



CORAL SEA PETROLEUM LTD

ABN 30 073 099 171

INTERIM FINANCIAL REPORT

FOR THE HALF-YEAR ENDED 31 DECEMBER 2012

TABLE OF CONTENTS

	Pages
Corporate Directory	1
Directors' Report	2
Directors' Declaration	4
Condensed Consolidated Statement of Comprehensive Income	5
Condensed Consolidated Statement of Financial Position	6
Condensed Consolidated Statement of Changes in Equity	7
Condensed Consolidated Statement of Cash Flows	8
Notes to the Financial Statements	9
Auditor's Independence Declaration	18
Independent Review Report	19

CORPORATE DIRECTORY

Chairman

Mr Chris Haiveta

Directors

Mr Domenic Martino

Mr Yosse Goldberg

Mr Alvin Tan

Mr Julian Sandt

Company Secretary

Ms Louisa Martino

Registered Office

Level 5, 56 Pitt Street

Sydney NSW 2000

Telephone: +612 8823 3177

Facsimile: +612 8823 3188

Website: www.coralseapetroleum.com.au

Auditors

Pitcher Partners Corporate & Audit (WA) Pty Ltd

Level 1, 914 Hay Street

Perth, Western Australia, 6000

Share Registry

Advanced Share Registry Ltd

150 Stirling Highway

Nedlands, Western Australia, 6909

Telephone:+618 9389 8033

Facsimile:+618 9389 7871

Stock Exchange Listing

The Company is listed on the Australian Securities Exchange Limited and Deutsche Borse AG

Home Exchange-Perth, Australia

ASX Code-CSP

WKN Code-924249

Australian Company Number and Australian Business Number

ACN 073 099 171

ABN 30 073 099 171

DIRECTORS' REPORT

Your Directors submit their report for Coral Sea Petroleum Ltd (the "Company") and its controlled entities (the "Group") for the half-year ended 31 December 2012.

Directors

The names of Directors of the Company in office at any time during the half year and up to the date of this report are set out below. Directors were in office for this entire period unless otherwise stated.

Chris Haiveta (Chairman)¹
Domenic Martino (Managing Director)¹
Joseph (Yosse) Goldberg (Non-Executive Director)¹
Julian Sandt (Non-Executive Director)
Alvin Tan (Non-Executive Director)

Clive McKee (Chairman)²
Richard Lambe (Finance Director² and Company Secretary³)

¹ Appointed 3 August 2012

² Resigned 3 August 2012

³ Resigned 8 August 2012

Review and Results of Operations

The operating loss after income tax of the Group for the half-year ended 31 December 2012 was \$590,703 (31 December 2011 profit: \$4,839).

The Group has made losses during the six-month period under review. The Group is seeking to build a successful, sustainable, oil and gas company, with a regional focus. The Group aims to be a significant oil and gas business in Papua New Guinea and plans to achieve this through the pursuit, exploration and development of the prospecting licences, while continuing to identify and target new projects via proven relationships and networks in Papua New Guinea.

Significant Changes in the State of Affairs

During the half year ended 31 December 2012, Coral Sea Petroleum Limited completed the acquisition of Indo Pacific Energy Pty Ltd and its 100% owned subsidiary Coral Sea Petroleum (PNG) Ltd. The acquisition resulted in a significant change in the nature and scale of the Group's activities, from an investment business to one focused on oil and gas, particularly in Papua New Guinea. On completion of the acquisition, Mr Chris Haiveta, Mr Domenic Martino and Mr Joseph (Yosse) Goldberg were appointed as Directors. Mr Clive McKee and Mr Richard Lambe resigned as Directors and Company Secretary.

As part of the transaction above, the Company issued a Prospectus for 10,000,000 fully paid ordinary shares issues at 20 cents each and 29,758,832 options at an issue price of 0.4 cents per option. Under the Prospectus all shares were issued and 28,767,165 options were issued. A total of \$2,115,069 was raised under the Prospectus.

Apart from the above, there have been no other significant changes in the Company's state of affairs during the half-year ended 31 December 2012.

DIRECTORS' REPORT (CONTINUED)

Significant Events after Balance Date

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

Auditor's Independence Declaration

The lead auditor's independence declaration for the half year ended 31 December 2012 has been received and is set out on page 18.

Signed in accordance with a resolution of the Directors



Domenic Martino
Managing Director

Sydney, New South Wales
Date: 14 March 2013

DIRECTORS' DECLARATION

In accordance with a resolution of the Directors of Coral Sea Petroleum Limited, I state that:

In the opinion of the Directors:

- a) the consolidated financial statements and notes of Coral Sea Petroleum Ltd and its controlled entities (the "Group") are in accordance with the Corporations Act 2001, including:
 - giving a true and fair view of the financial position as at 31 December 2012 and the performance for the half year then ended on that date of the Group; and
 - complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the Corporations Regulations 2001 and other mandatory professional reporting requirements.
- b) there are reasonable grounds to believe that the Group will be able to pay its debts as and when they become due and payable.

Signed in accordance with a resolution of the Directors.



Domenic Martino
Managing Director

Sydney, New South Wales
Date: 14 March 2013

**CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE HALF YEAR ENDED 31 DECEMBER 2012**

	Note	31-Dec-12 \$	31-Dec-11 \$
Revenue from continuing operations			
Interest received		15,202	21,370
Concession loan discount		-	192,528
Other income			
Gain from a bargain purchase		148,805	-
Other income		1,952	-
		<u>150,757</u>	<u>-</u>
Total Revenue		<u><u>165,959</u></u>	<u><u>213,898</u></u>
Expenses			
Consultancy and other professional fees		(418,799)	(106,883)
Travelling and accommodation expenses		(37,227)	(11,610)
Legal expenses		(31,067)	(19,248)
Directors fees		(147,214)	-
ASIC and ASX fees		(3,711)	-
IT services		(32,211)	(3,085)
Office rental		(33,550)	(19,000)
Wages and salaries		-	(24,231)
Other expenses	3	(52,883)	(25,002)
Profit / (loss) from ordinary activities before income tax expense		<u>(590,703)</u>	<u>4,839</u>
Income tax expense relating to ordinary activities		-	-
Profit / (loss) for the period from continuing operations		<u>(590,703)</u>	<u>4,839</u>
Other comprehensive income			
Exchange differences on translating foreign operations		5,840	-
Other comprehensive income for the period, net of income tax		<u>5,840</u>	<u>-</u>
Total comprehensive loss attributable to the owners of the parent		<u><u>(584,863)</u></u>	<u><u>4,839</u></u>
Earnings per share for loss from continuing operations attributable to equity holders of the parent entity			
Basic loss per share (cents per share)		<u>(0.55)</u>	<u>-</u>
Diluted loss per share (cents per share)		<u>(0.55)</u>	<u>-</u>

The Condensed Consolidated Statement of Comprehensive Income is to be read in conjunction with the notes to the financial statements set out on pages 9 to 17.

**CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2012**

	Notes	31-Dec-12 \$	30-Jun-12 \$
Current Assets			
Cash and cash equivalents		1,689,491	5,172
Trade and other receivables		57,770	4,534
Financial assets	4	50,444	-
Total Current Assets		1,797,705	9,706
Non-Current Assets			
Exploration expenditure	5	1,462,798	1,002,715
Plant and equipment		435	435
Total Non-Current Assets		1,463,233	1,003,150
Total Assets		3,260,938	1,012,856
Current Liabilities			
Trade and other payables		259,465	359,416
Accrued expenses		34,529	4,749
Loans	6	16,642	39,094
Total Current Liabilities		310,636	403,259
Non-Current Liabilities			
Loans	6	-	963,446
Total Non-Current Liabilities		-	963,446
Total Liabilities		310,636	1,366,705
Net Assets / (Liabilities)		2,950,302	(353,849)
Equity			
Issued capital	7	3,774,167	222
Option reserve	8	115,069	-
Foreign exchange reserve		20,153	14,313
Accumulated losses		(959,087)	(368,384)
Total Equity		2,950,302	(353,849)

The Condensed Consolidated Statement of Financial Position is to be read in conjunction with the notes to the financial statements set out on pages 9 to 17.

CORAL SEA PETROLEUM LTD AND ITS CONTROLLED ENTITIES

**CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE HALF YEAR ENDED 31 DECEMBER 2012**

	Ordinary Shares	Option Reserve	Foreign Currency Translation Reserve	Accumulated Losses	Total Attributable to Members
	\$	\$		\$	\$
Balance at 1 July 2012	222	-	14,313	(368,384)	(353,849)
Foreign exchange movement	-	-	5,840	-	5,840
Loss for the period	-	-	-	(590,703)	(590,703)
Total comprehensive loss for the period	-	-	5,840	(590,703)	(584,863)
<i>Transactions with owners in their capacity as owners:</i>					
Issued capital					
55,000,000 on acquisition of Indo Pacific Energy Pty Ltd	2,076,826	-	-	-	2,076,826
10,000,000 shares issued under a Prospectus	2,000,000	-	-	-	2,000,000
28,767,165 options issued under a Prospectus	-	115,069	-	-	115,069
375,000 shares issued to broker on acquisition of Indo Pacific Energy Pty Ltd	15,000	-	-	-	15,000
Capital raising costs	(317,881)	-	-	-	(317,881)
Balance at 31 December 2012	<u>3,774,167</u>	<u>115,069</u>	<u>20,153</u>	<u>(959,087)</u>	<u>2,950,302</u>
Balance at 1 July 2011	222	-	-	(345,075)	(344,853)
Foreign exchange movement	-	-	10,621	-	10,621
Profit for the period	-	-	-	4,839	4,839
Total comprehensive loss for the period	-	-	10,621	4,839	15,460
Balance at 31 December 2011	<u>222</u>	<u>-</u>	<u>10,621</u>	<u>(340,236)</u>	<u>(329,393)</u>

The Condensed Consolidated Statement of Changes in Equity is to be read in conjunction with the notes to the financial statements set out on pages 9 to 17.

CORAL SEA PETROLEUM LTD AND ITS CONTROLLED ENTITIES

**CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE HALF YEAR ENDED 31 DECEMBER 2012**

	31-Dec-2012	31-Dec-2011
	\$	\$
Cash flows from operating activities		
Cash paid to suppliers and employees	(1,021,661)	(118,838)
Sundry income	6,000	-
Interest received	1,900	-
Net cash used in operating activities	<u>(1,013,761)</u>	<u>(118,838)</u>
Cash flows from investing activities		
Purchase of plant and equipment	-	(453)
Exploration expenditure	(249,134)	(229,927)
Net cash from investing activities	<u>(249,134)</u>	<u>(230,380)</u>
Cash flows from financing activities		
Loan from Coral Sea Petroleum Ltd	200,000	350,000
Repayment of borrowings	(21,334)	3,169
Cash balance on acquisition of Coral Sea Petroleum Ltd	2,894,754	-
Share capital costs	(126,206)	-
Net cash from financing activities	<u>2,947,214</u>	<u>353,169</u>
Net increase/(decrease) in cash and cash equivalents	1,684,319	3,951
Cash and cash equivalents at beginning of the period	<u>5,172</u>	<u>26,325</u>
Cash and cash equivalents at end of the period	<u><u>1,689,491</u></u>	<u><u>30,276</u></u>

The Condensed Consolidated Statement of Cash Flows is to be read in conjunction with the notes to the financial statements set out on pages 9 to 17.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE HALF YEAR ENDED 31 DECEMBER 2012**

1. SIGNIFICANT ACCOUNTING POLICIES

Coral Sea Petroleum Limited (the “Company”) is listed on the Australian Securities Exchange. The Company completed the legal acquisition of Indo Pacific Energy Pty Ltd and Coral Sea Petroleum (PNG) Ltd on 3 August 2012.

These interim condensed consolidated financial report of the Company and its controlled entities (the “Group”) for the half year ended 31 December 2012 are issued under the name of the legal parent (Coral Sea Petroleum Ltd) but are a continuation of the consolidated financial report of the deemed acquirer (Indo Pacific Energy Pty Ltd and Coral Sea Petroleum (PNG) Ltd). Hence the comparative figures on the interim condensed consolidated financial report are those of Indo Pacific Energy Pty Ltd and Coral Sea Petroleum (PNG). Refer to Notes 1(d) and 9 for details.

The interim condensed consolidated financial report of the Group for the half year ended 31 December 2012 was authorised for issue in accordance with a resolution of the Directors on 14 March 2013.

a) Statement of compliance

The interim condensed consolidated financial report is a general purpose financial report prepared in accordance with the Corporations Act 2001 and Australian Accounting Standard AASB 134 *Interim Financial Reporting*. Compliance with AASB 134 ensures compliance with International Financial Reporting Standard IAS 34 Interim Financial Reporting. The half-year report does not include notes of the type normally included in an annual financial report and shall be read in conjunction with the most recent annual financial report together with any public announcements made by Coral Sea Petroleum Limited during the half year ended 31 December 2012 in accordance with the continuous disclosure obligations of the ASX Listing Rules.

b) Basis of preparation

The interim condensed consolidated financial statements have been prepared on the basis of historic costs, except for the financial assets for which the fair value basis of accounting has been applied. All amounts are presented in Australian dollars, unless otherwise noted.

This is the first period that the Company has prepared a half-year financial report following the acquisition of Indo Pacific Energy Pty Ltd and its controlled entity on 3 August 2012 (refer Note 9 for further information).

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

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

c) Basis of consolidation

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

A list of controlled entities is contained in Note 10(a).

As at reporting date, the assets and liabilities of all controlled entities have been incorporated into the interim condensed consolidated financial report as well as their results for the period then ended (refer business combination Note 1(d)).

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE HALF YEAR ENDED 31 DECEMBER 2012**

d) Business combination

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

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

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

As a consequence:

- An exercise was performed to fair value the assets and liabilities of the legal acquirer, Coral Sea Petroleum Ltd;
- The cost of investment held by the legal parent (Coral Sea Petroleum Ltd) in the legal subsidiary (Indo Pacific Energy Pty Ltd) was reversed on consolidation and the cost of the reverse acquisition was eliminated on consolidation against the consolidated equity and reserves of Coral Sea Petroleum Ltd and its consolidated entities at the date when control is passed. The effect of this was to restate the consolidated equity and reserves balances to reflect those of Indo Pacific Energy Pty Ltd at the date of acquisition;
- The amount recognised as issued equity instruments was determined by adding to the issued equity of the legal subsidiary immediately before the business combination, the cost of the combination; and
- The interim condensed consolidated financial statements are issued under the name of the legal parent (Coral Sea Petroleum Ltd) but are a continuation of the consolidated financial statements of the deemed acquirer (Indo Pacific Energy Pty Ltd and Coral Sea Petroleum (PNG) Ltd). Hence the comparative figures on the interim condensed consolidated financial statements are those of Indo Pacific Energy Pty Ltd and its controlled subsidiary.

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE HALF YEAR ENDED 31 DECEMBER 2012**

e) Plant and equipment

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

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

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

Plant and equipment 33%

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

f) Exploration, evaluation and development expenditure

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

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

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

g) Comparative figures

When required by the Accounting Standards, comparative figures have been adjusted to conform to changes in presentation for the current half-year. Hence the comparative figures on the interim condensed consolidated financial report are those of Indo Pacific Energy Pty Ltd and its controlled subsidiary.

h) Critical accounting estimates and judgements

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

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE HALF YEAR ENDED 31 DECEMBER 2012**

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

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

- i. The Group has capitalised significant exploration and evaluation expenditure on the basis either that this is expected to be recouped through future successful development or alternatively sale of the areas of interest. If ultimately the areas of interest are abandoned or are not successfully commercialised, the carrying value of the capitalised exploration and evaluation expenditure would need to be written down to its recoverable amount; and
- ii. The Group has carried forward tax losses which have not been recognised as deferred tax assets because it is not considered sufficiently probable at this point in time, that these losses will be recouped by means of future profits taxable in the relevant jurisdictions.

2. SEGMENT INFORMATION

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

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

3. INCOME AND EXPENSES

	31-Dec-12	31-Dec-11
	\$	\$
Other expenses		
Bank charges	1,085	173
Insurance	1,868	-
Share registry services	9,604	-
Exchange difference	8,733	-
Other expenses	<u>31,593</u>	<u>24,829</u>
Total other expenses	<u><u>52,883</u></u>	<u><u>25,002</u></u>

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE HALF YEAR ENDED 31 DECEMBER 2012

4. FINANCIAL ASSETS (CURRENT)

	31-Dec-12 \$	30-Jun-12 \$
Listed shares at fair value	50,444	-
Financial assets (current)	<u>50,444</u>	<u>-</u>

5. EXPLORATION EXPENDITURE

	31-Dec-12 \$	30-Jun-12 \$
Capitalised exploration expenditure	<u>1,462,798</u>	<u>1,002,715</u>

The exploration and evaluation expenditure relates to the Group's projects in Papua New Guinea.

Movements in carrying values

Carrying value at the beginning of the period	1,002,715	528,173
Additions	460,083	474,542
Carrying value at end of period	<u>1,462,798</u>	<u>1,002,715</u>

Refer to Note 1(h) for significant judgements and estimates made in relation to the recoverability of capitalised exploration expenditure.

6. LOANS

	31-Dec-12 \$	30-Jun-12 \$
LOANS (CURRENT)		
Loans – related party (i)	16,642	37,259
Other loans	-	1,835
	<u>16,642</u>	<u>39,094</u>
LOANS (NON CURRENT)		
Loan – Coral Sea Petroleum Ltd (ii)	-	1,257,212
Concession discount	-	(293,766)
	<u>-</u>	<u>963,446</u>

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE HALF YEAR ENDED 31 DECEMBER 2012**

- (i) Loan with Chris Haiveta is unsecured without interest and repayable on demand.
- (ii) Prior to the acquisition on 3 August 2012, Coral Sea Petroleum Ltd loaned Indo Pacific Energy Pty Ltd and Coral Sea Petroleum (PNG) Ltd \$1,200,000 and \$57,212 respectively as at 30 June 2012. The loaned funds were used by Indo Pacific Energy Pty Ltd and Coral Sea Petroleum (PNG) Ltd to progress the acquisition and/or conduct exploration or other activities in respect of the project, including but not limited to overheads associated with the projects. 12% interest per annum is applied to the initial tranche of \$250,000 to Indo Pacific Energy Pty Ltd as per the loan agreement dated 6 October 2010. No interest was applied to the remaining \$950,000 to Indo Pacific Energy Pty Ltd and \$57,212 to Coral Sea Petroleum (PNG) Ltd. The loan funds were classified as non-current liabilities as at 30 June 2012 as the loan funds are repayable on completion of the acquisition or 5 years, whichever is the later. Now that the acquisition has been completed the loan shall be eliminated upon consolidation.

7. ISSUED CAPITAL

	31-Dec-12	30-Jun-12
	\$	\$
Issued capital	<u>3,774,167</u>	<u>222</u>
	31-Dec-12	31-Dec-12
	No	\$
Issued capital at 1 July 2012	51,965,987	222
The issue of 55,000,000 ordinary shares at fair value in August 2012 for the acquisition of Indo Pacific Energy Pty Ltd	55,000,000	2,076,826
The Issue of 375,000 ordinary shares to adviser on acquisition of Indo Pacific Energy Pty Ltd	375,000	15,000
The issue of 10,000,000 ordinary shares at 20 cents under a Prospectus	10,000,000	2,000,000
Capital raising costs	-	(317,881)
Issued capital at 31 December 2012	<u>117,340,987</u>	<u>3,774,167</u>

Based on the group reverse acquisition that was undertaken during the half-year (refer Notes 1(d) and 9), the capital structure of the Group is that of the legal parent (Coral Sea Petroleum Ltd) whilst the value of the shares is that of the legal subsidiary (Indo Pacific Energy Ltd) immediately prior to the reverse acquisition.

8. OPTION PREMIUM RESERVE

	31-Dec-12	30-Jun-12
	\$	\$
The issue of 28,767,165 options at 0.4 cents under a Prospectus	<u>115,069</u>	<u>-</u>

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE HALF YEAR ENDED 31 DECEMBER 2012

9. BUSINESS COMBINATION

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

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

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

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

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

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

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE HALF YEAR ENDED 31 DECEMBER 2012

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

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

10. RELATED PARTY DISCLOSURE

(a) Subsidiaries

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

Name	Country of incorporation and operation	Principal activity	Equity interest		Investment	
			2012 %	2011 %	2012 \$	2011 \$
Indo Pacific Energy Pty Ltd	Australia	Holding company	100	-	2,076,827	-
Coral Sea Petroleum (PNG) Ltd	Papua New Guinea	Oil and gas exploration	100	-	1	1

(b) Related party transactions

Prior to becoming a director of Coral Sea Petroleum Ltd in August 2012, Joseph (Yosse) Goldberg was paid a consulting fee by Indo Pacific Energy Pty Ltd through his consulting company Lightglow Enterprises Pty Ltd. These amounts totalled \$5,000 for the 6 months to December 2012 and \$30,000 for the 6 months ended 30 December 2011.

(c) Loans to related parties

Refer to Note 6.

11. DIVIDEND PAID

No dividends were paid or provided during the half-year ended 31 December 2012.

12. EVENTS AFTER THE BALANCE SHEET DATE

There are no other material items, transactions or events of a material and unusual nature likely, in the opinion of the Directors of the Group, to affect significantly the operations of the Group, the results of those operations, or the state of affairs of the Group, in future financial years.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE HALF YEAR ENDED 31 DECEMBER 2012

13. COMMITMENTS AND CONTINGENCIES

There has been no change to the commitments and contingencies disclosed in the most recent annual financial report. These are as follows:

PPL	Date Granted	Commitment
366	29 November 2010	First 2 years - US\$ 200,000 (completed); Next 2 years – seismic acquisition and drill one exploration well Following 2 years – drill one exploration well contingent upon the result of the first well.
367	29 November 2010	First 2 years - US\$ 200,000 (completed); Next 2 years – seismic acquisition and drill one exploration well Following 2 years – drill one exploration well contingent upon the result of the first well.
356	29 November 2010	First 2 years - US\$ 150,000 (completed); Next 2 years – seismic acquisition and drill one offshore exploration well Following 2 years – drill one well contingent upon the result of the first well.
357	29 November 2010	First 2 years - US\$ 150,000 (completed); Next 2 years – seismic acquisition and drill one offshore exploration well Following 2 years – drill one well contingent upon the result of the first well.
358	21 November 2010	First 2 years - US\$ 250,000 (completed); Next 2 years – seismic acquisition, process and interpret seismic data, establish inventory of leads and prospects, data purchasing and review and mature drillable prospect; Following 2 years – drill a contingent exploration well.

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



PITCHER PARTNERS

PITCHER PARTNERS CORPORATE & AUDIT (WA) PTY LTD

Level 1
914 Hay Street
Perth
Western Australia 6000

Tel: 08 9322 2022
Fax: 08 9322 1262

Postal Address:
PO Box 7191
Cloisters Square
Western Australia 6850

www.pitcher.com.au
partners@pitcher-wa.com.au

Pitcher Partners including Johnston Rorke
is an association of Independent firms
Melbourne | Sydney | Perth | Adelaide | Brisbane

AUDITOR'S INDEPENDENCE DECLARATION

To the Directors of Coral Sea Petroleum Limited

In relation to the independent review for the half year ended 31 December 2012, to the best of my knowledge and belief there have been:

- (i) No contraventions of the auditor independence requirements of the *Corporations Act 2001*.
- (ii) No contraventions of any applicable code of professional conduct.

Pitcher Partners Corporate & Audit (WA) Pty Ltd

PITCHER PARTNERS CORPORATE & AUDIT (WA) PTY LTD

C P Leong

C P LEONG

Executive Director

14 March 2013



PITCHER PARTNERS

PITCHER PARTNERS CORPORATE & AUDIT (WA) PTY LTD

Level 1
914 Hay Street
Perth,
Western Australia 6000
Tel: 08 9322 2022
Fax: 08 9322 1262

Postal Address:
PO Box 7191
Cloisters Square
Western Australia 6850
www.pitcher.com.au
partners@pitcher-wa.com.au

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

**INDEPENDENT AUDITOR'S REVIEW REPORT
TO THE MEMBERS OF
CORAL SEA PETROLEUM AND ITS CONTROLLED ENTITIES**

We have reviewed the accompanying half-year financial report of Coral Sea Petroleum Limited and its controlled entities, which comprises the condensed consolidated statement of financial position as at 31 December 2012, the condensed consolidated statement of comprehensive income, condensed consolidated statement of changes in equity and condensed consolidated statement of cash flows for the half-year ended on that date, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration of the consolidated entity comprising the company and the entities it controlled at the period's end or from time to time during the half year.

Directors' Responsibility for the Half-Year Financial Report

The directors of the company are responsible for the preparation of the half-year financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the half-year financial report that is free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the consolidated entity's financial position as at 31 December 2012 and their performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of Coral Sea Petroleum Limited, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Independence

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



**INDEPENDENT AUDITOR'S REVIEW REPORT
TO THE MEMBERS OF
CORAL SEA PETROLEUM LIMITED AND ITS CONTROLLED ENTITIES**

Conclusion

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year financial report of Coral Sea Petroleum Limited and its controlled entities is not in accordance with the *Corporations Act 2001* including:

- (a) giving a true and fair view of the consolidated entity's financial position as at 31 December 2012 and of its performance for the half-year ended on that date; and
- (b) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and *Corporations Regulations 2001*.

Pitcher Partners Corporate & Audit (WA) Pty Ltd

PITCHER PARTNERS CORPORATE & AUDIT (WA) PTY LTD

C P Leong

C P LEONG

Executive Director

14 March 2013