Media Release

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Zeta Petroleum plc ('Zeta' or 'the Company')

Term Sheets Signed to Acquire Producing Russian Oil Assets and US$2 million Convertible Loan

Zeta Petroleum plc, the ASX listed oil and gas exploration and production company, is pleased to announce it has signed a non-binding term sheet to acquire Stikito Ltd ('Stikito') a private company which has a 100% owned interest in four production and exploration licences (the "VES Project"), located in the prolific Volga Urals basin, Orenburg Oblast region of the Russian Federation. The licences are currently producing circa 220 barrels of oil per day ("BOPD") and a 2012 independent reserves report ("IRR") issued to a former owner indicates 2P reserves of 12.8 million barrels of oil equivalent (as set out in the table below). This proposed acquisition is in line with the Company's strategy to build a leading exploration and production company, with Russia being a natural step-out from the current Eastern Europe focus area.

The 280km^2 VES Project is located close to the supergiant Orenburg field, and the world class Karachaganak field. The VES Project consists of four previously producing or currently producing licences: Nikiforovskoye; Voinskoye; Veselovskoye; Besedinskoye. The VES Project offers significant development potential including low cost workovers of existing wellbores and high impact drilling to new horizons.

IRR Summary: VES Project

	Oil **MMbbls**	**Gas** **MMboe**	**Total** **MMboe**
2P Reserves	11.828	0.988	12.816
2C Resources	3.378	0.624	4.002
Prospective	6.454	0	6.454
	21.66	**1.612**	**23.272**

In order to fund the initial upfront acquisition cost, Zeta has signed a heads of terms with an existing shareholder, subject to the VES Project acquisition completing, to provide a US$2 million convertible loan, with 50% of the loan convertible at 1 cent per share and 50% of the loan convertible at the lower of 3 cents and the average 30 day share price prior to conversion. In addition, the lender will be granted 10 million share options with an exercise price of 5 cents for a period of 3 years.

Zeta Petroleum Non-Executive Chairman Stephen West said, *"The VES Project matches our investment criteria well: existing or historical production; significant development potential; available at a competitive price; and located in proven hydrocarbon systems in or close to Eastern Europe. Subject to satisfactory due diligence and completion, the VES Project would transform Zeta's production, revenue and reserves profile and add a new area of interest which would complement our existing portfolio of producing and development projects in Romania. At the same time, the opportunity to acquire the VES Project demonstrates our ability to source and gain access to highly attractive projects, as we look to build a leading oil and gas company, and in the process generate value for our shareholders."*

Successful due diligence is to be completed before a binding legal agreement between Zeta and the shareholders of Stikito is executed. Upon completion total consideration will become payable as follows:

- a cash payment of US$2,000,000 within 15 days of signing a binding legal agreement;
- the allotment of 155 million ordinary shares in Zeta at an issue price of 5 cents per share; and
- subject to Stikito's assets maintaining average oil production levels in excess of 220 BOPD for 90 days, Zeta shall pay an additional cash consideration of US$1,000,000.

This equates to a purchase price of approximately US$0.38 per barrel of 2P reserves based on Zeta's current share price, which the Company believes is a very attractive multiple.

The term sheet to acquire the VES Project and the convertible loan term sheet are both non-binding and there can be no certainty that the transactions contemplated by them will complete in a particular time frame or at all.

Further Information

The Assets

The Orenburg Oblast Region: Background

Stikito owns 100% of the VES Project located within the Russian Federation to the South East of Moscow, bordering Kazakhstan to the South.

The licences are situated in the Orenburg Oblast region, a part of the highly prospective Volga-Urals petroleum basin which is known to contain more than 400 petroleum and 50 gas deposits, including the supergiant Orenburg gas field to the South. The blocks are in a hydrocarbon prone area with oil being produced from a number of Paleozic bituminous shales. More than 3% of the annual production of oil, gas and condensate from the whole Russian Federation comes from the Orenburg Oblast.

The Licences

The VES Project consists of four production and development licences, where production currently stands at circa 220 bopd from 3 wells with a 2012 independent reserves report indicating 2P reserves totalling 12.8MMboe.

Nikiforovskoye Field Production Licence

The Nikiforovskoye field is currently producing circa 220boepd from three wells. Wells 61, 91 and 57 are currently in production with Well 57 being successfully sidetracked in November 2012. The field offers good sandstone reservoir qualities with 2 – 5 meters net pay producing light oil (34-35 API) which is currently being trucked and sold locally.

Voinskoye Field

The Voinskoye Field has previously produced 250,000bbls with remaining 2P reserves of 1.0MMboe from the Sandstone reservoir with 16% porosity. Well 96 was sidetracked in 2012and tested at 30boepd.

Veselovskoye Licence

The Veselovskoye Licence neighbours and targets the same horizons as the nearby producing Zagorskoye & Lebyazhinskoye fields operated by TNK-BP which delivers excellent flow rates. The licence has five discovery wells on the block and offers significant upside potential.

Besedinskoye Field

The Besedinskoye Field has previously produced 547,000boe. There are currently two discovery wells on the block with two productive horizons and 2P reserves of 3.2MMboe.

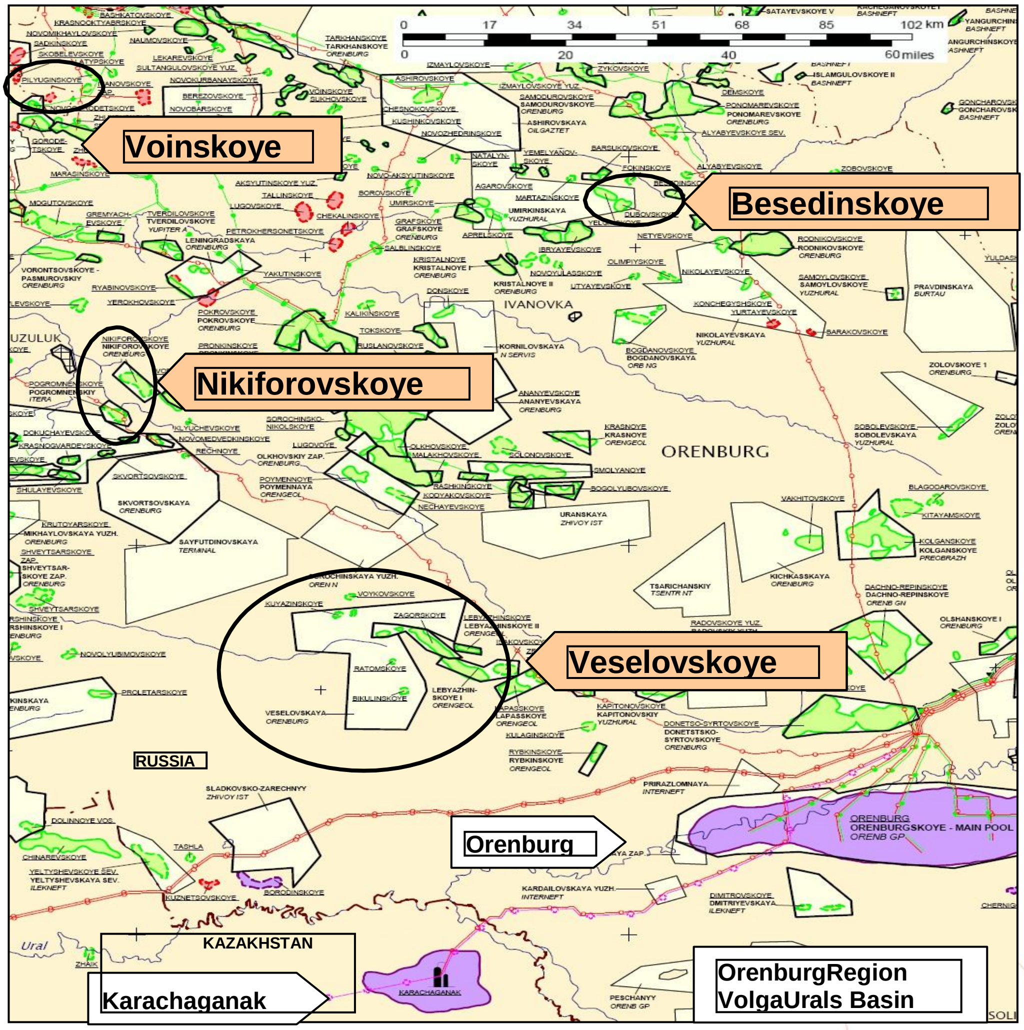

Figure 1: Location of VES Project

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For further information please visit www.zetapetroleum.com or contact:

Stephen West	Zeta Petroleum plc	Tel: +44 (0)20 7016 8806
Ben Hodges	Zeta Petroleum plc	Tel: +44 (0)20 7016 8806
Lottie Brocklehurst	St Brides Media & Finance Ltd	Tel: +44 (0)20 7236 1177
Frank Buhagiar	St Brides Media & Finance Ltd	Tel: +44 (0)20 7236 1177