporary differences between the carrying amount and tax bases of investments in controlled entities, associates and interests in joint ventures where the parent entity is able to control the timing of the reversal of the temporary differences and it is probable that the differences will not reverse in the foreseeable future.

Current and deferred tax balances relating to amounts recognised directly in equity are also recognised directly in equity.

(h) Acquisition of Assets

The purchase method of accounting is used to account for all acquisitions of assets (including business combinations) regardless of whether equity instruments or other assets are acquired. Cost is measured as the fair value of the assets given, shares issued or liabilities incurred or assumed at the date of exchange plus costs directly attributable to the acquisition. Where equity instruments are issued in an acquisition, the value of the instruments is their published market price as at the date of exchange unless, in rare circumstances, it can be demonstrated that the published price at the date of exchange is an unreliable indicator of fair value and that other evidence and valuation methods provide a more reliable measure of fair value.

Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date, irrespective of the extent of any minority interest. The excess of the cost of acquisition over the fair value of the Group's share of the identifiable net assets acquired is recorded as goodwill. If the cost of acquisition is less than the fair value of the net assets of the subsidiary acquired, the difference is recognised directly in the statement of comprehensive income, but only after a reassessment of the identification and measurement of the net assets acquired. In respect of step acquisitions, the excess of acquisition price over the fair value of the net assets acquired is treated as goodwill.

Where settlement of any part of cash consideration is deferred, the amounts payable in the future are discounted to their present value as at the date of exchange. The discount rate used is the entity's incremental borrowing rate, being the rate at which a similar borrowing could be obtained from an independent financier under comparable terms and conditions.

(i) Impairment of Assets

At each reporting date the Company assesses whether there is any indication that individual assets are impaired. Where impairment indicators exist, recoverable amount is determined and impairment losses are recognised in the statement of comprehensive income where the asset's carrying value exceeds its recoverable amount. Recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purpose of assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

Where it is not possible to estimate recoverable amount for an individual asset, recoverable amount is determined for the cash-generating unit to which the asset belongs.

(j) Cash and Cash Equivalents

Cash and cash equivalents comprise cash on hand, cash in banks and investments in money market instruments, net of outstanding bank overdrafts.

(k) Receivables

Receivables are recognised on an accruals basis as the services to which they relate are performed and are due for settlement no more than 30 days from the date of recognition. Collectability of trade receivables is reviewed on an ongoing basis. Debts which are known to be uncollectible are written off. An allowance for doubtful receivables is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of the receivables. The amount of the allowance is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the effective interest rate. The amount of allowance is recognised in the statement of comprehensive income.

(l) Plant and Equipment

Items of plant and equipment are carried at historical cost less accumulated depreciation, and recoverable amount.

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each balance date.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Gains and losses on disposals are determined by comparing proceeds with carrying amount. These are included in the statement of comprehensive income.

Depreciation

Items of plant and equipment are depreciated over their estimated useful lives. The straight line method of depreciation is used and assets are depreciated from the date of acquisition. The expected useful lives are as follows:

Plant and equipment	15% to 50% per annum
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(m) Other Financial Assets

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for those with maturities greater than 12 months after the balance date which are classified as non-current assets. Loans and receivables are included in receivables in the statement of financial position.

(n) Fair Value Estimation

The fair value of financial assets and financial liabilities must be estimated for recognition and measurement or for disclosure purposes.

The fair value of financial instruments traded in active markets (such as publicly traded derivatives, and trading and available-for-sale securities) is based on quoted market prices at the balance date. The quoted market price used for financial assets held by the Group is the last market sale price.

The nominal value less estimated credit adjustments of trade receivables and payables are assumed to approximate their fair values.

(o) Issued Capital

Issued capital is recognised at the fair value of the consideration received by the Company. Any transaction costs on the issue of Shares are recognised directly in equity as a reduction of the Share proceeds received.

(p) Exploration and Evaluation Expenditure

Identifiable exploration assets acquired are recognised as assets at their cost of acquisition.

Subsequent exploration and evaluation costs related to an area of interest are written off as incurred except they may be carried forward as an item in the statement of financial position where the rights of tenure of an area are current and one of the following conditions is met:

- The costs are expected to be recouped through successful development and exploitation of the area of interest, or alternatively, by its sale; and
- Exploration and/or evaluation activities in the area of interest have not at the reporting date reached a stage which permits a reasonable assessment of the existence or otherwise of economically recoverable reserves, and active and significant operations in, or in relation to, the area of interest are continuing.

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

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

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

(q) Trade and Other Payables

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

(r) Goods and Services Tax

Revenues, expenses and assets are recognised net of GST except where 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.

Receivables and payables are stated with the amount of GST included. The net amount of GST recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the balance sheet.

Cash flows are included in the statement of cash flows on a gross basis and the GST component of cash flows arising from investing and financing activities, which is recoverable from, or payable to, the taxation authority, are classified as operating cash flows.

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

(s) Critical Accounting Judgments, Estimates and Assumptions

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The Company is of the view that there are no critical accounting estimates and judgements in this financial information, other than accounting estimates and judgements in relation to the carrying value of exploration and evaluation expenditure.

Impairment

The Company assesses impairment at each reporting date by evaluating conditions specific to the Company that may lead to impairment of assets. Where an impairment trigger exists, the recoverable amount of the asset is determined. Value-in-use calculations performed in assessing recoverable amounts incorporate a number of key estimates.

NOTE 3. CASH AND CASH EQUIVALENTS

	Orchid Capital Reviewed 31 Dec 2011 AS	IPE Consolidated Reviewed 31 Dec 2011 AS	Reviewed Pro-forma AS
Cash and cash equivalents	2,136,914	30,276	3,155,026
Orchid Capital balance as at 31 December 2011			2,136,914
IPE balance as at 31 December 2011			30,276
<i>Subsequent events (Orchid Capital):</i>			
Exercise of 220,193 options			11,010
Loans to IPE			(350,000)
Refund of excess capital raised			(197,500)
Share issues costs			(73,917)
Net miscellaneous payments			(216,125)
<i>Subsequent events (IPE):</i>			
Loans from Orchid Capital			350,000
Net miscellaneous payments			(353,776)
<i>Adjustments arising in the preparation of the pro-forma cash and cash equivalents balance are as follows:</i>			
Issue of 10,000,000 Shares in the Company at an issue price of \$0.20 per share option			2,000,000
Issue of 29,758,832 Options at A\$0.004 per Option			119,035
Share issue costs			(277,924)
Stamp duty on transfer of PPLs			(22,967)
Pro-forma balance			3,155,026

NOTE 4. ACQUISITION OF SUBSIDIARIES

Following Shareholder approval at the General Meeting, the Company will acquire all the shares in IPE. A corporate restructure will take place with all the shares in IPE being exchanged for Shares in Orchid Capital. As a result of this restructure Orchid Capital will acquire all of the shares of IPE and its wholly owned subsidiary CSP.

At the conclusion of the restructure, IPE and its subsidiary CSP, will remain the operating entities within the Group while Orchid Capital is a holding company that is to be listed on the ASX.

Whilst Orchid Capital is the legal parent entity and IPE and CSP the legal subsidiaries, this transaction was accounted for in accordance with AASB3 "Business Combinations", using the "reverse acquisition" accounting principles. Accordingly the basis of preparation of the consolidated financial information has been presented as if the legal subsidiaries, IPE and CSP, were the acquirers.

The purchase was satisfied through the issue of 55,000,000 ordinary fully paid Shares of Orchid Capital.

As the Directors are yet to determine the fair value of Orchid Capital's assets and liabilities, provisional accounting has been applied.

	Deemed Orchid Capital Shares issued (Post Consolidation)	Deemed value per Share AS	Reviewed Pro-forma AS
Purchase consideration		AS	AS
Equity issued	55,000,000	0.1664	9,152,000
Cash at bank			<u>(1,310,382)</u>
			<u>7,841,618</u>
Less:			
Receivables			8,594
Financial assets at fair value			57,574
Non-current loans			<u>1,007,472</u>
Identifiable assets acquired and liabilities assumed			<u>1,073,640</u>
Pro-forma goodwill balance			<u>6,767,978</u>

- i. As a result of Orchid Capital (legal parent, accounting acquiree) issuing 55,000,000 Shares, IPE's shareholders will own approximately 51% of the Group, with the remaining 49% owned by the current existing Shareholders of Orchid Capital, prior to the issue of the Shares to be issued pursuant to the Prospectus. If the business combination had taken the form of IPE issuing shares to Orchid Capital Shareholders, IPE would have to issue 208 shares for the ratio of ownership of the Group to be the same. Based on a Share price of A\$0.044 for Orchid Capital at the time the acquisition was announced, this implies that the fair value of IPE is A\$18,832,000 ($A\$9,152,000 / 208 * 428$), and as such the fair value of an IPE share is A\$44,000 and the fair value of the consideration transferred in the reverse acquisition is deemed to be A\$9,152,000 ($208 * A\$44,000$).

NOTE 5. TRADE AND OTHER RECEIVABLES

	Orchid Capital Reviewed 31 Dec 2011 A\$	IPE Consolidated Reviewed 31 Dec 2011 A\$	Reviewed Pro-forma A\$
Trade and sundry receivables	15,260	4,059	8,594
Interest receivable from IPE	21,370	-	-
GST paid	4,378	23,026	-
Trade and other receivables	<u>41,008</u>	<u>27,085</u>	<u>8,594</u>
Orchid Capital balance as at 31 December 2011			41,008
IPE balance as at 31 December 2011			27,085
<i>Subsequent events (Orchid Capital):</i>			
Cash receipts and reversal of sundry debtors			(32,414)
<i>Subsequent events (IPE):</i>			
Cash receipts of trade and other receivables			<u>(27,085)</u>
Pro-forma balance			<u>8,594</u>

NOTE 6. NON-CURRENT ASSETS

	Orchid Capital Reviewed 31 Dec 2011 A\$	IPE Consolidated Reviewed 31 Dec 2011 A\$	Reviewed Pro-forma A\$
Loan to IPE	657,472	-	-
Exploration and evaluation	-	528,173	743,841
Plant and equipment	-	434	434
Goodwill on acquisition	-	-	6,767,978
	<u>657,472</u>	<u>528,607</u>	<u>7,512,253</u>
Orchid Capital balance as at 31 December 2011			657,472
IPE balance as at 31 December 2011			528,607
<i>Subsequent events (Orchid Capital):</i>			
Loans to IPE			350,000
<i>Subsequent events (IPE):</i>			
Exploration and evaluation			192,701
<i>Adjustments arising in the preparation of the pro-forma non-current assets balance are as follows:</i>			
Goodwill on acquisition			6,767,978
Elimination of intercompany loan on consolidation			(1,007,472)
Acquisition of subsidiary			9,152,000
Exploration and evaluation			22,967
Elimination of investment in subsidiary			<u>(9,152,000)</u>
Pro-forma Balance			<u>7,512,253</u>

NOTE 7. TRADE AND OTHER PAYABLES

	Orchid Capital Reviewed 31 Dec 2011 AS	IPE Consolidated Reviewed 31 Dec 2011 AS	Reviewed Pro-forma AS
Trade and sundry payables	67,161	225,367	151,196
Share application liability	197,500	-	-
Related party loans	-	32,522	32,522
Trade and other payables	<u>264,661</u>	<u>257,889</u>	<u>183,718</u>
Orchid Capital balance as at 31 December 2011			264,661
IPE balance as at 31 December 2011			257,889
<i>Subsequent events(Orchid Capital):</i>			
Cash payments and reversal of sundry creditors			(67,161)
Refund of excess capital raised			(197,500)
<i>Subsequent events (IPE):</i>			
Payments to various trade and sundry creditors			<u>(74,171)</u>
Pro-forma Balance			<u>183,718</u>

NOTE 8. NON CURRENT RELATED PARTY LOANS

	Orchid Capital Reviewed 31 Dec 2011 AS	IPE Consolidated Reviewed 31 Dec 2011 AS	Reviewed Pro-forma AS
Related party loans	-	657,472	-
Trade and other payables	<u>-</u>	<u>657,472</u>	<u>-</u>
Orchid Capital balance as at 31 December 2011			-
IPE balance as at 31 December 2011			657,472
<i>Subsequent events (IPE):</i>			
Loans advanced from Orchid Capital			350,000
<i>Adjustments arising in the preparation of the pro-forma related party loans balance are summarised as follows:</i>			
Elimination of intercompany loans on consolidation			<u>(1,007,472)</u>
Pro-forma Balance			<u>-</u>

NOTE 9. SHARE CAPITAL

	Orchid Capital Reviewed 31 Dec 2011 AS	IPE Consolidated Reviewed 31 Dec 2011 AS	Reviewed Pro-forma AS
Issued share capital	32,486,171	220	11,218,220
Share issue expenses	-	-	(351,841)
	<u>32,486,171</u>	<u>220</u>	<u>10,866,379</u>
		Number of Shares	AS
Orchid Capital balance as at 31 December 2011		207,643,756	32,486,171
IPE balance as at 31 December 2011		-	220
<i>Subsequent events (Orchid Capital):</i>			
Issue of ordinary Shares from exercise of options		220,193	11,010
Consolidation of share capital on 4 to 1 basis		(155,897,962)	-
Share issue expenses		-	(73,917)
<i>Adjustments arising in the preparation of the pro-forma share capital balance are summarised as</i>			
Issue of Acquisition Shares		55,000,000	9,152,000
Issue of adviser shares		375,000	66,000
Share Offer pursuant to Prospectus		10,000,000	2,000,000
Share issue expenses		-	(277,924)
Elimination of share capital balance of accounting subsidiary		-	(32,497,181)
Pro-forma Balance		<u>117,340,987</u>	<u>10,866,379</u>

NOTE 10. OPTION PREMIUM RESERVE

	Orchid Capital Reviewed 31 Dec 2011 A\$	IPE Consolidated Reviewed 31 Dec 2011 A\$	Reviewed Pro-forma A\$
Premiums from issued options	<u>643,331</u>	<u>-</u>	<u>119,035</u>
Orchid Capital balance as at 31 December 2011			643,331
IPE balance as at 31 December 2011			-
<i>Subsequent events (Orchid Capital):</i>			
Exercise and lapse of issued options			(643,331)
<i>Adjustments arising in the preparation of the pro-forma option premium reserve are summarised as follows:</i>			
Option Offer pursuant to Prospectus			<u>119,035</u>
Pro-forma Balance			<u><u>119,035</u></u>

NOTE 11. ACCUMULATED LOSSES

	Orchid Capital Reviewed 31 Dec 2011 A\$	IPE Consolidated Reviewed 31 Dec 2011 A\$	Reviewed Pro-forma A\$
Accumulated losses	<u>(30,501,195)</u>	<u>(340,234)</u>	<u>(446,306)</u>
Orchid Capital balance as at 31 December 2011			(30,501,195)
IPE balance as at 31 December 2011			(340,234)
<i>Subsequent events (Orchid Capital):</i>			
Net expenses recognised in accumulated losses			(181,378)
Transfer from Option Premium Reserve			643,331
<i>Subsequent events (IPE):</i>			
Net expenses recognised in accumulated losses			(113,989)
<i>Adjustments arising in the preparation of the pro-forma accumulated losses are summarised as follows:</i>			
Issue of broker shares recognised in accumulated losses			(66,000)
Elimination of accumulated losses in accounting subsidiary on consolidation			<u>30,113,159</u>
Pro-forma Balance			<u><u>(446,306)</u></u>

NOTE 12. OPTIONS

The following Options will be on issue following the successful initial public offering:

CLASS	NUMBER	EXERCISE PRICE	EXERCISE DATE
Options	29,758,832	20 cents	One year from date of quotation on ASX

NOTE 13. RELATED PARTY DISCLOSURES

Transactions with Related Parties and Directors Interests are disclosed in the Prospectus.

- (a) The Directors of the Company at the date of this Report are Mr Clive McKee, Mr Julian Sandt, Mr Alvin Kon Kee Tan and Mr Richard Lambe. After the Acquisition, the proposed Directors of the Group will be Mr Chris Haiveta, Mr Domenico Martino, Mr Yosse Goldberg, Mr Julian Sandt and Mr Alvin Kon Kee Tan.
- (b) Directors' holdings of Shares, Options, Directors' remuneration and other Directors' interests are set out in Section 10 of the Prospectus.

NOTE 14. COMMITMENTS AND CONTINGENCIES

At the date of the Report no material commitments or contingent liabilities exist that we are aware of, other than those disclosed in the Prospectus.

The Company has budgeted A\$895,000 for exploration expenditure over the next 6 months, assuming full subscription to the Prospectus. However, we note that it is at the Company's discretion as to whether the expenditure is actually incurred.

Financial Services Guide

What is a Financial Services Guide?

This Financial Services Guide ("FSG") is an important document the purpose of which is to assist you in deciding whether to use any of the general financial product advice provided by Pitcher Partners Securities Pty Ltd. The use of "we", "us" or "our" is a reference to Pitcher Partners Securities Pty Ltd as the holder of Australian Financial Services Licence ("AFSL") No. 294119. The contents of this FSG include:

- who we are and how we can be contacted,
- what services we are authorised to provide under our AFSL,
- how we (and any other relevant parties) are remunerated in relation to any general financial product advice we may provide,
- details of any potential conflicts of interest,
- details of our internal and external dispute resolution systems and how you can access them.

Information about us

We have been engaged by Orchid Capital Limited to give general financial product advice in the form of a report to be provided in connection with a financial product to be issued. You are not the party or parties who engaged us to prepare this report. We are not acting for any person other than the party or parties who engaged us. We are required to give you an FSG by law because our report is being provided to you. We are only responsible for the financial product advice provided in our report and for the contents of this FSG. You may contact us by writing to PO Box 7191 Cloisters Square WA 6850, or by telephone on +61 (0) 8 9322 2022.

Pitcher Partners Securities Pty Ltd is ultimately owned by the Western Australian business of Pitcher Partners, a provider of audit and assurance, accounting, tax, corporate advisory, insolvency and consulting services. Directors of Pitcher Partners Securities Pty Ltd are Executive Directors of Pitcher Partners.

The Western Australian business of Pitcher Partners is an independent member firm of Pitcher Partners. As such, neither it nor any of the other independent businesses has any liability for each other's acts or omissions. Each of the member firms is a separate and independent legal entity operating under the name "Pitcher Partners", or other related names.

The financial product advice in our report is provided by Pitcher Partners Securities Pty Ltd and not by any other entity in the Western Australian business of Pitcher Partners or its related entities.

We do not have any formal associations or relationships with any entities that are issuers of financial products. However, we and the Western Australian business of Pitcher Partners (and its related bodies corporate) may from time to time provide professional services to financial product issuers in the ordinary course of business.

What financial services are we licensed to provide?

The AFSL we hold authorises us to provide the following financial services to both retail and wholesale clients:

- general financial product advice only in respect of securities (such as shares and options).

Information about the general financial product advice we provide

The financial product advice provided in our report is known as "general advice" because it does not take into account your personal objectives, financial situation or needs. You should consider whether the general advice contained in our report is appropriate for you, having regard to your own personal objectives, financial situation or needs, and if appropriate seek independent financial advice.

If our advice is being provided to you in connection with the acquisition or potential acquisition of a financial product issued by another party, we

recommend you obtain and read carefully the relevant Product Disclosure Statement ("PDS") or Prospectus or Information Memorandum ("IM") or any other offer document provided by the issuer of the financial product. The purpose of the PDS, Prospectus, IM or any offer document is to help you make an informed decision about the acquisition of a financial product. The contents of the PDS, Prospectus, IM or any offer document will include details such as the risks, benefits and costs of acquiring the particular financial product.

How are we and our employees remunerated?

Our fees are usually determined on an hourly basis; however they may be a fixed amount or derived using another basis. We may also seek reimbursement of any out-of-pocket expenses incurred in providing the services.

Fee arrangements are agreed with the party or parties who actually engage us and we confirm our remuneration in a written letter of engagement to the party or parties who actually engage us.

Neither Pitcher Partners Securities Pty Ltd nor its directors and officers, nor any related bodies corporate or associates and their directors and officers, receives any commissions or other benefits, except for the fees for services rendered to the party or parties who actually engage us.

All of our employees receive a salary with Executive Directors also having an equity interest in the business. We do not receive any commissions or other benefits arising directly from services provided. The remuneration paid to our directors reflects their individual contribution to the company and covers all aspects of performance.

We do not pay commissions or provide other benefits to other parties for referring prospective clients to us.

What should you do if you have a complaint?

If you have any concerns regarding our report, you may wish to advise us. Our internal complaint handling process is designed to respond to your concerns promptly and equitably. Please address your complaint in writing to:

The Managing Director
Pitcher Partners Securities Pty Ltd
PO Box 7191
CLOISTER SQUARE WA 6850

If you are not satisfied with the steps we have taken to resolve your complaint, you may contact the Financial Ombudsman Service Limited ("FOSL"). FOSL provides free advice and assistance to consumers to help them resolve complaints relating to members of the financial services industry. Complaints may be submitted to FOSL at:

Financial Ombudsman Service Limited
GPO Box 3
MELBOURNE VIC 3001
Telephone: 1300 780 808
Fax: +61 3 9613 6399
Internet: <http://www.fos.org.au>

The Australian Securities and Investments Commission ("ASIC") regulates Australian companies, financial markets, financial services organisations and professionals who deal and advise in investments, superannuation, insurance, deposit taking and credit. Their website contains information on lodging complaints about companies and individual persons and sets out the types of complaints handled by ASIC. You may contact ASIC as follows:

Info line: 1 300 300 630
Email: info@asic.gov.au
Internet: <http://www.asic.gov.au/asic/asic.nsf>

Allens Arthur Robinson 

28 May 2012

The Directors
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Fax +675 320 0588
Correspondence
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Port Moresby
Papua New Guinea
www.aar.com.au

Dear Sirs

Tenement and Corporate Status Report

We have been engaged as Papua New Guinea legal counsel for Orchid Capital Limited (**Orchid**) to prepare this Report for inclusion in a prospectus (the **Prospectus**) to be issued in relation to the proposed acquisition by Orchid of 100% of the issued shares in the capital of Indo Pacific Energy Pty Limited (**Indo Pacific Energy**).

1. Scope of Report

We have been asked to:

- (a) report on the legal status of certain petroleum prospecting licences located in Papua New Guinea, namely:
 - (i) petroleum prospecting licence 356, Gulf Province;
 - (ii) petroleum prospecting licence 357, Gulf Province;
 - (iii) petroleum prospecting licence 358, Northern Province and Milne Bay Province;
 - (iv) petroleum prospecting licence 366, Western Province and Gulf Province; and
 - (v) petroleum prospecting licence 367, Western Province and Gulf Province, (the **Tenements**), which have been identified by Orchid; and
- (b) report on certain aspects of the corporate status of Coral Sea Petroleum Limited (**Coral Sea Petroleum**), which is a company incorporated in Papua New Guinea.

No assumption or qualification in this report limits any other assumption or qualification in it.

2. Documents

We have examined the documents described in Schedule 3 to this Report (the **Documents**). The Documents were either provided to us by Orchid or obtained from

Our Ref RZWY:120178986

rzwy A0407193684v12 120178986

Bangkok
Beijing
Brisbane
Hanoi
Ho Chi Minh City
Hong Kong
Jakarta
Melbourne
Perth
Port Moresby
Shanghai
Singapore
Sydney
Ulaanbaatar

publicly available records maintained by the Department of Petroleum and Energy or the Investment Promotion Authority.

3. Scope of enquiries

For the purposes of this Report, we have:

- (a) conducted searches of and obtained extracts from the publicly accessible Register (as defined in the *Oil and Gas Act 1998*) maintained by officers of the Department of Petroleum and Energy (the **Register of Petroleum Tenements**) with respect to the Tenements;
- (b) made enquiries of the Petroleum Registrar and of other officers of the Department of Petroleum & Energy;
- (c) conducted searches of and obtained extracts from the publicly available records maintained by the Registrar of Companies under the *Companies Act 1997* (the **Companies Act**) in respect of Coral Sea Petroleum; and
- (d) conducted searches of the publicly available records maintained by the Investment Promotion Authority under the *Investment Promotion Act 1992* in respect of Coral Sea Petroleum.

The searches were conducted between 31 January and the date of this Report.

Our opinions set out in this Report are based on these searches, enquiries and review, and the Documents.

4. Assumptions

In preparing this Report, we have made the assumptions set out in Schedule 4 to this Report.

5. Qualifications

This Report is subject to the qualifications set out in Schedule 5 to this Report.

6. Report on Tenements

Subject to the assumptions and qualifications set out in this Report and the notes contained in Schedule 1 to this Report, we are satisfied that as at the date of this Report the status and ownership of the Tenements are as set out in Schedule 1 to this Report.

7. Report on Coral Sea Petroleum

- (a) Corporate Status

Subject to the assumptions and qualifications set out in this Report, we are satisfied that as at the date of this Report:

- (i) the corporate status and ownership of Coral Sea Petroleum are as set out in Schedule 2 to this Report; and
- (ii) Coral Sea Petroleum is a company for the purposes of section 17 of the Companies Act.

Section 17 of the Companies Act provides:

17. Capacity and powers.

- (1) *Subject to this Act and to any other law, a company has, both within and outside the country—*
 - (a) *full capacity to carry on or undertake any business or activity, do any act, or enter into any transaction; and*
 - (b) *for the purposes of Paragraph (a), full rights, powers, and privileges.*
- (2) *The constitution of a company may contain a provision relating to the capacity, rights, powers, or privileges of the company only where the provision restricts the capacity of the company or those rights, powers, and privileges.*

Coral Sea Petroleum does not have and is not obliged to adopt a constitution under the Companies Act.

(b) IPA Certification

Under the *Investment Promotion Act 1992* (the **Investment Promotion Act**):

- (i) "foreign enterprise" means an enterprise more than 50% of which is owned directly or indirectly by a non-citizen;
- (ii) "carrying on business" includes (so far as relevant):
 - *making application for any permit, licence, lease or authority issued for commercial purposes by [a governmental agency]; or*
 - *administering, renting, managing or otherwise dealing with property as an owner, agent, legal personal representative or trustee whether by a servant or agent or otherwise' or*
 - *maintaining an office, agency or branch (however described) whether or not the office, agency or branch is also used for one of those purposes by another enterprise.*
- (iii) a foreign enterprise must not carry on business in Papua New Guinea unless it has been granted a certificate to do so under the Investment Promotion Act, and it is an offence to do so otherwise (sections 25 and 41 of the Investment Promotion Act);
- (iv) a certificate granted under the Investment Promotion Act will contain (section 29 of the Investment Promotion Act):

- (A) the name of the foreign enterprise;
- (B) the nature of the activity;
- (C) the location where the foreign enterprise is to carry on business; and
- (D) any other prescribed terms and conditions.

Where a foreign enterprise that has been granted a certificate under the Investment Promotion Act intends to vary its activities, or its locations of carrying on business or any other prescribed term or condition of the certificate, the foreign enterprise must apply for and obtain the approval of the Investment Promotion Authority (section 33(1) of the Investment Promotion Act). Section 33 of the Investment Promotion Act states:

- (1) *A foreign enterprise granted a certificate may apply to the [Investment Promotion Authority] in the prescribed form and on payment of the prescribed fee for a variation of—*
 - (a) *its activity; or*
 - (b) *its location of carrying on business in an activity; or*
 - (c) *any other prescribed term or condition of a certificate.*
 - (2) *An application under Subsection (1) shall be considered as if it were an application for a certificate under Section 28.*
- (v) where a contract, agreement or understanding is entered into between a foreign enterprise and another enterprise and that foreign enterprise had not been issued a certificate at the time at which the contract, agreement or understanding was entered into, the National Court of Papua New Guinea may, on the application of that other enterprise or of the IPA, declare the contract unlawful and void (section 41A of the Investment Promotion Act); and
- (vi) a foreign enterprise and an officer or owner (however described) of a foreign enterprise which or who carries on business without a certificate commits an offence for which the penalty is a fine not exceeding PGK100,000, and not exceeding PGK10,000 for each day the offence continues (Section 41(1)(a) of the Investment Promotion Act).

Certification to Carry on Business upon becoming a Foreign Enterprise

Coral Sea Petroleum:

- (i) became wholly owned by Indo Pacific Energy, an Australian company, on 29 April 2010 and is therefore a "foreign enterprise" for the purposes of the Investment Promotion Act;
- (ii) by virtue of its application for the Tenements, was carrying on business in Papua New Guinea within the meaning of the Investment Promotion Act; and
- (iii) was required by sections 25 and 28 of the Investment Promotion Act to apply for and obtain a certificate permitting it to carry on business in Papua

New Guinea, and by reason of its failure to do so, Coral Sea Petroleum has committed an offence under section 41(1)(a) of the Investment Promotion Act and may be liable on conviction to a penalty of a fine not exceeding K100,000, and not exceeding K10,000 for each day the offence continued.

On 22 November 2011, Coral Sea Petroleum obtained a certificate under the Investment Promotion Authority permitting it to carry on business as a foreign enterprise in Papua New Guinea in the activity of architectural and engineering activities and related technical consultancy - oil and gas exploration and development (the **IPA Certificate**). However, notwithstanding that Coral Sea Petroleum has obtained the IPA Certificate, it does not negate the offence committed by Coral Sea Petroleum on 29 April 2010 discussed above.

Certified Locations of Carrying on Business

The **IPA Certificate** permits Coral Sea Petroleum to carry on business as a foreign enterprise in Papua New Guinea within the following location:

Registered office – Allotment 52, Section 81, Kennedy Road, Gordons, National Capital District, Papua New Guinea.

Coral Sea Petroleum is not certified to carry on business within the locations of the Tenements.

Coral Sea Petroleum is required by section 33 of the Investment Promotion Act to apply for and obtain a variation of the terms and conditions of its IPA Certificate to include the Tenements as its operating locations. In accordance with the terms and conditions of the IPA Certificate, the application for variation under section 33 of the Act must be submitted to the Investment Promotion Authority within six months of the date of the IPA Certificate.

Re-certification on Change of Control

Where there is a change of control of a foreign enterprise certified under the Investment Promotion Act, the foreign enterprise must apply for a new certificate within 14 days of the date of change. Section 32 of the Investment Promotion Act states:

- (1) *Subject to Subsection (2), where there is a change in the ownership, shareholding or beneficial ownership or control of a foreign enterprise (other than a foreign enterprise that is a public company and is listed on a prescribed stock exchange), the foreign enterprise shall, within 14 days of the date of the change, apply for a certificate under Section 28.*
- (2) *Subsection (1) applies only where the change in ownership, shareholding or beneficial ownership or control—*
 - (a) *is—*
 - (i) *not less than 10% in any one year; or*
 - (ii) *represents a change of not less than 25% in the ownership of the enterprise as from the date of*

certification under this Act or registration under the repealed Act; and

- (b) does not arise from an alteration in ownership of an enterprise which is a subsidiary of a holding company where the ownership of the holding company does not change and the enterprise remains a subsidiary of that holding company.
- (3) In this section, "subsidiary" and "holding company" have the meanings ascribed to them in Section 3 of the Companies Act (Chapter 146).
- (4) Where there is a change in the share-holding or beneficial ownership of a citizen or national enterprise and as a result of the change the citizen or national enterprise becomes a foreign enterprise it shall within 14 days of the change apply for a certificate under Section 28.

Coral Sea Petroleum will be required, within 14 days following the proposed acquisition by Orchid of 100% of the issued shares in the capital of Coral Sea Petroleum's holding company, Indo Pacific Energy, to apply for, and in due course obtain, a new certificate to carry on business in Papua New Guinea.

8. Consent

Allens have given their written consent to the issue of the Prospectus with this Report in the form and context in which it is included and have not withdrawn their consent prior to lodgement of the Prospectus with the Australian Stock Exchange or any other regulatory authorities in Australia.

Yours faithfully



Allens Arthur Robinson

8 Investment and Business Risk Factors

8.1 General

Shareholders should be aware that if the Acquisition proceeds, the Company will be changing the nature of its activities to an oil and gas company which is subject to various risk factors. Based on the information available, a non-exhaustive list of risk factors investors should consider in deciding whether to invest in the Company is set out below.

8.2 Specific Risks

(a) Re-Quotation of Shares on ASX

The acquisition of IPE constitutes a significant change in the nature and scale of the Company's activities and the Company needs to re-comply with Chapters 1 and 2 of the ASX Listing Rules as if it were seeking admission to the official list of ASX.

There is a risk that the Company may not be able to meet the requirements of the ASX for re-quotations of its Shares on the ASX. Should this occur, the Shares will not be able to be traded on the ASX until such time as those requirements can be met, if at all. Whilst this is not a risk for investors applying for New Shares in so far as their application monies will be returned should the Company not successfully re-comply, it is a risk for existing Shareholders who may be prevented from trading their Shares should the Company be suspended until such time as it does re-comply with the ASX Listing Rules. The Option Offer is not subject to the Company re-complying with Chapters 1 and 2 of the ASX Listing Rules. Accordingly, it is also a risk for applicants for New Options in that the value of the New Options may decrease if the Company is unable to re-comply with Chapters 1 and 2 of the ASX Listing Rules.

(b) Failure to meet conditions of PPLs

Under the PPL conditions the Company is or may become subject to payment and other obligations. In particular, the Company is required to expend the funds necessary to meet the minimum work commitments attaching to the PPLs. Failure to meet these commitments may render the PPLs liable to transferred or cancelled. As set out in Section 1.7 of this Prospectus, funds raised from the Offers (together with the Company's existing funds) will only enable the Company to complete Stage 1 of its work program on the PPLs, and commence Stage 2. If the results of Stage 1 are satisfactory, the Company intends to raise further funds and/or seek joint venture partners to enable it to complete its work program on the PPLs and meet its long term objectives. If it is unable to do so, the Company will not be able to meet the work commitments on the PPLs and it may be forced to relinquish one or more of the PPLs. Additionally, as detailed in Section 1.7 of this Prospectus, the Company is required to submit proposals to the Minister for work and expenditure for Stages 2 and 3 of the work program. If the proposals submitted are not acceptable to the Minister and cannot be subsequently agreed with the Minister, the Company may be forced to relinquish one or more of the PPLs.

Searches conducted on PPLs 357, 366 and 367 from the register of tenements note that CSP has not paid the annual fees with respect to PPL 357, and the application and annual fees in respect of PPLs 366 and 367 and accordingly the Minister may exercise his discretion to suspend or cancel these PPLs. CSP has provided the Company with a copy of a letter from the PNG Department of Petroleum and Energy and a copy of a receipt confirming that the application fees for PPLs 366 and 367 have been paid, and has also confirmed that the annual fees for PPLs 357, 366 and 367 have been paid and that documentary evidence of this will be provided to the Company in due course, but it appears that the register of tenements has not been updated to reflect these payments. Accordingly there remains a residual risk that the Minister may exercise his discretion to suspend or cancel PPLs 357, 366 and 367. The Directors consider this risk to be minimal.

(c) Renewal of PPLs

Petroleum Prospecting Licences are subject to periodic renewal. There are no guarantees that the PPLs will be renewed. Further, renewal or transfer conditions may be imposed upon the Company's PPLs in the future.

(d) State Ownership

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

(e) Future Capital Needs

As noted above, the Company must seek joint venture partners and/or raise further funds to enable it to complete its work program on the PPLs and meet its long term objectives. There can be no assurance that funding will be available on satisfactory terms or at all.

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

(f) Joint venture Parties, Contractors and Contractual Disputes

As noted above, the Company must seek joint venture partners and/or raise further funds to enable it to complete its work program on the PPLs and meet its long term objectives. There can be no assurance that the Company will be able to find a suitable joint venture partner to develop the PPLs, or that a satisfactory commercial arrangement with such a partner can be reached. If the Company is unable to find a joint venture partner and/or raise further funds, it will be unable to complete meet the work commitments on the PPLs and may be forced to relinquish the PPLs.

If the Company does enter into commercial agreements with third parties to develop the PPLs, there is a risk that the counterparties may not meet their obligations under those agreements or terminate an agreement early. Commercial consequences are likely to flow from any non-observance of commercial obligations.

(g) Exploration

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

(h) Exploration costs

Exploration expenditure estimates are based on certain assumptions with respect to the method and timing of exploration. By their nature, these estimates and assumptions are subject to significant uncertainties and accordingly, the actual costs may materially differ from these estimates and assumptions. Accordingly, no assurance can be given that the cost estimates and the underlying assumptions will be realised in practice, which may materially and adversely affect the Company's viability.

(i) Country Risk

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

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

The following risks are specifically noted:

(i) Changes in government policies

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

(ii) Economic considerations

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

(iii) Legal considerations

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

(iv) Foreign investment requirements

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

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

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

(vi) Devaluation or appreciation of Kina

The external value of the Kina is affected by changes in policies of the PNG Government and to international economic and political developments. In addition, financial markets in many Asian countries have in the past experienced severe volatility. As a result, some Asian currencies have been subject to significant devaluation from time to time. Movements in the value of the Kina could have an adverse effect on the Company's operations and accordingly, its profitability.

(vii) Timing considerations

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

(j) Exploration and Development Risks

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

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

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

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

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

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

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

(k) Oil and Gas Price Volatility

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

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

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

(l) Joint Venture Parties, Contractors and Contractual Disputes

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

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

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

(m) Availability of Drilling Equipment and Access

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

(n) Landowner Risk

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

(o) Foreign Exchange Risk

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

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

(p) Reserves and Resource Estimates

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

(q) Environmental Risks

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

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

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

(r) Retention of key business relationships

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

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

(s) Competition

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

(t) Management of Growth

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

(u) Insurance

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

(v) Uninsurable risks

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

8.3 General Risks

(a) Economic Risks

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

(b) Share Market Conditions

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

(c) Reliance on Key Personnel

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

(d) Investment Speculative

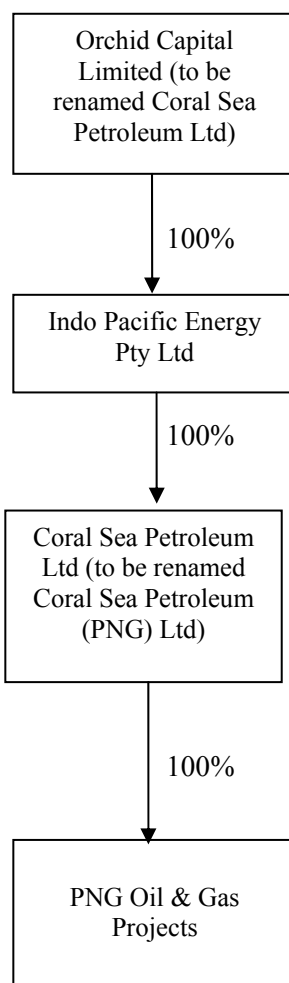
The above list of risk factors ought not to be taken as exhaustive of the risks faced by the Company or by investors in the Company. The above factors, and others not specifically referred to above, may in the future materially affect the financial performance of the Company and the value of the Company's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

9.1 Company Information

ORC is an Australian company listed on ASX with a secondary listing on the German (924 249) stock exchange. It is proposed that the Company change its name to Coral Sea Petroleum Limited on completion of the Acquisition. An application to change the name of CSP to Coral Sea Petroleum (PNG) Limited was made on 27 March 2012. CSP is awaiting confirmation of the change of name.

Following the Acquisition, IPE will be a wholly owned subsidiary of the Company. IPE is the owner of CSP which owns the PNG Oil & Gas Projects.

Immediately, following the Acquisition, the simplified structure of the Company is set out below:



9.2 Continuous Disclosure and Documents available for inspection

The Company is a "disclosing entity" for the purposes of Part 1.2A of the Corporations Act. As such, it is subject to regular reporting and disclosure obligations which require it to disclose to ASX any information which it is or becomes aware of concerning the Company and which a reasonable person would expect to have a material effect on the price or value of the securities of the Company. The Company's announcements are available free of charge on the ASX website or on request to the Company.

9.3 Material Contracts

Set out below is a summary of the contracts to which the Company (or IPE or CSP) is a party that are material to the terms of the Offers and the operations of the Company's business following the Acquisition, and as such may be relevant to new investors making a decision to invest in the Company. Summaries of material contracts to which the Company is a party to with related parties of the Company are set out in Section 9.8 of this Prospectus.

9.3.1 Share Sale Agreement for Acquisition

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

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

- (a) the Company conducting, and being satisfied in its absolute discretion, of the results of its due diligence investigations on IPE and the PNG Oil & Gas Projects;
- (b) the execution by the Vendors of restriction agreements relating to the Acquisition Shares which provide that the Acquisition Shares will be escrowed for a period of 12 months from the date of the Company's re-admission to quotation on ASX;
- (c) IPE not issuing any further shares, options or any other right to subscribe for shares prior to Completion;
- (d) the parties obtaining all necessary regulatory, third party and shareholder consents and approvals, including but not limited to the Company obtaining shareholder approval for:
 - (i) the issue of the Acquisition Shares pursuant to ASX Listing Rule 7.1;
 - (ii) the Consolidation of the Company's issued capital;
 - (iii) the issue of Shares under the Share Offer;
 - (iv) the change in the Company's activities from an investment company to an oil and gas exploration and production company; and
 - (v) the ratification of the issue of 27,000,000 Shares (pre-Consolidation) at an issue price of \$0.025 per Shares (**Capital Raising**).
- (e) the lodgement of this Prospectus by the Company with ASIC;
- (f) the successful completion of the Capital Raising, and if necessary, the Share Offer;
- (g) ASX issuing a letter to the Company confirming that it will re-instate the quotation of the Shares on ASX on completion of the Acquisition upon completion of the re-compliance on terms and conditions acceptable to the Company; and
- (h) the execution of the First Loan Agreement, Second Loan Agreement, and Fundraising Agreement by the relevant parties.

It is noted that conditions (a), (d), (e) and (h) above have been satisfied.

Under the Share Sale Agreement, the Company will appoint three persons nominated by the Vendors to the Board of Directors of the Company on Completion of the Acquisition, being Chris Haiveta, Domenic Martino and Yosse Goldberg.

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

9.3.2 First Loan Agreement

The first loan agreement is dated 6 October 2010 between the Company, IPE, Chris Haiveta (a shareholder of IPE), CS Advisory Services Ltd (PNG) and CSP for a loan to IPE from the Company for an amount of \$250,000 (First Loan Agreement).

The principal terms of the loan are as follows:

- (a) the principal sum is \$250,000;
- (b) interest on the principal sum shall accrue at an interest rate of 12% per annum;
- (c) repayment of the principal sum plus interest was due on the earlier of the successful completion of a capital raising by the Company prior to 8 November 2010 (or such other date as reasonably agreed between the parties) but in any case no later than 15 December 2010. The repayment date for the First Loan Agreement was extended by the Second Loan Agreement (see below); and
- (d) the loan is secured by a joint and several guarantee by Chris Haiveta, CS Advisory Services Ltd and CSP.

9.3.3 Second Loan Agreement

The second loan agreement is dated 4 April 2011 between the Company, IPE and CSP for a loan to IPE from the Company for an amount of up to \$750,000 (**Second Loan Agreement**). The \$250,000 advanced under the First Loan Agreement is expressed to be the "First Tranche" of the Second Loan Agreement, however, some of the provisions of the Second Loan Agreement apply to the First Tranche.

The terms of the Second Loan Agreement are as follows:

- (a) Further funding of \$250,000 (Second Tranche) and \$500,000 (Third (or subsequent) Tranche), together with the First Tranche totalling \$1,000,000;
- (b) No interest on the Second and subsequent Tranches. Interest of 12% continues to apply on the First Tranche;
- (c) Repayment of the loan is the date of Completion of the Acquisition, but in no case shall be later than 5 years after the date the funds are advanced; and
- (d) the agreement contemplates that a floating charge in favour of the Company over the assets of IPE and CSP will be granted to secure the loan, however no charge has been entered into.

9.3.4 Underwriting Agreement

On 17 April 2012 the Company entered into the Underwriting Agreement with Minimum Risk pursuant to which Minimum Risk agreed to fully underwrite the Share Offer for a fee of 5% of the amount offered under the Share Offer (i.e. \$100,000). The Company has given warranties and covenants to Minimum Risk which are usual in an agreement of this nature. Under the Underwriting Agreement, Minimum Risk may procure any person to sub-underwrite the Share Offer as it sees fit.

Minimum Risk may, by notice in writing to the Company, upon or at any time prior to the date of allotment of the Share Offer, terminate its obligations under the Underwriting Agreement if:

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- (a) **(Restriction on allotment)** the Company is prevented from allotting the New Shares within the time required by the Underwriting Agreement, the Corporations Act, the Listing Rules, any statute, regulation or order of a court of competent jurisdiction by ASIC, ASX or any court of competent jurisdiction or any governmental or semi-governmental agency or authority;
- (b) **(Takeovers Panel)** the Australian Takeovers Panel makes a declaration that circumstances in relation to the affairs of the Company are unacceptable circumstances under Pt 6.10 of the Corporations Act, or an application for such a declaration is made to the Australian Takeovers Panel;
- (c) **(Indictable offence)** a director or senior manager of a Relevant Company is charged with an indictable offence;
- (d) **(Termination Events)** any of the following events occurs, and the events, in the reasonable opinion of Minimum Risk has, or is likely to have, a Material Adverse Effect, or could give rise to a liability of Minimum Risk under the Corporations Act or otherwise:
 - (i) **(Default)** default or breach by the Company under the Underwriting Agreement of any terms, condition, covenant or undertaking;
 - (ii) **(Incorrect or untrue representation)** any representation, warranty or undertaking given by the Company in the Underwriting Agreement is or becomes untrue or incorrect;
 - (iii) **(Contravention of constitution or Act)** a contravention by a Relevant Company of any provision of its constitution, the Corporations Act, the Listing Rules or any other applicable legislation or any policy or requirement of ASIC or ASX;
 - (iv) **(Adverse change)** an event occurs which gives rise to a Material Adverse Effect or any adverse change or any development including a prospective adverse change after the date of the Underwriting Agreement in the assets, liabilities, financial position, trading results, profits, forecasts, losses, prospects, business or operations of any Relevant Company;
 - (v) **(Public statements)** without the prior approval of Minimum Risk a public statement is made by the Company in relation to the Share Offer, the issue of the New Shares or this Prospectus, except a statement the Company is required to make in satisfaction of its continuous disclosure obligations under the Listing Rules;
 - (vi) **(Misleading information)** any information supplied at any time by the Company or any person on its behalf to Minimum Risk in respect of any aspect of the Share Offer or the issue of New Shares or the affairs of any Relevant Company is or becomes misleading or deceptive or likely to mislead or deceive;
 - (vii) **(Prescribed Occurrence)** a Prescribed Occurrence occurs;
 - (viii) **(Event of Insolvency)** an Event of Insolvency occurs in respect of the Company;
 - (ix) **(Judgment against a Relevant Company)** a judgment in an amount exceeding \$100,000 is obtained against a Relevant Company and is not set aside or satisfied within 7 days;

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- (x) **(Litigation)** litigation, arbitration, administrative or industrial proceedings are, after the date of the Underwriting Agreement, commenced or threatened against any Relevant Company, other than any claims foreshadowed in this Prospectus;
- (xi) **(Board and senior management composition)** there is a change in the composition of the Board or a change in the senior management of the Company before the issue of the New Shares without the prior written consent of Minimum Risk (which consent shall not be unreasonably withheld) and except for any change contemplated by the Share Sale Agreement;
- (xii) **(Change in shareholdings)** there is a material change in the major or controlling shareholdings of a Relevant Company or a takeover offer or scheme of arrangement pursuant to Chapter 5 or 6 of the Corporations Act is publicly announced in relation to a Relevant Company;
- (xiii) **(Timetable)** there is a delay in any specified date in the Share Offer timetable which is greater than 5 Business Days;
- (xiv) **(Force Majeure)** a Force Majeure affecting the Company's business or any obligation under the Underwriting Agreement lasting in excess of 7 days occurs;
- (xv) **(Certain resolutions passed)** a Relevant Company passes or takes any steps to pass a resolution under section 254N, section 257A or section 260B of the Corporations Act or a resolution to amend its constitution without the prior written consent of Minimum Risk; or
- (xvi) **(Market Conditions)** a suspension or material limitation in trading generally on ASX occurs or any material adverse change or disruption occurs in the existing financial markets, political or economic conditions of Australia, Japan, the United Kingdom, the United States of America or other international financial markets.

In this Section 9.3.4 **Event of Insolvency** means:

- (a) a receiver, manager, receiver and manager, trustee, administrator, Controller or similar officer is appointed in respect of a person or any asset of a person;
- (b) a liquidator or provisional liquidator is appointed in respect of a corporation;
- (c) any application (not being an application withdrawn or dismissed within 7 days) is made to a court for an order, or an order is made, or a meeting is convened, or a resolution is passed, for the purpose of:
 - (i) appointing a person referred to in paragraphs (a) or (b);
 - (ii) winding up a corporation; or
 - (iii) proposing or implementing a scheme of arrangement;
- (d) any event or conduct occurs which would enable a court to grant a petition, or an order is made, for the bankruptcy of an individual or his estate under any Insolvency Provision;
- (e) a moratorium of any debts of a person, or an official assignment, or a composition, or an arrangement (formal or informal) with a person's creditors, or any similar proceeding or arrangement by which the assets of a person are subjected conditionally or unconditionally to the control of that person's creditors or a trustee, is ordered, declared,

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or agreed to, or is applied for and the application is not withdrawn or dismissed within 7 days;

- (f) a person becomes, or admits in writing that it is, is declared to be, or is deemed under any applicable law to be, insolvent or unable to pay its debts; or
- (g) any writ of execution, garnishee order, mareva injunction or similar order, attachment, distress or other process is made, levied or issued against or in relation to any asset of a person.

Force Majeure means any act of God, war, revolution, or any other unlawful act against public order or authority, an industrial dispute, a governmental restraint, or any other event which is not within the control of the parties.

Material Adverse Event means:

- (a) a material adverse effect on the outcome of the Share Offer or on the subsequent market for the New Shares (including, without limitation, matters likely to have material adverse effect on a decision of an investor to invest in the New Shares); or
- (b) a material adverse effect on the assets, condition, trading or financial position, performance, profits and losses, results, prospectus, business or operations of the Company and its subsidiaries either individually or taken as a whole; or
- (c) Minimum Risk's obligations under the Underwriting Agreement becoming materially more onerous than those which exist at the date of the Underwriting Agreement; or
- (d) A material adverse effect on the tax position of the Company and its subsidiaries either individually or taken as a whole.

Prescribed Occurrence means:

- (a) a Relevant Company:
 - (i) entering into a buy-back agreement or;
 - (ii) resolving to approve the terms of a buy-back agreement under section 257C or 257D of the Corporations Act;
- (b) a Relevant Company making an issue of, or granting an option to subscribe for, any of its shares, or agreeing to make such an issue or grant such an option other than:
 - (i) an issue made in accordance with the Offer or the terms of this Agreement;
 - (ii) an issue made pursuant to, or which was contemplated by, the Share Sale Agreement;
 - (iii) any issue of shares or options required for the Re-compliance; or
 - (iv) an issue of options to an employee of a Relevant Company pursuant to an existing employee shares option plan;
- (c) a Relevant Company issuing, or agreeing to issue, convertible notes;
- (d) a Relevant Company disposing, or agreeing to dispose, of the whole, or a substantial part, of its business or property;

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- (e) a Relevant Company charging, agreeing to charge, the whole, or a substantial part, of its business or property;
- (f) a Relevant Company resolving that it be wound up;
- (g) the appointment of a liquidator or provisional liquidator to a Relevant Company;
- (h) the making of an order by a court for the winding up of a Relevant Company;
- (i) an administrator of a Relevant Company, being appointed under section 436A, 436B or 436C of the Corporations Act;
- (j) a Relevant Company executing a deed of company arrangement; or
- (k) the appointment of a receiver, or a receiver and manager, in relation to the whole, or a substantial part, of the property of a Relevant Company.

Relevant Company means the Company and each subsidiary of the Company as at the date of the Underwriting Agreement or at the date all the New Shares have been issued under the Share Offer and all application monies received by the Company.

9.3.5 Kallow Consulting Service Agreement

CSP entered into a consulting service agreement with Kallow Limited (Kallow) on 23 February 2012 pursuant to which Kallow agreed to provide Mr Francis Waina to be the PNG based managerial and technical representative for CSP (Kallow Agreement). The Kallow Agreement commenced upon execution and will terminate on 22 August 2012 unless extended by the parties in writing. CSP pays Kallow a fee of \$680 per day (based on an 8 hour day) for the services provided. A pro rata amount is payable if Mr Waina works less than 8 hours per day.

9.3.6 Neflex Petroleum Consultants Limited

CSP entered into a call-off agreement for geological and geophysical services with Neflex Petroleum Consultants Ltd (Neflex) on 29 March 2012 pursuant to which Neflex agreed to provide geological and geophysical interpretation services to CSP from time to time (Neflex Agreement). The Neflex Agreement commenced upon execution and will continue until terminated in accordance with its terms. Under the Neflex Agreement, CSP may from time to time request Neflex to perform specific services. Upon such request, the parties will negotiate to enter into an Appendix to the agreement setting out (among other things) a full description of the services to be provided and the fees payable by CSP. CSP has no obligation to request services, and Neflex has no obligation to provide services, until such an Appendix has been mutually agreed and signed between them.

9.3.7 Deeds of Indemnity, Insurance and Access

The Company has entered into Deeds of Indemnity, Insurance and Access with each of its Directors pursuant to which the Company agrees to indemnify the Directors against certain liabilities incurred by the Directors whilst acting as a Director of the Company (or a subsidiary), to insure the Directors against certain risks to which the Directors are exposed to as a Director of the Company and to grant to the Director a right of access to certain records of the Company for a period of seven years after the Director ceases to be a Director.

On their appointment, the Company and Mr Chris Haiveta, Mr Yosse Goldberg and Mr Domenic Martino (who are nominees of the Vendors and proposed Directors of the Company, subject to shareholder approval (refer Section 3.3 of this Prospectus)) will enter

into separate Deeds of Indemnity, Insurance and Access on terms consistent with the presently existing Deeds of Indemnity with Directors.

9.3.8 Rights attaching to New Shares

Details of the rights attaching to Shares arise from a combination of statute, general law and the Constitution. The following is a summary of the more significant rights, privileges and restrictions attaching to Shares and the Constitution. This summary is not intended to be exhaustive and must be read subject to the full text of the Constitution. New Shares issued under this Prospectus will rank *pari passu* in all respects with the existing Shares.

(a) Voting

Shareholders are entitled to notice of and to attend general meetings of the Company. Subject to the voting rights of preference shares and any other shares which may in the future be issued with special or preferential rights, every Shareholder present in person or by proxy, attorney or representative has one vote on a show of hands, and on a poll, one vote for each fully paid Share. In the case of an equality of votes, the Chairman of the meeting shall have a second or casting vote but the Chairman shall have no casting vote where only 2 Directors are competent to vote on the matter in question. Preference shareholders have no right to vote save for in the circumstances set out in Listing Rule 6.3.

(b) Dividends

Subject to the dividend rights of preference shares and any shares which may in the future be issued with special or preferential rights, the Directors may declare a dividend to be paid to Shareholders entitled to that dividend. The Directors may set aside out of the profits of the Company such amounts as they determine as reserves to be applied at the discretion of the Directors for any purpose for which the profits of the Company may be properly applied. Dividends may be paid wholly or partly by the distribution of specific assets, including paid up shares in, or debentures of, the Company or any other body corporate.

If the Company pays a dividend by distributing paid up shares in a body corporate whether by issue or transfer, each member agrees to become a member of that body corporate and in the case of a transfer of shares appoints the Company and each Director of the Company as its agent to execute the relevant instrument of transfer.

(c) Capital Reductions

In accordance with Part 2J.1 of the Corporations Act, a meeting of members may, by resolution, resolve that the Company may reduce its share capital by the distribution of specific assets, including paid up shares in, or debentures of, the Company or any other body corporate.

If the Company reduces its share capital by distributing paid up shares in a body corporate whether by issue or transfer, each member agrees to become a member of that body corporate and in the case of a transfer of shares appoints the Company and each Director of the Company as its agent to execute the relevant instrument of transfer.

(d) Capitalisation of Profits and Conversion of Shares

Subject to the ASX Listing Rules, the Directors or Shareholders at a general meeting may resolve to capitalise and distribute any undivided profits of the Company to members in the same proportions as if distributed by way of dividend.

The Company in general meeting may convert all or any of its shares into a larger or smaller number of shares by ordinary resolution.

(e) Rights on Winding Up

Subject to any rights or restrictions attached to a class of Shares, on a winding up of the Company, any surplus must be divided among the members in the proportions which the amount paid on the Shares of a member is of the total amounts paid and payable on the Shares of all members.

The liquidator in a winding up may, with the sanction of a special resolution of members, divide among the members the whole or any part of the property of the Company and determine how the division is to be carried out as between the members or different classes of members.

(f) Offer of Shares

Without prejudice to any special rights conferred on the holders of any shares or class of shares and subject to the Constitution, the Corporations Act and the ASX Listing Rules, the Directors may issue shares and options on such terms and conditions as the Directors think fit.

(g) Transfer of Shares

Subject to the Constitution, the Corporations Act, the ASX Listing Rules and the ASTC Settlement Rules, the Shares are freely transferable. A member may transfer shares by a market transfer in accordance with any manner required or permitted by the ASX Listing Rules, the Corporations Act or the ASTC Settlement Rules. Shares may also be transferred by an instrument in writing in any usual or common form or in such other form as the Directors approve or in such form as is required by the ASTC Settlement Rules.

(h) Unmarketable Parcels

The Constitution provides that the Directors may cause the Company to sell a member's shares if that member holds less than a marketable parcel of shares. Provided that the procedures set out in the Listing Rules and Schedule 1 of the Constitution are followed. A non-marketable parcel of shares is defined in the ASX market rules and is, generally, a holding of shares with a market value less than \$500.

(i) ASX Listing Rules

While the Company is admitted to the Official List of ASX, notwithstanding anything in the Constitution, if the ASX Listing Rules prohibit an act being done, the act must not be done. If the ASX Listing Rules require an act to be done or not to be done, authority is given for that act to be done or not to be done, and if the ASX Listing Rules require a provision to be included in the Constitution, the Constitution will be treated as containing that provision. If any provision of the Constitution becomes inconsistent with the ASX Listing Rules, the Constitution will not be treated as containing that provision to the extent of the inconsistency.

(j) Variation of Rights

The Company may only modify or vary the rights attaching to any class of shares with the consent in writing of the shareholders with at least 75% of the votes in the class or by special resolution passed at a meeting of the holders of the issued shares of that class.

(k) Directors

The minimum number of Directors is 3 and the maximum is 9 unless the Company in a general meeting determines otherwise. A Director is not required to hold any shares.

At the Company's annual general meeting, one-third of all Directors shall retire from office and a Director must retire no later than the third annual general meeting or 3 years following their last election or appointment.

(l) Directors' Resolutions

The Directors may pass a resolution in a meeting by a majority of the votes cast by the Directors entitled to vote on the resolution or without a Directors' meeting being held if all of the Directors entitled to vote on the resolution sign a document containing a statement that they are in favour of the resolution set out in the document.

In the case of an equality of votes, the Chairman shall have a casting vote in addition to any vote which he or she has as a Director.

(m) Directors' Indemnity and Insurance

To the extent permitted by the Corporations Act, the Company may indemnify every person who is or has been an officer of the Company and, where the Board considers it appropriate, any person who is or has been an officer of a related body corporate of the Company against any liability incurred in his or her capacity as an officer of the Company or a related body corporate.

Except to the extent prevented by the Corporations Act, the Company may pay, or agree to pay, a premium for a contract insuring an officer of the Company or a related body corporate of the Company against any liability incurred by the person in that capacity, except a liability (other than one for legal costs) arising out of:

- conduct involving a wilful breach of duty in relation to the Company; or
- a contravention of sections 182 or 183 of the Corporations Act.

(n) Alteration to the Constitution

The Corporations Act provides that the Constitution can only be amended by a special resolution passed by at least 75% of the votes cast by members entitled to vote on the resolution.

9.4 Terms and Conditions of New Options

The terms and conditions of all of the New Options are set out below:

- (a) the Options will be exercisable at any time prior to 5.00pm WST on the Expiry Date. Options not exercised on or before the Expiry Date will automatically lapse;
- (b) the Options may be exercised wholly or in part by completing an application form for Shares (Notice of Exercise) delivered to the Company's share registry and received by it any time prior to the Expiry Date;
- (c) each Option will entitle the holder to subscribe (in respect of each Option held) for a Share with an exercise price of 20 cents per Share;
- (d) upon the exercise of an Option and receipt of all relevant documents and payment, the holder will be allotted and issued a Share ranking pari passu with the then issued Shares. The Company will apply to ASX to have the Shares granted Official Quotation;
- (e) a summary of the terms and conditions of the Options, including the Notice of Exercise, will be sent to all holders of Options when the initial holding statement is sent;
- (f) any Notice of Exercise received by the Company's share registry on or prior to the Expiry Date will be deemed to be a Notice of Exercise as at the last Business Day of the month in which such notice is received;
- (g) there will be no participating entitlements inherent in the Options to participate in new issues of capital which may be offered to Shareholders during the currency of the Options. Prior to

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any new pro rata issue of securities to Shareholders, holders of Options will be notified by the Company and will be afforded 7 Business Days before the record date (to determine entitlements to the issue), to exercise Options;

- (h) in the event of any reconstruction (including consolidation, sub-division, reduction or return) of the issued capital of the Company prior to the Expiry Date, all rights of an Option Holder are to be changed in a manner consistent with the ASX Listing Rules. Subject to the Corporations Act, the ASX Listing Rules and the Constitution, the Options may be transferred at any time prior to the Expiry Date; and
- (i) Shares issued pursuant to the exercise of an Option will be issued not more than 14 days after the date of the Notice of Exercise.

9.5 Corporate Governance

The Board is responsible for the corporate governance of the Company. The Board guides and monitors the business and affairs of ORC on behalf of the shareholders by whom they are elected and to whom they are accountable.

Commensurate with the spirit of the ASX Corporate Governance Council's Corporate Governance Principles and Recommendations (**Principles & Recommendations**), the Company has followed each recommendation where the Board has considered it to be an appropriate benchmark for its corporate governance practices, taking into account factors such as the size of the Company and the Board, the resources available and the activities of the Company. Where the Company's corporate governance practices follow a recommendation, the Board has made appropriate statements disclosing the adoption of the recommendation. Where, after due consideration, the Company's corporate governance practices depart from a recommendation, the Board has explained the departure, in compliance with the "if not, why not" reporting regime.

The Company's corporate governance policies and practices are reflective of the Company's current status, or where applicable its intended status on Acquisition. As the Company's activities develop in size, nature and scope, the Board will reconsider and review the Company's corporate governance structures. The Company's corporate governance practices are summarised in this section.

9.5.1 Selection and (re)appointment of Directors (Recommendation 2.6)

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

- the Board should comprise at least four directors, and it intends to have a majority of non-executive directors;
- the Chair should be a non-executive director and this will be achieved on Acquisition;
- 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 (see further below under the heading Board Committees).

9.5.2 Director independence (Recommendations 2.1, 2.2, 2.3, 2.6)

The Board currently comprises two non-independent Directors, all of whom are executive (Mr Sandt and Mr Lambe) and two independent non-executive Directors (Mr McKee and Mr Tan). Post-Acquisition, the Board will have a majority of non-executive Directors and the Board will comprise of 4 non-independent Directors and 1 independent Director.

The Board considers the independence of directors having regard to the relationships listed in Box 2.1 of the Principles & Recommendations and the Company's materiality thresholds (**Independence Test**).

The Board has agreed on the following guidelines for assessing the materiality of matters:

- Balance sheet items are material if they have a value of more than 5% of pro-forma net asset.
- Profit and loss items are material if they will have an impact on the current year operating result of 5% or more.
- Items are also material if they impact on the reputation of the Company, involve a breach of legislation, are outside the ordinary course of business, could affect the Company's rights to its assets, if accumulated would trigger the quantitative tests, involve a contingent liability that would have a probable effect of 5% or more on balance sheet or profit and loss items, or will have an effect on operations which is likely to result in an increase or decrease in net income or dividend distribution of more than 5%.
- Contracts will be considered material if they are outside the ordinary course of business, contain exceptionally onerous provisions in the opinion of the Board, impact on income or distribution in excess of the quantitative tests, there is a likelihood that either party will default, and the default may trigger any of the quantitative or qualitative tests, are essential to the activities of the Company and cannot be replaced, or cannot be replaced without an increase in cost which triggers any of the quantitative tests, contain or trigger change of control provisions, are between or for the benefit of related parties, or otherwise trigger the quantitative tests.

In accordance with the Independence Test, and as a result of information obtained from Directors and Proposed Directors, most existing and Proposed Directors are not independent:

Director	Result of Independence Assessment	Executive or Non-Executive
Mr Clive McKee (Retiring Director)	Independent.*	Non Executive
Mr Richard Lambe (Retiring Director)	Not independent.*	Executive
Mr Julian Sandt	Not independent.*	Executive
Mr Alvin Tan	Independent.	Non-Executive
Mr Chris Haiveta (Proposed Director)	Not independent.**	Non-Executive and Chair
Mr Domenic Martino (Proposed Director)	Not independent.**	Executive and Managing Director
Mr Josef (Yosse) Goldberg (Proposed Director)	Not independent.**	Non-Executive

* employed in an Executive capacity, therefore not independent

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****** *Not independent due to 11,250,000 Acquisition shares to be issued, resulting in an ownership of 9.59% in ORC.*

The independent Chair of the Board is Clive McKee. The non-independent Chair of the Board post-Acquisition will be Chris Haiveta.

Given the size and scope of the Company's operations and given it is at a development stage, the Board considers it neither appropriate nor cost effective for there to be a majority of independent directors, nor for the Board to have an independent Chair.

The independence of the Board will be addressed over the next few years, depending upon the growth of the Company. The Board has been structured such that its composition and size will enable it to effectively discharge its responsibilities and duties. Each director has the relevant industry experience and specific expertise relevant to the Company's business and level of operations. All Directors are aware that they are required to bring an independent judgment to bear on Board decisions. Where a potential conflict of interest may arise, involved Directors must, unless the remaining Directors resolve otherwise, withdraw from deliberations concerning the matter. The Board has appointed a lead independent director to take over the role of the Chair when the Chair is unable to act in that capacity as a result of their lack of independence. Further each Director has the right to seek independent professional advice at the expense of the Company.

The Managing Director is Julian Sandt who is not Chair of the Board. The Managing Director of the Company on completion of the Acquisition will be Dominic Martino.

9.5.3 Skills, experience, expertise and period of office of each Director (Recommendation 2.6)

The skills, experience and expertise of the Directors at Acquisition and the period of office held by the existing Directors is disclosed in Section 1.10 of this Prospectus.

The Board seeks to have a mix of skills and diversity amongst its members, with a focus on commercial and financial skills during the post-Acquisition stage of the Company. In the short term the Company will contract geological skills as indicated in Section 1.10 of this Prospectus. There are no female members of the Board at the date of this Prospectus, however, should a vacancy exist in the future, the Board will consider a diverse range of candidates who will be assessed on merit based on their judgement, skill, diversity, experience with business and other organisations of a comparable size, the interplay of the candidate's experience with the experience of other Board members, the candidates capacity to commit to the Board's activities, and the extent to which the candidate would be a desirable addition to the Board and any Board Committees.

9.5.4 Independent professional advice (Recommendation: 2.6)

To assist 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 Chair for incurring such expense, the Company will pay the reasonable expenses associated with obtaining such advice.

9.5.5 Board and Senior Executive Responsibilities (Recommendations 1.1 and 1.3)

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 which 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 supporting the Managing Director and assisting the Managing Director in implementing the running of the general operations and financial business of the Company in accordance with the delegated authority of the Board. 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 Chair.

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:

- Board approval of a strategic plan, designed to meet shareholder needs and manage business risk;
- 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.

The Company has in place an induction procedure for new directors. Under these procedures, it is the responsibility of the Chair to ensure the new members of the Board are briefed and have access to all aspects of the Company's operations. The Chair must ensure the new Directors are briefed in relevant areas such as time commitment required, special duties or arrangements attaching to the position, requirements for disclosure of interests. All new Directors can expect to be provided with documents relevant to their role including corporate governance policies of the Company and financial reports for the last two years.

9.5.6 Monitoring of Board and Senior Executive Performance (Recommendations 1.2, 1.3, 2.5, 2.6)

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 Chair. Directors whose performance is unsatisfactory are asked to retire. The Company will develop a process for evaluation of the Board and individual directors, which will be disclosed on the Company's website post-Acquisition.

The performance of all senior executives is also to be reviewed annually by the Chair. The Company will develop a process for evaluation of senior executives, which will be disclosed on the Company's website post-Acquisition.

9.5.7 Audit Committee (Recommendations 4.1, 4.2, 4.3, 4.4)

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

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.

9.5.8 Remuneration Committee (Recommendations 8.1, 8.2, 8.3, 8.4)

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 as a standing agenda item at each Board meeting to deal with any remuneration related matters that would normally be carried out by a remuneration committee.

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

The Company has established a Remuneration Policy which states that:

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

Remuneration levels are set by the Board in accordance with industry standards to attract suitable qualified and experienced directors and senior management. Remuneration for all Directors and key management personnel is disclosed in 1.10.

There are no termination or retirement benefits for non-executive directors (other than for superannuation).

The Company has not adopted a policy on prohibiting entering into transactions in associated products which limit the economic risk of participating in unvested entitlements under any equity-based remuneration schemes. Directors and senior executives who participate in equity-based remuneration schemes are prohibited from entering into transactions or arrangements which limit the economic risk of participating in unvested entitlements.

The Company will establish a procedure for the selection and appointment of directors post-Acquisition and disclose this on the Company's website.

9.5.9 Nomination Committee (Recommendation 2.4)

Given the current size of the Company, and the size and composition of the Board, the Board believes that there would be no efficiencies gained by establishing a separate Nomination Committee. Matters typically dealt with by a nomination committee are the responsibility of the full Board. The Board considers that it is more appropriate to discuss nominated related matters on an on-going basis, as required.

As the Board has not established a separate nomination committee, it has not adopted a nomination committee charter.

9.5.10 Code of Conduct (Recommendations 3.1, 3.5)

The Company recognises the need for Directors and employees to observe the highest standards of behaviour and business ethics in conducting its business 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, officers, managers and employees of the Company. Such persons are also expected to meet the ethical standards of any professional bodies that they belong to.

All Directors managers and employees of the Company 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 stakeholders of the Company. They are also required act in an ethical manner at all times, avoiding conflicts of interest and observing the principals of independence in decision-making.

Any breaches of the Code of Conduct are to be reported to the Chair for notification to the Board. The Board will decide on appropriate disciplinary action and may report breaches to appropriate authorities.

9.5.11 Diversity (Recommendations 3.2, 3.3, 3.4, 3.5)

The Board considers that the Company is not of a size to justify the establishment of a diversity policy, measurable objectives to achieve gender diversity or to disclose the proportion of women employees in the whole organisation, women in senior executive positions and women on the board. The Board will continue to address diversity and assess the need to adopt a diversity policy. If a diversity policy is adopted, it will be disclosed on the Company's website.

9.5.12 Procedures for compliance with disclosure requirements (Recommendations 5.1, 5.2)

The Company recognises its obligations of continuous disclosure to the ASX in order to keep the market fully informed of information which may have a material effect on the price or value of its securities.

The Company has formulated policies and procedures to discharge its disclosure requirements to ensure information is released promptly to the market and is fairly available to all those with an interest in the Company.

The Company has a disclosure 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. It regards its continuous disclosure obligations very seriously and any suspected breach must be reported to the Chairman immediately and may result in disciplinary action.

The Company has appointed the Managing Director (or equivalent), with assistance from the Company Secretary and Chairman as required, to be responsible for communication with the ASX in relation to disclosure obligations and Listing Rule matters. The Managing Director (or equivalent) in consultation with the Company Secretary and Chairman, if necessary, is also responsible for assessing the materiality of information and drafting all disclosures.

9.5.13 Shareholder Communication Policy (Recommendations 6.1, 6.2)

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

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

9.5.14 Recognising and Managing Risk (Recommendations 7.1, 7.2, 7.3, 7.4)

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 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.

Post Acquisition the main areas of risk will include fluctuating commodity prices and exchange rates, political and economic climate in its areas of operation, exploration and development and continuous disclosure obligations. Regular consideration will be given to these matters by the Board. Going forward the main risk areas will be identified on a regular basis. The Company has in place an internal control framework to assist in identifying, assessing, monitoring and managing risk. This framework includes 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.

Procedures have been put in place to ensure the Managing Director and the Chief Financial Officer (or equivalent) state in writing to the Board that the declaration provided in accordance with section 295A of the Corporations Act is founded on a sound system of risk management and internal control and that the system is operating effectively in all material respects in relation to financial reporting risks.

Post Acquisition the Board will require management to design, implement and maintain risk management and internal control systems to manage the Company's material business risks. The Board will also require management to report to it confirming that those risks are being managed effectively. The Board is of the view that the Board is not currently of a size that establishing a risk management committee would be an efficient mechanism for focusing the Company on appropriate risk oversight, risk management and internal control. 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 separate risk management committee.

9.5.15 Website disclosure

The following governance-related documents can be found on the Company's website, under the section marked "Corporate Governance":

- Board Charter (includes Policy on Assessing the Independence of Directors and Policy on Independent Professional Advice)
- Code of Conduct

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- Disclosure Policy (includes shareholder communication policy)
- Risk Management Policy
- Securities Trading Policy

The following governance-related documents will be available on the Company's website, under the section marked "Corporate Governance" once developed shortly following Acquisition:

- Policy and Procedure for Selection and (Re)Appointment of Directors
- Process for Performance Evaluations)
- Procedure for the Selection, Appointment and Rotation of External Auditor

9.6 Interests of Directors, Experts and Advisors

Other than as set out below or elsewhere in this Prospectus, no Director or Proposed Director of the Company has, or had within 2 years before the date of this Prospectus, any interest in:

- (a) the formation or promotion of the Company;
- (b) any property acquired or proposed to be acquired by the Company in connection with its formation or proportion or in connection with the Offers; or
- (c) the Offers.

and no amounts have been paid or agreed to be paid and no benefits have been given or agreed to be given to a Director or Proposed Director:

- (a) as an inducement to become, or to qualify as, a Director; or
- (b) for services provided in connection with:
 - (i) the formation or promotion of the Company; or
 - (ii) the Offers.

9.7 Directors' remuneration

The Constitution provides that the Directors are entitled to such remuneration as the Company determines, but the ASX Listing Rules require that the remuneration of non-executive Directors must not exceed, in aggregate, a maximum annual amount fixed by the Company in general meeting for that purpose. At the date of this Prospectus, the Company's aggregate maximum remuneration for non-executive Directors is \$200,000,

In the last two years, \$444,000 (\$222,000 for the year ended 30 June 2010 and \$222,000 for the year ended 30 June 2011) has been paid by the Company by way of remuneration for services provided by the Directors, companies associated with the Directors or their associates in their capacity as directors, consultants or advisers.

The table below sets out the remuneration provided to the Directors and their associated companies during the last financial year prior to the date of this Prospectus and the remuneration the Directors have received during the current financial year as at the date of this Prospectus, inclusive of director's fees and consultancy fees.

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Director	Remuneration received by Directors	
	Year ended 30 June 2011	Current financial year to 30 April 2012
Julian Sandt	\$66,000	\$55,000
Alvin Tan	\$36,000	\$30,000
Clive McKee	\$48,000	\$40,000
Richard Lambe	\$72,000	\$60,000

9.8 Interests of Directors

The Directors are not required, pursuant to the Constitution of the Company, to hold any Shares in the Company. As at the date of this Prospectus, the Directors and the Proposed Directors, and their associates have interests in the following securities in the Company:

Director/Proposed Director	Shares Held	
	Directly	Indirectly
Mr Julian Sandt	1,694,637	-
Mr Alvin Tan	-	423,191 ¹
Mr Clive McKee	3,081,510	-
Mr Richard Lambe	Nil	Nil
Mr Chris Haiveta (Proposed Director)	-	-
Mr Domenic Martino (Proposed Director)	-	-
Mr Yosse Goldberg (Proposed Director)	-	-

¹308,191 Shares are held by Ostle Investments Pty Ltd, a company in which Mr Alvin Tan is a shareholder and director. 115,000 Shares are held by AP Growth Equities Sdn Bdn, a company in which Mr Alvin Tan is a shareholder.

Based on information available as at the date of this Prospectus, the Directors and the Proposed Directors and their associates will have interests in the following securities in the Company post the Acquisition, and the Offers:

Director/ Proposed Director	Shares Held		Proposed Options Held*	
	Directly	Indirectly	Directly	Indirectly
Mr Julian Sandt	1,694,637	-	250,000	-
Mr Alvin Tan	-	423,191 ¹	-	437,500 ²
Mr Chris Haiveta	11,250,000 ³	-	-	-
Mr Domenic Martino	-	11,250,000 ⁴	-	-
Mr Yosse Goldberg	-	11,250,000 ⁵	-	-

¹ 308,191 Shares are held by Ostle Investments Pty Ltd, a company in which Mr Alvin Tan is a shareholder and director 115,000 Shares are held by AP Growth Equities Sdn Bdn, a company in which Mr Alvin Tan is a shareholder.

² It is proposed that 250,000 Options will be issued to Ostle Investments Pty Ltd, a company in which Mr Alvin Tan is a shareholder and director and 187,500 Options will be issued to AP Growth Equities Sdn Bdn, a company in which Mr Alvin Tan is a shareholder.

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- 3 *these Shares are Acquisition Shares and will be issued to Mr Haiveta on Completion of the Acquisition*
- 4 *these Shares are Acquisition Shares and will be issued to Fanucci Pty Ltd as trustee for the Fanucci Family Trust on Completion of the Acquisition. Mr Martino's wife is a shareholder of Fanucci Pty Ltd and beneficiary of the Fanucci Family Trust.*
- 5 *these Shares are Acquisition Shares and will be issued to Lightglow Enterprises Pty Ltd as trustee for the Paloma Investments Trust on Completion of the Acquisition. Mr Goldberg is a beneficiary of the Paloma Investments Trust.*

No Directors or Proposed Directors will participate in the Share Offer. As approved by Shareholders at the General Meeting, Mr Julian Sandt will apply for up to 250,000 New Options, and Mr Alvin Tan will apply for up to 437,500 New Options under the Option Offer.

9.9 Other Interests of Directors

It is proposed that Domenic Martino will be appointed as the Managing Director of the Company on completion of the Acquisition. The appointment of Mr Martino has not been finalised, however, the parties have agreed the key terms of his appointment are that he will be paid an amount of \$120,000 per annum, he will be entitled to leave in accordance with applicable laws, and either party may terminate the agreement on 3 months notice.

Richard Lambe is a director of Mercia Taxation and Accounting Pty Ltd (Mercia). The Company has previously undertaken an engagement with Mercia in relation to the preparation of prior year income tax returns for which the Company paid Mercia \$10,725. The Directors formed the view that these services were provided on arms length terms, and accordingly shareholder approval was not sought. Mr Lambe will resign as a Director of the Company on completion of the Acquisition, and accordingly Mercia will no longer be a related party of the Company..

Alvin Tan is a director of Advanced Share Registry Ltd, the Company's share registry. The Company pays Advanced Share Registry Ltd fees based upon the number of share transactions in the month for share registry services and one-off payments relating to distribution of the Notice of Meeting etc. The Directors are of the view that the engagement of Advanced Share Registry Ltd is on arms length terms, and accordingly shareholder approval for the engagement of Advanced Share Registry Ltd is not required.

The Company has entered into Deeds of Indemnity, Insurance and Access with each of the Directors pursuant to which the Company agrees to indemnify the Directors against certain liabilities incurred by the Directors whilst acting as a Director of the Company (or any subsidiary), to insure the Directors against certain risks to which the Directors are exposed to as a Director of the Company and to grant to the Director a right of access to certain records of the Company for a period of seven years after the Director ceases to be a Director.

The Company will enter into a similar Deed of Indemnity, Insurance and Access with the Proposed Directors, Chris Haiveta, Domenic Martino and Yosse Goldberg. Further information on this is set out in Section 9.3.7 of this Prospectus.

9.10 Interests of Experts and Advisors

Other than as set out below or elsewhere in this Prospectus, no person named in this Prospectus as performing a function in a professional, advisory or other capacity in connection with the preparation or distribution of this Prospectus, promoter or broker of the Company has, or had within two years of the date of this Prospectus, any interest in:

- (a) the formation or promotion of the Company;

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- (b) any property acquired or proposed to be acquired by the Company in connection with its formation or proportion or in connection with the Offers; or
- (c) the Offers;

and no amounts have been paid or agreed to be paid and no benefits have been given or agreed to any of those persons for services rendered by him in connection with the formation or promotion of the Company or the Offers.

Gilbert + Tobin have acted as Australian solicitors to the Company in providing general advice in relation to this Prospectus. Gilbert + Tobin will receive professional fees of approximately \$63,000 in respect of services provided in relation to this Prospectus. During the past 24 months Gilbert + Tobin has acted as legal advisors to the Company in relation to other corporate and commercial matters and general advice (including in relation to the Acquisition and the notice of General Meeting) and has received, or will receive, fees totalling approximately \$117,000 for these services.

Allens Arthur Robinson has provided the Independent Solicitor's Report in Section 7 of this Prospectus, and assisted in the Company's due diligence enquiries in relation to this Prospectus. Allens Arthur Robinson will receive professional fees of approximately \$28,137 in respect of services provided in relation to this Prospectus. Allens Arthur Robinson has provided other professional services to the Company during the 24 months preceding the lodgement of this Prospectus in the amount of \$25,217.

Pitcher Partners Securities Pty Ltd has prepared the Investigating Accountant's Report in Section 6 of this Prospectus. Pitcher Partners (Securities) Pty Ltd will receive professional fees of approximately \$39,000 in respect of these services. Pitcher Partners Securities Pty Ltd has other provided professional services to the Company during the 24 months preceding the lodgement of this Prospectus in the amount of \$29,500.

Pitcher Partners Corporate and Audit (WA) Pty Ltd is the Company's auditor for which they are paid their usual commercial rates. Pitcher Partners Corporate and Audit (WA) Pty Ltd has received fees totalling \$73,500 for other services provided to the Company during the 24 months preceding the lodgement of this Prospectus including the fees relating to the issue of this Prospectus.

Isis Petroleum Consultants Pty Ltd has acted as independent technical specialist to the Company in relation to this Prospectus and provided the Independent Technical Expert's report in Section 5 of this Prospectus and will receive fees of approximately \$38,917 for these services. Isis Petroleum Consultants Pty Ltd has not provided any other professional services to the Company during the 24 months preceding the lodgement of this Prospectus.

9.11 Expenses of the Offers

It is estimated that the expenses of the Offers will be:

Independent Technical Expert's Report	\$38,917
Investigating Accountant's Report	\$39,700
Independent Solicitor's Report	\$28,137
Legal services	\$63,000
Company secretarial and accounting services	\$34,000
Printing, ASX, ASIC, registry services	\$48,087
Capital Raising Fees (based on 5% of \$2,000,000 raised)	\$100,000
Total Costs	\$351,841

9.12 Consents and disclaimers of responsibilities

Each of the parties referred to in this Section 9.10 of this Prospectus:

- (a) does not make, or purport to make, any statement in this Prospectus or on which a statement made in the Prospectus is based, other than as specified in this Section 9.10 of this Prospectus; and
- (b) to the maximum extent permitted by law, expressly disclaims and takes no responsibility for any part of this Prospectus other than a reference to its name and a statement included in this Prospectus with the consent of that party as specified in this Section 9.10 of this Prospectus.

Pitcher Partners Corporate and Audit (WA) Pty Ltd has given its written consent to the inclusion in this Prospectus of the Company's reviewed statement of financial position as at 31 December 2011 and to all statements based on those statements in the form and context in which they appear. Pitcher Partners Corporate and Audit (WA) Pty Ltd has not withdrawn its consent prior to lodgement of this Prospectus with ASIC.

Pitcher Partners Securities Pty Ltd has given its written consent to the inclusion in this Prospectus of its Investigating Accountant's Report and to all statements referring to that report or attributed to or derived from that report in the form and context in which they appear and to the references to the historical financial information of the Company outlined in Section 1.8 of this Prospectus in the form and context in which those references appear and has not withdrawn such consent before lodgement of this Prospectus with ASIC.

Isis Petroleum Consultants Pty Ltd has given its written consent to the inclusion in this Prospectus of its Independent Technical Expert's Report and to all statements referring to that report or attributed to or derived from that report in the form and context in which they appear and has not withdrawn such consent before lodgement of this Prospectus with ASIC.

Allens Arthur Robinson has given its written consent to the inclusion in this Prospectus of their Independent Solicitors' Report and to all statements referring to that report or attributed to or derived from that report in the form and context in which they appear and has not withdrawn such consent before lodgement of this Prospectus with ASIC.

Each of the following has consented to being named in the Prospectus in the capacity as noted below and have not withdrawn such consent prior to the lodgement of this Prospectus with ASIC:

- (a) Allens Arthur Robinson, as the Independent Solicitors;
- (b) Pitcher Partners Securities Pty Ltd, as the Investigating Accountant;
- (c) Pitcher Partners Corporate and Audit (WA) Pty Ltd, as auditor of the Company;
- (d) Gilbert + Tobin, as the Australian solicitors to the Company;
- (e) Isis Petroleum Consultants Pty Ltd, as the Independent Technical Expert;
- (f) Advanced Share Registry Pty Ltd, as the share registry to the Company; and
- (g) Minimum Risk Pty Ltd, as underwriter to the Share Offer.

There are a number of persons referred to elsewhere in this Prospectus who are not experts and who have not made statements included in this Prospectus nor are there any statements made in this Prospectus on the basis of any statements made by those persons. These persons did not consent to being named in the Prospectus and did not authorise or cause the issue of the Prospectus.

9.13 Acquisition Shares

This Prospectus also relates to the offer of the Acquisition Shares to the Vendors. An application for Acquisition Shares by a Vendor can only be made on the separate loose leaf application form accompanying this Prospectus entitled “Vendor Application Form”.

No consideration is payable by a Vendor with the Vendor Application Form. The completed Vendor Application Form is to be lodged by the Vendor prior to the Closing Date at the Company’s Share Registry at:

Advanced Share Registry Limited
PO Box 1156
Nedlands WA 6009

By lodging the Vendor Application Form, the relevant Vendor agrees with the Company that, upon issue and allotment of the relevant Acquisition Shares, the Company will have satisfied its obligation to issue those Shares to the relevant Vendor under the Share Sale Agreement.

9.14 Exploration Targets and Competent Person Statement

In accordance with Chapter 5 of the ASX Listing Rules, the geological information in Section 4 of the Prospectus has been compiled by John Warburton—based on information compiled by Dr Enrique Carballido and Mr Paul Carter and publicly available information. Dr Carballido is the Chief Operating Officer, and Mr Carter a partner of, ISIS Petroleum Consultants Pty Ltd (ISIS). ISIS have been engaged by the Company to prepare the Independent Technical Expert’s Report in Section 5 (ITER). Dr Carballido holds a Bs Eng in Geology, Magna Cum Laude, National University of Mexico and a PhD in Geology from Tulane University and has over 17 years of oil and gas exploration, appraisal and development experience. Mr Carter has obtained a degree in Applied Science (Geophysicist) from Curtin University Perth, Western Australia, and over 30 years of oil and gas exploration, appraisal and development experience. Dr Carballido and Mr Carter consent to the inclusion in this Prospectus of the ITER in the form and context in which it appears. As noted above, the geological information in the Prospectus has been compiled by John Warburton based on the ITER and publicly available information. Mr Warburton provides consulting services to IPE. A profile of Mr Warburton is set out in section 1.10 of the Prospectus. Mr Warburton consents to the inclusion of the information in Section 4 of this Prospectus.

9.15 Constitution available for inspection

The Constitution of the Company is available for inspection during normal business hours free of charge at the Registered Office of the Company, until the Offer Closing Date.

9.16 Electronic Prospectus

Pursuant to Class Order 00/44 the ASIC has exempted compliance with certain provisions of the Corporations Act to allow distribution of an Electronic Prospectus on the basis of a paper Prospectus lodged with the ASIC and the issue of Securities in response to an electronic application form, subject to compliance with certain provisions.

If you have received this Prospectus as an Electronic Prospectus please ensure that you have received the entire Prospectus accompanied by the Application Form. If you have not, please call the Company on +618 9338 8670 and the Company will send to you, for free, either a hard copy or a further electronic copy (or both) of the Prospectus, or any supplementary or replacement prospectus together with the Application Form.

A person who gives another person access to the Application Form must at the same time and by the same means give the other person access to this Prospectus and any supplementary or replacement prospectus. The Company reserves the right not to accept an Application Form from a person if it has

Additional Information

reason to believe that when that person was given access to the electronic Application Form, it was not provided together with the Electronic Prospectus and any relevant supplementary or replacement prospectus or any of those documents were incomplete or altered. In such a case, the Application moneys received will be dealt with in accordance with section 722 of the Corporations Act.

10 Definitions

In this Prospectus the following terms and abbreviations have the following meanings unless otherwise stated:

Acquisition means the acquisition by Orchid Capital of all of the issued capital in Indo Pacific Energy Pty Ltd.

Acquisition Agreements means the Share Sale Agreement, the First Loan Agreement, the Second Loan Agreement and the Fundraising Agreement.

Acquisition Shares means 55,000,000 Shares to be issued to the Vendors on completion of the Share Sale Agreement.

Applicant means a person who submits a valid Application Form pursuant to this Prospectus.

Application means an application by way of a completed Application Form to subscribe for New Shares or New Options under this Prospectus.

Application Monies means monies received from Applicants in respect of their Application.

Application Form means the Share Offer Application Form and Option Offer Application Form enclosed with this Prospectus.

ASIC means the Australian Securities and Investments Commission.

ASTC means ASX Settlement and Transfer Corporation Pty Limited ACN 008 504 532.

ASTC Settlement Rules means the official settlement rules of ASTC.

ASX means ASX Limited ACN 008 624 691.

Board means the board of Directors of the Company.

Business Day means a day on which banks are open for business in the applicable jurisdiction.

Capital Raising means the placement by the Company of 27,000,000 pre-Consolidation Shares at an issue price of \$0.025 per Share to raise \$675,000 which completed in December 2011.

Chairman means the chairman of the Board from time to time.

CHESS means the Clearing House Electronic Subregistry System.

Closing Date means 8 June 2012 or such other date and time as may be determined by the Directors.

Company means Orchid Capital Limited ABN 30 073 099 171

Company Secretary means the company secretary of the Company (see contact details set out Section 11).

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

Constitution means the constitution of the Company.

Consolidation means the consolidation of the capital of the Company the subject of a resolution at the General Meeting on the basis of every four Shares being consolidated into one Share which took effect on 15 May 2012.

Corporations Act means the Corporations Act 2001 (Cth).

Definitions

CSP means Coral Sea Petroleum Limited, a Papua New Guinean company wholly owned by IPE.

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

Existing Shares means Shares allotted and issued as at the date of the Prospectus.

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

First Loan Agreement means the loan agreement between the Company, IPE, Chris Haiveta, CS Advisory Service Ltd and Coral Sea Petroleum Ltd dated 6 October 2010 as described in Section 9.3.2 of this Prospectus.

General Meeting means the general meeting of the Company which was held on 15 May 2012.

Independent Technical Expert's Report means the report of Isis Petroleum Consultants Pty Ltd dated March 2012 and contained in Section 5 of this Prospectus.

Independent Solicitor's Report means the report of Allens Arthur Robinson dated 28 May 2012 in Section 7 of this Prospectus.

Indo Pacific Energy or IPE means Indo Pacific Energy Pty Ltd ACN 140 643 565.

Listing Rules means the listing rules of ASX.

Minimum Risk means Minimum Risk Pty Ltd.

Minister means the PNG Minister for Petroleum and Energy.

New Option means the Options being offered under this Prospectus.

New Shares means the Shares offered under this Prospectus.

Offers means the Share Offer and the Option Offer under this Prospectus as the context requires.

Offer Price means 20 cents in respect of the subscription for each New Share under this Prospectus and 0.04 cents in respect of the subscription for each New Option under this Prospectus.

Official List means the official list of ASX.

Official Quotation means the quotation of securities on the securities market operated by ASX.

Option means an option to subscribe for a Share.

Option Offer means the offer of New Options under this Prospectus as set out in Section 2.1 of this Prospectus.

Optionholder means a registered holder of Options.

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

Papua New Guinea or PNG means the Independent State of Papua New Guinea.

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

PNG Oil & Gas Projects means the oil and gas projects in Papua New Guinea represented by the PPLs.

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

Definitions

Prospectus means this prospectus dated 29 May 2012 as modified or varied by any supplementary document made by the Company and lodged with ASIC.

Second Loan Agreement means the loan agreement between the Company, IPE and Coral Sea Petroleum Ltd dated 4 April 2011 as described in Section 9.3.3 of this Prospectus.

Section means a section of this Prospectus.

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

Share Offer means the offer of New Shares under this Prospectus as set out in Section 2.1 of this Prospectus.

Share Sale Agreement means the share sale agreement between the Company, Indo Pacific Energy Pty Ltd, Chris Haiveta CMG and Minimum Risk Pty Ltd dated 21 July 2011 (as rectified by a deed of rectification dated 15 May 2012) as described in Section 9.3.1 of this Prospectus.

Shareholder means a holder of Shares.

Share Registry means Advanced Share Registry Limited.

Underwriting Agreement means the agreement between Minimum Risk Pty Ltd and the Company for the underwriting of the Share Offer dated 17 April 2012 (as varied by a letter of variation dated 3 May 2012) as detailed in Section 9.3.4 of this Prospectus.

Vendors means the shareholders of IPE as set out in Section 1.1 of this Prospectus.

WST means Australian Western Standard Time.

\$ means Australian dollars unless otherwise specified.

11 Enquiries

Enquiries in relation to the Offer should be directed to Orchid Capital Limited's Company Secretary, Mr Richard Lambe:

Address	Telephone
Suite 6, 32 Hines Road O'Connor, WA, 6163	Telephone: +61 8 9338 8670 Facsimile: +61 8 9338 8699

12 Directors' Statement

The Directors state that they have made all reasonable enquiries and on that basis have reasonable grounds to believe that any statements made by the Directors in this Prospectus are not misleading or deceptive and that in respect to any other statements made in the Prospectus by persons other than Directors, the Directors have made reasonable enquiries and on that basis have reasonable grounds to believe that persons making the statement or statements were competent to make such statements, those persons have given their consent to the statements being included in this Prospectus in the form and context in which they are included and have not withdrawn that consent before lodgement of this Prospectus with the ASIC, or to the Directors' knowledge, before any issue of Shares pursuant to this Prospectus.

The Prospectus is prepared on the basis that certain matters may be reasonably expected to be known to likely investors or their professional advisers.

Each Director has consented to the lodgement of this Prospectus with ASIC in accordance with sections 710 and 720 of the Corporations Act and has not withdrawn that consent.

Dated 29 May 2012

Signed for and on behalf of Orchid Capital Limited by:

Richard Lambe
Executive Director