ZETAPETROLEUMPLC

REPORT AND FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2015

ZETAPETROLEUMPLC

CONTENTS

GENERAL INFORMATION

DIRECTORS

S P West
Non-Executive Chairman

T W Osborne
Non-Executive Director

B Popescu
Non-Executive Director

O Cairns
Non-Executive Director

G Hancock
Non-Executive Director

CHIEF FINANCIAL OFFICER & COMPANY SECRETARY

B Hodges

LOCAL AGENT – AUSTRALIA

O Cairns

REGISTERED OFFICE – UNITED KINGDOM

1 Berkeley Street
London
W1J 8DJ
United Kingdom
ph: +44 (0)20 3755 5063

REGISTERED OFFICE – AUSTRALIA

25 Franklin Street
Leederville WA 6007
Australia

AUDITOR

BDO LLP
55 Baker Street
London
W1U 7EU
United Kingdom

STOCK EXCHANGE LISTING

Australian Securities Exchange
Share code: ZTA

SHARE REGISTRARS

Computershare Investor Services Pty Ltd
Level 11, 172 St Georges Terrace
Perth WA 6000, Australia
ph: +61 (0)8 9323 2000

Computershare Investor Services plc
The Pavilions, Bridgwater Road
Bristol BS99 6ZY, United Kingdom
ph: +44 (0)870 703 0003

PLACE OF INCORPORATION

England

COMPANY NUMBER

5560854

WEBSITE

www.zetapetroleum.com

CHAIRMAN'S STATEMENT

The year under review was significantly affected by the decline in the oil price that began in Q4 2014 and the impact that this had on equity market sentiment for oil & gas companies. The Company's efforts to farm-out an interest in its Bobocu licence were frustrated by the oil price environment and although strong interest was received a partner was not found. This resulted in the Company being forced to abandon its preparations for an additional listing of the Group in London.

The Group has benefited enormously during the year from the continuing support from its major shareholder, GM Investment & Co Limited. Details of the additional loans provided to the Group during the year are given elsewhere in this report.

On the operational side, the Group saw an increase in production through the completion of a tie-back of the Ruda-1 discovery well on the Suceava licence which was drilled and tested in December 2014.

Production from the Suceava concession continued to perform in line with forecast with production of 0.304 Bcf of gas during the year. Revenues generated from gas production from the Climauti and Ruda-1 wells combined with revenues from electricity production from the Dornesti Sud-1 well financed Romanian corporate overheads.

On the Jimbolia licence, operator NIS Gazprom Neft proposed a development project for up to two existing wells on the concession. Zeta evaluated the proposal and declined to participate as the economics were unfavourable due to the cost recovery to the Operator for the drilling of the Jimbolia-100 well. The Operator has commenced the development project as an exclusive operation. Zeta Petroleum (Romania) SRL retains all of its rights to participate in future exploration projects on the concession.

In 2015 we continued a campaign to find a farm-in partner for our previously producing Bobocu gas field in order to finance the drilling of a sidetrack of the Bobocu 310 well to bring this gas field back into production. No farm-in partner had been found as at balance date.

Outlook

Post balance date 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 of its entire interest in the Romanian subsidiaries in exchange for full settlement of all outstanding debt owed to GMI ("Sale and Purchase Agreement" or "SPA"). The total amount of debt owed to GMI as of 12 January 2016 was AU$4,046,103, 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 received at a General Meeting held on 8 February 2016. The SPA is expected to be completed in April 2016.

Chairman
30 March 2016

DIRECTORS AND KEY MANAGEMENT

BOARD OF DIRECTORS

The directors holding office at the end of the year are listed below. Directors have held office for the entire year unless otherwise stated

Stephen West
Non-Executive Chairman

Mr West is a founder of Zeta Petroleum plc and a Chartered Accountant with over 22 years of financial and corporate experience ranging from public practice, investment banking, oil & gas and mining. Previous appointments include senior positions at Duesburys Chartered Accountants, PriceWaterhouseCoopers, and Barclays Capital. Mr West is currently a non-executive director of ASX listed Apollo Consolidated Limited and CFO of Oslo Axess listed African Petroleum Corporation Limited.

Timothy Osborne
Non-Executive Director

Mr Osborne is a solicitor and has been Senior Partner of Wiggin Osborne Fullerlove since 2003. Mr Osborne is a director of GML Limited, a diversified financial holding company which, at one time, owned strategic stakes in a number of Russian companies, including a majority shareholding in Yukos Oil Company (previously Russia's largest oil company).

Bogdan Popescu
Non-Executive Director

Mr Popescu is an oil industry specialist and NAMR certified expert with extensive international experience. His former appointments include senior executive positions at the Rompetrol Group and Millennium Group of Companies, and various executive positions at Petroconsultants SA/IHS Energy.

Oliver Cairns
Non-Executive Director

Mr Cairns has over 16 years experience in the small-mid cap corporate and capital markets space. Previously he was a corporate financier and Nominated Adviser for AIM companies in London for over 8 years having joined Blue Oar Securities Plc (now Northland Capital Partners Limited) in July 1999. He is also a Non-Executive Director of ASX and AIM listed Vmoto Limited, a global electric scooter company.

Greg Hancock – appointed 24 April 2015
Non-Executive Director

Mr Hancock has over 25 years experience in capital markets practicing in the area of Corporate Finance. He has extensive experience in both Australia and the United Kingdom. In this time he has specialised in mining and natural resources and has a background in the finance and management of small companies.

KEY MANAGEMENT

Ben Hodges
Chief Financial Officer & Company Secretary

Mr Hodges is a qualified Certified Practicing Accountant with over 20 years experience including 11 years in Oil & Gas. Mr Hodges was previously Chief Financial Officer of AIM listed Atlantic Coal plc and has served as Company Secretary for Zeta Petroleum since 2009.

STRATEGIC REPORT OF THE DIRECTORS FOR THE YEAR ENDED 31 DECEMBER 2015

The directors present their strategic report on the Group for the year ended 31 December 2015.

ASSET DISPOSAL

Post balance date 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 of its entire interest in the Romanian subsidiaries in exchange for full settlement of all outstanding debt owed to GMI ("Sale and Purchase Agreement" or "SPA"). The SPA is expected to be completed in April 2016.

OBJECTIVES

The Group's objective is to create shareholder value by seeking a new business for the Company.

CORPORATE AFFAIRS

On 14 March 2014 Mr James Hayward resigned from the Board. On 24 April Mr Greg Hancock joined the Board as a Non-Executive Director.

On 27 March 2015 the Company completed a share consolidation whereby the 251,483,799 ordinary shares of £0.001 in the capital of the Company (Existing Ordinary Shares) were consolidated into 6,287,094 ordinary shares of £0.04 each (New Ordinary Shares).

On 27 May 2015 the Company entered into an agreement with its major shareholder, GM Investment & Co Limited ("GMI") for the provision of a USD$500,000 loan facility to the Company (the "Loan"). Under the terms of the Loan the Company was able to draw upon the facility in instalment amounts of USD$100,000 at any time up to 30 November 2015 with interest payable at twelve and a half per cent (12.5%) per annum with repayment of the Loan and interest to be made at any time but before 31 December 2015 ("Maturity Date"). As at 31 December 2015 the entire balance of the loan drawn down (USD$300,000) and interest accrued remained unpaid.

On 30 June 2015 a total of 967,970 New Ordinary Shares were issued to Directors and Senior Management for remuneration in lieu of cash.

On 12 October 2015 Mr Andy Morrison stepped down as Chief Executive Officer in order to pursue other interests.

As at 29 March 2016 the Company maintained a cash position of AU$60,000.

STRATEGIC REPORT OF THE DIRECTORS FOR THE YEAR ENDED 31 DECEMBER 2015

KEY PERFORMANCE INDICATORS

During 2015 the Company continued to meet all work requirements on existing licences and ensured that the Company and Group maintained enough cash reserves to finance operational and working capital commitments through the issue of debt.

PRINCIPAL RISKS

Post completion of the Sale and Purchase Agreement and in the absence of a new acquisition and capital raising, the Company will in effect be a "shell" company with no clear business activities. The Company, in order to maintain an ASX listing in 2016 will need to acquire a new business activity and raise new share equity. If a backdoor acquisition took place, the net working capital of the Company will need to be at least $1,500,000 and the Company will need to comply with Chapters 1 and 2 of the ASX Listing Rules. There is no guarantee that a backdoor acquisition or any new acquisition can take place and new share equity raised. The Company would run the risk that its shares may be suspended from trading on ASX or even removed from the Official List of ASX.

DIVERSITY

Zeta is committed to workplace diversity which includes but is not limited to gender, age, ethnicity and cultural background.

Zeta's Diversity Policy defines initiatives which assist the Company in maintaining and improving the diversity of its workforce. In accordance with this policy and ASX Corporate Governance Principles, the Board has established the following objectives in relation to gender diversity which it hopes to achieve over the next three years as positions become vacant and appropriately skilled candidates are available:

Proportion of women	Actual	Objective
Organisation as a whole	10%	50%
Executive management team	Nil	20%
Board	Nil	20%

By order of the Board

S P West
Chairman and Director
30 March 2016

1 Berkeley Street
London, W1J 8DJ
United Kingdom

REPORT OF THE DIRECTORS FOR THE YEAR ENDED 31 DECEMBER 2015

The directors present their report together with the audited financial statements for the year ended 31 December 2015.

RESULTS AND DIVIDENDS

The consolidated income statement is set out on page 14 and shows a loss for the year amounting to £1,040,000 (2014 – loss of £1,394,000). The directors do not recommend the payment of a dividend.

DIRECTORS' MEETINGS

The number of meetings attended by each of the Directors of the Company during the financial year was:

	Number held and entitled to attend	Number attended
Stephen West	22	19
Bogdan Popescu	22	18
Timothy Osborne	22	21
Oliver Cairns	22	19
Greg Hancock	16	14
James Hayward	4	2

POST BALANCE SHEET EVENTS

Post balance sheet events are disclosed in Note 32 to the consolidated financial statements.

SHARE CAPITAL

Details of the Company's issued share capital as at 31 December 2015 are set out in Note 21 to the consolidated financial statements. The Company completed a share consolidation on 27 March 2015 whereby the 251,483,799 ordinary shares of £0.001 in the capital of the Company (Existing Ordinary Shares) were consolidated into 6,287,094 ordinary shares of £0.04 each (New Ordinary Shares).

REPORT OF THE DIRECTORS FOR THE YEAR ENDED 31 DECEMBER 2015

GOING CONCERN

The Group has 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 of its entire interest in the Romanian subsidiaries in exchange for full settlement of all outstanding debt owed to GMI. The agreement was executed on 11 January 2016 and the sale is expected to complete in April 2016. Zeta Petroleum Plc, ("the Company"), will become a listed shell with no cash generating assets. All liabilities arising in the Romanian operating subsidiaries up to the date of sale will form part of the assets and liabilities acquired by GMI and therefore the Going concern statement looks at the future activity of the Company, which will become a listed shell post sale.

The Company has £44,000 of cash and cash equivalents at 31 December 2015 and net current liabilities of £92,000. The Company will receive a cash payment from GMI on completion of the sale being the value of the cash and cash equivalents in the Romanian subsidiaries and the balance of the Suceava joint venture trade receivable. The Company's ability to fund its current liabilities and future operating overheads is reliant on raising further capital in the near future either through the issue of equity or debt funding. The Directors are in discussions with a number of parties who are interested in providing funding to recapitalise the Company and use the shell as an investment vehicle. The Directors are confident that further funds can be raised and it is appropriate to prepare the financial statements on a going concern basis, however there can be no certainty that these transactions will complete. These conditions indicate existence of a material uncertainty related to events or conditions that may cast significant doubt about the Company'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 Company could not continue as a going concern.

FINANCIAL INSTRUMENTS

The Group's and Company's principal financial instruments comprise cash and cash equivalents, short-term deposits and borrowings. The main purpose of these financial instruments is to finance the Group's operations. The Group has other financial instruments which mainly comprise loans and trade payables which arise directly from its operations (refer to Note 27).

REPORT OF THE DIRECTORS FOR THE YEAR ENDED 31 DECEMBER 2015

DIRECTORS AND DIRECTORS' INTERESTS

The directors who held office during the year were as follows:

	Date appointed	Date resigned
O Cairns	26 Sep 2013	-
B Popescu	26 Sep 2013	-
T W Osborne	31 Mar 2006	-
S P West	12 Sep 2005	-
G Hancock	24 Apr 2015	-
J Hayward	17 Feb 2014	14 Mar 2015

The directors who held office at 31 December 2015 had the following interests in the ordinary shares of the Company according to the register of directors' interests:

	Class of Share	Interest at start of year	Interest at end of year
O Cairns[1]	Ordinary	41,250	101,043
B Popescu[2]	Ordinary	396,097	504,629
G Hancock[3]	Ordinary	10,000	10,000
T W Osborne	Ordinary	-	-
S P West[4]	Ordinary	293,859	331,525

[1] O Cairns' shares are held by Silverlight Holdings Pty Ltd ATF The Cairns Investment A/C in which O Cairns has an indirect beneficial interest. O Cairns acquired 59,793 shares on 30 June 2015 in lieu of cash for Directors fees earned.

[2] B Popescu acquired 108,532 shares on 30 June 2015 in lieu of cash for Directors Fees earned.

[3] G Hancock's shares are held by GG Hancock Pty Ltd ATF The Greg Hancock S/F A/C in which G Hancock has an indirect beneficial interest

[4] S P West's shares are held by Cresthaven Investments Pty Ltd, ('Cresthaven') a company in which S P West has an indirect beneficial interest. Cresthaven acquired 12,791 shares on 30 June 2015 in lieu of cash for Directors Fees earned. Cresthaven also purchased 24,875 in total shares on market on various dates during 2015.

REPORT OF THE DIRECTORS FOR THE YEAR ENDED 31 DECEMBER 2015

DIRECTORS AND DIRECTORS' INTERESTS *continued*

According to the register of directors' interests, no rights to subscribe for shares in or debentures of Group companies were granted to any of the directors or their immediate families, or exercised by them, during the financial year except as indicated below (see Note 24 for detail on option plans):

Date of grant	Number of options at start of year	Options granted or acquired during year	Options lapsed during year	Number of options at end of year
O CAIRNS[1]				
28 Aug 2013	12,687	-	(12,687)	-
4 July 2014	25,000	-	-	25,000
	37,687	-	(12,687)	25,000
T OSBORNE				
11 Jan 2012	25,000	-	-	25,000
S WEST[2]				
12 Nov 2012	51,165	-	(51,165)	-
28 Aug 2013	3,918	-	(3,918)	-
4 July 2014	50,000	-	-	50,000
	105,083	-	(55,083)	50,000
B POPESCU				
12 Nov 2012	2,075	-	(2,075)	-
28 Aug 2013	4,484	-	(4,484)	-
4 July 2014	25,000	-	-	25,000
	31,559	-	(6,559)	25,000

[1] O Cairns has 25,000 options that are held by Silverlight Holdings Pty Ltd ATF The Cairns Investment A/C, an entity in which O Cairns has an indirect beneficial interest.
[2] S P West's options are held in the name of Cresthaven Investments Pty Ltd, a company in which S P West has an indirect beneficial interest.

REPORT OF THE DIRECTORS FOR THE YEAR ENDED 31 DECEMBER 2015

SUBSTANTIAL SHAREHOLDERS

The following parties had interests of greater than 3% of the issued share capital of the Company at 31 December 2015:

	Number of shares	% of issued ordinary share capital
GM Investment & Co Limited	2,169,256	29.90
HSBC Custody Nominees	795,223	10.96
Hot Chilli Investments Pty Ltd	701,323	9.67
B Popescu	504,629	6.96
Cresthaven Investments Pty Ltd[1]	331,525	4.57
B Hodges	253,346	3.49
S Pagel	227,359	3.13

POLITICAL CONTRIBUTIONS

The Group and Company made no political contributions during the year.

FUTURE DEVELOPMENTS

An indication of likely future developments in the business of the Group is contained in the Strategic Report.

DISCLOSURE OF INFORMATION TO AUDITORS

Refer to page 11.

By order of the Board

S P West
Chairman and Director
30 March 2016

1 Berkeley Street
London, W1J 8DJ
United Kingdom

[1] S P West's options are held in the name of Cresthaven Investments Pty Ltd, a company in which S P West has an indirect beneficial interest.

STATEMENT OF DIRECTORS' RESPONSIBILITIES

The directors are responsible for preparing the Annual report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the group and company financial statements in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union. Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Group and Company and of the profit or loss of the group for that period. The directors are also required to prepare financial statements in accordance with the rules of the Australian Securities Exchange.

In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether they have been prepared in accordance with IFRSs as adopted by the European Union, subject to any material departures disclosed and explained in the financial statements;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements comply with the requirements of the Companies Act 2006. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

WEBSITE PUBLICATION

The directors are responsible for ensuring the annual report and the financial statements are made available on a website. Financial statements are published on the Company's website in accordance with legislation in the United Kingdom governing the preparation and dissemination of financial statements, which may vary from legislation in other jurisdictions. The maintenance and integrity of the Company's website is the responsibility of the directors. The directors' responsibility also extends to the ongoing integrity of the financial statements contained therein.

STATEMENT AS TO DISCLOSURE OF INFORMATION TO AUDITORS

The directors who were members of the board at the time of approving the directors' report are listed on page 1. Having made inquiries of fellow directors and of the Group's and Company's auditors, each of these directors confirm that:

- to the best of each director's knowledge and belief, there is no information relevant to the preparation of their report of which the Group's and Company's auditors are unaware; and
- each director has taken all the steps a director might reasonably be expected to have taken to be aware of relevant audit information and to establish that the Group's and Company's auditors are aware of that information.

By order of the Board

S P West
Chairman and Director
30 March 2016

1 Berkeley Street
London, W1J 8DJ
United Kingdom

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF ZETA PETROLEUM PLC

We have audited the financial statements of Zeta Petroleum plc for the year ended 31 December 2015 which comprise the consolidated income statement, the consolidated statement of comprehensive income, the consolidated and company statements of financial position, the consolidated and company statements of changes in equity and the consolidated and company statement of cash flows and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union and, as regards the parent company financial statements, as applied in accordance with the provisions of the Companies Act 2006.

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

RESPECTIVE RESPONSIBILITIES OF DIRECTORS AND AUDITORS

As explained more fully in the statement of directors' responsibilities, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Financial Reporting Council's (FRC's) Ethical Standards for Auditors.

SCOPE OF THE AUDIT OF THE FINANCIAL STATEMENTS

A description of the scope of an audit of financial statements is provided on the FRC's website at www.frc.org.uk/auditscopeukprivate.

OPINION ON FINANCIAL STATEMENTS

In our opinion:

- the financial statements give a true and fair view of the state of the group's and the parent company's affairs as at 31 December 2015 and of the group's loss for the year then ended;

- the group financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union;

- the parent company financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union and as applied in accordance with the provisions of the Companies Act 2006; and

- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF ZETA PETROLEUM PLC

EMPHASIS OF MATTER – GOING CONCERN

In forming our opinion on the financial statements, which is not modified, we have considered the adequacy of the disclosures made in Note 1 to the financial statements concerning the Group's ability to continue as a going concern. The Group has 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 of its entire interest in the Romanian subsidiaries in exchange for full settlement of all outstanding debt owed to GMI. The assessment of going concern considers the future activity of Zeta Petroleum Plc, ("the Company"), which will become a listed shell post sale with no cash generating assets.

The Company has £44,000 of cash and cash equivalents at 31 December 2015 and net current liabilities of £92,000. The Company's ability to fund its current liabilities and future operating overheads is reliant on raising further capital in the near future either through the issue of equity or debt funding. The Directors are in discussions with a number of parties who are interested in providing funding to recapitalise the Company and use the shell as an investment vehicle, however there is no certainty in the outcome of these negotiations. This indicates the existence of a material uncertainty related to events or conditions that may cast significant doubt about the Company'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 Company could not continue as a Going concern.

OPINION ON OTHER MATTERS PRESCRIBED BY THE COMPANIES ACT 2006

In our opinion the information given in the strategic report and directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements.

MATTERS ON WHICH WE ARE REQUIRED TO REPORT BY EXCEPTION

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept by the parent company, or returns adequate for our audit have not been received from branches not visited by us; or
- the parent company financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

Scott Knight

Scott Knight *(senior statutory auditor)*
For and on behalf of BDO LLP, statutory auditor
London
United Kingdom
30 March 2016

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

CONSOLIDATED INCOME STATEMENT
FOR THE YEAR ENDED 31 DECEMBER 2015

	Note	**2015 £'000**	restated 2014 £'000
Revenue		**-**	-
Cost of goods sold		**-**	-
Gross Profit		**-**	-
Exploration and evaluation expenses		**-**	-
Administrative expenses	26	**(607)**	(675)
Other income		**-**	94
Operating loss		**(607)**	(581)
Interest income		**-**	-
Financing costs	4	**(169)**	(108)
Foreign Exchange gain/(loss)		**13**	(323)
Loss from continuing operations		**(763)**	(1,012)
Income tax	8	**-**	-
Loss on discontinued operations, net of tax	9	**(277)**	(382)
Loss for the year attributable to the equity holders		**(1,040)**	(1,394)
Loss per ordinary share – basic and diluted	10	**(15p)**	(23p)
Loss per ordinary share from continuing operations – basic and diluted	10	**(11p)**	(17p)

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2015

	Note	2015 £'000	2014 £'000
Loss for the year		**(1,040)**	(1,394)
Other comprehensive income:			
Items which may be reclassified subsequently to profit or loss:			
Exchange differences on translation of foreign operations		**3**	288
Total other comprehensive income		**3**	288
Total comprehensive loss for the year attributable to the equity holders		**(1,037)**	(1,106)

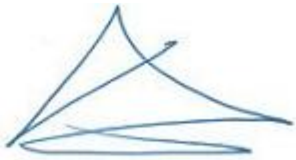
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2015

	Note	2015 £'000	2014 £'000
ASSETS			
Non-current assets			
Intangible assets	11	**-**	556
Property, plant and equipment	12	**-**	966
		-	1,522
Assets held for sale	13	**1,408**	-
Current assets			
Trade and other receivables	15	**76**	165
Cash and cash equivalents	16	**47**	553
		123	718
TOTAL ASSETS		**1,531**	2,240
EQUITY AND LIABILITIES			
Equity attributable to equity holders			
Issued capital	21	**290**	251
Share premium	23	**9,363**	9,320
Share based payments reserve	24	**482**	482
Share options reserve	25	**-**	131
Capital Contribution Reserve		**427**	347
Foreign currency translation reserve		**586**	583
Retained losses		**(11,400)**	(10,467)
TOTAL EQUITY		**(252)**	647
Non-current liabilities			
Provisions	17	**-**	47
Loans	18	**-**	1,300
		-	1,347
Liabilities directly associated with assets classified as held for sale	13	**1,626**	-

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2015

Current liabilities			
Derivative financial liability	19	**-**	20
Trade and other payables	20	**157**	226
		157	246
TOTAL LIABILITIES		**1,783**	1,593
TOTAL EQUITY AND LIABILITIES		**1,531**	2,240

The Financial Statements were approved by the Board of Directors and authorised for issue on 30 March 2016 and were signed on its behalf by:



Stephen West, Director

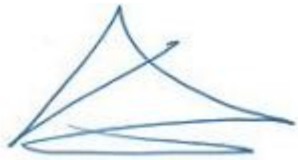
COMPANY STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2015

	Note	2015 £'000	2014 £'000
ASSETS			
Non-current assets			
Property, plant and equipment	12	**-**	1
Investment in Subsidiary	14	**-**	596
		-	597
Assets held for sale	13	**596**	-
Current assets			
Trade and other receivables	15	**21**	1,085
Cash and cash equivalents	16	**44**	547
		65	1,632
TOTAL ASSETS		**661**	2,229
EQUITY AND LIABILITIES			
Equity attributable to equity holders			
Issued capital	21	**290**	251
Share premium	23	**9,363**	9,320
Share based payments reserve	24	**482**	482
Share options reserve	25	**-**	131
Capital Contribution Reserve		**427**	347
Foreign currency revaluation reserve		**(651)**	(214)
Retained losses		**(10,983)**	(9,627)
TOTAL EQUITY		**(1,072)**	690
Non-current liabilities			
Loans	18	**-**	1,300
		-	1,300
Liabilities directly associated with assets classified as held for sale	13	**1,576**	-

COMPANY STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2015

Current liabilities			
Derivative financial liability	19	**-**	20
Trade and other payables	20	**157**	219
		157	239
TOTAL LIABILITIES		**1,733**	1,539
TOTAL EQUITY AND LIABILITIES		**661**	2,229

The Financial Statements were approved by the Board of Directors and authorised for issue on 30 March 2016 and were signed on its behalf by:



Stephen West, Director

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 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
As at 1 January 2015	**251**	**9,320**	**482**	**131**	**347**	**583**	**(10,467)**	**647**
Loss for the year	-	-	-	-	-	-	(1,040)	(1,040)
Other comprehensive income	-	-	-	-	-	3	-	3
Total comprehensive income	-	-	-	-	-	3	(1,040)	(1,037)
Issue of ordinary shares	39	19	-	-	60	-	-	118
Interest contribution from shareholder	-	-	-	-	20	-	-	20
Write-back of share options lapsed during year	-	24	-	(131)	-	-	107	-
As at 31 December 2015	290	9,363	482	-	427	586	(11,400)	(252)

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2014

	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
As at 1 January 2014	**234**	**9,279**	**1,434**	**131**	**-**	**295**	**(10,025)**	**1,348**
Loss for the year	-	-	-	-	-	-	**(1,394)**	**(1,394)**
Other comprehensive income	-	-	-	-	-	**288**	-	**288**
Total comprehensive income	-	-	-	-	-	**288**	**(1,394)**	**(1,106)**
Issue of ordinary shares	**17**	**47**	-	-	-	-	-	**64**
Transaction costs	-	**(6)**	-	-	-	-	-	**(6)**
Interest contribution from shareholder	-	-	-	-	**347**	-	-	**347**
Write-back of share options cancelled during year	-	-	**(952)**	-	-	-	**952**	-
As at 31 December 2014	**251**	**9,320**	**482**	**131**	**347**	**583**	**(10,467)**	**647**

COMPANY STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 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
As at 1 January 2015	**251**	**9,320**	**482**	**131**	**347**	**(214)**	**(9,627)**	**690**
Loss for the year	-	-	-	-	-	-	**(1,463)**	**(1,463)**
Other comprehensive income	-	-	-	-	-	**(437)**	-	**(437)**
Total comprehensive income	-	-	-	-	-	**(437)**	**(1,463)**	**(1,900)**
Issue of ordinary shares	**39**	**19**	-	-	**60**	-	-	**118**
Interest contribution from shareholder	-	-	-	-	**20**	-	-	**20**
Write-back of share options lapsed during year	-	**24**	-	**(131)**	-	-	**107**	-
As at 31 December 2015	**290**	**9,363**	**482**	-	**427**	**(651)**	**(10,983)**	**(1,072)**

COMPANY STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2014

	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
As at 1 January 2014	**234**	**9,279**	**1,434**	**131**	**-**	**(47)**	**(9,660)**	**1,371**
Loss for the year	-	-	-	-	-	-	**(919)**	**(919)**
Other comprehensive income	-	-	-	-	-	**(167)**	-	**(167)**
Total comprehensive income	**-**	**-**	**-**	**-**	**-**	**(167)**	**(919)**	**(1,086)**
Issue of ordinary shares	**17**	**47**	-	-	-	-	-	**64**
Transaction costs	-	**(6)**	-	-	-	-	-	**(6)**
Interest contribution from shareholder	-	-	-	-	**347**	-	-	**347**
Write-back of share options lapsed during year	-	-	**(952)**	-	-	-	**952**	-
As at 31 December 2014	**251**	**9,320**	**482**	**131**	**347**	**(214)**	**(9,627)**	**690**

CONSOLIDATED STATEMENT OF CASHFLOWS
FOR THE YEAR ENDED 31 DECEMBER 2015

	Note	2015 £'000	restated 2014 £'000
OPERATING ACTIVITIES			
Loss after tax from continuing operations		**(763)**	(1,012)
Adjustment to reconcile loss to net cash outflow from operating activities			
Depreciation and depletion	12	**1**	1
Amortisation	11	**-**	-
Remuneration settled in shares	21	**118**	64
Interest on loans	4	**169**	108
Expenses recharged		**(58)**	(64)
Effect of foreign exchange rates		**(16)**	255
Interest income		**-**	-
Working capital adjustments:			
(Increase)/decrease in receivables		**(13)**	94
(Decrease)/increase in trade and other payables		**(62)**	110
Net cash outflow from operating activities		**(624)**	(444)
INVESTING ACTIVITIES			
Purchase of property, plant and equipment	12	**-**	-
Interest income		**-**	-
Net cash outflow from investing activities		**-**	-
FINANCING ACTIVITIES			
Proceeds from loans	18	**195**	1,652
Net cash inflow from financing activities		**195**	1,652
Net cash flow from discontinued operations	9	**(61)**	(745)
Net (Decrease)/increase in cash and cash equivalents		**(490)**	463
Effect of foreign exchange rates		**(16)**	2
Cash and cash equivalents at the beginning of the year	16	**553**	88
Cash and cash equivalents at the end of the year	16	**47**	553

COMPANY STATEMENT OF CASHFLOWS
FOR THE YEAR ENDED 31 DECEMBER 2015

	Note	2015 £'000	2014 £'000
OPERATING ACTIVITIES			
Loss after tax		**(1,464)**	(908)
Adjustment to reconcile loss to net cash outflow from operating activities			
Depreciation	12	**1**	1
Remuneration settled in shares	21	**118**	64
Interest on loans	4	**169**	108
Expenses recharged		**(58)**	(64)
Impairment of investment in subsidiary		**701**	-
Reversal of Impairment of investment in subsidiary		**-**	(104)
Foreign exchange losses/(gains)		**(16)**	255
Interest income		**-**	-
Working capital adjustments:			
(Increase)/decrease in receivables		**(13)**	94
(Decrease)/increase in trade and other payables		**(62)**	110
Net cash outflow from operating activities		**(624)**	(444)
INVESTING ACTIVITIES			
Purchase of property, plant and equipment	12	**-**	-
Loans to subsidiary undertakings		**(59)**	(746)
Net cash outflow from investing activities		**(59)**	(746)
FINANCING ACTIVITIES			
Proceeds from loans	18	**195**	1,652
Net cash inflow from financing activities		**195**	1,652
Net Increase/(decrease) in cash and cash equivalents		**(488)**	462
Effect of foreign exchange rates		**(15)**	2
Cash and cash equivalents at the beginning of the year	16	**547**	83
Cash and cash equivalents at the end of the year	16	**44**	547

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2015

1. ACCOUNTING POLICIES

1.1 Authorisation of financial statements and statement of compliance with IFRS

Zeta Petroleum plc ("Zeta" or the "Company"), the ultimate parent of the Group, is a public company incorporated in England. The registered office and principal place of business is 1 Berkeley Street, London, W1J 8DJ. The principal activities of Zeta and its subsidiaries (the "Group") are oil and gas exploration, development and production.

The Group's consolidated financial statements for the year ended 31 December 2015 were authorised for issue by the board of directors on 30 March 2016 and the statements of financial position were signed on the Board's behalf by S P West.

The Group's consolidated financial statements and the Company's financial statements have been prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union.

The consolidated financial statements of Zeta have been prepared on a historical cost basis except for financial instruments which are measured at fair value through profit and loss. The consolidated financial statements are presented in British pounds and all values are rounded to the nearest thousand (£000) except when otherwise indicated.

The principal accounting policies adopted by the Group set out below are consistently applied to all the periods presented.

1.2 Going concern

The Group has 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 of its entire interest in the Romanian subsidiaries in exchange for full settlement of all outstanding debt owed to GMI. The agreement was executed on 11 January 2016 and the sale is expected to complete in April 2016. Zeta Petroleum Plc, ("the Company"), will become a listed shell with no cash generating assets. All liabilities arising in the Romanian operating subsidiaries up to the date of sale will form part of the assets and liabilities acquired by GMI and therefore the Going concern statement looks at the future activity of the Company, which will become a listed shell post sale.

The Company has £44,000 of cash and cash equivalents at 31 December 2015 and net current liabilities of £92,000. The Company will receive a cash payment from GMI on completion of the sale being the value of the cash and cash equivalents in the Romanian subsidiaries and the balance of the Suceava joint venture trade receivable. The Company's ability to fund its current liabilities and future operating overheads is reliant on raising further capital in the near future either through the issue of equity or debt funding. The Directors are in discussions with a number of parties who are interested in providing funding to recapitalise the Company and use the shell as an investment vehicle. The Directors are confident that further funds can be raised and it is appropriate to prepare the financial statements on a going concern basis, however there can be no certainty that these transactions will complete. These conditions indicate existence of a material uncertainty related to events or conditions that may cast significant doubt about the Company'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

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2015

statements do not include the adjustments that would be required if the Company could not continue as a going concern.

1.3 Significant accounting judgements, estimates and assumptions

The preparation of the Group's consolidated financial statements in conformity with IFRS requires management to make judgements, estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent liabilities at the date of the consolidated financial statements, and the reported amounts of revenues and expenses during the reporting period. Estimates and assumptions are continuously evaluated and are based on management's experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. However, actual outcomes can differ from these estimates if different assumptions were used and different conditions existed.

In particular, the Group has identified the following areas where significant judgements, estimates and assumptions are required, and where if actual results were to differ, may materially affect the financial position or financial results reported in future periods. Further information on each of these and how they impact the various accounting policies are described in the relevant notes to the financial statements.

(a) Recoverability of oil and gas assets

Management considers factors such as progression of exploration activity, results from further exploration activities, licence expiration dates and management's intentions to develop every reporting period to determine whether any indication of impairment exists. Under IFRS 6 Management makes an assessment of the likelihood of finding commercially recoverable resources for its Intangible Exploration Assets and only where there is any decrease in the likelihood of commercially recoverable reserves being discovered will an impairment assessment be undertaken. The Company assesses its Oil & Gas assets from each cash generating unit (CGU) every reporting period and conducts an impairment test to determine whether any indication of impairment exists. Where an indicator of impairment exists, a formal estimate of the recoverable amount is made, which is considered to be the higher of the fair value less costs to sell and value in use. These assessments require the use of estimates and assumptions such as long-term oil and gas prices (considering current and historical prices, price trends and related factors), discount rates, operating costs, future capital requirements, decommissioning costs, exploration potential, reserves and operating performance (which includes production and sales volumes). These estimates and assumptions are subject to risk and uncertainty. Therefore, there is a possibility that changes in circumstances will impact these projections, which may impact the recoverable amount of assets and/or CGUs.

Fair value is either determined as the amount that would be obtained from the sale of the asset in an arm's length transaction between knowledgeable and willing parties or as the present value of estimated future cash flows arising from the continued use of the assets. This includes estimates such as the cost of future expansion plans and eventual disposal, using assumptions that an independent market participant may take into account. Cash flows are discounted to their present value using a discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. Management has assessed its CGUs as being an individual field, which is the lowest level for which cash inflows are largely independent of those of other assets. The carrying values of the Group's licences as at 31 December 2015 were: Bobocu £220,470 (2014: £256,510); Jimbolia £259,093(2014: £295,242), Padureni £3,555 (2014: £4,130) and

Suceava £841,245 (2014: £955,124), as disclosed in notes 11 and 12. These licences have been transferred to Assets held for sale.

(b) Share based payments

The Group has issued share options to certain employees which are recognised as an expense in the Consolidated Income Statement. The expense is based on the fair value of the total amount of options granted but excluding the impact of any service or non-market performance vesting conditions (for example the requirement of the grantee to remain an employee of the Group). All amounts relating to these estimates are shown in note 24.

(c) Contingencies

By their nature, contingencies will only be resolved when one or more uncertain future events occur or fail to occur. The assessment of the existence, and potential quantum, of contingencies inherently involves the exercise of significant judgement and the use of estimates regarding the outcome of future events. All amounts relating to these estimates are shown in note 13.

(d) Market interest rates

The GMI loan carried an implicit interest rate of 10%. In accordance with IAS39 the interest expense must be measured using market rate of interest. A market rate of interest has been adjusted to that of a bond with a similar profile. The market interest rate on similar bonds is 12.5%. All amounts relating to these estimates are shown in note 18.

(e) Decommissioning

The Group has obligations in respect of decommissioning on the Suceava licence area. The extent to which a provision is recognised depends on the legal requirements at the date of decommissioning, the estimated costs and timing of the work and the discount rate applied. Decommissioning estimates for producing wells on the Suceava field are based on a range of estimates assessed by an independent expert which are periodically reviewed by Management. All amounts relating to these estimates are shown in note 17.

(f) Fair value disclosure

The embedded derivative is measured using a risk based pricing model. For more information in relation to the fair value measurement of this derivative please refer to note 19.
The fair value of financial instruments that are not traded in an active market are determined using valuation techniques. Please refer to note 27 for the judgments applied.

(g) Depletion of commercial reserves

Commercial reserves are proven and probable oil and gas reserves, calculated on an entitlement basis. Estimates of commercial reserves underpin the calculation of depletion and amortisation on a unit of production basis. Estimates of commercial reserves include estimates of the amount of oil and gas in place, assumptions about reservoir performance over the life of the field and assumptions about commercial factors which, in turn, will be affected by the future oil and gas price. All amounts relating to these estimates are shown in note 12.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2015

1.4 New Accounting Standards and Interpretations in issue but not applied in the Financial Statements

a) New standards, interpretations and amendments effective from 1 January 2015

There were no new standards or interpretations effective for the first time for periods beginning on or after 1 January 2015. None of the amendments to Standards that are effective from that date had a significant effect on the Group's financial statements.

b) New standards, interpretations and amendments not yet effective

The following new standards, interpretations and amendments, which are not yet effective and have not been adopted early in these financial statements, will or may have an effect on the Group's future financial statements:

IFRS 16 sets out the principles for the recognition, measurement, presentation and disclosure of leases for both parties to a contract, ie the customer ('lessee') and the supplier ('lessor').

All leases result in a company (the lessee) obtaining the right to use an asset at the start of the lease and, if lease payments are made over time, also obtaining financing.

Accordingly, IFRS 16 eliminates the classification of leases as either operating leases or finance leases as is required by IAS 17 and, instead, introduces a single lessee accounting model. Applying that model, a lessee is required to recognise:

a) assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value; and
b) depreciation of lease assets separately from interest on lease liabilities in the income statement.

IFRS 16 is effective from 1 January 2019. The amendments are not yet endorsed for use in the EU, expected date of endorsement is not yet determined.

1.5 Basis of consolidation

The consolidated financial statements comprise the financial statements of Zeta Petroleum plc ("Zeta") and its subsidiaries as at 31 December 2015. The financial statements of the subsidiaries are prepared for the same reporting period as the parent company, using consistent accounting policies.

All intra-group balances, transactions, income and expenses and profits and losses resulting from intra-group transactions that are recognised in assets, are eliminated in full.

Subsidiaries are fully consolidated from the date of acquisition, being the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2015

Zeta has used the exemption granted under s408 of the Companies Act 2006 that allows for the non-disclosure of the Income Statement of the parent company. The after tax loss attributable to Zeta for the year ended 31 December 2015 was £1,464,000 (2014: £908,000).

1.6 Joint operations

Joint operations are those in which the Group has certain contractual agreements with other participants to engage in joint activities that do not create an entity carrying on a trade or business on its own. The Group includes its share of assets, liabilities and cash flows in joint arrangements, measured in accordance with the terms of each arrangement, which is usually pro rata to the Group's interest in the joint operations. The Group conducts its exploration, development and production activities jointly with other companies in this way.

1.7 Foreign currencies

The consolidated financial statements are presented in British pounds. The functional currency of the Company is Australian dollars. Per IAS 21, once the functional currency of an entity is determined, it should be used consistently, unless significant changes in economic facts, events and conditions indicate that the functional currency has changed. The Company has chosen to present in British pounds as it is a company incorporated and domiciled in the United Kingdom and has adopted the Australian dollar as the functional currency as significant funds raised have been denominated in Australian dollar.

Transactions in currencies other than the functional currency of the appropriate Group company are translated at the rates of exchange prevailing on the dates of the transactions. At the date of each statement of financial position, monetary assets and liabilities denominated in foreign currencies are translated to the functional currency at the rates prevailing on the relevant date. Gains and losses arising on translation are included in the profit or loss for the year.

The functional currency of the foreign subsidiaries Zeta Petroleum (Romania) SRL and Zeta Petroleum (Suceava) SRL is Romanian New Lei (RON). Zeta translates the subsidiary accounts into the presentational currency using the closing rate method for assets and liabilities, which are translated into British pounds at the rate of exchange prevailing at the balance sheet date, and the weighted average exchange rate for the period for income statement accounts. Exchange differences arising on the translation of net assets of the subsidiary are recognised in equity.

1.8 Intangible assets

Oil and gas exploration assets

Zeta follows the successful efforts based accounting policy for oil and gas assets. The successful efforts method means that only costs which relate directly to the discovery and development of specific oil and gas reserves are capitalised.

Costs incurred prior to obtaining the legal rights to explore an area are expensed immediately to the Income Statement.

Expenditure incurred on the acquisition of a licence interest is initially capitalised on a licence by licence basis and amortised on a straight-line basis over the estimated period of exploration and, in the event that no future activity is planned, the remaining balance of licence acquisition costs is written off. Should a discovery be made, the amortisation would be suspended and the remaining costs aggregated with exploration expenditure on a field by field basis as properties awaiting approval for development. When development is approved, the relevant expenditure is transferred to tangible assets.

Exploration expenditure is expensed through the Consolidated Income Statement and capitalised only from the point where commercially viable oil or gas reserves are discovered.

Following appraisal of successful exploration wells, if commercial reserves are established and technical feasibility for extraction demonstrated, then the related capitalised exploration costs are transferred into a single field cost centre within development/producing assets after testing for impairment. Where results of exploration drilling indicate the presence of hydrocarbons which are ultimately not considered commercially viable, all related costs are written off to the Consolidated Income Statement.

All costs incurred after the technical feasibility and commercial viability of producing hydrocarbons has been demonstrated are capitalised within development/producing assets on a field by field basis.

Subsequent expenditure is capitalised only where it either enhances the economic benefits of the development/producing assets or replaces part of the existing development/producing asset. Any costs remaining associated with the part replaced are expensed.

Capital costs are amortised to write off the cost over the length of the licences. Amortisation begins from the date that the licences are ratified by the Romanian Government. The amortisation periods for the active licences are:

Bobocu 19/12/2007 – 19/12/2027

Jimbolia 25/03/2008 – 25/03/2028

Padureni 25/03/2008 – 25/03/2028

1.9 Property, plant and equipment

Property, plant and equipment consist of development and production assets and other assets, and are carried at cost, less any accumulated depreciation and accumulated impairment losses.

Development and production assets are generally accumulated on a field by field basis and include the cost of developing the commercial reserves discovered and bringing them into production, together with exploration and evaluation expenditures, incurred in finding commercial reserves, transferred from intangible exploration and evaluation assets as outlined above, which constitutes a single cash generating unit. Depletion is provided for on a cash generating unit basis on a unit of production basis over the life of the proven commercial reserves taking into account the expected future costs to extract all such reserves.

An impairment test is performed on an individual cash generating unit whenever events and circumstances indicate that the carrying value of an asset may exceed its recoverable amount. The recoverable amount is assessed as higher of fair value less cost to sell or value in use, value in use being the present value of the future cash flows expected to be derived from production of commercial reserves.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2015

The cash generating unit basis is generally the field, however, oil and gas assets, including infrastructure assets may be accounted for on an aggregated basis where such assets are economically inter-dependent.

The cost of other assets includes purchase price and construction costs for qualifying assets and borrowing costs capitalised in accordance with the Group's accounting policy. Depreciation of these assets commences when the assets are ready for their intended use.

Depreciation is charged so as to write off the cost, less estimated residual value, over their estimated useful lives using the straight-line method, for the following classes of assets: office equipment and motor vehicles (1 to 5 years).

The estimated useful lives of property, plant and equipment and their residual values are reviewed on an annual basis and, if necessary, changes in useful lives are accounted for prospectively.

The gain or loss arising on the disposal or retirement of an asset is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in the Consolidated Income Statement for the relevant period.

1.10 Decommissioning

Provisions for decommissioning costs are recognised in accordance with IAS 37 Provisions, Contingent Liabilities and Contingent Assets. Provisions are recorded at the present value of the expenditures expected to be required to settle the Group's future obligations.

Provisions are reviewed at each reporting date to reflect the current best estimate of the cost at present value. Any change in the date on which provisions fall due will change the present value of the provision. These changes are treated as a finance expense.

The unwinding of the discount is reflected as a finance expense. A decommissioning asset is also established, since the future cost of decommissioning is regarded as part of the total investment to gain access to future economic benefits, and included as part of the cost of the relevant development and production asset. Depletion on this asset is calculated under the unit of production method based on commercial reserves.

1.11 Financial instruments

Cash and cash equivalents

Cash and cash equivalents comprise cash in hand and current balances with banks and similar institutions, which are readily convertible to known amounts of cash. Cash equivalents are short-term with an original maturity of less than 3 months, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

Trade and other receivables

Trade receivables are measured at amortised cost, unless the effect of the time value of money is immaterial. Appropriate allowances for estimated irrecoverable amounts are recognised in profit or loss when there is objective evidence that the asset is impaired.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2015

Impairment of financial assets

The Group assesses at each reporting date whether a financial asset is impaired and will recognise the impairment loss immediately through the income statement.

Financial liabilities

All financial liabilities are initially stated at their fair value, less transaction costs and subsequently at amortised cost. Derivative financial liabilities are measured at fair value through profit and loss.

Interest bearing loans and borrowings

Borrowings are initially recognised at the fair value of consideration received less directly attributable transaction costs. After initial recognition, borrowings are subsequently measured at amortised cost using the effective interest rate method. Where borrowings are provided by shareholders at an interest rate discounted to market rates, the difference on initial fair value is taken to equity as a capital contribution.

Where the Group has entered into a Hybrid instrument whereby there is a debt instrument and an embedded derivative financial liability, the fair value of the debt instrument less the fair value of the derivative financial liability is equal to loan recognised on initial measurement.

1.12 Share-based payments

Share options

The Group issues equity-settled share-based payments to the directors and senior management ("Employee Share Options") and to its corporate finance advisers for assistance in raising private equity and to convertible loan providers ("Non-employee Share Options"). Equity-settled share-based payments are measured at fair value at the date of grant for Employee Share Options and the date of service for Non-employee Share Options. The fair value determined at the grant date or service date, as applicable, of the equity-settled share-based payments is expensed, with a corresponding credit to equity, on a straight-line basis over the vesting period, based on the Group's estimate of shares that will eventually vest. At each subsequent reporting date the Group calculates the estimated cumulative charge for each award having regard to any change in the number of options that are expected to vest and the expired portion of the vesting period. The change in this cumulative charge since the last reporting date is expensed with a corresponding credit being made to equity. Once an option vests, no further adjustment is made to the aggregate amount expensed. The fair value is calculated using the Black Scholes method for both Employee and Non-employee Share Options as management views the Black Scholes method as providing the most reliable measure of valuation. The expected life used in the model has been adjusted, based on management's best estimate, for the effects of non-transferability exercise restrictions and behavioural considerations. The market price used in the model is the issue price of Company shares at the last placement of shares immediately preceding the calculation date. The fair values calculated are inherently subjective and uncertain due to the assumptions made and the limitation of the calculations used.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2015

1.13 Taxation

Income tax expense represents the sum of the current tax payable and deferred tax.

The current tax payable is based on taxable profit for the period. Taxable profit differs from net profit as reported in the income statement because it excludes items of income and expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the reporting date.

Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amount of assets and liabilities in the financial statements and the corresponding tax base used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the tax profit nor the accounting profit.

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries, and interests in joint ventures, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the asset to be recovered. Any such reduction shall be reversed to the extent that it becomes probable that sufficient taxable profit will be available.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset realised based on tax rates and laws substantively enacted by the reporting date.

Deferred tax is charged or credited in the income statement, except when it relates to items charged or credited outside profit or loss, in which case the deferred tax is also dealt with outside profit and loss.

Deferred tax assets and liabilities are offset when there exists a legal and enforceable right to offset and they relate to income taxes levied by the same taxation authority and the Group intends to settle its current tax assets and liabilities on a net basis.

1.14 Revenue recognition

Sales of oil and gas products are recognised when the significant risks and rewards of ownership have passed to the buyer and it can be reliably measured. The off-take sales agreement defines the point at which the buyer assumes all significant risks and rewards of ownership. Other services are recognised when the services have been performed. Revenue is measured at the fair value of the consideration received, excluding discounts, rebates, VAT and other sales taxes or duty.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2015

Royalties payable to the Romanian Government on gas sales revenue are disclosed as Cost of Goods Sold in the Consolidated Income Statement.

At the reporting date the Group has production from the Climauti and Ruda-1 gas fields which is sold to a single industrial user, and the Dornesti Sud-1 well on the Suceava concession via a gas to power on-site generator. Electricity generated from the Dornesti Sud-1 is sold directly to a single industrial user.

In 2014 the Group reported other income which arose from a settlement with and insurance provider over a disputed claim from a well drilled in 2010 and the refund of security deposits on the Suceava licence which had been recognised as an expense in the Consolidated Income Statement in prior years.

1.15 Interest income

Interest is recognised when accrued (using the effective interest method). Interest income is included in finance revenue in the income statement.

1.16 Share issue expenses and share premium account

Costs of share issues are written off against the premium arising on the issue of share capital.

1.17 Provisions and contingencies

Provisions are recognized when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

Contingent liabilities are not recognized in the consolidated financial statements. They are disclosed unless the possibility of an outflow of resources embodying economic benefits is remote. Contingent assets are not recognized in the consolidated financial statements but disclosed when an inflow of economic benefits is probable. Contingent assets are assessed continually to ensure that developments are appropriately reflected in the consolidated financial statements. If it has become virtually certain that an inflow of economic benefits will arise, the asset and the related income are recognized in the consolidated financial statements.

1.18 Assets held for sale

Assets are classified as held for sale when:

- They are available for immediate sale;
- Management is committed to a plan to sell;
- It is unlikely that significant changes to the plan will be made or that the plan will be withdrawn;
- An active programme to locate a buyer has been initiated;

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2015

- The asset is being marketed as a reasonable price in relation to its fair value; and
- A sale is expected to complete within 12 months from the date of classification.

Assets are classified as held for sale are measured at the lower of:
- Their carrying amount immediately prior to being classified as held for sale in accordance with the Group's accounting policy; and
- Fair value less disposal cost.

Following their classification as held for sale, non-current assets are not depreciated.

The results of operations disposed during the year are included in the consolidated statement of comprehensive income up to the date of disposal.

A discontinued operation is a component of the Group's business that represents a separate major line of business or geographical area of operations or is a subsidiary acquired exclusively with a view to resale, that has been disposed of, has been abandoned or that meets the criteria to be classified as held for sale.

Discontinued operations are presented in the consolidated statement of comprehensive income as a single line which comprises the post-tax profit or loss of the discontinued operation along with the post-tax gain or loss recognised on the re-measurement to fair value less costs to sell or on disposal of the assets or disposal groups constituting discontinued operations.

The 2014 comparatives in the consolidated statement of comprehensive income and the Consolidated Statement of Cashflows have been restated to distinguish between results from continuing operations and discontinued operations. For further detail on the results from discontinued operations refer to Note 9.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2015

2. SEGMENT INFORMATION

The Group has one reportable segment, the exploration, development and production of oil and gas in Romania (Discontinued Operation) 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 tables present expenditure and certain asset information regarding the Group's geographical segments for the year ended 31 December 2015:

	2015 £'000	2014 £'000
SEGMENT ASSETS		
United Kingdom		
- Non-current	**-**	1
- Current	**65**	556
Romania		
- Non-current	**-**	1,521
- Current	**58**	162
- Held for sale	**1,408**	-
Total		
- Non-current	**-**	1,522
- Current	**123**	718
- Held for sale	**1,408**	-
CAPITAL EXPENDITURE		
United Kingdom	**-**	-
Romania	**34**	552
	34	552

Capital expenditure consists of the purchase of property, plant and equipment and exploration and evaluation expenditure as recorded in the Consolidated Income Statement.

3. OPERATING LOSS

	GROUP	
	2015 £'000	2014 £'000
Operating loss is stated after charging:		
Amortisation (note 11)	**35**	39
Depreciation and depletion (note 12)	**91**	134
Net foreign exchange differences	**48**	359

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2015

4. FINANCING COSTS

	GROUP	
	2015	2014
	£'000	£'000
Interest payable on loans	**169**	108
Total financing costs	**169**	108

5. AUDITORS' REMUNERATION

	GROUP	
	2015	2014
	£'000	£'000
Audit services		
Fees payable to the Company's auditors for the audit of the Group's consolidated accounts	**32**	30
	32	30

6. EMPLOYMENT COSTS

	GROUP	
	2015	2014
	£'000	£'000
Wages and salaries	**216**	268
Social security costs	**21**	10
Share based payments arising from equity-settled share based payment transactions	**-**	-
	237	278

The weighted average number of employees (including executive directors but excluding non-executive directors) during the year was:

	GROUP	
	2015	2014
Management	**-**	-
Administration	**3**	3
	3	3

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2015

7. REMUNERATION OF DIRECTORS AND KEY MANAGEMENT PERSONNEL

GROUP AND COMPANY:	**2015 £'000**	2014 £'000
Basic salary and fees	**359**	406
Share based payments	**-**	-
Termination benefits	**-**	-
	359	406

	2015				2014			
	Basic salary and fees £'000	**Share based payments £'000**	**Termination benefits £'000**	**Total £'000**	Basic salary and fees £'000	Share based payments £'000	Termination benefits £'000	Total £'000
T. Osborne	**12**	**-**	**-**	**12**	12	-	-	12
P. Crookall	**-**	**-**	**-**	**-**	4	-	-	4
S. West[1]	**32**	**-**	**-**	**32**	12	-	-	12
B. Popescu	**32**	**-**	**-**	**32**	101	-	-	101
O. Cairns[2]	**13**	**-**	**-**	**13**	16	-	-	16
J. Hayward[3]	**20**	**-**	**-**	**20**	70	-	-	70
G. Hancock	**8**	**-**	**-**	**8**	-	-	-	-
Total Directors	**117**	**-**	**-**	**117**	215	-	-	215
A. Morrison[4]	**112**	**-**	**-**	**112**	111	-	-	111
B. Hodges	**120**	**-**	**-**	**120**	70	-	-	70
J. Micu	**10**	**-**	**-**	**10**	10	-	-	10
Total Other Management Personnel	**242**	**-**	**-**	**242**	191	-	-	191

S West and B Popescu were the highest paid Directors in the 2015 Financial Year.

There were no post-employment benefits or other long term benefits paid to directors or employees.

Details of interests in share options for each director are set out in the Directors Report on page 9.

[1] Basic salary and fees paid to S West in includes consultancy fees paid through a service company.
[2] Basic salary and fees paid to O Cairns in 2015 and 2014 were all paid through a service company.
[3] Basic salary and fees paid to J Hayward in 2015 and 2014 were all paid through a service company.
[4] Basic salary and fees paid to A Morrison were consultancy fees paid through a service company.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2015

8. TAXATION

	2015	2014
	£'000	£'000
Total income tax:		
Total income tax charge	**-**	-

A reconciliation of the income tax expense applicable to the accounting loss before tax at the statutory income tax rate to the income tax expense at the Group's effective income tax rate is as follows:

	2015	2014
	£'000	£'000
Accounting loss before tax	**(1,040)**	(1,394)
Expected tax credit at standard UK effective corporation tax of 20% (2014 – 20%)	**(208)**	(279)
Disallowed (income)/expenses	**26**	42
Unrecognised temporary differences on licenses and exploration costs	**10**	13
Effect of lower tax rates in Romania	**7**	12
Unrecognised tax losses	**165**	212
Tax charge for the year	**-**	-

The Group has tax losses arising in the UK of £9,664,112 (2014: £8,969,273) and a deferred tax asset not recognised in the accounts of £1,739,540 (2014: £2,081,404) that are available indefinitely for offset against future taxable profits of the companies in which these losses arose. In addition the Group has tax losses arising in Romania of £7,629,679 (2014: £10,191,999) and a deferred tax asset not recognised in the accounts of £1,220,749 (2014: £1,630,720) that are eligible to be carried forward for up to seven years. The Directors do not consider it appropriate to provide for any deferred tax asset on the basis that there are insufficient profits arising in the foreseeable future against which to offset the losses.

At year end the Company had an unrecognised deferred tax asset of £73,070 (2014: £73,045) arising from share based payments

Deferred tax assets of the Group comprising £3,488 (2014: £3,636) arising from deferred capital allowances, £576,605 (2014: £606,522) in respect of exploration costs and £44,566 (2014: £55,188) in respect of licenses acquired have not been recognised in the consolidated financial statements on the basis that there will not be sufficient taxable profits for the temporary difference to be reversed in the foreseeable future.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2015

9. DISCONTINUED OPERATIONS

The Company has entered in to an agreement for the sale of its Romanian oil & gas assets to it's largest shareholder GMI in exchange for full settlement of all outstanding debt owed to GMI which is expected to complete in April 2016.

Result of discontinued operations

	2015 £'000	2014 £'000
Revenue	**291**	283
Cost of goods sold	**(161)**	(168)
Exploration and evaluation expenses	**(14)**	(25)
Administrative expenses	**(332)**	(444)
Other income	**-**	8
Foreign exchange loss	**(61)**	(36)
Loss for the year	**(277)**	(382)

Earnings per share from discontinued operations

	2015 £'000	2014 £'000
Basic and diluted loss per share	**(4.00)p**	(6.00)p

The basic and diluted loss per share for the 2014 comparative year have been restated for the effect of the share consolidation.

Statement of cash flows

	2015 £'000	2014 £'000
Operating activities	**(27)**	(193)
Investing activities	**(35)**	(552)
Financing activities	**-**	-
Net cash from discontinued operations	**(61)**	(745)

Refer to note 13 for further details on Assets Held for Sale.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2015

10. LOSS PER SHARE

	Continuing operations 2015 £'000	**Discontinued operations 2015 £'000**	**Total 2015 £'000**	Continuing operations 2014 £'000	Discontinued operations 2014 £'000	Total 2014 £'000
Loss for the year	**(763)**	**(277)**	**(1,040)**	(1,012)	(382)	(1,394)
Loss for the year attributable to the equity holders	**(763)**	**(277)**	**(1,040)**	(1,012)	(382)	(1,394)

Basic and diluted loss per share is calculated on the loss for the year attributable to equity holders of the parent of £1,040,000 (2014: £1,394,000) and divided by the weighted average of 6,775,030 (2014: 242,805,754 [6,070,144 adjusting for the effect of the share consolidation]) ordinary shares.

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 24.

The basic and diluted loss per share for the 2014 comparative year have been restated for the effect of the share consolidation.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2015

11. INTANGIBLE ASSETS

	Licence Acquisition Costs £'000	Total £'000
Cost:		
As at 1 January 2014	956	956
Effect of movement in foreign exchange	(62)	(62)
At 31 December 2014	894	894
Effect of movement in foreign exchange	**(62)**	**(62)**
Re-classified to assets held for sale	**(832)**	**(832)**
At 31 December 2015	**-**	**-**
Amortisation:		
As at 1 January 2014	(322)	(322)
Provided in the year (see note 3)	(39)	(39)
Effect of movement in foreign exchange	23	23
At 31 December 2014	(338)	(338)
Provided in the year (see note 3)	**(35)**	**(35)**
Effect of movement in foreign exchange	**24**	**24**
Re-classified to assets held for sale	**(349)**	**(349)**
At 31 December 2015	**-**	**-**
Net book value at 1 January 2014	634	634
Net book value at 31 December 2014	556	556
Net book value at 31 December 2015	**-**	**-**

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2015

12. PROPERTY, PLANT AND EQUIPMENT

	GROUP		
	Office Equipment £'000	Oil & Gas Assets £'000	Total £'000
Cost:			
As at 1 January 2014	43	633	676
Additions	-	599	599
Effect of movement in foreign exchange	1	(44)	(43)
As at 31 December 2014	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)**
As at 31 December 2015	**34**	**-**	**34**
Depreciation:			
As at 1 January 2014	(40)	(106)	(146)
Provided in the year (see note 3)	(4)	(130)	(134)
Effect of movement in foreign exchange	3	11	14
As at 31 December 2014	(41)	(225)	(266)
Provided in the year (see note 3)	**(3)**	**(88)**	**(91)**
Effect of movement in foreign exchange	**2**	**14**	**16**
Re-classified to assets held for sale	**8**	**299**	**307**
As at 31 December 2015	**(34)**	**-**	**(34)**
Net book value at 1 January 2014	3	527	530
Net book value at 31 December 2014	3	963	966
Net book value at 31 December 2015	**-**	**-**	**-**

The Oil & Gas assets 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 FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2015

	COMPANY	
	Office Equipment £'000	**Total £'000**
Cost:		
As at 1 January 2014	34	34
Additions	-	-
As at 31 December 2014	34	34
Additions	**-**	**-**
As at 31 December 2015	**34**	**34**
Depreciation:		
As at 1 January 2014	(32)	(32)
Provided in the year	(1)	(1)
As at 31 December 2014	(33)	(33)
Provided in the year	**(1)**	**(1)**
As at 31 December 2015	**(34)**	**(34)**
Net book value at 1 January 2014	2	2
Net book value at 31 December 2014	1	1
Net book value at 31 December 2015	**-**	**-**

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2015

13. 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, exchange for full settlement of all outstanding debt owed to GMI ("Sale and Purchase Agreement" or "SPA"). The total amount of debt owed to GMI as of 31 December 2015 was £1,576,989 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.

On 8 February at a General Meeting shareholders voted in favour of the Sale and Purchase Agreement. The SPA is expected to be completed in April 2016.

(ii) Disposal activities after reporting date not recognised

As the completion of the asset sale completed after balance date any gain or loss 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 31 December:

	GROUP		COMPANY	
	2015 £'000	2014 £'000	**2015 £'000**	2014 £'000
Intangible assets	**483**	-	**-**	-
Property plant and equipment	**843**	-	**-**	-
Trade & other receivables	**82**	-	**-**	-
Investment in subsidiaries	**-**	-	**596**	-
Assets held for sale	**1,408**	-	**596**	-
Provisions	**45**	-	**-**	-
Loans	**1,576**	-	**1,576**	-
Trade and other payables	**5**	-	**-**	-
Liabilities held for sale	**1,626**	-	**1,576**	-

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 FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2015

14. INVESTMENT IN SUBSIDIARIES

		COMPANY	
		2015	2014
		£'000	£'000
Cost:			
As at start of year		**596**	596
Re-classified to assets held for sale	13	**(596)**	-
As at end of year		**-**	596

The Company's directly held subsidiaries are Zeta Petroleum (Romania) SRL and Zeta Petroleum (Suceava) SRL. The Company holds one indirect subsidiary, Zeta Petroleum (Bobocu) SRL which is owned by Zeta Petroleum (Romania) SRL. All are Romanian incorporated companies in which the Company directly or indirectly holds 100% of the entire issued capital. The principal activities of the Company's subsidiaries are exploration and development and the companies operate in Romania.

15. TRADE RECEIVABLES

	GROUP		COMPANY	
	2015 **£'000**	2014 £'000	**2015** **£'000**	2014 £'000
Amounts due within one year:				
VAT receivables	**82**	83	**4**	3
GST receivables	**1**	-	**1**	-
Other receivables	**1**	1	**1**	1
Loans to joint operating partner	**53**	76	**-**	-
Prepayments	**21**	5	**15**	5
Amounts receivable from subsidiary undertaking	**-**	-	**-**	1,076
Re-classified to assets held for sale	**(82)**	-	**-**	-
Total amounts due within one year	**76**	165	**21**	1,085

An impairment of investment charge of £701,000 was made against amounts receivable from subsidiary undertaking in 2015 (2014 £87,000).

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2015

16. CASH AND CASH EQUIVALENTS

	GROUP		COMPANY	
	2015 £'000	2014 £'000	**2015 £'000**	2014 £'000
Cash at bank and on hand	**47**	553	**44**	547
As at end of year	**47**	553	**44**	547

Cash at bank earns interest at floating rates. Short-term deposits are made for varying periods of between one day and one month depending on the future cash requirements of the Group, and earn interest at the respective short-term deposit rates. The fair value of the Group's and Company's cash and cash equivalents is £47,000 (2014: £553,000) and £44,000 (2014: £547,000) respectively.

The Company seeks to allocate cash balances between deposits earning a higher rate of interest and deposits that are at call and used to fund operations and working capital requirements.

17. PROVISIONS

A provision for decommissioning of the Climauti gas field is required under Romanian law. This provision is equivalent to 1% of net gas revenue generated by the field. Decommissioning of the field will take place after all commercially recoverable reserves of gas have been extracted. There is a degree of uncertainty as to the timing of these decommissioning outflows due to the possibility of variance between actual and forecast gas production rates and the potential for sand blockage or other obstruction causing remaining reserves to become economically unrecoverable.

	GROUP	
	2015 £'000	2014 £'000
Provision for Decommissioning		
As at start of year	**47**	3
Arising during the year	**-**	44
Effect of movement in foreign exchange	**(2)**	-
Re-classified to Liabilities directly associated with assets classified as held for sale	**(45)**	-
As at end of year – Provision for Decommissioning	**-**	47

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2015

18. LOANS

	GROUP		COMPANY	
	2015 £'000	2014 £'000	**2015 £'000**	2014 £'000
Non-current	**-**	1,300	**-**	1,300
Current	**-**	-	**-**	-

As at 31 December 2015 the Company had two separate loan facilities with GMI.

Details of the two loans are as follows:

The first loan was a facility Consolidated on 31 December 2014 and matures on 14 May 2020, has a 10% coupon with interest being accrued daily, compounded quarterly and payable upon maturity unless otherwise converted into ordinary shares. It is unsecured and repayment is to be made in USD and the position is unhedged. The amount of this loan inclusive of accrued but unpaid interest as at 31 December 2015 is £1,359,307 (AU$3,423,600) (31 December 2014 £1,299,819; AU$3,101,613).

The second loan was agreed with GMI on 27 May 2015. Under the terms of the Loan GMI provided a loan facility of USD$500,000 with the Company being entitled to draw upon the facility in instalment amounts of USD$100,000 at any time up to 30 November 2015 with interest payable at twelve and a half per cent (12.5%) per annum with repayment of the Loan and interest to be made at any time but before 31 December 2015. As at 31 December 2015 the entire amount of £217,682 (USD$318,185) including accrued but unpaid interest remained unpaid.

Post balance date on 12 January 2016 the company announced that it had signed an agreement with its largest shareholder GMI for the sale of its Romanian oil & gas assets to GMI in exchange for full settlement of all outstanding debt owed to GMI ("Sale and Purchase Agreement" or "SPA"). Consequently as at 31 December 2015 the total combined amount of both loans of £1,576,989 was re-classified to Liabilities directly associated with assets classified as held for sale.

Refer to note 13 for further details on Liabilities directly associated with assets classified as held for sale.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2015

19. DERIVATIVE FINANCIAL LIABILITY

	GROUP		COMPANY	
	2015 £'000	2014 £'000	**2015 £'000**	2014 £'000
Loans				
Non-current	**-**	-	**-**	-
Current	**-**	20	**-**	20

GMI has the option to convert any part or all of the Consolidated Loan amount and accrued but unpaid interest at any time following the Company being listed on the London Stock Exchange ("LSE") ('Admission') within the authorities approved by shareholders as long as conversion will not result in GMI holding greater than 29.9% of the issued share capital of the Company. The ordinary shares issued upon any conversion of the Consolidated Loan will be issued at the lower of a 20 per cent discount to the issue price at Admission, or the volume weighted average price of Zeta's ordinary shares as traded on the LSE during the five days prior to the conversion date. This Conversion Option is an embedded derivative contained within the Loan.

The value of this embedded derivative was measured using a risk based pricing model.

This calculation has been based on the assumption that GMI elects to convert the maximum number of shares possible on day 1 following Admission.

The derivative financial liability had a fair value of £nil as at 31 December 2015 as all loans owed to GMI are to be fully settled upon completion of the SPA removing the possibility of conversion into ordinary shares.

20. TRADE AND OTHER PAYABLES

	GROUP		COMPANY	
	2015 £'000	2014 £'000	**2015 £'000**	2014 £'000
Trade payables	**47**	60	**47**	60
Other taxes and social security costs	**25**	6	**22**	2
Accruals	**90**	160	**88**	157
Re-classified to Liabilities directly associated with assets classified as held for sale	**(5)**			
	-	-	**-**	-
As at end of year	**157**	226	**157**	219

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2015

21. SHARE CAPITAL

GROUP AND COMPANY:	**31 December 2015 Number**	**31 December 2015 £'000**	31 December 2014 Number	31 December 2014 £'000
Allotted, issued and fully paid:				
As at start of year	**251,483,799**	**251**	234,362,250	234
Share consolidation[i]	**(245,196,732)**	**-**	-	-
Issue of new shares:				
- Allotment 30 June 2015 [ii]	**967,970**	**39**	-	-
- Allotment 7 July 2014 [iii]	**-**	**-**	17,121,549	17
As at end of year	**7,255,037**	**290**	251,483,799	251

[i] On 15 April the Group consolidated its Share Capital to 1 share for every 40 held.
[ii] Allotment 30 June 2015: 967,970 shares with a nominal value of £0.04 were issued to Directors in lieu of cash for services rendered totalling £117,850.
[iii] Allotment 7 July 2014: 17,121,549 shares with a nominal value of £0.001 were issued to Directors in lieu of cash for services rendered totalling £63,581.

22. RESERVES

Issued capital relates to the nominal value of the shares issued. Share premium relates to the excess of consideration paid over the nominal value of the shares after deducting related expenses.

Share based payments reserve relates to the equity element of share option transactions with employees and brokers adjusted for transfer on exercise, cancellation or expiry of options.

Share options reserve relates to the equity element of share option transactions with shareholders adjusted for transfer on exercise, cancellation or expiry of options.

Capital contribution reserve relates to the difference between the nominal value and the fair value of the shareholder loan.

Foreign currency translation reserve relates to the foreign exchange effect of the retranslation of the Group's overseas subsidiaries on consolidation into the Group's financial statements.

Retained losses is the cumulative net losses recognised in the Statement of Comprehensive Income adjusted for transfers on exercise, cancellation or expiry of options from the share based payments reserve.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2015

23. SHARE PREMIUM

GROUP AND COMPANY:	**2015 £'000**	2014 £'000
As at start of year	**9,320**	9,279
Arising on shares issued	**19**	41
Lapse of options	**24**	-
As at end of year	**9,363**	9,320

24. SHARE BASED PAYMENT RESERVE

GROUP AND COMPANY:	**2015 £'000**	2014 £'000
As at start of year	**482**	1,434
Cancellation of options – employees	**-**	(952)
As at end of year	**482**	482

The expense recognised for employee and non-employee services during the year is shown in the following table:

GROUP AND COMPANY:	**2015 £'000**	2014 £'000
Expense arising from equity-settled share-based payment transactions	**-**	**-**
Total expense arising from share-based payment transactions	**-**	-

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 as stated in note 1.12. 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.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2015

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 as stated in note 1.12. and not the value of services provided as this is deemed the most appropriate method of valuation. In all cases non-employee option holders received cash remuneration in consideration for services rendered in accordance with agreed letters of engagement. 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 three 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.

GROUP AND COMPANY:	**2015 Number**	**2015 WAEP[i] £**	2014 Number	2014 WAEP £
Outstanding at the beginning of the year	**84,922,854**	**0.05**	88,146,348	0.07
Granted during the year	**-**	**-**	15,576,506	0.02
Share consolidation	**(82,799,821)**	**0.05**	-	-
Lapsed during the year	**(1,689,881)**	**2.00**	(7,350,000)	0.02
Cancelled during the year	**-**	**-**	(11,450,000)	
				0.02
Outstanding at end of year	**433,152**	**1.37**	84,922,854	0.05
Exercisable at end of year	**365,027**	**1.21**	76,472,854	0.05

The weighted average remaining contractual life for the share options outstanding as at 31 December 2015 is 4.48 years (2014: 4.63 years). The weighted average fair value of options granted during the year was nil pence (2014: 0.00003 pence). The range of exercise prices for options outstanding at the end of the year was £1.60 – £8.00 (2014: £0.02 – £0.16).

The following table lists the inputs to the models used for the two plans for the years ended 31 December 2015 - 31 December 2012:

	2014 (EMP)	**2014 (NEMP)**	2013 (EMP)	2013 (NEMP)	2012 (EMP)	2012 (NEMP)
Expected volatility %	**32.71 – 34.73**	**34.73-**	-	69.75	85.26	85.26
Risk-free interest rate %	**2.44**	**2.44**	-	2.442–2.533	3.50	3.00
Expected life of options (years)	**7**	**2**	-	0.8-1.8	1-7	1-7
WAEP[1] - pence	**2**	**2**	-	2	13	19
Expected dividend yield	**-**	**-**	-	-	-	-
Model used	**Black Scholes**	**Black Scholes**	Black Scholes	Black Scholes	Black Scholes	Black Scholes

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2015

Broker Options
On 28 February 2014 Loeb Aron & Co. were issued 25,000 share options pursuant to an engagement letter. The options have an exercise price of $1.60 any time prior to the expiry date of 6 February 2016.

Management Options
On 28 February 2014 a senior employee was issued 75,000 share options. The options have an exercise price of $1.60 any time prior to the expiry date of 6 February 2021.

Unlisted Options
On 14 May 2014 GM Investment & Co. were issued 125,000 share options pursuant to a loan agreement. The options have an exercise price of $2.00 any time prior to the expiry date of 14 May 2020.

Management Options
On 4 July 2014 directors were issued a total of 136,250 share options. The options have an exercise price of $1.60 any time prior to the expiry date of 4 July 2021.

The above options are all stated after adjusting for the effect of the share consolidation.

25. SHARE OPTIONS RESERVE

GROUP AND COMPANY:	2015 £'000	2014 £'000
As at start of year	**131**	**131**
Options lapsed	**(131)**	**-**
As at end of year	**-**	**131**

26. EXPENSES BY NATURE

	GROUP	
	2015 £'000	2014 £'000
Personnel expense	**237**	278
Professional fees	**41**	86
Travel	**32**	52
Management consultancy	**112**	111
Other	**517**	592
Total administration expenses	**939**	1,119

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2015

27. FINANCIAL INSTRUMENTS

The Group's and Company's principal financial instruments comprise cash and cash equivalents, short-term deposits and borrowings. The main purpose of these financial instruments is to finance the Group's operations. The Group has other financial instruments which mainly comprise trade payables which arise directly from its operations. Exposure to currency and interest rate risks arise in the normal course of the Group's business.

Foreign currency risk

The Group operates internationally and has monetary assets and liabilities in currencies other than the functional currency of the operating company involved.

Foreign currency risk arises due to assets and liabilities denominated in non-Australian dollar ('AUD') currencies changing in real AUD terms due to movement in foreign exchange rates against the Australian dollar.

The Group does not use foreign exchange contracts to hedge its currency risk.

The Group's financial assets and liabilities are denominated in the different currencies as set out below. The table is displayed as Australian dollars which is the functional currency of the Company:

	British Pounds A$'000	US Dollars A$'000	Euros A$'000	Romanian New Lei A$'000	Total A$'000
Current Assets - 2015					
Cash and cash equivalents	**38**	**31**	**4**	**5**	**78**
Trade and other receivables	**42**	**-**	**-**	**157**	**199**
Liabilities - 2015					
Trade and other payables	**305**	**-**	**10**	**9**	**324**
Current Assets - 2014					
Cash and cash equivalents	169	185	588	8	950
Trade and other receivables	17	-	-	154	159
Liabilities - 2014					
Trade and other payables	379	-	29	13	147

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2015

Foreign currency risk sensitivity analysis:

	2015 £'000	2014 £'000
Change in profit/(loss) (AUD:EUR)	**(2)**	(24)
Improvement in AUD to EUR by 10%	**2**	24
Decline in AUD to EUR by 10%		
Change in profit/(loss) (AUD:RON)		
Improvement in AUD to RON by 10%	**(1)**	(7)
Decline in AUD to RON by 10%	**1**	7

The Company's financial assets and liabilities are denominated in the different currencies as set out below:

	British Pounds A\$'000	**US Dollars A\$'000**	**Euros A\$'000**	**Romanian New Lei A\$'000**	**Total A\$'000**
Current Assets - 2015					
Cash and cash equivalents	**38**	**31**	**2**	**-**	**71**
Trade and other receivables[i]	**42**	**-**	**13,079**	**2,804**	**15,925**
Liabilities - 2015					
Trade and other payables	**305**	**-**	**10**	**-**	**315**
Current Assets - 2014					
Cash and cash equivalents	169	185	584	-	938
Trade and other receivables[i]	17	-	12,802	2,843	15,650
Liabilities - 2014					
Trade and other payables	379	-	29	-	134

[i] Includes loans to Romanian subsidiaries before impairment provision.

Interest rate risk

The Group and Company earn interest from bank deposits at floating rates. The interest rate on the first loan from GM Investment & Co. is fixed at 10% and the interest rate on the second loan from GM Investment & Co. is fixed at 12.5%

The interest rate profile of the financial assets of the Group and Company as at the end of the year is as follows (excluding short-term assets and liabilities, non-interest bearing):

	GROUP		**COMPANY**	
	2015 £'000	2014 £'000	**2015 £'000**	2014 £'000
Floating rate – within one year:				
Financial Assets				
- Cash and cash equivalents	**47**	553	**44**	547

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2015

Liquidity Risk

The Group and Company monitor liquidity risk on a monthly basis by maintaining cashflow summaries and forecasts extending out for a twelve month period. The Group and Company have no long term cash investments at reporting date. In order to meet both overhead and operational cashflow obligations the Group and Company issues additional equity for cash, obtains debt finance and divests interests in asset licenses in order to fund other areas of the business.

The table below summarises the maturity profile of the Group's financial liabilities (undiscounted amounts of principal and related interest) at 31 December 2015 and 2014 based on contractual undiscounted payments. 2015 does not include Loans which have been reclassified as Liabilities held for sale:

	On Demand £'000	Less than 3 months £'000	3 to 12 months £'000	1 to 5 years £'000	Over 5 years £'000	Total £'000
Year ended 31 December 2014						
Loans	-	-	-	-	1,300	1,300
Trade and other payables	-	220	-	-	-	220
As at 31 December 2014	-	220	-	-	1,300	1,520
Year ended 31 December 2015						
Loans	-	-	-	-	-	-
Trade and other payables	-	132	-	-	-	132
As at 31 December 2015	**-**	**132**	**-**	**-**	**-**	**132**

The table below summarises the maturity profile of the Company's financial liabilities at 31 December 2015 and 2014 based on contractual undiscounted payments.

	On Demand £'000	Less than 3 months £'000	3 to 12 months £'000	1 to 5 years £'000	Over 5 years £'000	Total £'000
Year ended 31 December 2014						
Loans	-	-	-	-	1,300	1,300
Trade and other payables	-	217	-	-	-	217
As at 31 December 2014	-	217	-	-	1,300	1.517
Year ended 31 December 2015						
Loans	-	-	-	-	-	-
Trade and other payables	-	135	-	-	-	135
As at 31 December 2015	**-**	**135**	**-**	**-**	**-**	**135**

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2015

Credit Risk

The Group trades only with recognised, creditworthy third parties. With respect to credit risk arising from the other financial assets of the Group, which is comprised of cash and receivables, the Group's exposure to credit risk arises from default of the counterparty, with a maximum exposure equal to the carrying amount of cash and cash equivalents. The Group limits its counterparty credit risk on these assets by dealing only with financial institutions with credit ratings of at least A or equivalent. As of December 31, 2015 and 2014, there were no past due or impaired financial assets. There is an immaterial balance held in Romanian bank accounts where the credit risk is deemed to be immaterial.

The table below summarizes the Group's and Company's exposure to credit risk for the components of the balance sheets:

	Note	GROUP		COMPANY	
		2015 £'000	2014 £'000	**2015 £'000**	2014 £'000
Cash and cash equivalents	16	**47**	553	**44**	547
Trade and other receivables	15	**1**	1	**1**	1
Amounts receivable from subsidiary	15	**-**	-	**-**	1,076
		48	554	**45**	1,624

Fair values of financial assets and financial liabilities

Set out below is a comparison by class of the carrying amounts and fair values of the Group's financial instruments that are carried in the financial statements.

	2015		2014	
	Carrying Values £'000	**Fair Values £'000**	Carrying Values £'000	Fair Values £'000
Financial assets				
Cash and cash equivalents	**47**	**47**	553	553
Trade and other receivables	**1**	**1**	1	1
Loans and receivables	**48**	**48**	554	554
Financial liabilities				
Trade and other payables	**(132)**	**(132)**	(1,520)	(1,520)
Financial liabilities measured at amortised cost	**(132)**	**(132)**	(1,520)	(1,520)
	(84)	**(84)**	(966)	(966)

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2015

Set out below is a comparison by class of the carrying amounts and fair values of the Company's financial instruments that are carried in the financial statements.

	2015		2014	
	Carrying Values £'000	**Fair Values £'000**	Carrying Values £'000	Fair Values £'000
Financial assets				
Cash and cash equivalents	**44**	**44**	547	547
Trade and other receivables	**1**	**1**	1	1
Amounts receivable from subsidiary	**-**	**-**	1,076	1,076
Loans and receivables	**45**	**45**	1,624	1,624
Financial liabilities				
Trade and other payables	**(135)**	**(135)**	(1,517)	(1,517)
Financial liabilities measured at amortised cost	**(135)**	**(135)**	(1,517)	(1,517)
	90	**90**	107	107

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.

Financial Instruments Carried at Fair Value

The fair value information as of December 31, 2015 and 2014 of financial liability hierarchy of financial instruments measured at fair value is provided below:

	Level 3 £'000	
Financial liabilities	2015	2014
Derivative financial liability	-	20

The value of this embedded derivative was measured using a risk based pricing model as set out in the table below:

Estimated number of shares able to be converted	x	*estimated discounted Admission price per share*	x	*probability of Admission occurring*

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2015

28. RELATED PARTY TRANSACTIONS

Payments to related parties
There were no related party transactions during the year other than remuneration to Directors as disclosed in note 7 and the loan with GMI as disclosed in note 18.

Loans from Zeta Petroleum plc to Subsidiaries
As at 31 December 2015 there were amounts receivable of £7,467,266 (31 December 2014 £7,819,584) due from Zeta Petroleum (Romania) SRL and £363,162 (31 December 2014 £385,674) due from Zeta Petroleum (Suceava) SRL. An impairment of £700,971 (2014 £103,603) was made against the value of the loan to Zeta Petroleum (Romania) SRL. The amounts were interest free and repayable when sufficient cash resources are available in the subsidiaries. Impairment charges made in the year have resulted in the loan balances being fully impaired in the books of the Company.

During the year the Company made cash advances to its subsidiaries of £59,000 (2014 £746,000).

All Group transactions were eliminated on consolidation.

29. CAPITAL COMMITMENTS

Capital Commitments as at 31 December 2015 are listed below:

	Less than 1 year	Between 1 & 2 years
Suceava licence	£381,000	-

The capital commitments on Suceava represent Zeta's 50% share of the cost of the two year work programme as agreed with NAMR upon receiving an extension of the licence to 31 December 2016. The commitment disclosed represents the budget agreed by the operating partners.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2015

30. OPERATING LEASE COMMITMENTS

The Group has office leasing commitments.

The total of future minimum lease payments under non-cancellable operating leases for each of the following periods:

	GROUP & COMPANY £'000	
	2015	2014
(I) not later than 1 year	**16**	20
(II) later than 1 year and not later than 5 years	**4**	-
(III) not later than 5 years	**-**	
Total Operating lease commitments	**20**	20

The office leasing commitments belong to the Romanian subsidiary Zeta Petroleum (Romania) SRL which is being sold to GMI pursuant to the terms of the SPA.

31. CAPITAL MANAGEMENT

The existing primary objective of the Group's capital management was made redundant by the sale of the Romanian subsidiaries to GMI. New Capital Management objectives will be established when the Company finds a new business.

32. POST BALANCE SHEET EVENTS

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 in exchange for full settlement of all outstanding debt owed to GMI ("Sale and Purchase Agreement" or "SPA"). The total amount of debt owed to GMI as of 12 January 2016 was AU$4,046,103, 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

On 8 February at a General Meeting shareholders voted in favour of the Sale and Purchase Agreement. The SPA is expected to be completed in April 2016.

UNAUDITED CORPORATE GOVERNANCE STATEMENT

The Company has adopted comprehensive systems of control and accountability as the basis for the administration of corporate governance. The Board is committed to administering the policies and procedures with openness and integrity, pursuing the true spirit of corporate governance commensurate with the Company's needs.

To the extent applicable, the Company has adopted The Corporate Governance Principles and Recommendations (3rd Edition) as published by the ASX Corporate Governance Council (Recommendations).

In light of the Company's size and nature, the Board considers that the current board is a cost effective and practical method of directing and managing the Company. As the Company's activities develop in size, nature and scope, the size of the Board and the implementation of additional corporate governance policies and structures will be reviewed.

The Company's main corporate governance policies and practices as at the date of this Annual Report are outlined below and the Company's full Corporate Governance Plan is available in a dedicated corporate governance information section of the Company's website (www.zetapetroleum.com).

This statement has been approved by the Company's Board of Directors ('Board') and is current as at 30 March 2016.

The ASX Principles and Recommendations and the company's response as to how and whether it follows those recommendations are set out below.

Principles of Best Practice Recommendations
In accordance with ASX Listing Rule 4.10, Zeta Petroleum plc is required to disclose the extent to which it has followed the Principles of Best Practice Recommendations during the financial year. Where Zeta Petroleum plc has not followed a recommendation, this has been identified and an explanation for the departure has been given.

	PRINCIPLES AND RECOMMENDATIONS	COMMENT
1.	**Lay solid foundations for management and oversight**	

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UNAUDITED CORPORATE GOVERNANCE STATEMENT

	PRINCIPLES AND RECOMMENDATIONS	COMMENT
1.1	A listed entity should disclose: (a) the respective roles and responsibilities of its board and management; and (b) those matters expressly reserved to the board and those delegated to management.	The Board is ultimately accountable for the performance of the company and provides leadership and sets the strategic objectives of the company. It appoints all senior executives and assesses their performance on at least an annual basis. It is responsible for overseeing all corporate reporting systems, remuneration frameworks, governance issues, and stakeholder communications. Decisions reserved for the Board relate to those that have a fundamental impact on the company, such as material acquisitions and takeovers, dividends and buybacks, material profits upgrades and downgrades, and significant closures. Management is responsible for implementing Board strategy, day-to-day operational aspects, and ensuring that all risks and performance issues are brought the Boards attention. They must operate within the risk and authorisation parameters set by the Board.
1.2	A listed entity should: (a) undertake appropriate checks before appointing a person, or putting forward to security holders a candidate for election, as a director; and (b) provide security holders with all material information in its possession relevant to a decision on whether or not to elect or re-elect a director.	The Company undertakes comprehensive reference checks prior to appointing a director, or putting that person forward as a candidate to ensure that person is competent, experienced, and would not be impaired in any way from undertaking the duties of director. The company provides relevant information to shareholders for their consideration about the attributes of candidates together with whether the Board supports the appointment or re-election. The chair will monitor the Board and the Board will monitor the performance of any senior executives who are not Directors, including measuring actual performance against planned performance.
1.3	A listed entity should have a written agreement with each director and senior executive setting out the terms of their appointment.	The terms of the appointment of a non-executive director, executive directors and senior executives are agreed upon and set out in writing at the time of appointment.

UNAUDITED CORPORATE GOVERNANCE STATEMENT

	PRINCIPLES AND RECOMMENDATIONS	COMMENT
1.4	The company secretary of a listed entity should be accountable directly to the board, through the chair, on all matters to do with the proper functioning of the board.	The Company Secretary reports directly to the Board through the Chairman and is accessible to all directors.
1.5	A listed entity should (a) have a diversity policy which includes requirements for the board or a relevant committee of the board to set measurable objectives for achieving gender diversity and to assess annually both the objectives and the entity's progress in achieving them; (b) disclose that policy or a summary of it; and (c) disclose as at the end of each reporting period the measurable objectives for achieving gender diversity set by the board or a relevant committee of the board in accordance with the entity's diversity policy and its progress towards achieving them, and either: (1) the respective proportions of men and women on the Board, in senior executive positions and across the whole organisation (including how the entity has defined "senior executive" for these purposes); or (2) if the entity is a "relevant employer" under the Workplace Gender Equality Act, the entity's most recent "Gender Equality Indicators", as defined in and published under that Act.	*The Company's Corporate Governance Plan includes a* 'Diversity Policy', *which provides a framework for establishing measureable objectives for achieving gender diversity and for the Board to assess annually both the objectives and progress in achieving them.* Further detail on the Diversity Policy is included in the Strategic Report of the Directors.
1.6	A listed entity should (a) have and disclose a process for periodically evaluating the performance of the Board, its committees and individual directors; and (b) disclose, in relation to each reporting period, whether a performance evaluation was undertaken in the reporting period in accordance with that process.	The Company's Corporate Governance Plan includes a section on performance evaluation practices adopted by the Company. The Chair will review the performance of the Board, its committees (if any) and individual directors to ensure that the Company continues to have a mix of skills and experience necessary for the conduct of its activities.

UNAUDITED CORPORATE GOVERNANCE STATEMENT

	PRINCIPLES AND RECOMMENDATIONS	COMMENT
1.7	A listed entity should (a) have and disclose a process for periodically evaluating the performance of its senior executives; and (b) disclose, in relation to each reporting period, whether a performance evaluation was undertaken in the reporting period in accordance with that process.	The Company's Corporate Governance Plan includes a section on performance evaluation practices adopted by the Company. The Chair will monitor the Board and the Board will monitor the performance of any senior executives who are not Directors, including measuring actual performance against planned performance.
2.	**Structure the board to add value**	
2.1.	The board of a listed entity should: (a) have a nomination committee which: (1) has at least three members, a majority of whom are independent directors; and (2) is chaired by an independent director, and disclose: (3) the charter of the committee; (4) the members of the committee; and (5) as at the end of each reporting period, the number of times the committee met throughout the period and the individual attendances of the members at those meetings; or (b) if it does not have a nomination committee, disclose that fact and the processes it employs to address board succession issues and to ensure that the board has the appropriate balance of skills, knowledge, experience, independence and diversity to enable it to discharge its duties and responsibilities effectively.	No formal nomination committee has been established by the Company as yet as the Board considers the Company is not currently of the relevant size or complexity to warrant the formation of a nomination committee. The Board, as a whole, currently serves as the nomination committee. The Company's Corporate Governance Plan includes a Nomination Committee Charter, which discloses the specific responsibilities of the committee. Where necessary, the Board seeks advice of external advisers in connection with the suitability of applicants for Board membership. Once the Board deems that the Company warrants a Nomination Committee, one will be formed in compliance with this Recommendation.

UNAUDITED CORPORATE GOVERNANCE STATEMENT

	PRINCIPLES AND RECOMMENDATIONS	COMMENT
2.2.	A listed entity should have and disclose a board skills matrix setting out the mix of skills and diversity that the board currently has or is looking to achieve in its membership.	The Board's skills matrix indicates the mix of skills, experience and expertise that are considered necessary at Board level for optimal performance of the Board. The matrix reflects the Board's objective to have an appropriate mix of industry and professional experience including skills such as leadership, governance, strategy, finance, risk, IT, HR, policy development, international business and customer relationship. External consultants may be brought it with specialist knowledge to address areas where this is an attribute deficiency in the Board.
2.3.	A listed entity should disclose: (a) the names of the directors considered by the board to be independent directors; (b) if a director has an interest, position, association or relationship of the type described in Box 2.3 but the board is of the opinion that it does not compromise the independence of the director, the nature of the interest, position, association or relationship in question and an explanation of why the board is of that opinion; and (c) the length of service of each director.	Details of the Board of directors, their appointment dated, length of service are included in the Directors Report. Of the current Board Stephen West, Bogdan Popescu and Timothy Osborne are considered to be Not-independent Non-executive Directors. The Board may determine that a director is independent notwithstanding the existence of an interest, position, association or relationship of the kind identified in the examples listed under Recommendation 2.3 of the ASX Principles and Recommendations.
2.4.	A majority of the board of a listed entity should be independent directors.	The Company is currently not in compliance with this recommendation as only two of the five directors is independent.
2.5.	The Chair of the board of a listed entity should be an independent director and, in particular, should not be the same person as the CEO of the entity.	The Company is currently not in compliance with this recommendation as Stephen West is an indirect beneficiary of a substantial shareholder. The Board believes that the Company, in its current size and level of complexity, cannot justify the expense of searching for, and appointing, an Independent Chairman of the same experience as Mr West. Points of conflict arising from Mr West's lack of independence are to be dealt with by Mr West being excluded in any voting pertaining to potentially conflicting items of business faced by the Board.

UNAUDITED CORPORATE GOVERNANCE STATEMENT

	PRINCIPLES AND RECOMMENDATIONS	COMMENT
2.6.	A listed entity should have a program for inducting new directors and provide appropriate professional development opportunities for directors to develop and maintain the skills and knowledge needed to perform their role as directors effectively.	The Chairman and Company Secretary brief and inform New Directors on all relevant aspects of the Company's operations and background. A director development program is also available to ensure that directors can enhance their skills and remain abreast of important developments.
3.	**Act ethically and responsibly**	
3.1.	A listed entity should: (a) have a code of conduct for its directors, senior executives and employees; and (b) disclose that code or a summary of it.	The Company's Corporate Governance Plan includes a *'Corporate Code of Conduct'*, which provides a framework for decisions and actions in relation to ethical conduct in employment.
4.	**Safeguard integrity in financial reporting**	
4.1.	The board of a listed entity should: (a) have an audit committee which: (1) has at least three members, all of whom are non-executive directors and a majority of whom are independent directors; and (2) is chaired by an independent director, who is not the chair of the board, and disclose: (3) the charter of the committee; (4) the relevant qualifications and experience of the members of the committee; and (5) in relation to each reporting period, the number of times the committee met throughout the period and the individual attendances of the members at those meetings; or (b) if it does not have an audit committee, disclose that fact and the processes it employs that independently verify and safeguard the integrity of its corporate reporting, including the processes for the appointment and removal of the external auditor and the rotation of the audit engagement partner.	The Company is partially in compliance with this requirement. The Company has established an Audit Committee consisting or Mr Oliver Cairns who serves as Committee Chairman and Mr Timothy Osborne. Mr Osborne is a director of the ultimate holding company of a substantial shareholder which does not satisfy full requirements to sit on an Audit Committee. Details of the qualifications and experience of the members of the Committee is detailed in the 'General Information' section of the 2015 Annual Accounts. The Company's Corporate Governance Plan includes an Audit and Risk Committee Charter, which discloses its specific responsibilities. The Audit Committee held two meetings during 2015 with full attendance by both members on both occasions.

UNAUDITED CORPORATE GOVERNANCE STATEMENT

	PRINCIPLES AND RECOMMENDATIONS	COMMENT
4.2.	The board of a listed entity should, before it approves the entity's financial statements for a financial period, receive from its CEO and CFO a declaration that, in their opinion, the financial records of the entity have been properly maintained and that the financial statements comply with the appropriate accounting standards and give a true and fair view of the financial position and performance of the entity and that the opinion has been formed on the basis of a sound system of risk management and internal control which is operating effectively.	For the financial year ended 31 December 2015 and the half-year ended 30 June 2015, the company's CFO provided the Board with the required declarations. The Company does not have a CEO, the function of which is performed by the Board as a whole.
4.3.	A listed entity that has an AGM should ensure that its external auditor attends its AGM and is available to answer questions from security holders relevant to the audit.	The audit engagement partner attends the AGM and is available to answer shareholder questions from shareholders relevant to the audit.
5.	**Make timely and balanced disclosure**	
5.1.	A listed entity should (a) have a written policy for complying with its continuous disclosure obligations under the Listing Rules; and (b) disclose that policy or a summary of it.	The Company has a continuous disclosure program in place designed to ensure the compliance with ASX Listing Rule disclosure and to ensure accountability at a senior executive level for compliance and factual presentation of the Company's financial position.
6.	**Respect the rights of shareholders**	
6.1.	A listed entity should provide information about itself and its governance to investors via its website.	The Company maintains information in relation to governance documents, directors and senior executives, Board and committee charters, annual reports, ASX announcements and contact details on the company's website.

UNAUDITED CORPORATE GOVERNANCE STATEMENT

	PRINCIPLES AND RECOMMENDATIONS	COMMENT
6.2.	A listed entity should design and implement an investor relations program to facilitate effective two-way communication with investors.	The Company encourages shareholders to attend its AGM and to send in questions prior to the AGM so that they may be responded to during the meeting. It also encourages ad hoc enquiry via email which are responded to. Written transcripts of the meeting are made available on the company's website.
6.3.	A listed entity should disclose the policies and processes it has in place to facilitate and encourage participation at meetings of security holders.	Refer to commentary at Recommendation 6.2.
6.4.	A listed entity should give security holders the option to receive communications from, and send communications to, the entity and its security registry electronically.	The company engages its share registry to manage the majority of communications with shareholders. Shareholders are encouraged to receive correspondence from the company electronically, thereby facilitating a more effective, efficient and environmentally friendly communication mechanism with shareholders. Shareholders not already receiving information electronically can elect to do so through the share registry, Computershare Australia at www.computershare.com/au.
7.	**Recognise and manage risk**	
7.1.	The board of a listed entity should: (a) have a committee or committees to oversee risk, each of which: (1) has at least three members, a majority of whom are independent directors; and (2) is chaired by an independent director, and disclose: (3) the charter of the committee; (4) the members of the committee; and (5) as at the end of each reporting period, the number of times the committee met throughout the period and the individual attendances of the members at those meetings; or (b) if it does not have a risk committee or committees that satisfy (a) above, disclose that fact and the processes it employs for overseeing the entity's risk management framework	The Company is currently not in compliance with this recommendation as it does not have a risk committee, this function is performed by the Board as a whole. The Board determines the Company's "risk profile" and is responsible for overseeing and approving risk management strategy and policies, internal compliance and internal control. The Company's Corporate Governance Plan includes a risk management policy.

UNAUDITED CORPORATE GOVERNANCE STATEMENT

	PRINCIPLES AND RECOMMENDATIONS	COMMENT
7.2.	The board or a committee of the board should: (a) review the entity's risk management framework at least annually to satisfy itself that it continues to be sound; and (b) disclose, in relation to each reporting period, whether such a review has taken place	The Company's Corporate Governance Plan includes a risk management policy. The Board's collective experience will enable accurate identification of the principal risks that may affect the Company's business. Key operational risks and their management will be recurring items for deliberation at Board Meetings.
7.3.	A listed entity should disclose: (a) if it has an internal audit function, how the function is structured and what role it performs; or (b) if it does not have an internal audit function, that fact and the processes it employs for evaluating and continually improving the effectiveness of its risk management and internal control processes.	The Company is currently not in compliance with this recommendation as it does not maintain a separate internal audit function as the Board considers the Company is not currently of the relevant size or complexity to warrant the formation of a formal internal audit function. The Board, as a whole, currently evaluates and continually strives for improvement in the effectiveness of risk management and internal control processes. The Audit Committee receives the report from the company's external auditors which includes an assessment of internal control processes. In the event that weaknesses in internal control processes are identified these matters are brought to the attention of and dealt with by the Board.
7.4.	A listed entity should disclose whether it has any material exposure to economic, environmental and social sustainability risks and, if it does, how it manages or intends to manage those risks.	Refer to the Company's Annual Report for disclosures relating to the company's material business risks (including any material exposure to economic, environmental or social sustainability risks). Refer to commentary at Recommendations 7.1 and 7.2 for information on the company's risk management framework.
8.	**Remunerate fairly and responsibly**	
8.1.	The board of a listed entity should: (a) have a remuneration committee which: (1) has at least three members, a majority of whom are independent directors; and (2) is chaired by an independent director, and disclose: (3) the charter of the committee; (4) the members of the committee; and (5) as at the end of each reporting period, the number of times the committee met throughout the period and the individual attendances of the	The Board has not established a formal Remuneration Committee at this point in the Company's development. It is considered that the size of the Board along with the level of activity of the Company renders this impractical and the Board, acting without the affected director participating in the decision making process, currently serves as a remuneration committee. The Company's Corporate Governance Plan includes a Remuneration Committee Charter, which discloses its specific responsibilities.

UNAUDITED CORPORATE GOVERNANCE STATEMENT

	PRINCIPLES AND RECOMMENDATIONS	COMMENT
	members at those meetings; or (b) if it does not have a remuneration committee, disclose that fact and the processes it employs for setting the level and composition of remuneration for directors and senior executives and ensuring that such remuneration is appropriate and not excessive.	Remuneration to the executive directors is by way of salary and ordinary shares and to non-executive directors by way of director fees or ordinary shares only, with the level of such salary or fees as the context requires, having been set by the Board to an amount it considers to be commensurate for a company of its size and level of activity. There is currently no link between performance and remuneration, however, it is the intention of the Board to re-assess this once the Company expands operations. Further there are no schemes for retirement benefits in existence.
8.2.	A listed entity should separately disclose its policies and practices regarding the remuneration of non-executive directors and the remuneration of executive directors and other senior executives.	The Board has distinguished the structure of non executive director's remuneration from that of executive directors and senior executives. The Company's Articles of Association provides that the remuneration of non-executive Directors will be not be more than the aggregate fixed sum set by the Articles of Association and subsequently varied by resolution at a general meeting of shareholders. The Board is responsible for determining the remuneration of executive directors and senior executives (without the participation of the affected director). It is the Board's objective to provide maximum stakeholder benefit from the retention of a high quality Board and executive team by remunerating executive directors and senior executives fairly and appropriately with reference to relevant employment market conditions and by linking the nature and amount of executive directors' and senior executives emoluments to the Company's financial and operational performance.
8.3.	A listed entity which has an equity-based remuneration scheme should: (a) have a policy on whether participants are permitted to enter into transactions (whether through the use of derivatives or otherwise) which limit the economic risk of participating in the scheme; and (b) disclose that policy or a summary of it.	The use of derivatives or other hedging arrangements for unvested securities of the company or vested securities of the company which are subject to escrow arrangements is prohibited. Where a director or other senior executive uses derivatives or other hedging arrangements over vested securities of the company, this will be disclosed.

ASX ADDITIONAL INFORMATION

SHAREHOLDINGS

The issued capital of the Company as at 23 March 2016 is 7,255,037 ordinary shares held by a total of 346 shareholders. Each share entitles the holder to one vote.

At the time of publishing this annual report there is no on-market buy-back.

Classification of Shareholders as at DATE AS ABOVE:

Number of ordinary shares held	Number of holders in each class
1 – 1,000[1]	185
1,001 – 5,000	88
5,001 – 10,000	22
10,001 – 100,000	42
100,001 – and over.	9

[1] These shareholdings constitute unmarketable parcels of ordinary shares

Top 20 Shareholders as at DATE AS ABOVE:

Rank	Name	Units	%
1	GM Investment & Co Limited	2,169,256	29.90
2	HSBC Custody Nominees	921,472	12.70
3	Hot Chilli Investments Pty Ltd	701,323	9.67
4	B Popescu	504,629	6.96
5	Cresthaven Investments Pty Ltd	331,525	4.57
6	B Hodges	253,346	3.49
7	S Pagel	227,359	3.13
8	Citicorp Nominees	202,673	2.79
9	Silverlight Holdings Pty Ltd	100,293	1.38
10	KGBR Future Fund Pty Ltd	100,000	1.38
11	WCI Overseas Oil & Gas LLC	76,560	1.06
12	J Hester	75,000	1.03
13	D & P Neesham	71,306	0.98
14	Armax Gaz S.A.	65,000	0.90
15	Glennbrown Pty Ltd	55,000	0.76
16	M Correia	50,000	0.69
17	I Hardisty	50,000	0.69
18	Scott Investment Fund Pty Ltd	50,000	0.69
19	F Lucas	49,612	0.68
20	Angor Imperial Resources Pty Ltd	49,500	0.68

ASX ADDITIONAL INFORMATION

RESTRICTED SECURITIES

There were no restricted securities as at 31 December 2015.

CHAPTERS 6, 6A, 6B AND 6C OF THE CORPORATIONS ACT

As the company is incorporated in England and Wales, chapters 6, 6A, 6B and 6C of the Corporations Act dealing with the acquisition of shares (i.e. substantial holdings and takeovers) do not apply to the Company. In the United Kingdom, the City Code on Takeovers and Mergers (City Code) regulates takeovers and substantial shareholders and the Company is subject to the City Code.