Zeta Petroleum plc

ARBN 24 154 575 872

Interim Report

For the Half-Year Ended 30 June 2013

INTERIM REPORT FOR THE HALF YEAR ENDED 30 JUNE 2013

Page:

CORPORATE INFORMATION

DIRECTORS

T W Osborne
Non-executive Chairman

S P West
Managing Director

P Crookall
Non-Executive Director

C Manifold
Non-Executive Director

P Lewis
Non-Executive Director

COMPANY SECRETARY

B Hodges

REGISTERED OFFICES

United Kingdom

1 Berkeley Street
London
W1J 8DJ
United Kingdom

Australia

Suite 2, Level 2
28 Kings Park Road
West Perth WA 6005
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 2, 45 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 2013

The directors present their report together with the unaudited financial statements for the six months ended 30 June 2013.

Directors

	Date appointed	Date resigned
P Crookall	24 Sep 2010	-
P Lewis	4 Sep 2012	-
C Manifold	1 June 2012	-
T W Osborne	31 Mar 2006	-
S P West	12 Sep 2005	-

Results and Dividends

The statement of profit and loss and other comprehensive income is set out on page 5 and shows a loss for the half year amounting to £514,000 (half year to June 2012: loss of £1,336,000). The directors do not recommend the payment of a dividend.

Principal Activities and Review of Operations

During the six months ended 30 June 2013 the Company continued to make good 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 2,403 sq km Suceava concession is located on the Moldovian platform, approximately 370 km north of Bucharest and is contiguous to the Barlad concession, owned by Chevron Romania Exploration and Production SRL ("Chevron"), a subsidiary of Chevron Corporation (NYSE: CVX). The Suceava concession includes the producing Climauti Gas Field.

During the period Zeta and Raffles Energy commenced a feasibility study on how best to bring two existing gas discovery wells into production, and in the process, significantly increase current production from the concession. Both wells were successfully drilled by previous owners of the concession and flowed commercial rates of gas in tests: the SE-1 well drilled in 2005, tested at a stable rate of 25,500 m3/day (peak rate in excess of 33,000 m3/day) and the Dornesti Sud-1 well, which was drilled in 2007, tested at 24,000 m3/day.

The feasibility study is considering low cost development options to bring the two existing gas discovery wells back into production, including construction of conventional facilities and a pipeline from the two wells to an existing main pipeline, as well as utilising gas-to-power technology. The maximum cost of the Dornesti Sud development work is estimated at US$1.2 million gross (US$600,000 net to Zeta).

In June 2013, in anticipation of the completion of the feasibility study, it was decided to re-enter the Dornesti Sud-1 well and conduct a production test. During production testing, the Dornesti Sud-1 well tested at 26,000m3/day, a rate which confirms that it can be commercially developed. The well has now been suspended ready for production.

During the period, production from the Climauti Gas Field reduced from a rate of approximately 14,600m3/day to a rate of approximately 8,600m3/day in June 2013. This production decline is interpreted by the Operator to be due to sand entering the well perforations. Encouragingly, the production rate has been steadily increasing up to a current rate of 12,300m3/day during August 2013, which suggests that the well perforations may clean themselves without any intervention required by the Operator. During the period the well generated approximately £124,000 revenue to Zeta.

The data sharing agreement signed with Chevron was approved by the regulator, the National Agency for Minerals and Resources in April 2013. The agreement covers the exchange of well data and similar information relating to the Suceava concession and the adjoining 6,284 sq km Chevron-operated Barlad concession. During the period Zeta and Raffles Energy commenced discussions with Chevron on setting up reciprocal data rooms and it is expected that the exchange of data will commence in Q3 2013.

(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 Jimbolia-100 appraisal well, which is targeting the Jimbolia Veche discovery, was drilled to its target depth of 2,590 metres on 21 February 2013 and the drilling logs acquired from the well indicate the presence of hydrocarbons in multiple sands, which are consistent with the two previous discovery wells drilled on the concession: Jimbolia-1 which oil tested at 120 barrels of oil per day ("bopd") and Jimbolia-6 which tested oil at 36bopd.

The Operator has advised that four targets in the well will be perforated and tested: first target 2,559m to 2,565m; second target 2,547m to 2,550m; third target 2,533m to 2,536m; and fourth target 2,522m to 2,526m.

After the well was drilled to target depth, the Operator decided to replace the drilling rig with a lighter workover rig for the testing operation. After some delays, the replacement workover rig arrived on site in late June 2013 and testing commenced in July 2013.

The Jimbolia-100 well has two hydrocarbon bearing intervals and a current Pmean contingent oil resource of 1.72MMbbls. Previous drilling by Petrom in 1983 identified the Pliocene VIII as an oil reservoir with a gas cap. This was penetrated by two wells, the Jimbolia-1, which flowed at rates up to 120 bbls/day and tested at a sustained rate of 50 bbls/day for 6 days and Jimbolia-6, in which tests indicate an oil leg with an oil density of 780kg/m3 (50° API).

On a wider basis, the Board believes there is additional potential in the Jimbolia Vest discovery which was tested, but not produced, over two intervals of the Lower Pliocene IV reservoir, with the lower interval (16m) flowing 33% CO_2, 61% CH_4 and condensate at rates of 196Mscf/d, and the upper interval (8m) testing gas (no flow rate details available).

(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.

During drilling of the Company's first appraisal well, the Bobocu 310 well, in September 2012 multiple gas shows were encountered and the wireline logs indicated gas bearing reservoir. Initial testing of the well did not yield commercial gas and it was decided to suspend the well pending further analysis.

The downhole well logs and pressure data from the Bobocu 310 well have been analysed and evaluated, and the results have been incorporated into the field's existing geological model, which includes 75 sq km of 3-D seismic.

In addition to the evaluation work on the Bobocu 310 well data, the 3-D seismic acquired over the field by the Company in 2010 was reprocessed using seismic inversion to improve its resolution by utilising the shear sonic log acquired in the Bobocu 310 well. This has further improved the accuracy of the Bobocu geological model.

REPORT OF THE DIRECTORS FOR THE HALF YEAR ENDED 30 JUNE 2013

Further to the extensive evaluation of the Bobocu-310 well results and the acquired logs, it is the Company's intention, subject to finance, to sidetrack a well from the existing Bobocu-310 well location targeting an up-dip area approximately 500 metres south of the existing well location.

Although the initial testing of the Bobocu 310 well did not yield commercial gas, the intention remains to bring this field back into production by initially drilling a sidetrack well and then new development wells. The Company believes that the Bobocu field remains prospective and will pursue suitable avenues from which to advance its exploitation. With 100% control of the Bobocu field, there are various development options available and discussions are taking place with potential partners.

(iv) Other Opportunities

In line with its strategy, the Company continues to assess other onshore oil and gas opportunities within Romania and Eastern Europe 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.

During the period the Company implemented a series of cost cutting measures in order to reduce working capital expenditure. These cost cutting measures included a reduction in staff headcount, Mr Philip Crookall (formerly Chief Operating Officer) agreeing to step down to a non-executive director position, all non-executive directors agreeing to a 50% reduction in director fees and Mr Stephen West (Managing Director) agreeing to a 40% reduction in director fees.

Financial Position

The Company's working capital, being current assets less current liabilities was £149,000 at 30 June 2013 (31 December 2012 – £684,000).

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

By order of the Board

S P West
Director
12 September 2013

1 Berkeley Street
London W1J 8DJ
United Kingdom

CONSOLIDATED STATEMENT OF PROFIT AND LOSS AND OTHER COMPREHENSIVE INCOME FOR THE SIX MONTHS ENDED 30 JUNE 2013

	Note	Unaudited 30 June 2013 £'000	*restated* Unaudited 30 June 2012 £'000
Continuing operations			
Revenue		**124**	-
Cost of goods sold		**(59)**	-
Gross Profit		**65**	-
Exploration and evaluation expenses		**(56)**	-
Administrative expenses		**(525)**	(1,343)
Operating loss		**(516)**	(1,343)
Interest income		**3**	20
Financing costs		**(1)**	(13)
Loss before Taxation from continuing operations		**(514)**	(1,336)
Income tax		**-**	-
Loss for the period		**(514)**	(1,336)
Loss for the period attributable to the equity holders		**(514)**	(1,336)
Loss per ordinary share – basic and diluted	3	**(0.38p)**	(1.55p)
Loss for the period		**(514)**	(1,336)
Other comprehensive income/(loss):			
Items that may be reclassified subsequently to profit and loss:			
Exchange differences on translation of foreign operations		**(242)**	307
Total comprehensive loss for the period		**(756)**	(1,029)

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

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2013

	Note	**Unaudited 30 June 2013 £'000**	Audited 31 December 2012 £'000
ASSETS			
Non-current assets			
Intangible assets	4	**671**	664
Property, plant & equipment	5	**546**	546
		1,217	1,210
Current assets			
Trade and other receivables		**257**	709
Cash and cash equivalents	8	**70**	559
		327	1,268
Total assets		**1,544**	2,478
EQUITY AND LIABILITIES			
Equity attributable to equity holders			
Issued capital	6	**133**	133
Share premium		**8,825**	6,832
Share based payments reserve	7	**1,424**	1,196
Share options reserve		**103**	2,096
Foreign currency translation reserve		**145**	387
Retained losses		**(9,266)**	(8,751)
Total equity		**1,364**	1,893
Non-current liabilities			
Provisions		**2**	1
		2	1
Current liabilities			
Trade and other payables		**167**	565
Other financial liabilities		**11**	19
		178	584
Total liabilities		**180**	585
Total equity and liabilities		**1,544**	2,478

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE SIX MONTHS ENDED 30 JUNE 2013

	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 2013	133	6,832	1,196	2,096	387	(8,751)	1,893
Loss for the period	-	-	-	-	-	(514)	(514)
Other comprehensive loss	-	-	-	-	(242)	-	(242)
Total comprehensive income	-	-	-	-	(242)	(514)	(756)
Write-back of share options lapsed during period	-	1,993	-	(1,993)	-	-	-
Share based payments	-	-	228	-	-	-	228
As at 30 June 2013	133	8,825	1,424	103	145	(9,266)	1,364

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE SIX MONTHS ENDED 30 JUNE 2012

	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 2012	71	1,773	-	-	263	(3,683)	(1,576)
Loss for the period	-	-	-	-	-	(1,336)	(1,336)
Other comprehensive income	-	-	-	-	307	-	307
Total comprehensive income	**-**	**-**	**-**	**-**	**307**	**(1,336)**	**(1,029)**
Issue of ordinary shares & options from IPO	42	3,154	-	1,993	-	-	5,189
Issue of ordinary shares from conversion of loan note	18	2,371	-	-	-	-	2,389
Transaction costs	-	(772)	168	-	-	-	(604)
Options issued to management	-	-	521	-	-	-	521
As at 30 June 2012	**131**	**6,526**	**689**	**1,993**	**570**	**(5,019)**	**4,890**

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

CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE SIX MONTHS ENDED 30 JUNE 2013

	Unaudited 30 June 2013 £'000	Unaudited 30 June 2012 £'000
Operating activities		
Loss after tax	**(514)**	(1,336)
Adjustment to reconcile loss to net cash outflow from operating activities		
Depreciation	**44**	2
Amortisation	**21**	11
Gain on debt settlement	**-**	(39)
Share based payments	**228**	521
Interest on loans	**-**	8
Foreign exchange loss	**(287)**	(285)
Interest income	**(3)**	(20)
Working capital adjustments:		
Decrease/(increase) in receivables	**427**	(32)
Decrease in prepayments and accrued income	**16**	164
Increase in provisions	**1**	-
Decrease in trade and other payables	**(397)**	(175)
Net cash outflow from operating activities	**(464)**	(611)
Investing activities		
Purchase of property, plant and equipment	**(22)**	(2)
Interest income	**3**	20
Decrease in deposits	**-**	(4)
Net cash (outflow)/inflow from investing activities	**(19)**	14
Financing activities		
Proceeds from share issue	**-**	4,583
Finance lease payments	**(9)**	-
Net cash inflow from financing activities	**(9)**	4,583
Net (decrease)/increase in cash and cash equivalents	**(492)**	3,986
Cash and cash equivalents at the beginning of period	**559**	238
Effect of foreign exchange rates	**3**	-
Cash and cash equivalents at the end of period	**70**	4,224

The above 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 12 September 2013. 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 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 Companies Act 2006.

The half-year financial report should be read in conjunction with the annual Financial Report of Zeta Petroleum plc as at 31 December 2012 which have been prepared in accordance with International Financial Reporting Standards (“IFRS”) as adopted by the European Union. The financial information for the year ended 31 December 2012 does not constitute the full statutory accounts for that period. The Annual Report and Financial Statements for 2012 have been filed with the Registrar of Companies. The Independent Auditors' Report on the Annual Report and Financial Statement for 2012 was unqualified, did not draw attention to any matters by way of emphasis, and did not contain a statement under 498(2) or 498(3) of the Companies Act 2006.

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 2013 in accordance with the continuous disclosure obligations under the Companies Act 2006.

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 2012. For the current period, the Group has adopted a number of revised Standards and interpretations.

NOTES TO THE SIX MONTHS FINANCIAL STATEMENTS

3. Loss per share

	30 June 2013 £'000	30 June 2012 £'000
Loss for the period	**(514)**	(1,336)
Loss for the year attributable to the equity holders	**(514)**	(1,336)

Basic and diluted loss per share is calculated on the loss for the period attributable to equity holders of the parent of £514,000 (30 June 2012: £1,336,000) and divided by the weighted average of 136,029,485 (30 June 2012: 85,706,544) ordinary shares.

The rights issue that closed on 26 August 2013, for which the Company received firm commitments for 85,695,510 ordinary shares, is deemed to have taken place on 1 January 2012 for loss per share calculation purposes. The 30 June 2012 weighted average number of ordinary shares (above) and loss per ordinary share in the Statement of profit and loss and other comprehensive income have been restated.

NOTES TO THE SIX MONTHS FINANCIAL STATEMENTS

4. Intangible assets

	Licence Acquisition Costs £'000	Software Costs £'000	Total £'000
GROUP			
Cost:			
As at 1 January 2013	**942**	**-**	**942**
Effect of movement in foreign exchange	**38**	**-**	**38**
At 30 June 2013	**980**	**-**	**980**
Amortisation:			
As at 1 January 2013	**(278)**	**-**	**(278)**
Provided in the period	**(21)**	**-**	**(21)**
Effect of movement in foreign exchange	**(10)**	**-**	**(10)**
At 30 June 2013	**(309)**	**-**	**(309)**
Net book value at 30 June 2013	**671**	**-**	**671**
Cost:			
As at 1 January 2012	643	25	668
Additions	476	-	476
Disposals	(156)	(25)	(181)
Effect of movement in foreign exchange	(21)	-	(21)
At 31 December 2012	942	-	942
Amortisation:			
As at 1 January 2012	(264)	(25)	(289)
Provided in the year	(27)	-	(27)
Write-back on disposal	-	25	25
Effect of movement in foreign exchange	13	-	13
At 31 December 2012	(278)	-	(278)
Net book value at 31 December 2012	664	-	664

NOTES TO THE SIX MONTHS FINANCIAL STATEMENTS

5. Property, Plant and Equipment

	GROUP			
	Office Equipment £'000	Oil & Gas Assets £'000	Motor Vehicles £'000	Total £'000
Cost:				
As at 1 January 2013	**41**	**549**	**41**	**631**
Additions	**2**	**20**	**-**	**22**
Effect of movement in foreign exchange	**-**	**22**	**1**	**23**
As at 30 June 2013	**43**	**591**	**42**	**676**
Depreciation:				
As at 1 January 2013	**(35)**	**(43)**	**(7)**	**(85)**
Provided in the period	**(2)**	**(36)**	**(5)**	**(43)**
Effect of movement in foreign exchange	**-**	**(2)**	**-**	**(2)**
As at 30 June 2013	**(37)**	**(81)**	**(12)**	**(130)**
Net book value at 30 June 2013	**6**	**510**	**30**	**546**

Cost:				
As at 1 January 2012	53	-	4	57
Additions	3	509	37	549
Disposals	(15)	-	-	(15)
Effect of movement in foreign exchange	-	40	-	40
As at 31 December 2012	41	549	41	631
Depreciation:				
As at 1 January 2012	(46)	-	(2)	(48)
Provided in the period	(4)	(43)	(5)	(52)
Disposals	15	-	-	15
As at 31 December 2012	(35)	(43)	(7)	(85)
Net book value at 31 December 2012	6	506	34	546

NOTES TO THE SIX MONTHS FINANCIAL STATEMENTS

6. Issued capital

Group and Company:	**30 June 2013 Number**	**30 June 2013 £'000**	31 December 2012 Number	31 December 2012 £'000
Allotted, issued and fully paid:				
As at start of period	**133,362,240**	**133**	70,863,709	71
Issue of new shares:				
Allotment 21 May 2012[i]	**-**	**-**	41,752,240	42
Allotment 21 May 2012[ii]	**-**	**-**	18,136,291	18
Allotment 3 July 2012[iii]	**-**	**-**	10,000	-
Allotment 31 August 2012[iv]	**-**	**-**	2,600,000	2
As at end of period	**133,362,240**	**133**	133,362,240	133

[i] Allotment 21 May 2012: 41,752,240 shares with a nominal value of £0.001 were issued at an issue price of £0.13 (AU$0.20) per share.

[ii] Allotment 21 May 2012: 18,136,291 shares with a nominal value of £0.001 were issued at an issue price of £0.13 (AU$0.20) per share on conversion of a loan from GM Investment & Co Limited.

[iii] Allotment 3 July 2012: 10,000 shares with a nominal value of £0.001 were issued at an issue price of £0.13 (AU$0.20) per share on conversion of options.

[iv] Allotment 31 August 2012: 2,600,000 shares with a nominal value of £0.001 were issued at an issue price of £0.07 (AU$0.11) per share to Armax Gaz SA upon reaching settlement of a dispute on the Jimbolia concession.

NOTES TO THE SIX MONTHS FINANCIAL STATEMENTS

7. Share Based Payments

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

Group and Company:	**30 June 2013 £'000**	30 June 2012 £'000
Expense arising from equity-settled share-based payment transactions	**228**	689
Total expense arising from share-based payment transactions	**228**	689

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 three to seven 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

7. Share Based Payments *continued*

Group and Company:	30 June 2013 Number	30 June 2013 WAEP[1] £	31 December 2012 Number	31 December 2012 WAEP[1] £
Outstanding at the beginning of the period	**72,038,580**	**0.07**	-	-
Granted during the period	**-**	**-**	73,598,580	0.07
Exercised during the period	**-**	**-**	(10,000)	0.13
Lapsed during the period	**(41,742,240)**	**0.07**	-	-
Cancelled during the period	**-**	**-**	(1,550,000)	0.10
Outstanding at the end of the period	**30,296,340**	**0.09**	72,038,580	0.07
Exercisable at the end of the period	**24,071,340**	**0.09**	59,588,580	0.05

[1]weighted average exercise price

The weighted average remaining contractual life for the share options outstanding as at 30 June 2013 is 5.18 years (31 December 2012: 5.41 years). The weighted average fair value of options granted during the period was £nil (31 December 2012: £0.07). The exercise price for options outstanding at the end of the period was £0.12 to £0.18 (31 December 2012: £0.13 - £0.19).

The following table lists the inputs to the models used for the two plans for the period ended 30 June 2013 and the year ended 31 December 2012:

	EMP	NEMP
Expected volatility %	85.26	85.26
Risk-free interest rate %	3.50	3.00
Expected life of options (years)	1 - 7	1 - 7
Weighted average share price £	0.13	0.19
Model used	Black Scholes	Black Scholes

NOTES TO THE SIX MONTHS FINANCIAL STATEMENTS

8. Cash and cash equivalents

	30 June 2013 £'000	31 December 2012 £'000
Cash at bank and on hand	**70**	559

9. 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 2013 and the year ended 31 December 2012:

	Unaudited 30 June 2013 £'000	Audited 31 December 2012 £'000
SEGMENT ASSETS		
United Kingdom	**84**	569
Romania	**1,460**	1,909
	1,544	2,478

There was no material capital expenditure during the period.

Revenue was generated from gas sales in Romania and administrative expenses were incurred in both the United Kingdom and Romania.

10. 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.

11. Related Party Transactions

Related party transactions have been disclosed in the Annual Report. There have been no related party transactions in the reporting period to 30 June 2013.

NOTES TO THE SIX MONTHS FINANCIAL STATEMENTS

12. Post balance sheet events

Pro-rata Non Renounceable Rights Issue

The Company issued a prospectus on 18 July 2013, entitling all shareholders registered at 5.00pm WST on 29 July 2013 to participate in a pro-rata non-renounceable rights issue of Chess Depositary Interests ("CDI") together with one free attaching share option for every two CDIs subscribed for and issued ("Offer"). The Offer closed on 26 August 2013 having received firm commitments for 85,695,510 new CDIs at a price of A$0.01 each, raising A$856,955 (before expenses).

Acquisition of Celtique Energie SRL

On 19 July 2013 the Company signed a sale and purchase agreement to acquire 100% of the issued capital of Celtique Energie SRL ("Celtique Romania"), a wholly owned subsidiary of Celtique Energie Petroleum Limited ("Celtique"). The sole asset of Celtique Romania is a 100% interest in the Grivita Nord concession in Romania. The Grivita Nord concession is located onshore in eastern Romania and covers an area of 3.45km^2. Under the terms of the sale and purchase agreement the Company is to pay Celtique minimal upfront consideration and deferred consideration based on cumulative oil production targets. The maximum deferred consideration payable by Zeta is US$2.8 million in the event that cumulative oil production from the field reaches 240,000 barrels of oil.

As at the date of signing this report the acquisition accounting has not been completed.

DIRECTORS DECLARATION

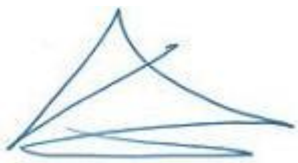
The Directors confirm to the best of their knowledge that:

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 2013 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
Managing Director

12 September 2013

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 2013 which comprises the Consolidated Statement of Profit and loss and other Comprehensive Income, Consolidated Statement of Financial Position, Consolidated Statement of Changes in Equity, Consolidated Statement of Cash flows and explanatory notes.

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

Directors' responsibilities

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

As disclosed in note 1, the annual financial statements of the group are prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union. The 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 Auditing Practices Board for use in the United Kingdom. A review of interim financial information consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing (UK and Ireland) and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

INDEPENDENT REVIEW REPORT TO ZETA PETROLEUM PLC

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the condensed set of financial statements in the half-yearly financial report for the six months ended 30 June 2013 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.

BDO LLP

BDO LLP
Chartered Accountants and Registered Auditors
Location
United Kingdom
12 September 2013

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