



Coral Sea Petroleum Ltd

ABN 30 073 099 171

Notice of Annual General Meeting and Explanatory Statement

The Annual General Meeting of the Company will be held at Level 5, 56 Pitt Street, Sydney, New South Wales 2000 at 11.00 am (AEDT) on Tuesday, 26 November 2013

This is an important document. Please read it carefully.

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

Coral Sea Petroleum Ltd

ABN 30 073 099 171

Time and Place of Meeting and How to Vote

Venue

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

Level 5, 56 Pitt Street Sydney, New South Wales, 2000	Commencing 11.00 am on Tuesday, 26 November 2013
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How to Vote

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

Voting in Person

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

Voting by Proxy

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

- send the proxy by facsimile to the Company Secretary on facsimile number +61 2 8823 3188; or
- deliver to the Company at Level 5, 56 Pitt Street, New South Wales, 2000.

so that it is received not later than 11.00 am (AEDT) on Sunday, 24 November 2013.

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

Coral Sea Petroleum Ltd

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Coral Sea Petroleum Ltd

ABN 30 073 099 171

Notice of Annual General Meeting

Notice is hereby given that the Annual General Meeting of shareholders of Coral Sea Petroleum Ltd will be held at Level 5, 56 Pitt Street, Sydney, New South Wales, 2000 at 11.00 am on Tuesday, 26 November 2013 (**Annual General Meeting**).

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

The Directors have determined pursuant to regulation 7.11.37 of the Corporations Regulations 2001 (Cth) that the persons eligible to vote at the General Meeting are those who are registered as Shareholders at 5.00 pm (AEDT) on Friday, 26 November 2013.

Capitalised terms and abbreviations used in this Notice of Meeting and the Explanatory Statement are defined in Section 6 of the Explanatory Statement.

Agenda

BUSINESS

Receipt of Financial and other Reports

To receive and consider the financial statements of the Company and the reports of the directors and the auditor in respect of the financial year ended 30 June 2013.

Resolution 1. Adoption of Remuneration Report

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

“That, for the purposes of Section 250R(2) of the Corporations Act and for all other purposes, the Remuneration Report as contained in the Company’s annual financial report for the year ended 30 June 2013 is adopted.”

Note – the vote on this item is advisory only and does not bind the directors of the Company.

Voting Exclusion: The Company will disregard any votes cast on Resolution 1 by any of the Company’s key management personnel (KMP) named in the Remuneration Report or by a closely related party of a KMP. However, the Company need not disregard a vote cast by a KMP or a closely related party of a KMP if:

- (a) the person is acting as proxy and the Proxy Form specifies how the proxy is to vote, and the vote is not cast on behalf of a person who is otherwise excluded from voting on this Resolution as described above;
- (b) the person is the Chair voting a proxy which expressly authorises the Chair to vote this proxy on a resolution connected with the remuneration of a member of the KMP.

The Chairman intends to vote undirected proxies in favour of the resolution to adopt the Remuneration Report.

Resolution 2. Re- Election of Mr Christopher Haiveta

To consider and, if thought fit to pass the following resolution as an **ordinary resolution**:

“That, Mr Christopher Haiveta, who retires in accordance with clause 13.2 of the Constitution, and being eligible, offers himself for re-election as a Director of the Company, is hereby re-elected as a Director of the Company.”

Resolution 3. Re- Election of Mr Joseph Goldberg

To consider and, if thought fit to pass the following resolution as an **ordinary resolution**:

“That, Mr Joseph Goldberg, who retires in accordance with clause 13.2 of the Constitution, and being eligible, offers himself for re-election as a Director of the Company, is hereby re-elected as a Director of the Company.”

Resolution 4. - Approval of 10% Placement Facility

To consider and, if thought fit, to pass the following resolution as a **special resolution**:

“That, for the purpose of Listing Rule 7.1A and all other purposes, the issue of equity securities up to 10% of the issued capital of the Company (at the time of issue) calculated in accordance with the formula prescribed in Listing Rule 7.1A.2, and on terms and conditions in the Explanatory Statement, is hereby approved.”

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

- (a) cast by a person as a proxy for a person who is entitled to vote in accordance with the directions on the Proxy Form; or
- (b) by the Chair as proxy for a person who is entitled to vote, in accordance with a direction on the Proxy Form to vote as the proxy decides.

Resolution 5. Option Placement

To consider and, if thought fit, to pass the following resolution as an **ordinary resolution**:

“That, for the purposes of ASX Listing Rules 7.1 and for all other purposes, the Company approves the issue of up to 30,000,000 Placement Options at an issue price of 5 cents per Option, each Option having an exercise price of 20 cents and expiring on the Expiry Date, to Eligible Persons on the terms and conditions set out in the Explanatory Statement to the Notice of Meeting.”

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

- (a) cast by a person as a proxy for a person who is entitled to vote in accordance with the directions on the Proxy Form; or
- (b) by the Chair as proxy for a person who is entitled to vote, in accordance with a direction on the Proxy Form to vote as the proxy decides.

Resolution 6. Issue of Options to Minimum Risk Pty Ltd (Underwriter and related party)

Subject to the passing of Resolution 5, to consider and, if thought fit, to pass, the following resolution as an **ordinary resolution**:

“That, for the purposes of ASX Listing Rules 10.11 and for all other purposes the Company approves:

- *in respect of the Option Placement the subject of Resolution 5, the issue of up to a maximum of 30,000,000 of such Placement Options to Minimum Risk Pty Ltd; and*
- *the issue of 1,000,000 Underwriter Options having at an exercise price of 20 cents per Underwriter Option and expiring on the Expiry Date,*

pursuant to the terms of the Underwriting Agreement entered into between the Company and Minimum Risk Pty Ltd in respect of the Option Placement the subject of Resolution 5, on the terms and conditions set out in the Explanatory Statement to the Notice of Meeting.”

Voting Exclusion: The Company will disregard any votes cast on this Resolution by Minimum Risk Pty Ltd and any person who might obtain a benefit (except a benefit solely in the capacity of a holder of ordinary securities if the resolution is passed) and any associates of those persons. However, the Company need not disregard a vote if it is:

- (a) cast by a person as a proxy for a person who is entitled to vote in accordance with the directions on the Proxy Form;
or
- (b) by the Chair as proxy for a person who is entitled to vote, in accordance with a direction on the Proxy Form to vote as the proxy decides.

Dated this 23 day of October 2013

By Order of the Board



Louisa Martino
Company Secretary

Notes:

1. A Shareholder of the Company who is entitled to attend and vote at an annual general meeting of Shareholders is entitled to appoint not more than two proxies. Where more than one proxy is appointed, each proxy may be appointed to represent a specified proportion of the Shareholder's voting rights. If the Shareholder appoints two proxies and the appointment does not specify this proportion, each proxy may exercise half of the votes. A proxy need not be a Shareholder of the Company.
2. Where a voting exclusion applies, the Company need not disregard a vote if it is cast by a person as a proxy for a person who is entitled to vote in accordance with the directions on the proxy form to vote as the proxy decides or it is cast by the person chairing the meeting as proxy for a person who is entitled to vote, in accordance with a direction on the proxy form to vote as the proxy decides.
3. In accordance with Regulation 7.11.37 of the Corporations Act, the Directors have set a snapshot date to determine the identity of those entitled to attend and vote at the Meeting. The snapshot date 5.00 pm (AEDT) on Sunday, 24 November 2013.

Coral Sea Petroleum Ltd

ABN 30 073 099 171

Explanatory Statement

This Explanatory Statement has been prepared for the information of Shareholders in connection with the business to be conducted at the Annual General Meeting of the Shareholders of Coral Sea Petroleum Ltd (**Company** or **CSP**) to be held at Level 5, 56 Pitt Street, Sydney, New South Wales, 2000 at 11.00 am (AEDT) on Tuesday, 26 November 2013 (**Annual General Meeting**).

Receipt of Financial and other Reports

Section 317 of the *Corporations Act* requires each of the Financial Report (which includes the Financial Statements and Directors' Declaration), the Directors' Report and the Auditor's Report for the last financial year to be laid before the Meeting,

The Company's Constitution also provides for these reports to be received and considered at that Meeting.

There is no requirement for these reports to be formally approved by shareholders.

The reports referred to are included in the Annual Report sent to shareholders who have requested to receive a copy. If you have not elected to receive a hard copy of the Company's 2013 Annual Report, it can be accessed on the Company's website at www.coralseapetroleum.com

Shareholders will be given a reasonable opportunity at the Meeting to ask questions and make comments on these reports and on the business, operations and management of the Company.

1 Resolution 1 - Adoption of the Remuneration Report for the year ended 30 June 2013

The Board is committed to creating value for Shareholders by applying the Company's funds productively and responsibly. A portion of the funds available to the Company is applied to remunerate the Managing Director and Non-Executive Directors.

Your Board is aware of the sensitivities of Shareholders to remuneration practices generally, and submits its remuneration report to Shareholders for consideration and adoption under a non-binding resolution.

The Corporations Act was amended in June 2011 to introduce the "two-strikes" rule. This rule provides that if at least 25% of the votes cast on the adoption of the remuneration report at 2 consecutive annual general meetings are against adopting the remuneration report, shareholders will have the opportunity to vote on holding a meeting at which all of the Directors, excluding the Managing Director will cease to hold office and will seek re-election as a director of the Company. The Company has not received any strikes.

The Company strives to have a remuneration structure that enables it to recruit and retain the capable staff needed to grow the business, while being in line with the Company's culture and reinforcing its values. The Board will continue to monitor the remuneration policies and their effectiveness.

The Remuneration Report appears within the Directors' Report in the Company's Annual Report and describes the remuneration practices of the Company and the rationale underpinning those practices.

The Chairman intends to exercise all undirected proxies in favour of Resolution 1.

The resolution is advisory only and does not bind the directors or the Company. However, the Board will take the outcome of the vote into account when considering the Company's remuneration policy.

Directors' Recommendation

The Directors unanimously recommend that Shareholders vote in favour of Resolution 1.

The Chairman intends to exercise all undirected proxies in favour of Resolution 1.

2 Resolutions 2 and 3 – Re-Election of Directors

Under the Constitution (clause 13.2) one third of the Directors (not including any Managing Director) must retire from office annually, and, if eligible may offer themselves for re-election. Accordingly Mr Haiveta and Mr Goldberg seek re-election to the Board.

Mr Christopher Haiveta

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

Mr Haiveta later joined the Papua New Guinea Public Service in the Department of Provincial Affairs and was appointed Secretary of the Department of Gulf Province in 1985, later served as the economic advisor and Chief of Staff to Prime Minister Rabbie Namiliu from 1989 to 1992. He stood for Parliament for the Gulf Regional Seat in 1992 and served as a Member of Parliament until 2007.

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

Joseph (Yosse) Goldberg

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

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

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

On his return to Australia he became a consultant and major shareholder in a number of companies and helped companies create a foothold in countries such as PNG, Indonesia, Cameroon, South Africa and Turkey. Mr Goldberg has also consulted to Sydney Gas Limited, Blue Energy Limited, Kimberley Diamond Company NL, Sundance Resources Limited, CuDeco Limited, Gindalbie Metals Ltd about resources projects such as iron ore, oil and gas bed methane and copper. Recently Mr Goldberg has been engaged in establishing a major thermal, cooking oil and gas project in Indonesia requiring major infrastructure and financing.

Directors' Recommendation

- (a) The Board (Mr Haiveta abstaining) recommend that Shareholders vote in favour of Resolution 2;
 - (b) The Board (Mr Goldberg abstaining) recommend that Shareholders vote in favour of Resolution 3.
- The Chairman intends to exercise all undirected proxies in favour of Resolutions 2 and 3.

3 Resolution 4 – Approval of 10% Placement Facility

Listing Rule 7.1A came into effect on 1 August 2012. It enables eligible entities to issue Equity Securities (such as shares) up to 10% of its issued share capital through placements over a 12 month period after the Annual General Meeting (Additional 10% Limit). The Additional 10% limit is in addition to the Company's 15% limit under Listing Rule 7.1. An eligible entity for the purposes of Listing Rule 7.1A is an entity that is not included in the S&P/ASX 300 Index and has a market capitalisation of \$300 million or less. The Company is an eligible entity.

The Company is now seeking Shareholder approval by way of a Special Resolution to have the ability to issue Equity Securities under the Additional 10% Limit. The exact number of Equity Securities to be issued under the Additional 10% Limit will be determined in accordance with the formula prescribed in Listing Rule 7.1A.2.

If Shareholders pass Resolution 4, it will enable the Company to issue up to a maximum of 25% of its issued capital in the 12 months following the date of the Annual General Meeting. This 25% of issued capital is made up of:

- (a) 15% of the Company's issued capital under Listing Rule 7.1 (which is not subject to shareholder approval); and
- (b) 10% of the Company's issued capital under Listing Rule 7.1A. This additional 10% of issued capital is subject to Shareholder approval and requirements as set out in this Section.

As at the date of this Meeting, the Company has on issue 117,358,409 Shares and if this resolution is approved would have the capacity to issue:

- (a) Up to 17,603,761 Shares (15% of issue capital under Listing Rule 7.1 which is not subject to shareholder approval); and
- (b) Up to 11,735,841 Shares (10% of issued capital under Listing Rule 7.1A which is subject to Shareholder approval).

The following information is provided to assist shareholders to determine whether to approve Resolution 4:

- (a) There are a number of differences between the an issue of shares under the 15% Limit and the Additional 10% Limit:
 - any securities issued under the Additional 10% Limit must be in the same class as an existing class of equity securities of the Company that is quoted on ASX; and
 - the issue price of securities under the Additional 10% Limit must be at least 75% of the volume weighted average price ("VWAP") of the Company's shares over the 15 trading days before their issue date or the date on which the price of securities is agreed so long as the issue is then completed within 5 Business Days.
- (b) An issue (or agreement to issue) under the Additional 10% Limit does not detract from the Company's capacity to issue securities under the 15% Limit. It operates as a separate capacity.
- (c) If securities are issued under the Additional 10% Limit this may result in a dilution of shareholders' voting power (see the table at paragraph (e) below).
- (d) There is the risk that:
 - the market price for the Company's securities may be significantly lower on their date of issue than on the date of the Meeting; and
 - the securities may be issued at a price that is at a discount to the market price for the Company's securities on the issue date or the securities are issued as part of consideration for the acquisition of a new asset, which may affect the amount of funds raised by Company under the issue.
- (e) The table below shows the dilution of existing shareholders on the basis of the closing price of the Company's shares on ASX on 2 October 2013 and the current number of securities as at the date of this Notice.

It also shows:

- two examples where the number of securities has increased, one by 50% and one by 100%. The number of ordinary shares on issue may increase as a result of issues of ordinary securities that do not require Shareholder approval (for example, a pro rata entitlements issue or scrip issued under a takeover offer) or future specific placements under Listing Rule 7.1 that are approved at a future Shareholders' meeting; and
- two examples: one where the issue price of ordinary securities has decreased by 50% and one where the issue price of ordinary securities increases by 100% as against the closing market price as at 2 October 2013.

Number of Securities on Issue		Issue Price of additional 10% issued under Listing Rule 7.1A		
		\$0.08 50% decrease in Issue Price	\$0.16 Current Issue Price	\$0.32 100% increase in Issue Price
Shares on issue: 117,358,409 shares	Number on Issue after 10% voting dilution	129,094,250 shares	129,094,250 shares	129,094,250 shares
	Funds raised	\$938,867	\$1,877,735	\$3,755,469
Assume 50% increase in shares, but before a further issue of 10% under Listing Rule 7.1A 176,037,614 shares	Number on Issue after 10% voting dilution	193,641,375 shares	193,641,375 shares	193,641,375 shares
	Funds raised	\$1,410,461	\$2,820,922	\$5,641,844
Assume 100% increase before a further issue of 10% under Listing Rule 7.1A 234,716,818 shares	Number on Issue after 10% voting dilution	258,188,500 shares	258,188,500 shares	258,188,500 shares
	Funds raised	\$1,877,735	\$3,755,469	\$7,510,938

The table has been prepared on the following assumptions:

- The Company issues the maximum number of equity securities available under the Additional 10% Limit.*
 - The 10% voting dilution reflects the aggregate percentage dilution against the issued share capital at the time of issue.*
 - The table does not show the actual dilution that may be caused to any particular shareholder by reason of placements under the Additional 10% Limit, based on that shareholder's holding at the date of the Meeting.*
 - The table only shows the effect of issues of equity securities under Listing Rule 7.1A, not under the 15% Limit under Listing Rule 7.1.*
 - The share price is \$0.16, being the closing price of the shares on ASX on 2 October 2013*
- (f) If Resolution 4 is approved, the Company can only issue securities under the Additional 10% Limit for 12 months from the date of the Meeting. However, an approval under Resolution 4 will cease to be effective if shareholders approve a transaction under Listing Rule 11.1.2 (a significant change to the nature or scale of activities) or Listing Rule 11.2 (disposal of a main undertaking).
- (g) The Company may seek to issue securities for the following purposes:
- non-cash consideration for the acquisition of assets and investments: in this instance the Company will need to provide a valuation of the non-cash consideration as required by Listing Rule 7.1A.3; or
 - cash consideration: in this instance the Company intends to use the funds raised towards general working capital.
- (h) The Company's allocation policy is dependent on the prevailing market conditions at the time of any proposed issue pursuant to the Additional 10% Limit. The identity of the allottees of any securities will be determined on a case by case basis having regard to the factors including but not limited to the following:
- the methods of raising funds that are available to the Company, including but not limited to, rights issue or other issue in which existing security holders can participate;
 - the effect of the issue of the securities on the control of the Company;
 - the financial situation and solvency of the Company; and
 - advice from corporate, financial and broking advisers (if applicable).

As at the date of this Notice there is no specific circumstance under which the Company intends to make an allotment under the Additional 10% Limit, but it may include existing substantial shareholders and/or new shareholders who are not related parties or associates of a related party of the Company.

- (i) The Company has not previously obtained shareholder approval under Listing Rule 7.1A.
- (j) A voting exclusion statement is set out in the Notice. At the date of the Notice, the Company has not approached any particular existing shareholder or security holder or identifiable class of existing security holder to participate in the issue of the securities under Listing Rule 7.1A. No existing shareholder's votes will therefore be excluded under the voting exclusion in the Notice.

Directors' Recommendation

The Directors unanimously recommend that shareholders vote in favour of Resolution 4. The Chairman intends to exercise all undirected proxies in favour of Resolution 4.

4 Resolution 5 – Option Placement

Summary

On September 20, 2013 the Company held a General Meeting whereby shareholders approved the placement of 30,000,000 new options (being the Placement Options) at an issue price of 5 cents per option, with an expiry date of 31 March 2015 and at an exercise price of 20 cents per Placement Option. The issue of such new options will result in \$1,500,000 in funds being received by the Company that will be used as working capital to pursue the Company's business objectives (**Option Placement**).

The Option Placement is fully underwritten by Minimum Risk Pty Ltd.

In accordance with the Listing Rules, given the underwriter (Minimum Risk Pty Ltd) is a related party, the Company was to issue these new options within 1 month of the date of the meeting (by 20 October, 2013). Finalisation of the placement of the options has yet to take place, and the Company again seeks approval of the Option Placement, such that the issue of options can take place within 1 month of the Annual General Meeting (by 26 December 2013).

Capital Structure

The current capital structure of Coral Sea Petroleum Limited and the pro-forma capital structure, should Resolutions 5 and 6 be passed and the Option Placement occur, are as follows

	Current Number of issued securities	Option Placement	Underwriter Options	Total issued securities
Number of Ordinary Shares	117,358,409	-	-	117,358,409
Number of Unlisted Options	-	30,000,000	1,000,000	31,000,000

If Resolutions 5 and 6 are approved, the Company will issue a maximum of 31,000,000 options.

The number of shares held by other shareholders will not increase and accordingly should the options be exercised, the proportionate interest (and voting power) of other shareholders in the Company will be diluted. As the proportionate interest of each share is diluted, the value of each share may decrease.

Resolution 5 – Option Placement

Resolution 5 seeks shareholder approval pursuant to ASX Listing Rules 7.1 to the issue of 30,000,000 Placement Options at an issue price of 5 cents each to raise \$1,500,000.

The purpose of the Option Placement is to raise working capital for the Company to achieve its business objectives.

Subject to certain exceptions, Listing Rule 7.1 restricts a company from issuing or agreeing to issue equity securities in any 12 month period which amount to more than 15% of the Company's ordinary securities on issue at the commencement of that period without shareholder's approval.

Further to the information provided above, and in accordance with the requirements of Listing Rule 7.3, the following information is provided to Shareholders to allow them to assess the approval of the issue of Placement Options the subject of Resolution 5.

- a) the number of Placement Options to be issued is 30,000,000;
- b) the Placement Options will be issued no later than 1 month after the date of the Meeting, unless otherwise extended by way of ASX granting a waiver of to the ASX Listing Rules;
- c) the Placement Options will be issued at an issue price of 5 cents per Option;
- d) the Placement Options will be offered to Eligible Persons;
- e) the terms and conditions set out in Schedule 1 to this Explanatory Statement apply to the Placement Options; and
- f) the proposed use of funds raised by the issue of the Placement Options (\$1,500,000) is for working capital.

Directors' Recommendation

The Directors unanimously recommend that Shareholders vote in favour of the Resolution 5. The Chairman intends to exercise all undirected proxies in favour of Resolution 5.

5 Resolution 6 – Option Placement: Related Party (Underwriter)

Summary

As advised in Section 4 above, on September 20, 2013 the Company held a General Meeting whereby shareholders approved the Option Placement. The Option Placement is fully underwritten by Minimum Risk Pty Ltd.

In accordance with the Listing Rules, given the underwriter (Minimum Risk Pty Ltd) is a related party, the Company was to issue these new options within 1 month of the date of the meeting (by 20 October, 2013). Finalisation of the placement of the options has yet to take place, and the Company again seeks approval of the issue of options to Minimum Risk Pty Ltd, such that the issue of options can take place within 1 month of the Annual General Meeting (by 26 December 2013).

Resolution 6 – Issue of Options to Minimum Risk Pty Ltd

Resolution 6 seeks shareholder approval pursuant to ASX Listing Rules 10.11 to issue:

- a) up to a maximum of 30,000,000 Placement Options which represents the maximum potential shortfall under the Option Placement that Minimum Risk Pty Ltd would need to take up under the terms of the Underwriting Agreement if no other person takes up the Placement Options; and
- b) a further 1,000,000 Underwriter Options which forms part of the fee payable to Minimum Risk under the Underwriting Agreement.

Subject to certain exemptions, Listing Rule 10.11 restricts a company from issuing or agreeing to issue equity securities (such as options) to a related party without Shareholders' approval. The Company does not consider that the proposed Option Placement and issue of Underwriter Options falls within any of the exemptions to Listing Rule 10.11 and accordingly, seeks Shareholder approval of the issue in this Resolution for the purposes of Listing Rule 10.11, to enable the Company to issue the securities contemplated by Resolution 6.

The Company has formed the view that shareholder approval pursuant to Chapter 2E of the Corporations Act is not required in relation to Resolution 6, on the basis that the financial benefit is given on arm's length terms and the exemption in section 210 of the Corporations Act therefore applies.

Based on the Company's share register as at 18 October 2013, the table below sets out the increase in the percentage of issued capital held by Minimum Risk Pty Ltd that will result if Resolutions 5 and 6 are passed and assuming no other persons take up Placement Options under the Option Placement:

Related Party Recipient	Current Shares Held			Maximum No. of options to be issued if Resolutions 5 and 6 are passed ²	Proforma Shares Held	
	Directly	Indirectly (including associated entities)	Total and % of Share Capital		Total and % of Proforma Share Capital (Undiluted)	Total and % of Proforma Share Capital (Diluted) ^{1,2,3}
Minimum Risk Pty Ltd ²	10,227,500 (8.71%)	311,235 (0.27%)	10,538,735 (8.71%)	31,000,000	10,538,735 (8.71%)	41,012,078 (27.64%)

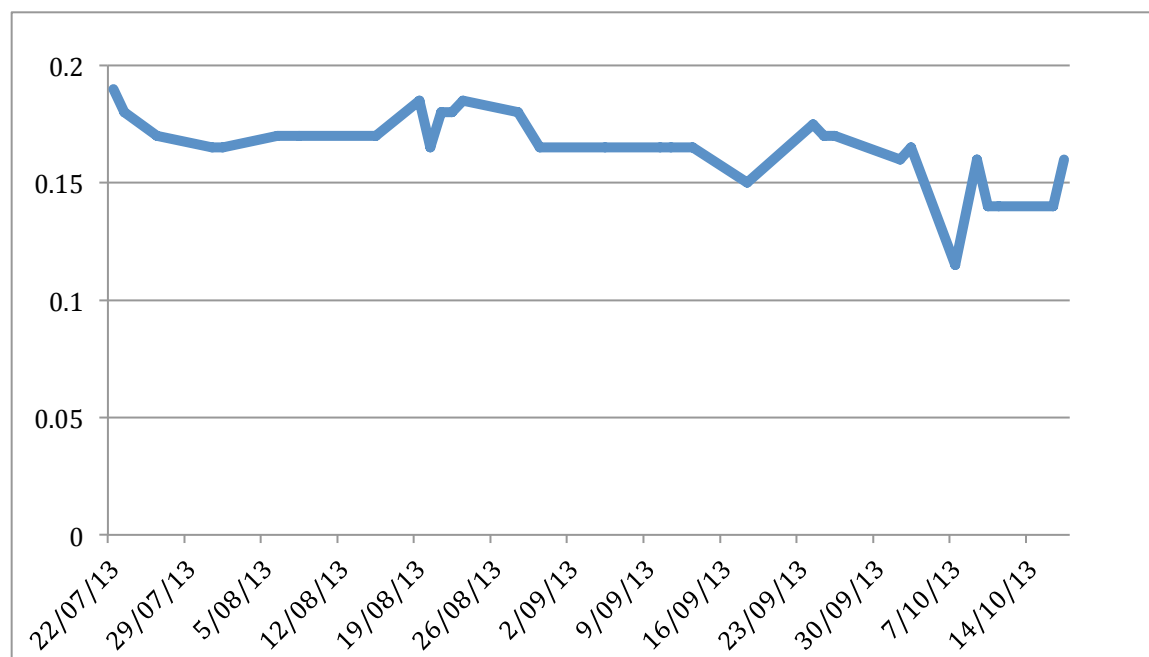
¹ Assumes all Placement Options are exercised and shares issued.

² Minimum Risk Pty Ltd is a related party of the Company and the underwriter to the Option Placement. As underwriter, Minimum Risk Pty Ltd will place the shortfall of Placement Options. The maximum number of Placement Options under the shortfall is 30,000,000 assuming no other person takes up Placement Options under the Option Placement, plus 1,000,000 Underwriter Options which forms part of the fee payable to Minimum Risk Pty Ltd for underwriting the Option Placement.

³ Assuming that a maximum of 31,000,000 options are issued to Minimum Risk Pty Ltd, due to restrictions in the Corporations Act, Minimum Risk Pty Ltd cannot exercise options to the extent that any exercise of options would result in its shareholding (and any of its associates shareholding) being 20% or more in the aggregate - unless it obtains approval from the Company's shareholders to do so, or it increases its shareholding progressively by not more than 3% every 6 months through the exercise of options under the 3% creep rule. In essence, without prior shareholder approval or progressively increasing its shareholding under the 3% creep rule, Minimum Risk Pty Ltd is only able to exercise that number of options to take its shareholding (and any of its associates' shareholding) to a level that is less than 20% of the issued voting shares of the Company.

A graph showing the closing share price for CSP over the last 3 months is as follows:

**Coral Sea Petroleum Ltd
Closing Price (\$)
3 Months ended 14 October 2013**



The lowest closing price for the Company over the past 3 months was 11.5 cents on 7 October 2013 and the highest was 19 cents on 22 July 2013 (source of data: Commsec).

The Company has entered into an Underwriting Agreement with Minimum Risk Pty Ltd. A summary of the terms of the Underwriting Agreement is as follows:

- Minimum Risk Pty Ltd fully underwrites the Option Placement;
- Minimum Risk Pty Ltd may procure sub-underwriters;
- the underwriting fee comprises:
 - an underwriting fee equal to 5% of \$1,500,000 (being the amount sought to be raised under the Option Placement); and

- the issue of 1,000,000 Underwriter Options (on the same terms as the Placement Options, except that no payment is to be paid by Minimum Risk Pty Ltd for the issue of those options).

No underwriting fee is payable if the Underwriting Agreement is terminated.

- applications under the Option Placement must occur not later than 1 month after the date of the Meeting;
- Minimum Risk Pty Ltd is to subscribe for any shortfall by not later than 23 December 2013, accompanied by the aggregate price to be paid for the issue of the shortfall Placement Options;
- various events (such as breach of any representations given by the Company under the Underwriting Agreement; the commencement of litigation against the Company after the date of the Underwriting Agreement; change in the Board or senior management, a takeover for the Company is announced; the Company is suspended on ASX for more than 48 hours; or a material adverse change or disruption occurs in the existing financial markets, political or economic conditions of Australia, Japan, the United Kingdom, the USA or other international financial markets), enable Minimum Risk Pty Ltd to terminate the Underwriting Agreement where the event is likely to have a material adverse effect on the Company;
- the Underwriting Agreement automatically terminates if Resolutions 5 and 6 are not passed.

Further to the information provided above, and in accordance with the requirements of Listing Rule 10.11, the following information is provided to Shareholders to allow them to assess the approval of the issue of options the subject of Resolution 6:

Placement Options (taken up by the Underwriter under any shortfall)

- a) The maximum number of Placement Options to be issued and allotted by the Company to the Minimum Risk Pty Ltd is 30,000,000;
- b) the Placement Options will be issued no later than 1 month after the date of the Meeting, unless otherwise extended by way of ASX granting a waiver to the ASX Listing Rules;
- c) the Placement Options will be issued at an issue price of 5 cents per Option;
- d) the allottee of the Placement Options will be Minimum Risk Pty Ltd;
- e) Minimum Risk Pty Ltd is a related party of the Company as it is owned and controlled by Christopher Martino, who is the son of Domenic Martino, a director of the Company;
- f) the terms and conditions as set out in Schedule 1 to this Explanatory Statement apply to the Placement Options;
- g) the proposed use of funds raised by the issue of the Placement Options (\$1,500,000) is for working capital.

Underwriter Options

- a) 1,000,000 Underwriter Options will be to be issued to Minimum Risk Pty Ltd (if the Underwriting Agreement is not terminated);
- b) the Underwriter Options will be issued no later than 1 month after the date of the Meeting, unless otherwise extended by way of ASX granting a waiver to the ASX Listing Rules;
- c) no amount is payable for the issue of the Underwriter Options;
- d) the allottee of the Underwriter Options will be Minimum Risk Pty Ltd (and/or any sub-underwriter who will not be a related party of the Company);
- e) Minimum Risk Pty Ltd is a related party of the Company as it is owned and controlled by Christopher Martino, who is the son of Domenic Martino, a director of the Company;
- f) the terms and conditions as set out in Schedule 1 to this Explanatory Statement apply to the Underwriter Options;
- g) no funds will be raised by the issue of the Underwriter Options.

Directors' Recommendation

The Directors, other than Mr Domenic Martino (who abstained), recommend that Shareholders vote in favour of Resolution 6.

The Chairman intends to exercise all undirected proxies in favour of Resolution 6.

6 Definitions

In this Explanatory Statement and the Notice of Meeting:

AEDT means Australian Eastern Daylight Time.

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

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

Board means the board of Directors of the Company .

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

Company or **CSP** means Coral Sea Petroleum Limited ABN 30 073 099 171.

Constitution means the current constitution of the Company.

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

Director means a director of the Company.

Eligible Persons means sophisticated and professional investors within the meaning of sections 708 (8) and (11) of the Corporations Act, and persons to whom section 708(1) of the Corporations Act applies.

Expiry Date means in respect of a Placement Option or an Underwriter Option, 31 March 2015.

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

Key Management Personnel has the meaning given to it in Section 9 of the Corporations Act.

Listing Rules means the listing rules of ASX Limited

Notice of Meeting means this notice of meeting.

option means an option to acquire a Share.

Options means Placement Options or Underwriter Options, as the context requires.

Option Placement means the proposed issue of up to 30,000,000 options at an issue price of 5 cents per option, each option having an exercise price of 20 cents and expiring on the Expiry Date, and otherwise on the terms set out in Schedule 1.

Placement Options means options issued under the Option Placement.

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

Resolution means a resolution contained in this Notice of Meeting.

Section means a section of this Explanatory Statement.

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

Shareholder means a shareholder of the Company.

Underwriting Agreement means the agreement dated 19th of August 2013 between the Company and Minimum Risk Pty Ltd in respect of underwriting the Option Placement.

Underwriter Options means 1,000,000 options to be issued to Minimum Risk Pty Ltd pursuant to the Underwriting Agreement at 20 cents per option and expiring on the Expiry Date, and otherwise on the terms set out in Schedule 1.

Schedule 1

Option Terms – for both Placement Options and Underwriter Options

- a) The Options will not be quoted on the ASX;
- b) The Options will be exercisable at any time prior to 5.00pm AEST on the Expiry Date. Options not exercised on or before the Expiry Date will automatically lapse;
- c) 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;
- d) 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;
- e) 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;
- f) 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;
- g) 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;
- h) there will be no participating entitlements inherent in the Options to participate in new issues of capital which may be offered to Shareholders during the currency of the Options. Prior to any new pro rata issue of securities to Shareholders, holders of Options will be notified by the Company and will be afforded 7 Business Days before the record date (to determine entitlements to the issue), to exercise Options;
- i) 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
- j) 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

Coral Sea Petroleum Ltd
ABN 30 073 099 171

Proxy Form

The Company Secretary
Coral Sea Petroleum Ltd

By Delivery:
Level 5, 56 Pitt Street,
Sydney New South Wales, 2000

By Post:
Level 5, 56 Pitt Street,
Sydney New South Wales, 2000

By Facsimile:
Fax number: 02 8823 3188
International: +61 2 8823 3188

being a Shareholder of the Company and entitled to vote at the Annual General Meeting, hereby appoint ¹

or failing such appointment, or if your named appointment fails to attend the Annual General Meeting, the Chairman of the Annual General Meeting as my/our proxy to vote for me/us on my/our behalf at the Annual General Meeting of the Company to be held at Level 5, 56 Pitt Street, Sydney, New South Wales, 2000 11.00 am (AEDT) on Tuesday 26 November 2013 and at any adjournment thereof in the manner indicated below or, in the absence of such directions, as he thinks fit. If no directions are given, the chairman will vote for all Resolutions.

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

		For	Against	Abstain
Resolution 1	Adoption of the Remuneration Report	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 2	Re-election of Christopher Haiveta	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 3	Re-election of Joseph Goldberg	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 4	Approval of 10% Placement Facility	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 5	Approval of Option Placement	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 6	Issue of Options to Minimum Risk Pty Ltd	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

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

If I/we have appointed the Chairman of the Meeting as my/our proxy or the Chairman of the Meeting becomes my/our proxy by default and I/we have not directed my/our proxy how to vote in respect of Resolution 1, I/we expressly authorise the Chairman of the Meeting to exercise my/our proxy in respect of Resolution 1 even though Resolution 1 is connected with the remuneration of a member of key management personnel for the Company.

Important: If the Chair is appointed as your proxy, or may be appointed by default and you **do not** wish to direct your proxy how to vote in respect of Resolution 4, 5 and 6, please place a mark in the box. By marking this box, you acknowledge that the Chairman may exercise your proxy even if he has an interest in the outcome of the Resolutions and votes cast by him other than as proxy holder will be disregarded because of that interest. If you do not mark this box, and you have not directed your proxy how to vote in respect of Resolution 4, 5 and 6, the Chair will not cast your vote on Resolution 4, 5 and 6 (as the case may be) and your vote will not be counted in calculating the required majority if a poll is called on Resolution 4, 5 and 6.

Please note that the Chairman intends to vote all undirected proxies in favour of the Resolutions being passed.

Authorised signature/s

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

Individual or Shareholder 1

Sole Director and Sole Company Secretary

Shareholder 2

Director

Shareholder 3

Director/Company Secretary

Contact Name

¹ Insert name and address of proxy

Contact Daytime Telephone

Date

Proxy Notes

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

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

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

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

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

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

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

Proxy Forms (and the power of attorney or other authority, if any, under which the Proxy Form is signed) or a copy or facsimile which appears on its face to be an authentic copy of the Proxy Form (and the power of attorney or other authority) must be deposited at or received by facsimile transmission at the registered office of the Company Level 5, 56 Pitt Street, Sydney, New South Wales, 2000, Facsimile (02) 8823 3188 if faxed from within Australia or +61 2 8823 3188 if faxed from outside Australia) no later than 11.00 am (AEDT), on Sunday, 24 November 2013.