

**Zeta Petroleum plc**

ARBN 24 154 575 872

Interim Report

For the Half-Year Ended 30 June 2016

**INTERIM REPORT FOR THE HALF YEAR ENDED 30 JUNE 2016**

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# ZETA PETROLEUM PLC

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## CORPORATE INFORMATION

### DIRECTORS

S P West  
*Non-Executive Chairman*

T W Osborne  
*Non-Executive Director*

S Trevisan  
*Non-Executive Director*

O Cairns  
*Non-Executive Director*

G Hancock  
*Non-Executive Director*

### COMPANY SECRETARY

B Hodges

### REGISTERED OFFICES

#### United Kingdom

1 Berkeley Street  
London  
W1J 8DJ  
United Kingdom

#### Australia

25 Franklin Street  
Leederville  
WA 6007  
Australia

#### Romania

5<sup>th</sup> Floor, 4-6 Ion Bogdan Street  
010539 Bucharest  
Romania

### AUDITOR

BDO LLP  
55 Baker Street  
London  
W1U 7EU  
United Kingdom

### STOCK EXCHANGE LISTING

Australian Securities Exchange  
Share code: ZTA

### SHARE REGISTRARS

#### United Kingdom

Computershare Investor Services plc  
The Pavilions  
Bridgwater Road  
Bristol BS99 6ZY  
United Kingdom

#### Australia

Computershare Investor Services Pty Ltd  
Level 11, 172 St Georges Terrace  
Perth WA 6000  
Australia

### PLACE OF INCORPORATION

England

### COMPANY NUMBER

5560854

### WEBSITE

[www.zetapetroleum.com](http://www.zetapetroleum.com)

**REPORT OF THE DIRECTORS FOR THE HALF YEAR ENDED 30 JUNE 2016**

The directors present their report together with the unaudited financial statements for the six months ended 30 June 2016.

**Directors**

	Date appointed	Date resigned
G Hancock	23 Apr 2015	-
O Cairns	25 Sep 2013	-
B Popescu	25 Sep 2013	28 Jul 2016
T W Osborne	31 Mar 2006	-
S P West	12 Sep 2005	-
S Trevisan	28 July 2016	-

**Results and Dividends**

The statement of profit or loss and other comprehensive income is set out on page 4 and shows a loss for the half year amounting to £474,000 (half year to June 2015: loss of £889,000). The directors do not recommend the payment of a dividend.

**Principal Activities and Review of Operations**

During the six months ended 30 June 2016 the Company continued to work towards completion of the disposal of assets within the portfolio of oil and gas exploration and production assets in Romania. During the period under review the Company signed an amendment to the sale and purchase agreement with GM Investment & Co Ltd on 17 June 2016 such that the Company retained its 39% non-operated interest in the Jimbolia licence.

Assets held for sale:

**(i) Suceava Concession (50% Zeta Petroleum, 50% Raffles Energy (Operator))**

The 1,733 sq km Suceava concession is located on the Moldavian platform, approximately 370 km north of Bucharest. The Suceava concession includes the producing Climauti Gas Field.

During the period, combined production from the Climauti and Ruda-1 Gas Fields totalled approximately 10,300m<sup>3</sup>/day which generated £120,000 revenue to Zeta, and electricity production from the Dornesti Sud-1 gas to power project generated £54,000 revenue to Zeta.

**(ii) Bobocu Concession (100% Zeta Petroleum)**

The Bobocu Gas Field previously produced from 1977 until it was abandoned prematurely in 1995 and is located to the north of the Buzau valley, approximately 20km northeast of Buzau and 110km northeast of Bucharest.

The primary activity being undertaken during the period was to find a farm-in partner to assist with the development of this asset.

**REPORT OF THE DIRECTORS FOR THE HALF YEAR ENDED 30 JUNE 2016**

**Asset to be retained:**

**(i) Jimbolia Concession (39% Zeta Petroleum, 51% NIS Petrol SRL (Operator), 10% Armax Gaz)**

The Jimbolia Concession is located in the proven and producing eastern part of the Pannonian Basin and consists of two discoveries, Jimbolia Veche and Jimbolia Vest.

The 2016 work programme is a sole operation being undertaken by NIS Petrol (SRL) with no cost implications for Zeta. Zeta retains the right to participate in future exploration and development operations.

**Financial Position**

The Group had £90,000 of cash and cash equivalents at 30 June 2016. Group's ability to fund its current liabilities and general overheads is reliant on raising further capital in the near future. Post period end on 27 July 2016 the Company announced that it had issued a total of 1,800,000 new ordinary fully paid CHES Depository Interests ("CDIs") raising AU\$108,000 pursuant to the signing of a Placing Agreement with a new private investor, and subsequently will undertake a renounceable rights issue to raise up to AU\$1.08 million ("Rights Issue"). On 26 August 2016 the Company announced its intention to hold a General Meeting of Shareholders to seek the approvals required in order to execute the Rights Issue. Subject to resolutions being passed at the General Meeting the rights issue is indicatively expected to be completed by 11 October 2016.

The Directors have reasonable expectation that the Rights Issue will be successful and consider it is appropriate to prepare the financial statements on a going concern basis. However there can be no certainty that adequate funding will be secured. These conditions indicate existence of a material uncertainty related to events or conditions that may cast significant doubt about the Group's ability to continue as a going concern, and, therefore, that it may be unable to realise its assets and discharge its liabilities in the normal course of business. These financial statements do not include the adjustments that would be required if the Group could not continue as a going concern.

This report has been approved in accordance with a resolution of the Board of Directors.

By order of the Board



**S P West**  
Chairman and Director  
8 September 2016

1 Berkeley Street  
London W1J 8DJ  
United Kingdom

ZETA PETROLEUM PLC

**CONDENSED CONSOLIDATED STATEMENT OF  
PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME  
FOR THE SIX MONTHS ENDED 30 JUNE 2016**

	Note	Unaudited 30 June 2016 £'000	Restated (note 6) Unaudited 30 June 2015 £'000
Revenue		-	-
Cost of goods sold		-	-
<b>Gross Profit</b>		-	-
Exploration and evaluation expenses		-	-
Administrative expenses		(125)	(404)
<b>Operating loss</b>		(125)	(404)
Interest income		-	-
Financing costs		(107)	(100)
Foreign Exchange gain/(loss)		(29)	(280)
<b>Loss from continuing operations</b>		(261)	(784)
Income tax		-	-
<b>Loss on discontinued operations, net of tax</b>	10	(213)	(105)
<b>Loss for the year attributable to the equity holders</b>		(474)	(889)
Loss per ordinary share – basic and diluted	3	(6.53p)	(14.14p)
Loss per ordinary share from continuing operations – basic and diluted	3	(3.60p)	(12.47p)
<b>Loss for the period</b>		(474)	(889)
<b>Other comprehensive income:</b>			
Items that may be reclassified subsequently to profit or loss:			
Exchange differences on translation of foreign operations		(96)	223
<b>Total comprehensive loss for the period</b>		(570)	(666)

*The above condensed consolidated statement of profit or loss and other comprehensive income should be read in conjunction with the accompanying notes.*

**ZETA PETROLEUM PLC**

**CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION  
AS AT 30 JUNE 2016**

	Note	Unaudited 30 June 2016 £'000	Audited 31 December 2015 £'000
<b>ASSETS</b>			
<b>Non-current assets</b>			
Intangible assets	4	282	-
Property, plant and equipment	5	-	-
		<u>282</u>	<u>-</u>
<b>Assets held for sale</b>	6	<u>1,243</u>	<u>1,408</u>
<b>Current assets</b>			
Trade and other receivables	7	27	76
Cash and cash equivalents		90	47
		<u>117</u>	<u>123</u>
<b>TOTAL ASSETS</b>		<u>1,642</u>	<u>1,531</u>
<b>EQUITY AND LIABILITIES</b>			
<b>Equity attributable to equity holders</b>			
Issued capital	8	290	290
Share premium		9,363	9,363
Share based payments reserve	9	482	482
Capital Contribution Reserve		427	427
Foreign currency translation reserve		490	586
Retained losses		<u>(11,874)</u>	<u>(11,400)</u>
<b>TOTAL EQUITY</b>		<u>(822)</u>	<u>(252)</u>
<b>Liabilities directly associated with assets classified as held for sale</b>	6	<u>2,208</u>	<u>1,626</u>
<b>Current liabilities</b>			
Trade and other payables		<u>256</u>	<u>157</u>
		<u>256</u>	<u>157</u>
<b>TOTAL LIABILITIES</b>		<u>2,464</u>	<u>1,783</u>
<b>TOTAL EQUITY AND LIABILITIES</b>		<u>1,642</u>	<u>1,531</u>

*The above condensed consolidated statement of financial position should be read in conjunction with the accompanying notes.*

**CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (UNAUDITED)  
FOR THE SIX MONTHS ENDED 30 JUNE 2016**

	Issued Capital £'000	Share Premium £'000	Share Based Payments Reserve £'000	Share Options Reserve £'000	Capital Contribution Reserve £'000	Foreign Currency Translation Reserve £'000	Retained Losses £'000	Total £'000
<b>As at 1 January 2016</b>	290	9,363	482	-	427	586	(11,400)	(252)
Loss for the period	-	-	-	-	-	-	(474)	(474)
Other comprehensive income	-	-	-	-	-	(96)	-	(96)
<b>Total comprehensive loss</b>	-	-	-	-	-	(96)	(474)	(570)
Issue of ordinary shares	-	-	-	-	-	-	-	-
<b>As at 30 June 2016</b>	290	9,363	482	-	427	490	(11,874)	(822)



**CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (UNAUDITED)  
FOR THE SIX MONTHS ENDED 30 JUNE 2015**

	Issued Capital £'000	Share Premium £'000	Share Based Payments Reserve £'000	Share Options Reserve £'000	Capital Contribution Reserve £'000	Foreign Currency Translation Reserve £'000	Retained Losses £'000	Total £'000
<b>As at 1 January 2015</b>	251	9,320	482	131	347	583	(10,467)	647
Loss for the period	-	-	-	-	-	-	(889)	(889)
Other comprehensive income	-	-	-	-	-	223	-	223
<b>Total comprehensive loss</b>	-	-	-	-	-	223	(889)	(666)
Issue of ordinary shares	39	79	-	-	-	-	-	118
Interest contribution from shareholder	-	-	-	-	20	-	-	20
Write-back of share options lapsed during period	-	24	-	(24)	-	-	-	-
<b>As at 30 June 2015</b>	290	9,423	482	107	367	806	(11,356)	119

*The above condensed consolidated statement of changes in equity should be read in conjunction with the accompanying notes.*

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**CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS  
FOR THE SIX MONTHS ENDED 30 JUNE 2016**

	<b>Unaudited 30 June 2016 £'000</b>	Unaudited 30 June 2015 £'000
<b>Operating activities</b>		
Loss after tax from continuing operations	(261)	(784)
Adjustment to reconcile loss to net cash outflow from operating activities		
Share based payments	-	118
Interest on loans	107	100
Foreign exchange loss	23	186
Expenses recharged	(16)	(29)
Working capital adjustments:		
Decrease/(increase) in receivables and prepayments	47	(23)
Increase in provisions	-	-
Increase/(Decrease) in trade and other payables	98	(77)
<b>Net cash outflow from operating activities</b>	<u>(2)</u>	<u>(509)</u>
<b>Investing activities</b>		
Purchase of property, plant and equipment	-	-
<b>Net cash outflow from investing activities</b>	<u>-</u>	<u>-</u>
<b>Financing activities</b>		
Proceeds from loans and borrowings	75	130
<b>Net cash inflow from financing activities</b>	<u>75</u>	<u>130</u>
<b>Net cash flow from discontinued operations</b>	10 <u>(33)</u>	<u>(9)</u>
Net increase/(decrease) in cash and cash equivalents	40	(388)
Cash and cash equivalents at the beginning of period	47	553
Effect of foreign exchange rates	3	36
<b>Cash and cash equivalents at the end of period</b>	<u>90</u>	<u>201</u>

*The above condensed consolidated statement of cash flows should be read in conjunction with the accompanying notes.*

## NOTES TO THE SIX MONTHS FINANCIAL STATEMENTS

### 1. Corporate Information

This interim financial report of Zeta Petroleum plc and controlled entities was authorised for issue in accordance with a resolution of the Board of Directors on 8 September 2016. Zeta Petroleum plc is a company limited by shares and incorporated and domiciled in the United Kingdom whose shares are publically traded on the Australian Stock Exchange.

The registered office and principal place of business is 1 Berkeley Street, London, W1J 8DJ. The principal activities of Zeta Petroleum plc and its subsidiaries (the Group) are oil and gas exploration.

### 2. Summary of Significant Accounting Policies

#### *Basis of preparation*

The half-year report is a general purpose financial statement, which has been prepared in accordance with the requirements of IAS 34 “Interim financial reporting”.

The half-year report has been prepared on a historical cost basis. For the purpose of preparing the half-year financial report, the half-year has been treated as a discrete reporting period.

The half-year financial report does not include all notes of the type normally included in the annual financial report and therefore cannot be expected to provide as full an understanding of the financial performance, financial position and financing and investing activities of the Group as the full financial report. The half-year financial report set out above does not constitute statutory accounts within the meaning of the Australian Stock Exchange.

The half-year financial report should be read in conjunction with the annual Financial Report of Zeta Petroleum plc as at 31 December 2015 which has been prepared in accordance with International Financial Reporting Standards (“IFRS”) as adopted by the European Union. The financial information presented in this half yearly report for the period ended 30 June 2016 does not constitute the full statutory accounts for that period. The Annual Report and Financial Statements for 2015 have been filed with the Registrar of Companies. The Independent Auditors' Report on the Annual Report and Financial Statement for 2015 was Unqualified, drew attention to the uncertainty around the Group continuing as a going concern by way of emphasis and did not contain a statement under 498(2) or 498(3) of the Companies Act 2006.

The financial information for the periods ended 30 June 2016 and 30 June 2015 are unaudited but have been reviewed by the Company’s auditor.

It is also recommended that the half-year financial report be considered together with any public announcements made by Zeta Petroleum plc during the half year ended 30 June 2016 in accordance with the continuous disclosure obligations under the Australian Stock Exchange.

NOTES TO THE SIX MONTHS FINANCIAL STATEMENTS

*Going concern*

The Group had £90,000 of cash and cash equivalents at 30 June 2016. The Group's ability to fund its current liabilities and general overheads is reliant on raising further capital in the near future. Post period end on 27 July 2016 the Company announced that it had issued a total of 1,800,000 new ordinary fully paid CDIs raising AU\$108,000 pursuant to the signing of a Placing Agreement with a new private investor and subsequently will undertake a renounceable rights issue to raise up to AU\$1.08 million ("Rights Issue"). On 26 August 2016 the Company announced its intention to hold a General Meeting of Shareholders to seek the approvals required in order to execute the Rights Issue. Subject to resolutions being passed at the General Meeting the rights issue is indicatively expected to be completed by 11 October 2016.

The Directors have reasonable expectation that the Rights Issue will be successful and consider it is appropriate to prepare the financial statements on a going concern basis, however there can be no certainty that adequate funding will be secured. These conditions indicate existence of a material uncertainty related to events or conditions that may cast significant doubt about the Group's ability to continue as a going concern, and, therefore, that it may be unable to realise its assets and discharge its liabilities in the normal course of business. These financial statements do not include the adjustments that would be required if the Group could not continue as a going concern.

*Accounting Policies*

The accounting policies and methods of computation adopted in the Group's preparation of the half-year financial report are consistent with those adopted and disclosed in the annual financial report for the year ended 31 December 2015.

There were no new standards or interpretations effective for the periods beginning on or after 1 January 2016 that have a significant impact on the Group's financial statements.

Standards, amendments and interpretations that are not yet effective and have not been early adopted:

Standard	Impact on initial application	Effective date
IFRS 15	Revenue from customer contracts	1 January 2018 (*)
IFRS 9	Financial instruments	1 January 2018 (*)
IFRS 16	Classification of leases	1 January 2019 (*)

\* This has yet to be endorsed by the EU

The Group does not expect the pronouncements to have a material impact on the Group's earnings as it currently does not have any balances that would be impacted by these standards.

## NOTES TO THE SIX MONTHS FINANCIAL STATEMENTS

## 3. Loss Per Share

	<b>Continuing operations 30 June 2016 £'000</b>	<b>Discontinued operations 30 June 2016 £'000</b>	<b>Total 30 June 2016 £'000</b>	<b>Continuing operations 30 June 2015 £'000</b>	<b>Discontinued operations 30 June 2015 £'000</b>	<b>Total 30 June 2015 £'000</b>
Loss for the period	<u>(261)</u>	<u>(213)</u>	<u>(474)</u>	<u>(784)</u>	<u>(105)</u>	<u>(889)</u>
Loss for the period attributable to the equity holders	<u>(261)</u>	<u>(213)</u>	<u>(474)</u>	<u>(784)</u>	<u>(105)</u>	<u>(889)</u>

Basic and diluted loss per share is calculated on the loss for the period attributable to equity holders of the parent of £474,000 (30 June 2015: £889,000) and (taking into account the share consolidation in 2015) divided by the weighted average of 7,255,037 (30 June 2015: 6,287,067).

The basic and diluted loss per share are the same as there are no dilutive effects on earnings as the effect of the exercise of share options would be to decrease the loss per share. Details of share options that could potentially dilute earnings per share in future years are set out in Note 9.

## NOTES TO THE SIX MONTHS FINANCIAL STATEMENTS

## 4. Intangible Assets

	<b>Licence Acquisition Costs £'000</b>	<b>Total £'000</b>
<b>GROUP</b>		
<b>Cost:</b>		
As at 1 January 2016	-	-
Restatement of Jimbolia licence	317	317
Effect of movement in foreign exchange	39	39
	<u>356</u>	<u>356</u>
<b>At 30 June 2016</b>	<b>356</b>	<b>356</b>
<b>Amortisation:</b>		
As at 1 January 2016	-	-
Restatement of Jimbolia licence	(58)	(58)
Provided in the period	(9)	(9)
Effect of movement in foreign exchange	(7)	(7)
	<u>(74)</u>	<u>(74)</u>
<b>At 30 June 2016</b>	<b>(74)</b>	<b>(74)</b>
<b>Net book value at 30 June 2016</b>	<b>282</b>	<b>282</b>
<b>Cost:</b>		
As at 1 January 2015	894	894
Effect of movement in foreign exchange	(62)	(62)
Re-classified to assets held for sale	(832)	(832)
	<u>-</u>	<u>-</u>
<b>At 31 December 2015</b>	<b>-</b>	<b>-</b>
<b>Amortisation:</b>		
As at 1 January 2015	(338)	(338)
Provided in the year	(35)	(35)
Effect of movement in foreign exchange	24	24
Re-classified to assets held for sale	349	349
	<u>-</u>	<u>-</u>
<b>At 31 December 2015</b>	<b>-</b>	<b>-</b>
<b>Net book value at 31 December 2015</b>	<b>-</b>	<b>-</b>

## NOTES TO THE SIX MONTHS FINANCIAL STATEMENTS

## 5. Property, Plant and Equipment

	Office Equipment £'000	Oil & Gas Assets £'000	Total £'000
<b>Cost:</b>			
As at 1 January 2016	34	-	34
Additions	-	-	-
<b>As at 30 June 2016</b>	<b>34</b>	<b>-</b>	<b>34</b>
<b>Depreciation:</b>			
As at 1 January 2016	(34)	-	(34)
Provided in the period	-	-	-
<b>As at 30 June 2016</b>	<b>(34)</b>	<b>-</b>	<b>(34)</b>
<b>Net book value at 30 June 2016</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Cost:</b>			
As at 1 January 2015	44	1,188	1,232
Additions	1	34	35
Effect of movement in foreign exchange	(1)	(82)	(83)
Re-classified to assets held for sale	(10)	(1,140)	(1,150)
<b>As at 31 December 2015</b>	<b>34</b>	<b>-</b>	<b>34</b>
<b>Depreciation:</b>			
As at 1 January 2015	(41)	(225)	(266)
Provided in the period	(3)	(88)	(91)
Effect of movement in foreign exchange	2	14	16
Re-classified to assets held for sale	8	299	307
<b>As at 31 December 2015</b>	<b>(34)</b>	<b>-</b>	<b>(34)</b>
<b>Net book value at 31 December 2015</b>	<b>-</b>	<b>-</b>	<b>-</b>

## NOTES TO THE SIX MONTHS FINANCIAL STATEMENTS

## 6. Assets Held For Sale

**(i) General Description**

On 12 January 2016 the Company announced that it had signed an agreement with its largest shareholder GM Investment & Co. ('GMI') for the sale of its Romanian oil & gas assets to GMI through the disposal by the Company of the entire issued share capital in Zeta Petroleum (Romania) srl and Zeta Petroleum (Suceava) srl, together being the main undertaking of the Company, in exchange for full settlement of all outstanding debt owed to GMI ("Sale and Purchase Agreement"). The total amount of debt owed to GMI as of 30 June 2016 was £2,150,000 being the aggregate amount of the outstanding balance under the debt facility announced on 28 May 2015 and the fully drawn down Consolidated Loan as announced on 7 January 2015. This proposed asset sale was subject *inter alia* to shareholder approval which was obtained on 8 February 2016 at a General Meeting where shareholders voted in favour of the Sale and Purchase Agreement.

Prior to completion of the sale, the Company signed an amendment to the Sale and Purchase Agreement with GMI on 17 June 2016 such that the Company retained its 39% non-operated interest in the Jimbolia licence. As at 31 December 2015 the Jimbolia licence was included in the held for sale asset pool. On signing the amendment to the Sale and Purchase Agreement the licence has been transferred back to non-current assets in the 6 months to 30 June 2016 as an Intangible Asset and has been amortised as if it had not been held for sale.

**(ii) Disposal activities after reporting date not recognised**

As the completion of the asset sale completed after balance date any gain on disposal of the assets is not included in the Financial Statements.

**(iii) Assets and liabilities held for sale**

The following major classes of assets and liabilities relating to these operations have been classified as held for sale in the consolidated statement of financial position as at 30 June:

	<b>Unaudited 30 June 2016 £'000</b>	Audited 31 December 2015 £'000
Intangible assets	252	483
Property plant and equipment	894	843
Trade & other receivables	<u>97</u>	<u>82</u>
<b>Assets held for sale</b>	<b>1,243</b>	1,408
Provisions	49	45
Loans	2,150	1,576
Trade and other payables	<u>9</u>	<u>5</u>
<b>Liabilities held for sale</b>	<b>2,208</b>	1,626

The oil & gas assets included in Property Plant & Equipment were reclassified as Assets Held For Sale which must be recorded at the lower of book value and fair value in accordance with IFRS 5.



NOTES TO THE SIX MONTHS FINANCIAL STATEMENTS

7. Trade and Other Receivables

	<b>Unaudited 30 June 2016 £'000</b>	Audited 31 December 2015 £'000
Amounts due within one year:		
VAT receivable	7	-
GST receivable	1	1
Other receivables	1	1
Loans to joint operating partner	12	53
Prepayments	<u>6</u>	<u>21</u>
<b>Total amounts due within one year</b>	<u>27</u>	<u>76</u>

8. Issued Capital

<b>Group and Company:</b>	<b>Unaudited 30 June 2016 Number</b>	<b>Unaudited 30 June 2016 £'000</b>	Audited 31 December 2015 Number	Audited 31 December 2015 £'000
<b>Allotted, issued and fully paid:</b>				
As at start of period	7,255,037	290	251,483,799	251
Share consolidation <sup>i</sup>	-	-	(245,196,732)	-
Issue of new shares:				
Allotment 30 June 2015 <sup>ii</sup>	<u>-</u>	<u>-</u>	<u>967,970</u>	<u>39</u>
<b>As at end of period</b>	<u>7,255,037</u>	<u>290</u>	<u>7,255,037</u>	<u>290</u>

<sup>i</sup> On 15 April the Group consolidated its Share Capital to 1 share for every 40 held.

<sup>ii</sup> Allotment 30 June 2015: 967,970 shares with a nominal value of £0.04 were issued at an issue price of £0.12 (AU\$0.25) per share.

## NOTES TO THE SIX MONTHS FINANCIAL STATEMENTS

## 9. Share Based Payments

There was no expense recognised for employee and non-employee services during the half-year ended 30 June 2016 (30 June 2015: £Nil).

The share-based payment plans are described below.

**Employee Plan**

Under the Employee Plan (“EMP”) share options are granted to directors and employees at the complete discretion of the Company. The exercise price of the options is determined by the Company at the date of the grant. Fifty percent (50%) of the options granted vest after twelve months and fifty percent (50%) vest after eighteen months.

The fair value of the options is determined using the Black Scholes method. The contractual life of each option granted is seven years. There are no cash settlement alternatives.

Options are settled when the Company receives a notice of exercise and cash proceeds from the optionholder equal to the aggregate exercise price of the options being exercised.

**Non-Employee Plan**

Under the Non-Employee Plan (“NEMP”) share options are granted to non-employees at the complete discretion of the Company. The exercise price of the options is determined by the Company at the date of the grant. The options vest at the date of the grant.

The fair value of the options is determined using the Black Scholes method. The contractual life of each option granted ranges from two to five years. There are no cash settlement alternatives. Volatility was determined by calculating the volatility for four similar listed companies and applying the average of the four volatilities calculated.

Options are settled when the Company receives a notice of exercise and cash proceeds from the option holder equal to the aggregate exercise price of the options being exercised.

<b>Group and Company:</b>	<b>Unaudited 30 June 2016 Number</b>	<b>Unaudited 30 June 2016 WAEP<sup>ii</sup> £</b>	<b>Audited 31 December 2015 Number</b>	<b>Audited 31 December 2015 WAEP<sup>ii</sup> £</b>
Outstanding at the beginning of the period	433,152	1.37	84,922,854	0.05
Share consolidation <sup>i</sup>	-	-	(82,799,821)	0.05
Lapsed during the period	<u>(50,000)</u>	<u>0.88</u>	<u>(1,689,881)</u>	<u>2.00</u>
Outstanding at the end of the period	<u>383,152</u>	<u>1.63</u>	433,152	1.37
Exercisable at the end of the period	<u>383,152</u>	<u>1.63</u>	365,027	1.21

<sup>i</sup>on 15 April 2015 the Group consolidated its Share Capital to 1 share for every 40 held. This consolidation was applied across all outstanding share options.

<sup>ii</sup>weighted average exercise price

## NOTES TO THE SIX MONTHS FINANCIAL STATEMENTS

**9. Share Based Payments** *continued*

The weighted average remaining contractual life for the share options outstanding as at 30 June 2016 is 4.12 years (31 December 2015: 4.48 years). There were no options issued during the period. The exercise price for options outstanding at the end of the period was £0.60 to £1.63 (31 December 2015: £0.47 – £1.37).

**10. Discontinued Operations**

The Company has entered in to an agreement for the sale of its Suceava and Bobocu Romanian oil & gas assets to it's largest shareholder GMI in exchange for full settlement of all outstanding debt owed to GMI which completed on 19 July 2016.

<b>Result of discontinued operations</b>	<b>Unaudited 30 June 2016 £'000</b>	Unaudited 30 June 2015 £'000
Revenue	173	122
Cost of goods sold	(109)	(66)
Exploration and evaluation expenses	(178)	(7)
Administrative expenses	(96)	(160)
Other income	-	-
Foreign exchange (loss)/gain	(3)	6
Loss for the year	<u>(213)</u>	<u>(105)</u>
<b>Earnings per share from discontinued operations</b>	<b>Unaudited 30 June 2016 £'000</b>	Unaudited 30 June 2015 £'000
Basic and diluted loss per share	<u>(2.93)p</u>	<u>(1.67)p</u>
<b>Statement of cash flows</b>	<b>Unaudited 30 June 2016 £'000</b>	Unaudited 30 June 2015 £'000
Operating activities	(166)	4
Investing activities	(10)	(13)
Financing activities	143	-
Net cash from discontinued operations	<u>(33)</u>	<u>(9)</u>

Refer to note 6 for further details on Assets Held for Sale.

## NOTES TO THE SIX MONTHS FINANCIAL STATEMENTS

## 11. Segment Information

The Group has one reportable segment, the exploration, development and production of oil and gas in Romania and administrative functions in the United Kingdom.

No further disclosure of segment revenue and result is required as this is given in the income statements. The following table presents certain asset information regarding the Group's geographical segments for the period ended 30 June 2016 and the year ended 31 December 2015:

	<b>Unaudited 30 June 2016 £'000</b>	Audited 31 December 2015 £'000
<b>SEGMENT ASSETS</b>		
United Kingdom		
Non-current	-	-
Current	37	65
Romania		
Non-current	282	-
Current	80	58
Held for sale	1,243	1,408
Total		
Non-current	282	-
Current	117	123
Held for sale	1,243	1,408
<b>SEGMENT LIABILITIES</b>		
United Kingdom		
Non-current	-	-
Current	256	157
Held for sale		
Non-current	49	45
Current	2,159	1,581
Total		
Non-current	49	45
Current	2,415	1,738
<b>CAPITAL EXPENDITURE</b>		
United Kingdom	-	-
Romania	10	34
	<u>10</u>	<u>34</u>

During the period there was £10,000 of capital expenditure relating to the Bobocu licence. Revenue was generated from gas sales in Romania and administrative expenses were incurred in both the United Kingdom and Romania.

NOTES TO THE SIX MONTHS FINANCIAL STATEMENTS

**12. Financial Instruments**

The carrying values of cash and cash equivalents, trade and other receivables, trade and other payables and other loans approximate their fair values due to short-term maturities.

**13. Related Party Transactions**

On 12 January 2016 the Company reached agreement with its major shareholder, GM Investment & Co Limited (“GMI”) for a further drawdown of €100,000 (US\$108,880) under the USD\$500,000 loan facility as announced on 28 May 2015. Following this drawdown the total principal amount of the facility drawdown was US\$408,880. This drawdown was permitted solely to enable Zeta to meet its funding obligations with respect to the Suceava licence in Romania so as to keep the licence in good standing.

In addition on 12 January 2016 the Company signed an agreement with GMI for the sale of its Romanian oil & gas assets to GMI through the disposal by the Company of the entire issued share capital in Zeta Petroleum (Romania) srl and Zeta Petroleum (Suceava) srl, together being the main undertaking of the Company, in exchange for full settlement of all outstanding debt owed to GMI (“Sale and Purchase Agreement”). This proposed asset sale was subject *inter alia* to shareholder approval which was obtained on 8 February at a General Meeting where shareholders voted in favour of the Sale and Purchase Agreement.

On 17 June 2016 the Company signed an amendment to the Sale and Purchase Agreement with GMI such that the Company retained its 39% non-operated interest in the Jimbolia licence.

The Sale and Purchase Agreement completed post balance date on 19 July 2016 with a gain of £965,000 recognised.

As at 30 June 2016 the following Directors fees were owing and included in Trade and Other Payables:

Director	Period	Accrued Directors fees
S P West	July 2015 – June 2016	£12,000
T W Osborne	July 2015 – June 2016	£12,000
B Popescu	June 2015 – June 2016	£12,786
O Cairns	July 2015 – June 2016	£12,000
G Hancock	May 2-15 – June 2016	£14,233

**14. Post Balance Date Events**

On 27 July 2016 the Company issued a total of 1,800,000 new ordinary fully paid CHES Depository Interests (“CDIs”) raising AU\$108,000 pursuant to the signing of a Placing Agreement with a new private investor and subsequently will undertake a renounceable rights issue to raise up to AU\$1.08 million (“Rights Issue”).

On 26 August 2016 the Company announced its intention to hold a General Meeting of Shareholders to seek the approvals required in order to execute the Rights Issue. Subject to resolutions being passed at the General Meeting the Rights Issue is indicatively expected to be completed by 11 October 2016.

**DIRECTORS DECLARATION**

The Directors confirm to the best of their knowledge that:

- a) The unaudited set of financial statements has been prepared in accordance with IAS 34 “Interim Financial Reporting” as adopted by the EU;
- b) The interim financial statements and associated notes give a true and fair view of the Group’s financial position as at 30 June 2016 and of its performance for the half year ended on that date; and
- c) There are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

On behalf of the Board



Stephen West  
Director

8 September 2016

**INDEPENDENT REVIEW REPORT TO ZETA PETROLEUM PLC**

**Introduction**

We have been engaged by the group to review the condensed set of financial statements in the half-yearly financial report for the six months ended 30 June 2016 which comprises the condensed Consolidated Statement of Profit or loss and other Comprehensive Income, condensed Consolidated Statement of Financial Position, condensed Consolidated Statement of Changes in Equity, condensed Consolidated Statement of Cash flows and explanatory notes.

We have read the other information contained in the half-yearly financial report and considered whether it contains any apparent misstatements or material inconsistencies with the information in the condensed set of financial statements.

**Directors' responsibilities**

The half-yearly report, including the financial information contained therein, is the responsibility of and has been approved by the directors. The directors are responsible for preparing the half-yearly report in accordance with the rules of the Australian Stock Exchange.

As disclosed in note 1, the annual financial statements of the group are prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union. The condensed set of financial statements included in this half-yearly financial report is prepared in accordance with International Accounting Standard 34, "Interim Financial Reporting", as adopted by the European Union.

**Our responsibility**

Our responsibility is to express to the company a conclusion on the condensed set of financial statements in the half-yearly financial report based on our review.

Our report has been prepared in accordance with the terms of our engagement to assist the company in meeting the requirements of the rules of the Australian Stock Exchange and for no other purpose. No person is entitled to rely on this report unless such a person is a person entitled to rely upon this report by virtue of and for the purpose of our terms of engagement or has been expressly authorised to do so by our prior written consent. Save as above, we do not accept responsibility for this report to any other person or for any other purpose and we hereby expressly disclaim any and all such liability.

**Scope of review**

We conducted our review in accordance with International Standard on Review Engagements (UK and Ireland) 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity", issued by the Auditing Practices Board for use in the United Kingdom. A review of interim financial information 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 International Standards on Auditing (UK and Ireland) 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.

**INDEPENDENT REVIEW REPORT TO ZETA PETROLEUM PLC**

**Conclusion**

Based on our review, nothing has come to our attention that causes us to believe that the condensed set of financial statements in the half-yearly financial report for the six months ended 30 June 2016 is not prepared, in all material respects, in accordance with the rules of the Australian Stock Exchange and International Accounting Standard 34 'Interim Financial Reporting' as adopted by the European Union.

**Emphasis of matter – Going concern**

In reaching our conclusion above, which is not modified, we have considered the adequacy of the disclosures made in note 2 to the condensed set of financial statements concerning the Group's ability to continue as a going concern. The Group had £90,000 of cash and cash equivalents at 30 June 2016. The Group's ability to fund its current liabilities and general overheads is reliant on raising further capital in the near future. Post period end on 27 July 2016 the company announced that it had issued a total of 1,800,000 new ordinary fully paid CDIs raising AU\$108,000 pursuant to the signing of a Placing Agreement with a new private investor and subsequently will undertake a renounceable rights issue to raise further funds.

The Directors have a reasonable expectation that the Rights Issue will be successful and consider it is appropriate to prepare the financial statements on a going concern basis, however there can be no certainty that adequate funding will be secured. These conditions indicate the existence of a material uncertainty related to events or conditions that may cast significant doubt about the Group's ability to continue as a going concern, and, therefore, that it may be unable to realise its assets and discharge its liabilities in the normal course of business. These financial statements do not include the adjustments that would be required if the Group could not continue as a going concern.



*BDO LLP*  
*Chartered Accountants*  
*Location*  
*United Kingdom*  
*8 September 2016*

BDO LLP is a limited liability partnership registered in England and Wales (with registered number OC305127).