Zeta Petroleum plc

ARBN 24 154 575 872

Interim Report

For the Half-Year Ended 30 June 2015

INTERIM REPORT FOR THE HALF YEAR ENDED 30 JUNE 2015

Page:

CORPORATE INFORMATION

DIRECTORS

S P West
Non-Executive Chairman

T W Osborne
Non-Executive Director

B Popescu
Non-Executive Director

O Cairns
Non-Executive Director

G Hancock
Non-Executive Director

CHIEF EXECUTIVE OFFICER

A Morrison

COMPANY SECRETARY

B Hodges

REGISTERED OFFICES

United Kingdom

1 Berkeley Street
London
W1J 8DJ
United Kingdom

Australia

25 Franklin Street
Leederville
WA 6007
Australia

Romania

5th Floor, 4-6 Ion Bogdan Street
010539 Bucharest
Romania

AUDITOR

BDO LLP
55 Baker Street
London
W1U 7EU
United Kingdom

STOCK EXCHANGE LISTING

Australian Securities Exchange
Share code: ZTA

SHARE REGISTRARS

United Kingdom

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

Australia

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

PLACE OF INCORPORATION

England

COMPANY NUMBER

5560854

WEBSITE

www.zetapetroleum.com

REPORT OF THE DIRECTORS FOR THE HALF YEAR ENDED 30 JUNE 2015

The directors present their report together with the unaudited financial statements for the six months ended 30 June 2015.

Directors

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

Results and Dividends

The statement of profit or loss and other comprehensive income is set out on page 4 and shows a loss for the half year amounting to £889,000 (half year to June 2014: loss of £586,000). The directors do not recommend the payment of a dividend.

Principal Activities and Review of Operations

During the six months ended 30 June 2015 the Company continued to make progress on its portfolio of oil and gas exploration and production assets in Romania:

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

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

During the period Zeta and Raffles Energy ("the Partners") secured all required permitting for tie-back of the Ruda-1 well to the Bilca gas processing plant. Construction was completed post period end with first gas production expected to commence during calendar Q3 2015.

During the period, combined production from the Climauti Gas Field and Dornesti Sud-1 gas to power project totalled approximately 13,000m3/day which generated £122,000 revenue to Zeta.

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

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

The 2015 work programme was agreed with NAMR which will be a nominal cost to Zeta. The partners also continued to investigate and evaluate options for bringing the Jimbolia-100 well into production.

(iii) Bobocu Concession (100% Zeta Petroleum)

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

The Company has continued the process of seeking a farm-in partner to assist with the development of this asset.

(iv) Other Opportunities

In line with its strategy, the Company continues to assess other onshore oil and gas opportunities that may complement and enhance the current portfolio. With an experienced team and an exciting platform of assets, the Company believes that it is ideally positioned to capitalise on a number of regional opportunities. This is particularly relevant with the increasing issues of energy security translating into countries being keen to develop their own energy sources.

Financial Position

The Group had £201,000 of cash and cash equivalents at 30 June 2015. The Group's ability to fund its current liabilities, general overheads and work commitments in particular on the Bobocu licence, is reliant on raising further capital in the near future. The amount of additional capital required is dependent upon the Bobocu farm out negotiation.

If the Group cannot raise funds through the issue of equity they will be reliant on raising funds either through debt funding or the sale of assets. The Directors are seeking to farm out the Bobocu licence but over and above that further funds will be required to cover other commitments and overheads and no events are certain. The Directors have reasonable expectation that appropriate financial arrangements to continue operations can be obtained and it is appropriate to prepare the financial statements on a going concern basis, however there can be no certainty that any funding will be secured. These conditions indicate existence of a material uncertainty related to events or conditions that may cast significant doubt about the Group's ability to continue as a going concern, and, therefore, that it may be unable to realise its assets and discharge its liabilities in the normal course of business. These financial statements do not include the adjustments that would be required if the Group could not continue as a going concern.

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

By order of the Board

S P West
Chairman and Director
11 September 2015

1 Berkeley Street
London W1J 8DJ
United Kingdom

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE SIX MONTHS ENDED 30 JUNE 2015

	Note	**Unaudited 30 June 2015 £'000**	Unaudited 30 June 2014 £'000
Continuing operations			
Revenue		**122**	148
Cost of goods sold		**(66)**	(85)
Gross Profit		**56**	63
Exploration and evaluation expenses		**(7)**	(8)
Administrative expenses		**(565)**	(446)
Other income		**-**	7
Operating loss		**(572)**	(447)
Financing costs		**(100)**	(7)
Foreign exchange loss		**(273)**	(195)
Loss before Taxation from continuing operations		**(373)**	(586)
Income tax		**-**	-
Loss for the period attributable to the equity holders		**(889)**	(586)
Loss per ordinary share – basic and diluted	3	**(14.14p)**	(9.90p)
Loss for the period		**(889)**	(586)
Other comprehensive income:			
Items that may be reclassified subsequently to profit or loss:			
Exchange differences on translation of foreign operations		**223**	163
Total comprehensive loss for the period		**(666)**	(423)

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

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2015

	Note	**Unaudited 30 June 2015 £'000**	Audited 31 December 2014 £'000
ASSETS			
Non-current assets			
Intangible assets	4	**485**	556
Property, plant & equipment	5	**844**	966
		1,329	1,522
Current assets			
Trade and other receivables	6	**185**	165
Cash and cash equivalents		**201**	553
		386	718
Total assets		**1,715**	2,240
EQUITY AND LIABILITIES			
Equity attributable to equity holders			
Issued capital	7	**290**	251
Share premium		**9,423**	9,320
Share based payments reserve	8	**482**	482
Share options reserve		**107**	131
Capital contribution reserve		**367**	347
Foreign currency translation reserve		**806**	583
Retained losses		**(11,356)**	(10,467)
Total equity		**119**	647
Non-current liabilities			
Provisions		**42**	47
Loans	9	**1,258**	1,300
		1,300	1,347
Current liabilities			
Derivative financial liability	10	**20**	20
Trade and other payables		**148**	226
Loans		**128**	-
		296	246
Total liabilities		**1,596**	1,593
Total equity and liabilities		**1,715**	2,240

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

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

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

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (UNAUDITED) FOR THE SIX MONTHS ENDED 30 JUNE 2014

	Issued Capital £'000	Share Premium £'000	Share Based Payments Reserve £'000	Share Options Reserve £'000	Foreign Currency Translation Reserve £'000	Retained Losses £'000	Total £'000
As at 1 January 2014	**234**	**9,279**	**1,434**	**131**	**295**	**(10,025)**	**1,348**
Loss for the period	-	-	-	-	-	**(586)**	**(586)**
Other comprehensive income	-	-	-	-	**163**	-	**163**
Total comprehensive loss	-	-	-	-	**163**	**(586)**	**(423)**
Write-back of share options cancelled during period	-	-	**(61)**	-	-	**61**	-
As at 30 June 2014	**234**	**9,279**	**1,373**	**131**	**458**	**(10,550)**	**925**

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

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE SIX MONTHS ENDED 30 JUNE 2015

	Unaudited 30 June 2015 £'000	Unaudited 30 June 2014 £'000
Operating activities		
Loss after tax	**(889)**	(586)
Adjustment to reconcile loss to net cash outflow from operating activities		
Depreciation	**43**	31
Amortisation	**17**	19
Decommissioning	**-**	1
Share based payments	**118**	-
Interest on loans	**100**	7
Foreign exchange loss	**204**	186
Working capital adjustments:		
(Increase)/Decrease in receivables and prepayments	**(20)**	29
Increase in provisions	**-**	1
(Decrease)/increase in trade and other payables	**(78)**	124
Net cash outflow from operating activities	**(505)**	(188)
Investing activities		
Purchase of property, plant and equipment	**(13)**	(200)
Net cash outflow from investing activities	**(13)**	(200)
Financing activities		
Proceeds from loans and borrowings	**130**	504
Net cash inflow from financing activities	**130**	504
Net (decrease)/increase in cash and cash equivalents	**(388)**	116
Cash and cash equivalents at the beginning of period	**553**	88
Effect of foreign exchange rates	**36**	(1)
Cash and cash equivalents at the end of period	**201**	203

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

NOTES TO THE SIX MONTHS FINANCIAL STATEMENTS

1. Corporate Information

This interim financial report of Zeta Petroleum plc and controlled entities was authorised for issue in accordance with a resolution of the Board of Directors on 11 September 2015. Zeta Petroleum plc is a company limited by shares and incorporated and domiciled in the United Kingdom whose shares are publically traded on the Australian Stock Exchange.

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

2. Summary of Significant Accounting Policies

Basis of preparation

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

The half-year report has been prepared on a historical cost basis, except where applicable for financial assets that have been measured at fair value. For the purpose of preparing the half-year financial report, the half-year has been treated as a discrete reporting period.

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

The Group has £201,000 of cash and cash equivalents at 30 June 2015. The Group's ability to fund its current liabilities, general overheads and work commitments in particular on the Bobocu licence, is reliant on raising further capital in the near future. The amount of additional capital required is dependent upon the Bobocu farm out negotiation.

If the Group cannot raise funds through the issue of equity they will be reliant on raising funds either through debt funding or the sale of assets. The Directors are seeking to farm out the Bobocu licence but over and above that further funds will be required to cover other commitments and overheads and no events are certain. The Directors have reasonable expectation that appropriate financial arrangements to continue operations can be obtained and it is appropriate to prepare the financial statements on a going concern basis, however there can be no certainty that any funding will be secured. These conditions indicate existence of a material uncertainty related to events or conditions that may cast significant doubt about the Group's ability to continue as a going concern, and, therefore, that it may be unable to realise its assets and discharge its liabilities in the normal course of business. These financial statements do not include the adjustments that would be required if the Group could not continue as a going concern.

The half-year financial report should be read in conjunction with the annual Financial Report of Zeta Petroleum plc as at 31 December 2014 which has been prepared in accordance with International Financial Reporting Standards ("IFRS") as adopted by the European Union. The financial information presented in this half yearly report for the period ended 30 June 2015 does not constitute the full statutory accounts for that period. The Annual Report and Financial Statements for 2014 have been filed with the Registrar of Companies. The Independent Auditors' Report on the Annual Report and Financial Statement for 2014 was unqualified and drew attention to the uncertainty around the Group continuing as a going concern by way of emphasis, it did not contain a statement under 498(2) or 498(3) of the Companies Act 2006.

NOTES TO THE SIX MONTHS FINANCIAL STATEMENTS

The financial information for the period ended 30 June 2015 and 30 June 2014 are unaudited but have been reviewed by the Company's auditor.

It is also recommended that the half-year financial report be considered together with any public announcements made by Zeta Petroleum plc during the half year ended 30 June 2015 in accordance with the continuous disclosure obligations under the Australian Stock Exchange.

The accounting policies and methods of computation adopted in the Group's preparation of the half-year financial report are consistent with those adopted and disclosed in the annual financial report for the year ended 31 December 2014. For the current period, the Group has adopted a number of revised Standards and interpretations.

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

a) Standards, amendments and interpretations effective in 2015
The following new standards and amendments to standards are mandatory for the first time for the Group for the financial year beginning 1 January 2015. Except as noted, the implementation of these standards did not have a material effect on the Group:

Standard	Impact on initial application	Effective date
Annual Improvements to IFRSs 2010-2012 cycle	Amendments to IFRS 2 Share Based Payments, IFRS 3 Business Combinations, IFRS 8 Operating Segments, IFRS 13 Fair Value Measurements, IAS 16 Property, Plant and Equipment, IAS 24 Related Party Disclosures, IAS 38 Intangible assets	1 July 2014
Annual improvements to IFRSs 2011-2013 cycle	Amendments to IFRS 1 First time adoption, IFRS 3 Business Combinations, IFRS 13 Fair Value Measurement, IAS 40 Investment Property	1 July 2014

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

Standard	Impact on initial application	Effective date
IFRS 15	Revenue from customer contracts	1 January 2018
IFRS 9	Financial instruments	1 January 2018
IAS 1 Disclosure initiatives	Applying professional judgement in disclosure of information in financial statements	1 January 2016
IFRS 11	Application of principals of IFRS 3 Business Combinations to interests in Joint Ventures	1 January 2016
IAS 27	Option to apply equity method when accounting for investments in subsidiaries, joint ventures, associates in separate financial statements	1 January 2016
Annual improvement to IFRSs 2012-2014 cycle	Amendments to IFRS 5 Non current assets held for sale, IFRS 7 Financial Instruments disclosure, IAS 19 Employee Benefits, IAS 34 Interim Financial Reporting	1 January 2016

* Effective date 1 January 2014 for the EU

The Group does not expect the pronouncements to have a material impact on the Group's earnings or shareholders' funds.

NOTES TO THE SIX MONTHS FINANCIAL STATEMENTS

3. Loss Per Share

	Unaudited 30 June 2015 £'000	Audited 30 June 2014 £'000
Loss for the year attributable to the equity holders	**(889)**	(580)

Basic and diluted loss per share is calculated on the loss for the period attributable to equity holders of the parent of £889,000 (30 June 2014: £580,000) and taking into account the share consolidation divided by the weighted average of 6,287,067 (30 June 2014: 5,859,056 – amended for the share consolidation of 1 share for every 40 shares held) ordinary shares.

4. Intangible Assets

	Licence Acquisition Costs £'000	**Total £'000**
GROUP		
Cost:		
As at 1 January 2015	**894**	**894**
Effect of movement in foreign exchange	**(87)**	**(87)**
At 30 June 2015	**807**	**807**
Amortisation:		
As at 1 January 2015	**(338)**	**(338)**
Provided in the period	**(17)**	**(17)**
Effect of movement in foreign exchange	**33**	**33**
At 30 June 2015	**(322)**	**(322)**
Net book value at 30 June 2015	**485**	**485**
Cost:		
As at 1 January 2014	956	956
Effect of movement in foreign exchange	(62)	(62)
At 31 December 2014	894	894
Amortisation:		
As at 1 January 2014	(322)	(322)
Provided in the year	(39)	(39)
Effect of movement in foreign exchange	23	23
At 31 December 2014	(338)	(338)
Net book value at 31 December 2014	556	556

NOTES TO THE SIX MONTHS FINANCIAL STATEMENTS

5. Property, Plant and Equipment

	Office Equipment £'000	Oil & Gas Assets £'000	Total £'000
Cost:			
As at 1 January 2015	**44**	**1,188**	**1,232**
Additions	**1**	**12**	**13**
Effect of movement in foreign exchange	**(1)**	**(115)**	**(116)**
As at 30 June 2015	**44**	**1,085**	**1,129**
Depreciation:			
As at 1 January 2015	**(41)**	**(225)**	**(266)**
Provided in the period	**(1)**	**(42)**	**(43)**
Effect of movement in foreign exchange	**1**	**23**	**24**
As at 30 June 2015	**(41)**	**(244)**	**(285)**
Net book value at 30 June 2015	**3**	**841**	**844**

	Office Equipment £'000	Oil & Gas Assets £'000	Total £'000
Cost:			
As at 1 January 2014	43	633	676
Additions	-	599	599
Effect of movement in foreign exchange	1	(44)	(43)
As at 31 December 2014	44	1,188	1,232
Depreciation:			
As at 1 January 2014	(40)	(106)	(146)
Provided in the period	(4)	(130)	(134)
Effect of movement in foreign exchange	3	11	14
As at 31 December 2014	(41)	(225)	(266)
Net book value at 31 December 2014	3	963	966

NOTES TO THE SIX MONTHS FINANCIAL STATEMENTS

6. Trade and Other Receivables

	Unaudited 30 June 2015 £'000	Audited 31 December 2014 £'000
Amounts due within one year:		
VAT receivable	**104**	83
GST receivable	**1**	-
Other receivables	**1**	1
Amounts owed from joint operating partners	**65**	76
Prepayments	**14**	5
Total amounts due within one year	**185**	165

7. Issued Capital

On 15 April the Company's ordinary shares each were consolidated so that every 40 existing ordinary shares of £0.001 were consolidated into 1 new ordinary shares of £0.04.

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

[i] On 15 April the Group consolidated its Share Capital to 1 share for every 40 held.

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

[iii] Allotment 7 July 2014: 17,121,549 shares with a nominal value of £0.04 were issued at an issue price of £0.21 (AU$0.36) per share.

NOTES TO THE SIX MONTHS FINANCIAL STATEMENTS

8. Share Based Payments

There was no expense recognised for employee and non-employee services during the half-year ended 30 June 2015 (30 June 2014: £Nil).

The share-based payment plans are described below.

Employee Plan

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

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

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

Non-Employee Plan

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

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

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

NOTES TO THE SIX MONTHS FINANCIAL STATEMENTS

8. Share Based Payments *continued*

Group and Company:	**Unaudited 30 June 2015 Number**	**Unaudited 30 June 2015 WAEP[1] £**	Audited 31 December 2014 Number	Audited 31 December 2014 WAEP[1] £
Outstanding at the beginning of the period	**84,922,854**	**0.05**	88,146,348	0.07
Share consolidation[i]	**(82,799,821)**	**0.05**		
Granted during the period	**-**	**-**	15,576,506	0.02
Lapsed during the period	**(1,290,649)**	**0.78**	(7,350,000)	(0.02)
Cancelled during the period	**-**	**-**	(11,450,000)	(0.02)
Outstanding at the end of the period	**832,384**	**3.51**	84,922,854	0.05
Exercisable at the end of the period	**658,634**	**4.23**	76,472,854	0.05

[i] On 15 April the Group consolidated its Share Capital to 1 share for every 40 held. This consolidation was applied across all outstanding share options.
[1]weighted average exercise price

The weighted average remaining contractual life for the share options outstanding as at 30 June 2015 is 4.75 years (31 December 2014: 4.63 years). The weighted average fair value of options granted during the period was nil (31 December 2014: £0.80). The exercise price for options outstanding at the end of the period was £0.78 to £5.84 (31 December 2014: £0.80 – £7.60).

The following table lists the inputs to the models used for the two plans for the period ended 30 June 2015 and the year ended 31 December 2014:

	30 June 2015 EMP	**30 June 2015 NEMP**	2014 EMP	2014 NEMP
Expected volatility %	-	-	32.71 – 34.73	34.73-
Risk-free interest rate %	-	-	2.44	2.44
Expected life of options (years)	-	-	7	2
Weighted average share price pence	-	-	2	2
Expected dividend yield	-	-	-	-
Model used	**Black Scholes**	**Black Scholes**	Black Scholes	Black Scholes

9. Loans

	Unaudited 30 June 2015 £'000	Audited 31 December 2014 £'000
Non-current	**1,258**	1,300
Current	**128**	-

On 31 December 2014 the Company reached agreement with GM Investment & Co Limited ("GMI") for the amendment, restatement and consolidation of two existing loans. This loan is recognised as a non-current liability.

Details of the previous loans and a summary of the consolidated loan are as follows:

The Company announced on 14 May 2014 that it had entered into a loan agreement with GMI for US$850,000 for a period of 48 months, secured by a registered debenture, with a 10% coupon rate and monthly repayments of US$20,000 to commence seven months after drawdown. In the consolidated loan agreement this loan is referred to as the First Tranche and was restated into AU$973,978. The total amount of the First Tranche inclusive of interest accrued but unpaid as at the date of entering into the consolidated loan agreement was AU$1,037,158.

The Company announced on 10 September 2014 that it had entered into a further loan agreement with GMI for AU$2,000,000 for a period of 6 months with a 10% coupon rate. In the consolidated loan agreement this loan is referred to as the Second Tranche. The total amount of the Second Tranche inclusive of interest accrued but unpaid as at the date of entering into the consolidated loan agreement was AU$2,064,455.

The consolidated loan matures on 14 May 2020, has a 10% coupon with interest being accrued daily, compounded quarterly and payable upon maturity unless otherwise converted into ordinary shares. It is unsecured and the extant debenture in respect of the First Tranche will be released. Repayment is to be made in USD and the position is unhedged.

Refer to note 13 for details of the loan recognised a current liability.

10. Derivative Financial Liability

	Unaudited 30 June 2015 £'000	Audited 31 December 2014 £'000
Loans		
Non-current	**-**	-
Current	**20**	20

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

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

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

11. Segment Information

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

No further disclosure of segment revenue and result is required as this is given in the income statements. The following table presents certain asset information regarding the Group's geographical segments for the period ended 30 June 2015 and the year ended 31 December 2014:

	Unaudited 30 June 2015 £'000	Audited 31 December 2014 £'000
SEGMENT ASSETS		
United Kingdom		
Non-current	**1**	1
Current	**229**	556
Romania		
Non-current	**1,328**	1,521
Current	**157**	162
Total		
Non-current	**1,329**	1,511
Current	**386**	718
CAPITAL EXPENDITURE		
United Kingdom	**-**	-
Romania	**13**	552
	13	552

During the period there was £12,000 of capital expenditure relating to the Ruda-1 well tie-back on the Suceava licence. Revenue was generated from gas sales in Romania and administrative expenses were incurred in both the United Kingdom and Romania.

12. Financial Instruments

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

13. Related Party Transactions

On 27 May 2015 the Company entered into a loan agreement with GM Investment & Co. Limited ("GMI"), a major shareholder in the Company. Under the terms of the loan the Company is able to draw upon the facility in instalment amounts of USD$100,000 at any time up to 30 November 2015. Interest is payable at twelve and a half per cent (12.5%) per annum with repayment of the loan and interest to be made at any time but before 31 December 2015 ("Maturity Date"). At any time prior to the Maturity Date GMI has the right to elect to add the loan and all accrued interest, as a further tranche of the existing loan facility (as announced on 7 January 2015) which is capable of being converted into Ordinary Shares under certain circumstances.

DIRECTORS DECLARATION

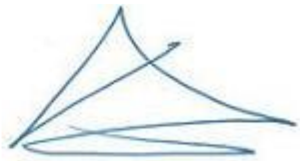
The Directors confirm to the best of their knowledge that:

a) The unaudited set of financial statements has been prepared in accordance with IAS 34 "Interim Financial Reporting" as adopted by the EU;

b) The interim financial statements and associated notes give a true and fair view of the group's financial position as at 30 June 2015 and of its performance for the half year ended on that date; and

c) There are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

On behalf of the Board



Stephen West
Director

11 September 2015

INDEPENDENT REVIEW REPORT TO ZETA PETROLEUM PLC

Introduction

We have been engaged by the group to review the set of financial statements in the half-yearly financial report for the six months ended 30 June 2015 which comprises the condensed Consolidated Statement of Profit or loss and other Comprehensive Income, condensed Consolidated Statement of Financial Position, condensed Consolidated Statement of Changes in Equity, condensed Consolidated Statement of Cash flows and explanatory notes.

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

Directors' responsibilities

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

As disclosed in note 2, the annual financial statements of the group are prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union. The half-yearly report is prepared in accordance with International Accounting Standard 34, "Interim Financial Reporting", as adopted by the European Union.

Our responsibility

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

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

Scope of review

We conducted our review in accordance with International Standard on Review Engagements (UK and Ireland) 2410, ''Review of Interim Financial Information Performed by the Independent Auditor of the Entity'', issued by the Financial Reporting Council for use in the United Kingdom. A review of interim financial information consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing (UK and Ireland) and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

INDEPENDENT REVIEW REPORT TO ZETA PETROLEUM PLC

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the condensed set of financial statements in the half-yearly financial report for the six months ended 30 June 2015 is not prepared, in all material respects, in accordance with the rules of the Australian Stock Exchange and International Accounting Standard 34 'Interim Financial Reporting' as adopted by the European Union.

Emphasis of matter – Going concern

In forming our opinion on the financial statements, which is not modified, we have considered the adequacy of the disclosures made in note 2 to the condensed set of financial statements concerning the Group's ability to continue as a going concern. The Group has £201,000 of cash and cash equivalents at 30 June 2015. The Group's ability to fund its current liabilities, general overheads and capital commitment on assets, in particular the Bobocu licence, is reliant on raising further capital in the near future. The amount of additional capital required is dependent upon the Bobocu farm out negotiation.

There can be no certainty that the required funds will be raised. If the Group cannot raise funds through the issue of equity they will be reliant on raising funds through either, debt funding or the sale of assets. The directors are seeking to farm out the Bobocu licence but over and above that, further funds will be required to cover other commitments and overheads and no events are certain. This indicates existence of a material uncertainty related to events or conditions that may cast significant doubt about the Group's ability to continue as a going concern and, therefore, that it may be unable to realise its assets and discharge its liabilities in the normal course of business. These financial statements do not include the adjustments that would be required if the Group could not continue as a going concern

BDO LLP

BDO LLP
Chartered Accountants
Location
United Kingdom
11 September 2015

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