



**ZETA**PETROLEUMPLC

**REPORT AND FINANCIAL STATEMENTS**

**YEAR ENDED 31 DECEMBER 2017**

---

## CONTENTS

1	GENERAL INFORMATION
2	CHAIRMAN'S STATEMENT
3	BOARD OF DIRECTORS
4	STRATEGIC REPORT OF THE DIRECTORS
6	REPORT OF THE DIRECTORS
10	STATEMENT OF DIRECTOR'S RESPONSIBILITIES
12	INDEPENDENT AUDITOR'S REPORT
16	INCOME STATEMENT
17	STATEMENT OF COMPREHENSIVE INCOME
18	STATEMENT OF FINANCIAL POSITION
19	STATEMENT OF CHANGES IN EQUITY
21	STATEMENT OF CASHFLOWS
22	NOTES TO THE FINANCIAL STATEMENTS
44	CORPORATE GOVERNANCE STATEMENT
54	ASX ADDITIONAL INFORMATION

## **GENERAL INFORMATION**

### **DIRECTORS**

S P West  
*Non-Executive Chairman*

T W Osborne  
*Non-Executive Director*

S Trevisan  
*Non-Executive Director*

G Hancock  
*Non-Executive Director*

### **JOINT COMPANY SECRETARIES**

B Hodges  
S Meakin

### **LOCAL AGENT – AUSTRALIA**

F Hudson

### **REGISTERED OFFICE – UNITED KINGDOM**

Ashley Park House, 42-50  
Hersham Road  
Walton-On-Thames  
Surrey  
KT12 1RZ  
United Kingdom  
ph: +44 (0)1903 706 160

### **REGISTERED OFFICE – AUSTRALIA**

14<sup>th</sup> Floor (South)  
191 St George's Terrace WA 6000  
Australia  
ph: +61 (0)8 9321 5922

### **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](http://www.zetapetroleum.com)

---

## CHAIRMAN'S STATEMENT

During the year under review the Company agreed to the sale of its remaining Romanian licence, the Jimbolia licence, and embarked on an active programme of searching for new oil and gas projects. As at reporting date the final documentation for the sale had not been completed. The value of the Jimbolia license has been fully impaired in the Financial Statements.

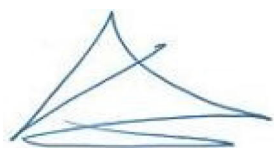
The Company reached agreement with its joint venture partner in the Jimbolia licence, NIS Petrol, to transfer the Company's 39% interest in the Jimbolia licence in full and final settlement of all future commitments in respect to the licence. As at the date of this report, formal documentation in relation to transferring the Company's 39% interest in the Jimbolia licence to NIS Petrol had progressed; however, the Company was awaiting the final documentation.

On the 21<sup>st</sup> of April 2017 the Company was suspended from trading on the Australian Securities Exchange Limited while the Company considered the application of Chapter 11 of the ASX listing rules to a proposed transaction, and the Company has remained in suspension since this date.

The board of directors are actively searching for a new project for the Company. A number of projects have been examined, some reaching the due diligence stage, but none have met the required criteria the board has reasonably set. In more recent times, with the improvement in the oil price, both the number and quality of projects have risen. The board will continue in its search for an appropriate project and attached funding.

### Outlook

Following the agreement to dispose of the Company's remaining licence in Romania, the Company is focused on searching for an appropriate project and attached funding. With a low cost base, sufficient funding and an experienced team, the Company is confident of securing an appropriate project and funding during 2018.



Chairman  
28 March 2018



## 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** **Independent 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.

Mr West has been a non-executive director of the Company for 13 years and the Chairman of the Company for 4 years.

### **Timothy Osborne** **Non-Executive Director**

Mr Osborne is a solicitor and has been Senior Partner of Wiggins 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).

Mr Osborne has been a non-executive director of the Company for 12 years. He is a member of the Company's Audit committee.

### **Simon Trevisan** **Non-Executive Director**

Mr Trevisan is the managing director of the Transcontinental Group including TRG Properties Pty Ltd. He has 20 years' experience in public and private investments, corporate finance and management of large public and private businesses. He has been responsible for the funding and management of a number of public companies and TRG Properties'

substantial property investments. His experience includes the establishment and listing of Mediterranean Oil & Gas plc, an AIM listed oil and gas company with production and a substantial oil discovery in Italy. Mr Trevisan was Executive Chairman of ASX listed gold explorer Aurex Consolidated Ltd and a founding executive director of ASX-listed Ausgold Limited and AssetOwl Limited (formerly Regalpoint Resources Ltd). He was also responsible for arranging debt funding for the development of in excess of \$500 million of property and significantly involved in arranging and drawing down one of the first foreign bank project facilities for a resources development in Indonesia.

Mr Trevisan is currently a director of ASX listed medical devices company, Neurotech International Ltd, Technology Services company AssetOwl Limited and of BMG Resources Ltd. He is a board member of not for profit St George's College Foundation.

Mr Trevisan has been a non-executive director of the Company for 2 years. He is the Chairman of the Company's Audit Committee.

### **Greg Hancock** **Independent 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.

Mr Hancock is currently a director of ASX listed companies Ausquest Ltd, where he serves as Chairman, Strata-X Energy Ltd as non-executive director, and BMG Resources Ltd as Chairman and non-executive director. He is also a non-executive director of Cobra Resources Ltd.

Mr Hancock has been a non-executive director of the Company for 3 years. He is a member of the Company's Audit committee.

## STRATEGIC REPORT OF THE DIRECTORS FOR THE YEAR ENDED 31 DECEMBER 2017

The directors present their strategic report on the Company for the year ended 31 December 2017.

### OBJECTIVES

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

### CORPORATE AFFAIRS

As at 27 March 2018 the Company maintained a cash position of A\$295,589 (£160,970). The board of directors continues to search and assess new projects for the Company. With an experienced team the Company is confident of securing an appropriate project and funding in 2018

### Key Performance Indicators

The Company continued to meet all work requirements on its existing licence and ensured that the Company maintained enough cash reserves to finance operational and working capital commitments.

### Principal Risks and Uncertainties

As an exploration, development and production company in the oil and gas industry the Company operates in an inherently risky sector.

All projects that the Company will consider will be subject to sufficient feasibility analysis to ensure a reasonable level of confidence appropriate to the circumstances under consideration.

Specific risks that the Company faces are:

Investment Risk:	The risk that the Company's is not able to identify and acquire investment opportunities that will generate shareholder value. The Company has an experienced Board with extensive experience in asset identification and acquisition to mitigate this risk.
Funding Risk:	The risk that the Company may not be able to secure adequate funding to execute identified business opportunities.
Government Regulations:	The security of tenure over the Company's asset may be adversely affected by change in government regulations in Romania. The Company attempts to mitigate this risk by maintaining close working relationships with government agencies, keeping abreast of any pending or potential change in regulations and engaging the services of appropriately qualified and experienced legal counsel as and when required.

## STRATEGIC REPORT OF THE DIRECTORS FOR THE YEAR ENDED 31 DECEMBER 2017

### 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:

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

By order of the Board



**S P West**  
Chairman and Director  
28 March 2018

Ashley Park House  
42-50 Hersham Road  
Walton-On-Thames  
Surrey, KT12 1RZ  
United Kingdom

## REPORT OF THE DIRECTORS FOR THE YEAR ENDED 31 DECEMBER 2017

The directors present their report together with the audited financial statements for the year ended 31 December 2017.

### RESULTS AND DIVIDENDS

The Company income statement is set out on page 16 and shows a loss for the year amounting to £471,000 (2016 –profit of £858,000). 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:

	Board Meetings		Audit Committee Meetings	
	Number held and entitled to attend	Number attended	Number held and entitled to attend	Number attended
Stephen West	6	6	N/A	N/A
Timothy Osborne	6	6	2	1
Simon Trevisan	6	6	2	2
Greg Hancock	6	6	1	1

### POST BALANCE SHEET EVENTS

Post balance sheet events are disclosed in Note 21 to the financial statements.

### SHARE CAPITAL

Details of the Company's issued share capital as at 31 December 2017 are set out in Note 14 to the financial statements.

### GOING CONCERN

The Directors are satisfied that the going concern assumption has been appropriately applied in preparing the financial statements and the historical financial information has been prepared on a going concern basis, which contemplates the continuity of normal business activity and the realisation of assets and the settlement of liabilities in the normal course of business.

For the year ended 31 December 2017 the Company made a loss of £471,000 and had cash outflows from operating activities of £207,000. The ability of the Company to continue as a going concern is dependent on securing additional funding through the issue of equity. These conditions indicate a material uncertainty that may cast a 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.

## REPORT OF THE DIRECTORS FOR THE YEAR ENDED 31 DECEMBER 2017

The Directors believe that the Company will continue as a going concern due to current working capital and expected successful fundraising through the issue of equity, at 31 December 2017, the Company had available funds totalling £198,000. As a result the financial information has been prepared on a going concern basis.

Should the Consolidated Entity be unable to continue as a going concern, it may be required to realise its assets and discharge its liabilities other than in the ordinary course of business, and at amounts that differ from those stated in the financial statements. The financial report does not include any adjustments relating to the recoverability and classification of recorded asset amounts or liabilities that might be necessary should the entity not continue as a going concern.

### FINANCIAL INSTRUMENTS

The Company's principal financial instruments comprise cash and cash equivalents and trade and other payables. The main purpose of these financial instruments is to finance the Company's operations (refer to Note 17).

### DIRECTORS AND DIRECTORS' INTERESTS

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

	Date appointed
S P West	12 Sep 2005
T W Osborne	31 Mar 2006
S Trevisan	28 Jul 2016
G Hancock	24 Apr 2015

The directors who held office at 31 December 2017 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
S P West <sup>1</sup>	Ordinary	521,684	521,684
T W Osborne	Ordinary	-	-
S Trevisan <sup>2</sup>	Ordinary	6,400,000	6,400,000
G Hancock <sup>3</sup>	Ordinary	130,000	352,827

<sup>1</sup> 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.

<sup>2</sup> S Trevisan's shares are held by Transcontinental Investments Pty Ltd in which S Trevisan has a relevant interest by virtue of being a director, joint controller and substantial shareholder in Transcontinental Investments Pty Ltd ('TRG').

<sup>3</sup> 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. GG Hancock acquired 222,827 shares at \$0.06AUD each on 10 July 2017, the shares were issued on terms consistent with the rights issue announced by the Company on 15 September 2016, with one free attaching option issued for every two shares issued. The value of shares granted to Mr Hancock is equal to 50% of the Directors fees earned by Mr Hancock during the period 23 April 2015 to 31 July 2016. The issue of these shares was subject to Shareholder approval, which was granted on 30 June 2017.

## REPORT OF THE DIRECTORS FOR THE YEAR ENDED 31 DECEMBER 2017

### DIRECTORS AND DIRECTORS' INTERESTS continued

According to the register of directors' interests, no rights to subscribe for shares in or debentures of the Company were granted to any of the directors or their immediate families, or exercised by them, during the financial year except as indicated below:

Date of grant	Number of options at start of year	Options acquired during year	Options lapsed during year	Number of options at end of year
<b>G HANCOCK<sup>1</sup></b>				
25 Oct 2016	60,000	-	-	60,000
10 July 2017	-	111,414	-	111,414
	60,000	111,414	-	171,414
<b>T OSBORNE</b>				
11 Jan 2012	25,000	-	-	25,000
<b>S WEST<sup>2</sup></b>				
4 July 2014	50,000	-	-	50,000
25 Oct 2016	95,079	-	-	95,079
	145,079	-	-	145,079
<b>S TREVISAN<sup>3</sup></b>				
14 Sep 2016	900,000	-	-	900,000
25 Oct 2016	2,300,000	-	-	2,300,000
	3,200,000	-	-	3,200,000

<sup>1</sup> G Hancock's options are held by GG Hancock Pty Ltd ATF The Greg Hancock S/F A/C in which G Hancock has an indirect beneficial interest.

<sup>2</sup> 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.

<sup>3</sup> S Trevisan's options are held in the name of Transcontinental Investments Pty Ltd, a company in which S Trevisan has a relevant interest by virtue of being a director, joint controller and substantial shareholder in Transcontinental Investments Pty Ltd.

## REPORT OF THE DIRECTORS FOR THE YEAR ENDED 31 DECEMBER 2017

### SUBSTANTIAL SHAREHOLDERS

The following parties had interests of greater than 3% of the issued share capital of the Company at 31 December 2017:

	Number of shares	% of issued ordinary share capital
Transcontinental Investments Pty Ltd	6,400,000	23.21
GM Investment & Co Limited	5,748,058	20.85
Precision Opportunities Fund	1,666,667	6.04
Mr Paul Hartley Watts	1,504,548	5.46
Glennbrown Pty Ltd	1,165,000	4.22
5150 Capital Pty Ltd	1,000,000	3.63
HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED	895,314	3.25
Greensea Investments Pty Ltd	850,000	3.08

### POLITICAL CONTRIBUTIONS

The Company made no political contributions during the year.

### FUTURE DEVELOPMENTS

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

### DISCLOSURE OF INFORMATION TO AUDITORS

Refer to page 10.

By order of the Board



**S P West**  
Chairman and Director  
28 March 2018

Ashley Park House  
42-50 Hersham Road  
Walton-On-Thames  
Surrey, KT12 1RZ  
United Kingdom

---

## STATEMENT OF DIRECTORS' RESPONSIBILITIES

The directors are responsible for preparing the Annual report and the Company 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 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 Company and of the profit of the Company 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;
- prepare a director's report, a strategic report and director's remuneration report which comply with the requirements of the Companies Act 2006.

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 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 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 Company's auditors are aware of that information.



---

## STATEMENT OF DIRECTORS' RESPONSIBILITIES

### DIRECTORS' RESPONSIBILITIES

The directors confirm to the best of their knowledge:

- The group financial statements have been prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union and Article 4 of the IAS Regulation and give a true and fair view of the assets, liabilities, financial position and profit and loss of the group.
- The annual report includes a fair review of the development and performance of the business and the financial position of the group and the parent company, together with a description of the principal risks and uncertainties that they face.

By order of the Board



**S P West**

Chairman and Director  
28 March 2018

Ashley Park House  
42-50 Hersham Road  
Walton-On-Thames  
Surrey, KT12 1RZ  
United Kingdom

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

### **Opinion**

We have audited the financial statements of Zeta Petroleum PLC for the year ended 31 December 2017 which comprise the company income statement, the company statement of comprehensive income, the company statement of financial position, the company statement of cash flows, the company statement of changes in equity and notes to the financial statements, including a summary of significant accounting policies.

The financial reporting framework that has been applied in the preparation of the financial statements is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union.

In our opinion:

- the financial statements give a true and fair view of the state of the company's affairs as at 31 December 2017 and of the loss for the year then ended;
- the financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union;
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

### **Basis for opinion**

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard as applied to listed entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### **Material uncertainty related to going concern**

We draw attention to Note 1.2 to the financial statements concerning the company's ability to continue as a going concern. The matters explained in Note 1.2 relating to the uncertainty of additional future funding being made available to the company should they need it, indicates the existence of a material uncertainty which may cast significant doubt over the company's ability to continue as a going concern. These financial statements do not include the adjustments that would result if the company were unable to continue as a going concern. Our opinion is not modified in respect of this matter.

We have highlighted going concern as a key audit matter based on our assessment of the significance of the risk and the effect on our audit strategy.

As at 31 December 2017 the company had cash reserves of £198k and net operating cash flows for the year of £207k and the ability of the company to continue as a going concern is dependent on securing additional funding through the raising of equity.

Our audit procedures in response to this key audit matter included:

- We obtained management's latest available cash flow forecast for the company, which includes the twelve months from the date of approval of these financial statements. We

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

critically challenged management's assumptions, in particular the overheads required to maintain the current business activity.

- We performed our own sensitivities in respect of key assumptions underpinning the forecasts and verified that the cash flows reflect all current commitments and business activity.
- We discussed with management how they intend to raise the funds necessary for the company to continue as a going concern, in the required timeframe and ensured that the disclosures within the financial statements adequately disclose management's intentions in respect of this.

### Use of this report

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.

### Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) we identified, including those which had the greatest effect on: the overall audit strategy, the allocation of resources in the audit; and directing the efforts of the engagement team. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Except for the matter described in the material uncertainty related to going concern section, we have determined that there are no other key audit matters to communicate in our report.

### Our application of materiality

We apply the concept of materiality in planning and performing the audit, in evaluating the effect of identified misstatements on the audit and forming our opinions.

#### Materiality

The magnitude of an omission or misstatement that, individually or in aggregate, could reasonably be expected to influence the economic decisions of the users of the financial statements. Materiality provides a basis for determining the nature and extent of our audit procedures. We determined materiality for the company to be £10,000 (2016: £14,000), which was based on 5% of net assets which we consider to be an appropriate benchmark due to the low level of activity during the year.

#### Performance materiality

Performance materiality is the application of materiality at the individual account or balance level set at an amount to reduce to an appropriately low level the probability that the aggregate of uncorrected and undetected misstatements exceeds materiality for the financial statements as a whole. Performance materiality was set at £7,500 (2016: £10,500) which represents 75% of the above materiality levels.

---

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

### **Reporting threshold**

An amount below, which identified misstatements, are considered to be clearly trivial. We agreed with the Audit Committee that we would report to them all uncorrected audit differences in excess of £500 (2016: £700), which was set at 5% of materiality, as well as differences below that threshold that, in our view, warranted reporting on qualitative grounds. We evaluated any uncorrected misstatements against both quantitative measures of materiality discussed above and in light of other relevant qualitative considerations when forming our opinion.

### **An overview of the scope of our audit**

Our audit was scoped by obtaining an understanding of the company and its environment, as well as assessing the risks of material misstatement in the financial statements. In approaching the audit, we considered how the company is organised and managed. We completed a full statutory audit on the company's financial information.

### **Other information**

The directors are responsible for the other information. The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

### **Opinions on other matters prescribed by the Companies Act 2006**

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the strategic report and the directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the strategic report and the directors' report have been prepared in accordance with applicable legal requirements.

### **Matters on which we are required to report by exception**

In the light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we have not identified material misstatements in the strategic report or the directors' report.

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

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

- adequate accounting records have not been kept, 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.

### Responsibilities of directors

As explained more fully in the directors' responsibilities statement set out on page 11, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.


In preparing the financial statements, the directors are responsible for assessing the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the parent company or to cease operations, or have no realistic alternative but to do so.

### Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: [www.frc.org.uk/auditorsresponsibilities](http://www.frc.org.uk/auditorsresponsibilities). This description forms part of our auditor's report.



Matt Crane (Senior Statutory Auditor)  
For and on behalf of BDO LLP, Statutory Auditor  
London  
United Kingdom

Date: 28 March 2018

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

## INCOME STATEMENT

### FOR THE YEAR ENDED 31 DECEMBER 2017

	<b>Note</b>	<b>2017 £'000</b>	<b>2016 £'000</b>
Impairment of Intangible Asset	9	(281)	-
Administrative expenses	16	(190)	(270)
Other income	16	-	2,164
Impairment of investment in subsidiary	16	-	(1,184)
<b>Operating (loss)/profit</b>		<b>(471)</b>	<b>710</b>
Financing costs	3	-	(120)
Foreign Exchange gain/(loss)		-	268
<b>(Loss) / profit from continuing operations</b>		<b>(471)</b>	<b>858</b>
Income tax		-	-
<b>(Loss) / profit for the year attributable to the equity holders</b>		<b>(471)</b>	<b>858</b>
(Loss) / profit per ordinary share – basic	8	<b>(1.72p)</b>	7p
(Loss) / profit per ordinary share – diluted	8	<b>(1.72p)</b>	4p

## STATEMENT OF OTHER COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 DECEMBER 2017

	Note	2017 £'000	2016 £'000
<b>(Loss) / profit for the year</b>		<b>(471)</b>	<b>858</b>
<b>Other comprehensive income:</b>			
Items which may be reclassified subsequently to profit or loss:			
Exchange differences on translation		3	506
<b>Total other comprehensive income</b>		<b>(468)</b>	<b>506</b>
<b>Total comprehensive (loss)/income for the year attributable to the equity holders</b>		<b>(468)</b>	<b>1,364</b>

## STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2017

	Note	2017 £'000	2016 £'000
<b>ASSETS</b>			
<b>Non-current assets</b>			
Intangible assets	9	-	281
		-	281
<b>Current assets</b>			
Trade and other receivables	11	12	14
Cash and cash equivalents	12	198	405
		<b>210</b>	<b>419</b>
<b>TOTAL ASSETS</b>		<b>210</b>	<b>700</b>
<b>EQUITY AND LIABILITIES</b>			
<b>Equity attributable to equity holders</b>			
Issued capital	14	1,215	1,033
Share premium	15	9,363	9,363
Share based payments reserve	15	314	482
Capital Contribution Reserve	15	60	60
Foreign currency translation reserve	15	(142)	(145)
Accumulated losses		(10,627)	(10,156)
<b>TOTAL EQUITY</b>		<b>183</b>	<b>637</b>
<b>Current liabilities</b>			
Trade and other payables	13	27	63
		<b>27</b>	<b>63</b>
<b>TOTAL LIABILITIES</b>		<b>27</b>	<b>63</b>
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>210</b>	<b>700</b>

The Financial Statements were approved by the Board of Directors and authorised for issue on 28 March 2018 and were signed on its behalf by:



Stephen West, Director



## STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER 2017

	Issued Capital £'000	Share Premium £'000	Share Based Payments Reserve £'000	Capital Contribution Reserve £'000	Foreign Currency Translation Reserve £'000	Accumulated Losses £'000	Total £'000
<b>As at 1 January 2017</b>	<b>1,033</b>	<b>9,363</b>	<b>482</b>	<b>60</b>	<b>(145)</b>	<b>(10,156)</b>	<b>637</b>
(Loss) for the year	-	-	-	-	-	(471)	(471)
Other comprehensive income	-	-	-	-	3	-	3
<b>Total comprehensive income</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>3</b>	<b>(471)</b>	<b>(468)</b>
Issue of ordinary shares	14	-	-	-	-	-	14
Expiry of vested options	168	-	(168)*	-	-	-	-
<b>As at 31 December 2017</b>	<b>1,215</b>	<b>9,363</b>	<b>314</b>	<b>60</b>	<b>(142)</b>	<b>(10,627)</b>	<b>183</b>

\*Refer to note 15 for further detail.

## STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER 2016

	Issued Capital £'000	Share Premium £'000	Share Based Payments Reserve £'000	Capital Contribution Reserve £'000	Foreign Currency Translation Reserve £'000	Accumulated Losses £'000	Total £'000
<b>As at 1 January 2016</b>	<b>290</b>	<b>9,363</b>	<b>482</b>	<b>427</b>	<b>(651)</b>	<b>(10,983)</b>	<b>(1,072)</b>
Profit for the year	-	-	-	-	-	858	<b>858</b>
Other comprehensive income	-	-	-	-	506	-	<b>506</b>
<b>Total comprehensive income</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>506</b>	<b>858</b>	<b>1,364</b>
Issue of ordinary shares	743	-	-	-	-	(31)	<b>712</b>
Write-back of Interest contribution from shareholder	-	-	-	(367)*	-	-	<b>(367)</b>
<b>As at 31 December 2016</b>	<b>1,033</b>	<b>9,363</b>	<b>482</b>	<b>60</b>	<b>(145)</b>	<b>(10,156)</b>	<b>637</b>

\*Refer to note 15 for further detail.

## STATEMENT OF CASHFLOWS FOR THE YEAR ENDED 31 DECEMBER 2017

	Note	2017 £'000	2016 £'000
<b>OPERATING ACTIVITIES</b>			
(Loss) / profit after tax from continuing operations		<b>(471)</b>	<b>858</b>
Adjustment to reconcile loss to net cash outflow from operating activities			
Impairment Expense		281	-
Amortisation		-	9
Remuneration settled in shares		-	22
Interest on loans		-	120
Expenses recharged		-	(16)
Impairment of investment in subsidiary			1,184
Effect of foreign exchange rates		3	(303)
Gain on disposal of subsidiaries		-	(2,164)
Working capital adjustments:			
Decrease/(increase) in receivables		2	8
(Decrease)/increase in trade and other payables		(22)	(94)
<b>Net cash outflow from operating activities</b>		<b>(207)</b>	<b>(376)</b>
<b>INVESTING ACTIVITIES</b>			
Cash received on disposal of investments		-	34
Loans to subsidiary undertakings		-	(62)
<b>Net cash inflow from investing activities</b>		<b>-</b>	<b>(28)</b>
<b>FINANCING ACTIVITIES</b>			
Proceeds from share placements		-	692
Proceeds from loans		-	75
<b>Net cash inflow from financing activities</b>		<b>-</b>	<b>767</b>
Net Increase/(decrease) in cash and cash equivalents		<b>(207)</b>	<b>363</b>
Effect of foreign exchange rates		-	(2)
Cash and cash equivalents at the beginning of the year	12	<b>405</b>	<b>44</b>
<b>Cash and cash equivalents at the end of the year</b>	12	<b>198</b>	<b>405</b>

### Non -Cash transaction

During the year, the Company issued 412,986 shares, valued at £14,117 in settlement of accrued director fees of this value recognised on the Company's Statement of Financial position at 31 December 2017. Refer to notes 14 and 18 for further detail.

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017

### 1. ACCOUNTING POLICIES

The registered office is Ashley Park House, 42-50 Hersham Road, Walton-on-Thames, Surrey KT12 1 RZ. Its principal place of business is Level 14, 191 St Georges Terrace, Perth WA 6000, Australia. The principal activities of Zeta Petroleum Plc (the Company) are oil and gas exploration.

The Company's financial statements for the year ended 31 December 2017 were authorised for issue by the board of directors on 28 March 2018 and the statements of financial position were signed on the Board's behalf by S P West.

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

#### 1.1 Basis of preparation

For the 2017 year, The financial statements comprise the financial statements of Zeta Petroleum plc ("Zeta", or "the Company").

On the 18<sup>th</sup> of July 2016, the Company sold its 100% equity interest in Zeta Petroleum (Romania) Srl and Zeta Petroleum (Suceava) Srl and at this point lost control of the subsidiaries and deconsolidated them. The comparative year of these financial statements (2016 year) presents the financial position and performance of the Company, Zeta Petroleum PLC.

The Company does not have any subsidiaries as at 31 December 2017 and as a result these financial statements do not refer to a Consolidated entity or Group.

#### Compliance with IFRS

Company information is being presented in accordance with International Financial Reporting Standards (IFRSs) (as adopted by the EU). Zeta Petroleum plc ("Zeta" or the "Company") is a public company incorporated in England.

#### Historical cost convention

The financial statements of Zeta have been prepared on a historical cost basis. The financial statements are presented in British pounds and all values are rounded to the nearest thousand (£000) except when otherwise indicated.

#### 1.2 Going concern

The Directors are satisfied that the going concern assumption has been appropriately applied in preparing the financial statements and the historical financial information has been prepared on a going concern basis, which contemplates the continuity of normal business activity and the realisation of assets and the settlement of liabilities in the normal course of business.

For the year ended 31 December 2017 the Company made a loss of £471,000 and had cash outflows from operating activities of £207,000. The ability of the Company to continue as a going concern is dependent on securing additional funding through the issue of equity. These conditions indicate a material uncertainty that may cast a 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.

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017

The Directors believe that the Company will continue as a going concern due to current working capital and expected successful fundraising through the issue of equity, at 31 December 2017, the Company had available funds totalling £198,000. As a result the financial information has been prepared on a going concern basis.

Should the Company be unable to continue as a going concern, it may be required to realise its assets and discharge its liabilities other than in the ordinary course of business, and at amounts that differ from those stated in the financial statements. The financial report does not include any adjustments relating to the recoverability and classification of recorded asset amounts or liabilities that might be necessary should the entity not continue as a going concern.

### 1.3 Significant accounting judgements, estimates and assumptions

The preparation of the Company 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 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.

#### *(a) Impairment of Jimbolia Licence*

During the year the Directors have undertaken a strategic review and have made a prudent decision to impair the Jimbolia asset due to the uncertainty in taking the asset forward to development. The Directors do not believe that the Jimbolia asset will yield any economic benefits for the Company's shareholders and that further investment in this asset is not the best use of Company funds.

The carrying values of the Jimbolia licence as at 31 December 2017 was nil (2016: £281,000) as disclosed in note 9.

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

a) New and amended standards adopted by the Company:

No standards adopted this year had a material affect.

b) Standards, amendments and interpretations, which are effective for reporting periods beginning after the date of these financial statements which have not been adopted early:

New Standards	Issued date	Mandatory effective date	EU Endorsement status
IFRS 9 Financial Instruments	Various	01-Jan-18	Endorsed
Amendments to Existing Standards			

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017

Classification and Measurement of Share-based Payment Transactions (Amendments to IFRS 2)	20-Jun-16	01-Jan-18	Endorsed
Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts (Amendments to IFRS 4)	12-Sep-16	01-Jan-18	Endorsed
Annual Improvements to IFRSs (2014-2016 Cycle)	08-Dec-16	01-Jan-17/18	Endorsed
IFRIC 22 Foreign Currency Transactions and Advance Consideration	08-Dec-16	01-Jan-18	Expected Q1 2018

The above listed new standards and amendments to existing standards are relevant to the Company's current operations however, the Company does not expect their adoption to have a material impact on the Company's financial statements.

### 1.5 Foreign currencies

The Company 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 company are translated at the average exchange rate for the relevant reporting period. At the end of each reporting period, monetary assets and liabilities on the Company's statement of financial position denominated in foreign currencies are translated to the functional currency at the current spot rate. The net gain or losses arising on translation is included in the profit or loss for the year

### 1.6 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.

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017

Exploration expenditure is expensed through the 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 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:

- Jimbolia 25/03/2008 – 25/03/2028

### **Impairment**

During the year the Directors have undertaken a strategic review and have made a prudent decision to impair the Jimbolia asset due to the uncertainty in taking the asset forward to development.

## **1.7 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.

### ***Impairment of financial assets***

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

---

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017

### *Financial liabilities*

All financial liabilities are initially stated at their fair value, less transaction costs and subsequently at amortised cost.

## 1.8 Share-based payments

### *Share options*

The Company 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 Management's estimate of shares that will eventually vest. At each subsequent reporting date the Management 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.

## 1.9 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 Company'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.



## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries, and interests in joint ventures, except where the Company 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 Zeta intends to settle its current tax assets and liabilities on a net basis.

### 1.10 Share issue expenses and share premium account

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

## 2. SEGMENT INFORMATION

The Company 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 Company's geographical segments for the year ended 31 December 2017:

	2017 £'000	2016 £'000
<b>SEGMENT ASSETS</b>		
United Kingdom		
- Current	210	419
Romania		
- Non-current	-	281
Total		
- Current	210	419
- Non-current	-	281

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017

### 3. FINANCING COSTS

	<b>2017</b> <b>£'000</b>	2016 £'000
Interest on loans	-	120
Total financing costs	-	<b>120</b>

### 4. AUDITORS' REMUNERATION

	<b>2017</b> <b>£'000</b>	2016 £'000
<b>Audit services</b>		
Fees payable to the Company's auditors for the audit of the accounts	16	26
<b>Non-audit services</b>		
Interim review	6	6
	<b>22</b>	<b>32</b>

### 5. EMPLOYMENT COSTS

	<b>2017</b> <b>£'000</b>	2016 £'000
Wages and salaries	52	121
Social security costs	1	11
	<b>53</b>	<b>132</b>

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

	<b>2017</b>	2016
Management	1	1
Administration	1	1
	<b>2</b>	<b>2</b>

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017

### 6. REMUNERATION OF DIRECTORS (KEY MANAGEMENT PERSONNEL)

	2017		2016	
	Basic salary and fees £'000	Total £'000	Basic salary and fees £'000	Total £'000
T. Osborne	-	-	7	7
S. Trevisan <sup>1</sup>	-	-	-	-
S. West	22	22	10	10
B. Popescu	-	-	21	21
O. Cairns <sup>2</sup>	-	-	19	19
G. Hancock	21	21	10	10
<b>Total Directors</b>	<b>43</b>	<b>43</b>	<b>67</b>	<b>67</b>

<sup>1</sup> S Trevisan is not paid a fee by the Company, S Trevisan is a related party to Transcontinental Investments Pty Ltd with whom the Company has a services management agreement with, as disclosed at note 19.

<sup>2</sup> Basic salary and fees paid to O Cairns in 2016 were paid through a service company.

Mr Stephen West and Mr Greg Hancock were the only directors paid directly by the Company during the year to 31 December 2017. The directors were paid \$3,000 Australian Dollars per month.

The director fees paid to Mr West and Mr Hancock in the year to 31 December 2017 were significantly more than in the year to 31 December 2016. In the year to 31 December 2016, each director received a fee of £1,000 per month until 31 July 2016 (£7,000), then they received no remuneration until 31 October 2016, and from which point they received remuneration of \$3,000 Australian Dollars per month (approximately £3,300 per director for the period 1 November 2016 to 31 December 2016).

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 8.

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017

### 7. TAXATION

	<b>2017</b> <b>£'000</b>	2016 £'000
<i>Total income tax:</i>		
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 Company's effective income tax rate is as follows:

	<b>2017</b> <b>£'000</b>	2016 £'000
Accounting (loss) / profit before tax	<b>(471)</b>	<b>857</b>
Expected tax credit at standard UK effective corporation tax of 19% (2016 – 20%)	(89)	171
Disallowed (income)/expenses	57	243
Unrecognised temporary differences on licences and exploration costs	-	2
Tax losses not recognised	<b>32</b>	<b>(416)</b>
Tax charge for the year	-	-

	<b>2017</b> <b>£'000</b>	2016 £'000
<i>Total income tax:</i>		
Total income tax charge	-	-

The Company has tax losses arising in the UK of £9,928,749 (2016: £7,563,802) and a deferred tax asset not recognised in the accounts of £1,886,462 (2016: £1,512,760) that are available indefinitely for offset against future taxable profits of the companies in which these losses arose. 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 unrecognised deferred tax assets comprising £3,488 (2016: £3,449) arising from deferred capital allowances, and unrecognised deferred tax asset of £59,713 (2016: £62,850) arising from share based payments. 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.

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017

### 8. PROFIT/(LOSS) PER SHARE

	<b>2017</b> <b>£'000</b>	2016 £'000
Profit/(loss) for the year	<u>(471)</u>	<u>858</u>
Loss for the year attributable to the equity holders	<u>(471)</u>	<u>858</u>

The weighted average number of ordinary shares for the year was 27,361,449 (2016: 11,930,464).

#### Earnings per share

	<b>2017</b>	<b>Total</b> <b>2016</b>
Basic weighted average number of shares	27,363,118	11,930,464
Potential dilutive effect on shares issuable under options	-	10,177,166
Potential diluted weighted average number of shares	27,363,118	22,107,630
Net Profit (loss) per share – basic	(1.72p)	7p
Net Profit (loss) per share – diluted	(1.72p)	4p

The basic and diluted loss per share for 2017 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 15.

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017

### 9. INTANGIBLE ASSETS

	Licence Acquisition Costs £'000
<b>Cost:</b>	
As at 1 January 2016	-
Restatement of Jimbolia licence <sup>i</sup>	317
Effect of movement in foreign exchange	49
	<hr/>
At 31 December 2016	<b>366</b>
	<hr/>
<b>At 31 December 2017</b>	<b>366</b>
	<hr/>
<b>Amortisation:</b>	
<b>2016 Year</b>	
Accumulated amortisation as at 1 January 2016	-
Restatement of Jimbolia licence <sup>i</sup>	(58)
Provided in the year <sup>ii</sup>	(18)
Effect of movement in foreign exchange	(9)
Accumulated amortisation as at 31 December 2016	(85)
	<hr/>
<b>2017 Year</b>	<b>(85)</b>
Accumulated amortisation as at 1 January 2017	
Impairment Expense	(281)
Accumulated amortisation as at 31 December 2017	<b>(366)</b>
	<hr/>
Net book value at 1 January 2016	-
	<hr/>
Net book value at 31 December 2016	281
	<hr/>
<b>Net book value at 31 December 2017</b>	<b>-</b>
	<hr/>

<sup>i</sup> The restatement of the Jimbolia licence reflects the amendment to the Sale and Purchase Agreement ("SPA") for the sale of the Romanian subsidiaries to GM Investment & Co. On 17 June 2016 the SPA was amended to enable the Company to retain its 39% interest in the Jimbolia licence. For further information please refer to the ASX announcement of 19 July 2016. The licence was re-instated to the Company's Statement of financial position at its then written down value.

<sup>ii</sup> The amortisation on the Jimbolia licence attributable to the Company post completion of the SPA was £9,000.

During the year the Directors have undertaken a strategic review and have made a prudent decision to impair the Jimbolia asset due to the uncertainty in taking the asset forward to development. The Directors believe that the Jimbolia asset will not yield economic benefits to the Company's shareholders. Negotiations are at an advanced stage for the transfer of the Company's 39% interest in the license to the operating partner NIS Petroleum. The Directors do not anticipate receiving any cash sums in return for the interest transfer.

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017

### 10. ASSET HELD FOR SALE

In accordance with IFRS 5 "Non-current Assets held for sale and discontinued operations", The Company classifies its 39% in interest in its Jlimbolia licence as 'held for sale', by virtue that the Company is to transfer this interest to its joint venture partner, NIS Petrol, in full and final settlement for all future commitments in respect to the license.

Accordingly, the Company is required to measure this asset at the lower of its carrying amount and fair value less costs to sell. As the Company's interest in this license has been impaired to a nil carrying value as at 31 December 2017, consistent with the requirements of IFRS 5, this asset is measured at no value at 31 December 2017.

### 11. TRADE AND OTHER RECEIVABLES

	<b>2017</b> <b>£'000</b>	2016 £'000
Amounts due within one year:		
VAT receivables	2	1
GST receivables	1	2
Other receivables	1	1
Prepayments	8	10
<b>Total</b>	<b>12</b>	<b>14</b>

### 12. CASH AND CASH EQUIVALENTS

	<b>2017</b> <b>£'000</b>	2016 £'000
Cash at bank and on hand	198	405
<b>As at end of year</b>	<b>198</b>	<b>405</b>

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 Company and earn interest at the respective short-term deposit rates. The fair value of the Company's cash and cash equivalents is £198,000 (2016 £405,000).

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.

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017

### 13. TRADE AND OTHER PAYABLES

	<b>2017</b> <b>£'000</b>	<b>2016</b> <b>£'000</b>
Trade payables	11	11
Other taxes and social security costs	-	3
Accruals	16	49
<b>As at end of year</b>	<b>27</b>	<b>63</b>

### 14. SHARE CAPITAL

	<b>Number of ordinary shares</b>	<b>£'000</b>
<b>Allotted, issued and fully paid:</b>		
<b>As at 1 January 2016</b>	<b>7,255,037</b>	<b>290</b>
Share Placement, July 2016 <sup>i</sup>	1,800,000	72
Rights Issue & Shortfall, October 2016 <sup>ii</sup>	10,761,565	396
Rights Issue Shortfall, October 2016 <sup>iii</sup>	7,348,509	275
<b>As at 31 December 2016</b>	<b>27,165,111</b>	<b>1,033</b>
<b>As at 1 January 2017</b>	<b>27,165,111</b>	<b>1,033</b>
Share Issue, July 2017 <sup>iv</sup>	412,986	14
Expiry of options associated with capital raising <sup>v</sup>	-	168
<b>As at 31 December 2017</b>	<b>27,578,097</b>	<b>1,215</b>

<sup>i</sup> Allotment 27 July 2016: 1,800,000 shares with a nominal value of \$0.06 AUD per share.

<sup>ii</sup> 5 October 2016: Rights Issue & Shortfall: 10,761,565 shares with a nominal value of \$0.06 AUD per share.

<sup>iii</sup> 25 October 2016: Rights Issue Shortfall: 7,348,509 shares with a nominal value of \$0.06 AUD per share.

<sup>iv</sup> 10 July 2017: Issue of shares to Non-executive Director Mr Greg Hancock and former Director Mr Oliver Cairns with a deemed issue price of \$0.06AUD per share, these shares were issued pursuant to a resolution of the board, for settlement of accrued director fees, these shares were issued on the same terms as the Company had previously issued shares under the rights issue referred to above.

<sup>v</sup> In 2012 the Company issued 1,876,080 options (effectively 46,902 after the Company's 1 for 40 share consolidation completed on 15 April 2016), these options were issued with expiry dates of 11 January 2017 for 5,150 options and 21 May 2017 for 41,752 options and the holder of these options did not exercise these options before their expiry date. As these options were issued as consideration for services provided in connection with a capital raising the value of these options was recognised as a reduction to share capital, with a corresponding amount recognised in share-based payments reserve. The above value which has been credited to share capital is original value of the options (issued in Australian dollars) converted to pound sterling (£) at the AUD:GBP exchange rate at the expiry date of the options.

#### **Ordinary Shares**

The holder of Ordinary Shares is entitled to participate in dividends and the proceeds on winding up of the Company in proportion to the number of and amounts paid on the shares held. On a show of hands every holder of ordinary shares present at a meeting in person or by proxy, is



## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017

entitled to one vote, and upon a poll each share is entitled to one vote. Ordinary Shares have no par value and the Company does not have a limited amount of authorised capital.

### 15. RESERVES

Issued capital relates to the nominal value of the shares issued. Share premium reserve 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.

Accumulated 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.

#### SHARE PREMIUM RESERVE

	<b>2017</b> <b>£'000</b>	2016 £'000
As at start of year	<b>9,363</b>	<b>9,363</b>
Arising on shares issued	-	-
Lapse of options	-	-
<b>As at end of year</b>	<b>9,363</b>	<b>9,363</b>

#### SHARE BASED PAYMENT RESERVE

	<b>2017</b> <b>£'000</b>	2016 £'000
As at start of year	<b>482</b>	482
Expiry of options	<b>(168)</b>	-
<b>As at end of year</b>	<b>314</b>	482

There was no expense recognised for employee and non-employee services during the years 2017 and 2016 as no options were issued in either to employees or non-employees in either year.

The options issued to director Mr Greg Hancock and former director Mr Oliver Cairns, which are disclosed in the table below are 'free attaching options' issued on the same terms as those issued pursuant to the rights issue announced on 15 September 2016. As a result, no expense is recognised in the Company's Income Statement.

The share base payment reserve balance has reduced in the 2017 year, due to the expiration of options which the Company had issued in the 2012 year. Refer to note 15 above for further information.

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017

*The Company has the below options at the end of the reporting period.*

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.

	2017 Number	2017 WAEP <sup>i</sup> £	2016 Number	2016 WAEP £
Outstanding at the beginning of the year	10,338,189	0.12	433,152	1.37
Granted during the year	206,494	0.06	9,955,037	0.06
Lapsed during the year	<u>(96,902)</u>	<u>(4.70)</u>	<u>(50,000)</u>	<u>0.93</u>
<b>Outstanding at end of year</b>	<b><u>10,447,781</u></b>	<b><u>0.09</u></b>	<b><u>10,338,189</u></b>	<b><u>0.12</u></b>
<b>Exercisable at end of year</b>	<b><u>10,447,781</u></b>	<b><u>0.09</u></b>	<b><u>10,388,189</u></b>	<b><u>0.12</u></b>

The weighted average remaining contractual life for the share options outstanding as at 31 December 2017 is 1.77 years (2016: 3.49 years). The weighted average fair value of options granted during the year was 0.3 pence (2016: 0.7 pence). The range of exercise prices for options outstanding at the end of the year was £0.06 – £0.92 (2016: £0.06 – £4.66).

The 96,902 options which lapsed during the year include 46,902 options which lapsed during the year, due to the options not being exercised before their expiry date, the value of these options recognised in the share based payment reserve at the time when the options were issued in the 2012 year, being £167,800, was removed from the share based payment reserve during the 2017 year, refer to note 15 for further information.

The remaining 50,000 options which lapsed during the year relate to former directors Bogdan Popescu and Oliver Cairns who had each been granted 25,000 options in the 2014 year, these options were valued at \$100 AUD (c. £55), with this amount having been expensed in the Company's Income Statement in the 2014 year. Due to the quantum of the options value No adjustment is recognised in the 2017 financial statements.

### **Options issued in 2017**

On 10 July 2017 the Company issued a total of 206,494 free attaching unlisted options exercisable at A\$0.10 with an expiry date of 30 September 2019 (attached to the issue of 412,986 new ordinary fully paid CDIs).

These options were issued to non-executive director Mr Greg Hancock and former director Mr Oliver Cairns as free attaching options to shares issued to settle director fees accrued to July 2016.

The issue of options was subject to shareholder approval which was received on 30 June 2017 at a General Meeting of the Company.

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017

### *Options issued in 2016*

#### **Share Placement Options**

On 27 July 2016 the Company issued a total of 900,000 free attaching unlisted options exercisable at A\$0.10 with an expiry date of 30 September 2019 (attached to the issue of 1,800,000 new ordinary fully paid CDIs). The issue of options was subject to shareholder approval which was received on 14 September 2016 at a General Meeting of the Company.

#### **Rights Issue Options**

On 7 October 2016 the Company announced the placing of 5,380,782 free options exercisable at A\$0.10 each on or before 30 September 2019 under the Rights Issue and shortfall (attached to the placing of 10,761,565 new CDIs)

On 26 October 2016 the Company announced the completion of the Rights Issue shortfall placing 3,674,255 free options exercisable at A\$0.10 each on or before 30 September 2019 under the Rights Issue Shortfall (attached to the placing of 7,348,509 new CDIs).

### **CAPITAL CONTRIBUTION RESERVE**

	<b>2017</b> <b>£'000</b>	2016 £'000
As at start of year	<b>60</b>	<b>427</b>
Write-back of interest contribution from shareholder	-	(367)
	<hr/>	<hr/>
<b>As at end of year</b>	<b>60</b>	<b>60</b>

In the 2016 reporting year, the Company disposed of its Romanian subsidiaries Zeta Petroleum (Romania) srl and Zeta Petroleum (Suceava) srl to major shareholder GM Investment & Co. ('GMI') in exchange for full settlement of all outstanding debt owed to GMI, a balance of £1,576,989 at 31 December 2015.

For the period when the subsidiaries were indebted to GMI, an interest amount was recognised in the Income Statement for the relevant entity equal to the difference between the interest charged on the loan by GMI and the interest that would have been charged if Zeta had obtained a similar debt facility from a non-related party, with a corresponding amount being recognised in the capital contribution reserve.

Upon disposal of the subsidiaries, the amounts previously recognised to the capital contribution reserve through the above process were reversed, with a corresponding credit contributing to other income in the period.

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017

### FOREIGN CURRENCY TRANSLATION RESERVE

	<b>2017</b> <b>£'000</b>	2016 £'000
As at start of year	(145)	(651)
Exchange differences on translation of foreign operations	3	506
	<u>(142)</u>	<u>(145)</u>
<b>As at end of year</b>	<b>(142)</b>	<b>(145)</b>

## 16. INCOME STATEMENT

### ADMINISTRATIVE EXPENSES

	<b>2017</b> <b>£'000</b>	2016 £'000
Personnel expense	53	139
Professional fees	31	17
Travel	-	11
Foreign exchange movement	3	-
Administration Services	23	9
Other	80	94
	<u>190</u>	<u>270</u>
<b>Total administration expenses</b>	<b>190</b>	<b>270</b>

### OTHER INCOME

In the 2016 reporting year, the Company completed the disposal of its Romanian oil & gas assets to its largest shareholder GMI in exchange for full forgiveness of all outstanding debt owed to GMI which completed on 19 July 2016. As at 19 July the total of debt owing to GMI was £2,405,580 (AU\$4,165,309). In addition to full debt forgiveness Zeta retained the balance of cash and debtor account with its JV partner on the Suceava licence which totalled £29,000 (AU\$52,500).

The table below shows the calculation of the gain on disposal of the assets, which is disclosed as 'Other Income' in the Company's Income Statement.

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017

	<b>2016 £'000</b>
Cash consideration received	34
Other consideration received – debt forgiveness	2,443
Other consideration received – Value of Jimbolia license retained	283
<b>Total consideration received</b>	<b>2,760</b>
Cash disposed of	-
<b>Net inflow received on disposal of discontinued operations</b>	<b>2,760</b>
<i>Net assets disposed of (other than cash)</i>	-
Investment in subsidiaries	(596)
Loans to subsidiaries net of impairment (120)	-
	<b>(596)</b>
Pre-tax gain on disposal of discontinued operations	<b>2,164</b>
Related tax expense	-
<b>Gain on disposal of discontinued operations</b>	<b>2,164</b>

### IMPAIRMENT OF INVESTMENT IN SUBSIDIARY

In the 2016 reporting year, the Company recognised a value for 'impairment of investment in subsidiary' of £1,184,000, this charge was a write-off of the loans owed by the Company's Romanian subsidiaries Zeta Petroleum (Romania) srl and Zeta Petroleum (Suceava) srl to the Company at the time of the disposal of the subsidiaries, which was completed on 18 July 2016.

## 17. FINANCIAL INSTRUMENTS

The Company's financial instruments comprise cash and cash equivalents and trade and other payables. The main purpose of these financial instruments is to finance the Company's operations.

Exposure to currency risk arises in the normal course of the Company's business.

### **Foreign currency risk**

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

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017

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

	British Pounds '000	Euros '000	Total '000
<b>Current Assets – 2017</b>			
Cash and cash equivalents	1	-	1
<b>Liabilities – 2017</b>			
Trade and other payables	37	-	37
<b>Current Assets – 2016</b>			
Cash and cash equivalents	69	2	71
<b>Liabilities – 2016</b>			
Trade and other payables	84	-	84

### Liquidity Risk

The Company monitors liquidity risk on a monthly basis by maintaining cashflow summaries and forecasts extending out for a twelve month period. The Company has no long term cash investments at reporting date. In order to meet both overhead and operational cashflow obligations the Company issues additional equity for cash or obtains debt finance.

The table below summarises the maturity profile of the Company's financial liabilities 31 December 2017 and 2016 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
<b>Year ended 31 December 2016</b>						
Trade and other payables	-	63	-	-	-	63
<b>As at 31 December 2016</b>	-	63	-	-	-	63
<b>Year ended 31 December 2017</b>						
Trade and other payables	-	27	-	-	-	27
<b>As at 31 December 2017</b>	-	27	-	-	-	27

### Credit Risk

The Company's exposure to credit risk arises from the holding of Cash and Cash equivalents and is the risk of default by the counterparty, being the financial institution. The Company's maximum exposure is equal to the carrying amount of cash and cash equivalents. The Company limits its counterparty credit risk on these assets by dealing only with financial institutions with credit ratings of at least A or equivalent.

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017

The Company maintains bank accounts in Australia with an Aa2 credit rated bank and in the United Kingdom a AA- bank. The table below summarizes the Company's exposure to credit risk:

	<b>Note</b>	<b>2017 £'000</b>	<b>2016 £'000</b>
Cash and cash equivalents	12	<b>198</b>	405
		<b>198</b>	405

### ***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 Company's financial instruments that are carried in the financial statements.

	<b>2017</b>		<b>2016</b>	
	<b>Carrying Values £'000</b>	<b>Fair Values £'000</b>	<b>Carrying Values £'000</b>	<b>Fair Values £'000</b>
<b>Financial assets</b>				
Cash and cash equivalents	<b>198</b>	<b>198</b>	405	405
<b>Financial liabilities</b>				
Trade and other payables	<b>(27)</b>	<b>(27)</b>	(60)	(60)
	<b>(27)</b>	<b>(27)</b>	(60)	(60)
	<b>171</b>	<b>171</b>	345	345

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

## 18. RELATED PARTY TRANSACTIONS

There were no related party transactions during the year other than remuneration to Directors as disclosed in note 6 and those listed below:

### **Administration Services Agreement**

On 26 July 2016 the Company entered into a Services Management Agreement with Transcontinental Investments Pty Ltd ("TRG") for the provision of Australian head office location, company secretarial, administrative support and corporate management services and facilities. In exchange for the services provided TRG receives a monthly fee of A\$3,000.

For the year to 31 December 2017, a total of A\$36,000 (£23,700) has been paid under the terms of this agreement (31 December 2016: A\$15,000 (£8,700)).

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017

### Issue of CDI's and Options

On 10 July 2017, the Company issued 222,827 CDI's and 111,414 Free Attaching Options to non-executive director Mr Greg Hancock.

The CDI's were issued in settlement of 50% of the director's fees owing to Mr Hancock for the period 23 April 2015 to 31 July 2016 with the full value of director fees accrued for this period being £15,233. Using the 31 July 2016 GBP:AUD exchange rate of 1:1.75531, 50% of the accrued director's fees was calculated as A\$13,369.61 (£8,700). The CDI's were issued at a deemed price of A\$0.06, being the value of shares issued under the rights issue approved by shareholders on 14 September 2016, where resulting in the issue of 222,827 CDI's.

Under terms of the rights issue, shareholders were entitled to subscribe for two CDI's for every 1 CDI or share held, with one free attaching option to be issued for every two CDI's subscribed, as a result, Mr Hancock was granted 111,414 free attaching options. The value of these options has been calculated as A\$594, using black-scholes valuation methodology.

The balance of the accrued director fees was settled on 8 June 2017 via a cash payment.

### Related party transactions in the 2016 year

#### Disposal of subsidiaries

In the 2016 year, the Company sold its Romanian oil & gas assets to major shareholder GM Investment & Co. ('GMI') through the disposal by the Company of the entire issued share capital in Zeta Petroleum (Romania) srl and Zeta Petroleum (Suceava) srl, together being the main undertaking of the Company, in exchange for full settlement of all outstanding debt owed to GMI ("Sale and Purchase Agreement" 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.

On 17 June 2016 the Company signed an amendment agreement relating to the SPA to enable the Company to retain a 39% non-operated interest in the Jimbolia concession in Romania.

#### Placement of shares

On 27 July 2016, the Company issued 1,800,000 ordinary fully paid CDI's to Transcontinental Investments Pty Ltd, raising \$108,000 AUD (£72,000). A non-executive director of the Company, Mr Simon Trevisan is a director, joint controller and substantial shareholder in Transcontinental Investments Pty Ltd.

## 19. COMMITMENTS

### Administration Services Fees Commitment

Refer to note 18 for disclosure on the Group's Administration Services Agreement with Transcontinental Investments Pty Ltd (TRG). The agreement has no specified end date, and could be cancelled by either party after the provision of 6 months' notice, as a result, the above commitments table includes 6 months of payments, at \$3,000 AUD per month plus GST, being a total of \$15,000. This commitment at 31 December 2017 is commitment with the 31 December 2016 commitment.



---

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017

### 20. CAPITAL MANAGEMENT

The primary objective of the Company's capital management is to fund oil and gas exploration and development with a focus on Europe. The Company aims to establish and maintain a balanced portfolio that includes production, development, appraisal and exploration stage assets.

The Company manages its working capital by raising funds through the issuance of ordinary shares in the company and debt finance. In 2016 a total of \$1.08 million (£670,954) was raised via a fully subscribed Rights Issue (Note 14), and a further \$108,000 through a placement to Transcontinental Investments Pty Ltd, a related party of the Company.

The Company defines capital as consisting of Share Capital and Share Premium. The balance of Share Capital and Share Premium at year end was £10.4 million (2016: £10.4 million). Capital commitments involve the initial acquisition of licence interests that the Company believes has the potential to contain commercially viable oil and gas reserves and then the exploration and/or appraisal of these licences by following a work programme that achieves internally stated timelines as well as licence commitments imposed by local governments.

There are no externally imposed capital requirements imposed on the Company.

### 21. POST BALANCE SHEET EVENTS

There have been no events since 31 December 2017 that have significantly affected the Company's operations, results or state of affairs.

---

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

This statement has been approved by the Company's Board of Directors ('Board') and is current as at 28 March 2018.

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

## UNAUDITED CORPORATE GOVERNANCE STATEMENT

### 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
<b>1.</b>	<b>Lay solid foundations for management and oversight</b>	
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.	<p>The Board is ultimately accountable for the performance of the company and provides leadership and sets the strategic objectives of the company. 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.</p> <p>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.</p>
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.
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.	<p><i>The Company's Corporate Governance Plan includes a 'Diversity Policy', which provides a framework for establishing measurable objectives for achieving gender diversity and for the Board to assess annually both the objectives and progress in achieving them.</i></p> <p>Further detail on the Diversity Policy is included in the Strategic Report of the Directors.</p>
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.	<p>The Company's Corporate Governance Plan includes a section on performance evaluation practices adopted by the Company.</p> <p>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.</p> <p>A performance evaluation of the board was not performed during the 2017 year.</p>

## 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.	<p>The Company's Corporate Governance Plan includes a section on performance evaluation practices adopted by the Company.</p> <p>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.</p> <p>A performance evaluation of senior executives was not performed during the year. The company does have any executive positions at 31 December 2017.</p>
<b>2.</b>	<b>Structure the board to add value</b>	
2.1.	<p>The board of a listed entity should:</p> <p>(a) have a nomination committee which:</p> <ul style="list-style-type: none"> <li>(1) has at least three members, a majority of whom are independent directors; and</li> <li>(2) is chaired by an independent director,</li> </ul> <p>and disclose:</p> <ul style="list-style-type: none"> <li>(3) the charter of the committee;</li> <li>(4) the members of the committee; and</li> <li>(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</li> </ul> <p>(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.</p>	<p>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.</p> <p>The Company's Corporate Governance Plan includes a Nomination Committee Charter, which discloses the specific responsibilities of the committee.</p> <p>Where necessary, the Board seeks advice of external advisers in connection with the suitability of applicants for Board membership.</p> <p>Once the Board deems that the Company warrants a Nomination Committee, one will be formed in compliance with this Recommendation.</p>

## 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 in 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.	Those directors who are considered to be independent are specified in the Directors report.  The length of service of each of the Company's directors is included in the Directors Report.
2.4.	A majority of the board of a listed entity should be independent directors.	As disclosed in the director's report, 50% of the Company's directors are independent. This includes the Company's Chairman Mr Stephen West.
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 Chairman of the Company is Mr Stephen West. He is an independent director.
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.
<b>3.</b>	<b>Act ethically and responsibly</b>	
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.

## UNAUDITED CORPORATE GOVERNANCE STATEMENT

PRINCIPLES AND RECOMMENDATIONS		COMMENT
<b>4.</b>	<b>Safeguard integrity in financial reporting</b>	
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.	<p>The Company is substantially in compliance with this requirement. The Company has established an Audit Committee consisting of Mr Simon Trevisan who serves as Committee Chairman, Mr Timothy Osborne and Mr Greg Hancock. Mr Hancock is considered to be independent.</p> <p>The Company Secretary attends the meetings of the Audit Committee.</p> <p>Details of the qualifications and experience of the members of the Committee is detailed in the 'General Information' section of the 2017 Annual Accounts.</p> <p>The Company's Corporate Governance Plan includes an Audit Committee Charter, which discloses its specific responsibilities.</p> <p>The Audit Committee held two meetings during 2017, two members of the audit committee attended both of the meetings.</p>
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.	<p>As at 31 December 2017, the Company does not have a CEO or a CFO.</p> <p>A declaration otherwise provided by people in these roles has been provided by two directors of the Company.</p>
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.



## UNAUDITED CORPORATE GOVERNANCE STATEMENT

PRINCIPLES AND RECOMMENDATIONS		COMMENT
<b>5.</b>	<b>Make timely and balanced disclosure</b>	
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.
<b>6.</b>	<b>Respect the rights of shareholders</b>	
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.
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 <a href="http://www.computershare.com/au">www.computershare.com/au</a> .



## UNAUDITED CORPORATE GOVERNANCE STATEMENT

PRINCIPLES AND RECOMMENDATIONS		COMMENT
<b>7.</b>	<b>Recognise and manage risk</b>	
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	<p>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.</p> <p>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.</p> <p>The Company's Corporate Governance Plan includes a risk management policy.</p>
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	<p>The Company's Corporate Governance Plan includes a risk management policy.</p> <p>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.</p>
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.	<p>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.</p>

## UNAUDITED CORPORATE GOVERNANCE STATEMENT

PRINCIPLES AND RECOMMENDATIONS		COMMENT
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. The Company does not currently have material exposure to any 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.
<b>8.</b>	<b>Remunerate fairly and responsibly</b>	
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 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.	<p>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.</p> <p>The Company's Corporate Governance Plan includes a Remuneration Committee Charter, which discloses its specific responsibilities.</p> <p>Remuneration to the Company's non-executive directors is 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.</p> <p>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.</p>

## UNAUDITED CORPORATE GOVERNANCE STATEMENT

PRINCIPLES AND RECOMMENDATIONS		COMMENT
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.	<p>The Board has distinguished the structure of non-executive director's remuneration from that of executive directors and senior executives.</p> <p>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.</p> <p>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.</p>
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 27 March 2018 is 27,578,097 ordinary shares held by a total of 326 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 <sup>1</sup>	163
1,001 – 5,000	76
5,001 – 10,000	17
10,001 – 100,000	41
100,001 – and over.	28

<sup>1</sup> These shareholdings constitute unmarketable parcels of ordinary shares

#### Top 20 Shareholders as at DATE AS ABOVE:

Rank	Name	Units	%
1	TRANSCONTINENTAL INVESTMENTS PTY LTD	6,400,000	23.21
2	GM INVESTMENT & CO LTD	5,748,058	20.84
3	PRECISION OPPORTUNITIES FUND LTD <INVESTMENT A/C>	1,666,667	6.04
4	MR PAUL HARTLEY WATTS	1,504,548	5.46
5	GLENNBROWN PTY LTD <G BROWN FAMILY A/C>	1,165,000	4.22
6	5150 CAPITAL PTY LTD <NO 2 A/C>	1,000,000	3.63
7	HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED	895,314	3.25
8	GREENSEA INVESTMENTS PTY LTD	850,000	3.08
9	MR BOGDAN POPESCU	706,288	2.56
10	CRESTHAVEN INVESTMENTS PTY LTD	521,684	1.89
11	MR BENJAMIN JAMES HODGES	516,642	1.87
12	SILVERLIGHT HOLDINGS PTY LTD <CAIRNS INVESTMENT A/C>	491,038	1.78
13	MR BRETT MITCHELL + MRS MICHELLE MITCHELL <MITCHELL SPRING FAMILY A/C>	382,587	1.39
14	HELMET NOMINEES PTY LTD <TIM WEIR FAMILY FUND A/C>	375,000	1.36
15	JOKE PTY LTD <AC KENNY FAMILY A/C>	375,000	1.36
16	MR JAMES THOMPSON + MRS SONJA LOUISE NEWMAN HEATH <TH CAPITAL SUPER FUND A/C>	375,000	1.36
17	GG HANCOCK PTY LTD	352,827	1.28
18	CHELSEA INVESTMENTS (WA) PTY LTD	350,000	1.27
19	WEST KEY PTY LTD	350,000	1.27
20	MR IAN THOMPSON + MR PETER RANDAL THOMPSON <THOMPSON FAMILY S/F A/C>	260,000	0.94

---

## **ASX ADDITIONAL INFORMATION**

### **RESTRICTED SECURITIES**

There were no restricted securities as at 31 December 2017.

### **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.