

ZETA PETROLEUM PLC

ARBN 154 575 872

A company registered in England and Wales

Company Number 05560854



STEPHEN WEST

DIRECTOR 23/3/2012

REPLACEMENT PROSPECTUS

For an offer of up to 40 million CDIs at an issue price of \$0.20 each together with 1 Free Attaching Option exercisable at \$0.20 on or before 15 June 2013 for every 1 CDI issued, to raise up to \$8 million.

Oversubscriptions of up to a further 20 million CDIs at an issue price of \$0.20 each to raise up to a further \$4 million may be accepted.

Corporate Adviser

Pursuit Capital AFSL 339211



Lead Manager to the Offer

Patersons Securities Limited AFSL 239052



IMPORTANT INFORMATION

This is an important document that should be read in its entirety. If you do not understand it you should consult your professional advisers without delay. **The CDIs offered by this Prospectus should be considered highly speculative.**

CONTENTS

1. CORPORATE DIRECTORY 2

2. IMPORTANT NOTICE..... 4

3. CHAIRMAN’S LETTER 9

4. INVESTMENT OVERVIEW 10

5. DETAILS OF THE OFFER 30

6. COMPANY AND PROJECT OVERVIEW 33

7. RISK FACTORS 46

8. INDEPENDENT COMPETENT PERSON’S REPORT 52

9. FINANCIAL INFORMATION 109

10. INVESTIGATING ACCOUNTANT’S REPORT 121

11. SOLICITOR’S REPORT ON TENEMENTS 126

12. BOARD, MANAGEMENT AND CORPORATE GOVERNANCE..... 148

13. MATERIAL CONTRACTS..... 159

14. ADDITIONAL INFORMATION..... 167

15. DIRECTORS’ AUTHORISATION..... 188

16. GLOSSARY 189

1. CORPORATE DIRECTORY

Directors & Company Secretary

Directors

Mr Timothy Osborne
Non-Executive Chairman

Mr Stephen West
Managing Director

Mr Philip Crookall
Chief Operating Officer

Mr Michael Scott
Non-Executive Director

Company Secretary
Mr Ben Hodges

Local Agent in Australia
Mr Piers Lewis

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Independent Geologist

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Australia

Proposed ASX Code

ZTA

*These entities are included for information purposes only. They have not been involved in the preparation of this Prospectus.

2. IMPORTANT NOTICE

This is a replacement prospectus dated 23 March 2012 which replaces a prospectus dated 2 March 2012. This replacement prospectus was lodged with the ASIC on 23 March 2012. For the purposes of this document, this replacement prospectus will be referred to as "this Prospectus".

The ASIC and its officers take no responsibility for the contents of this Prospectus or the merits of the investment to which this Prospectus relates.

No CDIs may be issued on the basis of this Prospectus later than 1 April 2013 (being the date 13 months after the date of lodgement of the original prospectus on 2 March 2012).

No person is authorised to give information or to make any representation in connection with this Prospectus, which is not contained in the Prospectus. Any information or representation not so contained may not be relied on as having been authorised by the Company in connection with this Prospectus.

It is important that you read this Prospectus in its entirety and seek professional advice where necessary. The CDIs the subject of this Prospectus should be considered highly speculative.

2.1 Exposure Period

This Prospectus will be circulated during the Exposure Period. The purpose of the Exposure Period is to enable this Prospectus to be examined by market participants prior to the raising of funds. You should be aware that this examination may result in the identification of deficiencies in this Prospectus and, in those circumstances, any Application that has been received may need to be dealt with in accordance with Section 724 of the Corporations Act. Applications for CDIs under this Prospectus will not be processed by the Company until after the expiry of the Exposure Period. No preference will be conferred on Applications lodged prior to the expiry of the Exposure Period.

2.2 Web site – electronic prospectus

A copy of this Prospectus can be downloaded from the Company's website at www.zetapetroleum.com. If you are accessing the electronic version of this Prospectus for the purpose of making an investment in the Company, you must be an Australian resident and must only access this Prospectus from within Australia.

The Corporations Act prohibits any person passing an Application Form onto another person unless it is attached to a hard copy of this Prospectus or it accompanies the complete and unaltered version of this Prospectus. You may obtain a hard copy of this Prospectus free of charge by contacting the Company.

The Company reserves the right not to accept an Application Form from a person if it has reason to believe that when that person was given access to the electronic Application Form, the Application Form was not provided together with the electronic Prospectus and any relevant supplementary or replacement prospectus or any of those documents were incomplete or altered.

2.3 Website

No document or information included on the Company's website is incorporated by reference into this Prospectus.

2.4 Forward-looking statements

This Prospectus may contain forward-looking statements which are identified by words such as 'may', 'could', 'believes', 'estimates', 'targets', 'expects', or 'intends' and other similar words that involve risks and uncertainties.

These statements are based on an assessment of present economic and operating conditions, and on a number of assumptions regarding future events and actions that, as at the date of this Prospectus, are expected to take place.

Such forward-looking statements are not guarantees of future performance and involve known and unknown risks, uncertainties, assumptions and other important factors, many of which are beyond the control of the Company, the Directors and management.

The Company cannot and does not give any assurance that the results, performance or achievements expressed or implied by the forward-looking statements contained in this Prospectus will actually occur and investors are cautioned not to place undue reliance on these forward-looking statements.

Except where required by law, the Company has no intention to update or revise forward-looking statements, or to publish prospective financial information in the future, regardless of whether new information, future events or any other factors affect the information contained in this Prospectus.

Forward looking statements are subject to various risk factors that could cause actual results to differ materially from the results expressed or anticipated in these statements. These risk factors are set out in Section 7 of this Prospectus.

2.5 Competent Person's Statement

The information on the Company's Projects contained in the Chairman's Letter, Section 4 and Section 6 is based on information compiled by Mr Philip Crookall, a Director. Mr Philip Crookall has sufficient experience which is relevant to the style of hydrocarbon resource and type of deposit under consideration and to the activity which he is undertaking, and is a member of the Society of Petroleum Engineers. Mr Philip Crookall consents to the inclusion of information in these sections of the Prospectus based on his information in the form and context in which it appears.

The Independent Competent Person's Report included in Section 8 of this Prospectus has been prepared by Isis Petroleum Consultants Pty Ltd (**ISIS**), whose experience, qualifications and independence are set out within the report. ISIS has consented to the public release of its report for the purposes of the Company's proposed admission to the ASX.

2.6 Reporting on the Company's Projects

The overview of the Company's Projects in Section 6 and the Independent Competent Person's Report in Section 8 have been compiled in accordance with the Petroleum Resource Management System as defined by the Society of Petroleum Engineers (**SPE**), the World Petroleum Council, the American Association of Petroleum Geologists latest guidelines and standards, together with the Code of Technical Assessment and Valuation of Mineral and Petroleum

Assets and Securities for Independent Expert Reports (**The Valmin Code**) and the rules and guidelines relating to independent experts' reports set by ASIC and ASX.

When reporting on the Company's resources in this Prospectus, ISIS and the Company have chosen to use a probabilistic determination method to best describe the resource numbers.

Due to the parameters in each of the sands on the Projects being slightly different, ISIS and the Company consider they are better represented by a probabilistic range rather than fixed deterministic points. The probabilistic method has been used in accordance with the SPE best practice guidance as the main published figure in reserves estimation, particularly when multiple targets are aggregated.

The hydrocarbon volume predicted for each layer in the reservoir is arrived at by a probabilistic model. This means that each of the reservoir properties (for example porosity, water saturation and others) is allowed to vary for each layer in the model, this leads to a spread of possible results for a given layer. The resultant spread for each layer is then examined and various probabilities are reported, these are the P90, P50 (median), P10 and Pmean (true average) value.

Given the layered nature of the reservoir it was deemed more appropriate to allow the reservoir properties to vary on a layer by layer basis rather than attempt to amalgamate all variation seen across the whole section in one model, therefore the field totals shown are a mathematical addition of the PMean probabilistic figures for each layer, rather than a probabilistic total for the whole field.

2.7 Photographs and diagrams

Photographs used in this Prospectus which do not have descriptions are for illustration only and should not be interpreted to mean that any person endorses the Prospectus or its contents or that the assets shown in them are owned by the Company. Diagrams used in this Prospectus are illustrative only and may not be drawn to scale.

2.8 CHES and CDIs

Investors should note that as the Company is registered in England and Wales, they will be issued with CDIs under this Prospectus.

The Company will apply to participate in the Clearing House Electronic Subregister System (**CHES**), which is the ASX electronic transfer and settlement system in Australia. Settlement of trading of quoted securities on the ASX market takes place on CHES. CHES allows for and requires the settlement of transactions in securities quoted on ASX to be effected electronically. No share or security certificates are issued in respect of shareholdings or security holdings that are quoted on ASX and settled on CHES, nor is it a requirement for transfer forms to be executed in relation to transfers that occur on CHES.

CDIs will be used by the Company to hold and transfer title to the Shares issued pursuant to this Prospectus. CDIs are electronic depository receipts issued and are units of beneficial ownership in securities registered in the name of CHES Depository Nominees Pty Ltd (**CDN**). CDN is a wholly-owned subsidiary of ASX. The main difference between holding CDIs and Shares is that the holder of CDIs has beneficial ownership of the underlying Shares instead of legal title. Legal title

is held by CDN. The CDIs to be issued pursuant to this Prospectus will be registered in the name of CDN for the benefit of CDI holders.

CDI holders have the same economic benefits of holding the underlying Shares. Holders of CDIs are able to transfer and settle transactions electronically on ASX.

Holders of CDIs are entitled to all dividends, rights and other entitlements as if they were legal owners of Shares, and are entitled to receive notices of general meetings of Shareholders. As holders of CDIs are not the legal owners of the underlying Shares, CDN, which holds legal title to the Shares underlying the CDIs, is entitled to vote at shareholder meetings of the Company on the instruction of the CDI holders. Alternatively, if a holder of a CDI wishes to attend and vote at shareholder meetings, the holder may instruct CDN to appoint the holder (or a person nominated by the holder) as CDN's proxy in respect of the underlying Shares beneficially owned by such holder for the purposes of attending and voting at a shareholder meetings of the Company. Holders of CDIs are entitled to one vote for every underlying Share held by CDN. Please see Sections 14.3 and 14.4 for more information about CDIs.

Investors should also note that the provisions of the Corporations Act dealing with the notification of substantial holdings and takeovers do not apply to the Company. Please see Section 14.5 for more information on the differences between UK and Australian company law.

2.9 Important information for United Kingdom residents

This Prospectus does not constitute a prospectus for the purposes of the Prospectus Rules published by the United Kingdom Financial Services Authority (**FSA**) and has not been approved by, or filed with, the FSA or the United Kingdom Listing Authority. Furthermore, this Prospectus contains no offer to the public within the meaning of Section 102B of the *UK Financial Services and Markets Act 2000 (FSMA)*, the *Companies Act 2006 (UK Companies Act)* or otherwise.

This Prospectus is being supplied in the United Kingdom only to persons who are:

- (a) "qualified investors" within the meaning of section 86(7) of the FSMA; and
- (b) "professional clients" or "eligible counterparties" within the meaning of COBS 3.5.1 and COBS 3.6.1, respectively of the FSA Conduct of Business Sourcebook and;
- (c) who have professional experience in matters relating to investments and who are investment professionals as specified in Article 19(5) of the *Financial Services and Markets Act 2000 (Financial Promotion) Order 2005 (the Order)* or who are high net worth companies, unincorporated associations and others as specified in Article 49(2) of the Order.

Any investment or investment activity to which this Prospectus relates is available only to such persons or will be engaged in only with such persons. Persons who do not have professional experience in matters relating to investments should not rely on this Prospectus.

This Prospectus is exempt from the general restriction on the communication of invitations or inducements to enter into investment activity and has therefore not been approved by an authorised person as would otherwise be required by Section 21 of the FSMA.

It is a condition of any application for CDIs pursuant to the Offer by any person in the United Kingdom that such person falls within, and warrants and undertakes to the Company that they fall within, one of the categories of persons described above.

3. CHAIRMAN'S LETTER

Dear Investor

On behalf of my fellow Directors, I am pleased to present this opportunity to you to become a Shareholder in Zeta Petroleum plc (**Zeta Petroleum** or the **Company**).

Zeta Petroleum is currently a public unlisted company incorporated in England and Wales. In September 2011, the Board of Directors resolved to undertake a capital raising and seek admission to the Official List of the Australian Securities Exchange. The Company's principal assets comprise a 100% held licence for a gas field redevelopment project (**Bobocu Gas Field**) and a 100% beneficially held licence for an oil field development project (**Jimbolia Oil Field**), both of which are located in Romania, one of the oldest oil provinces in the world.

The Bobocu Gas Field has Pmean contingent resources of 44Bcf and Pmean prospective resources within the current licence boundary (at the same horizon as the contingent resources) of 14Bcf. These resource numbers have been audited by Isis Petroleum Consultants and are included in the Independent Competent Person's Report in Section 8. The Company, subject to the minimum subscription being raised under the Offer, plans to drill at least one new well on the field in 2012.

The Jimbolia Oil Field has Pmean prospective resources of 1.72MMbbls. This field was discovered in 1979 with two wells testing oil at rates of up to 120bbls/day; however, the oil field never produced. Subject to the Company farming out part of its interest in the Jimbolia Oil Field, the Company plans to drill a new well on the field in 2012.

On 27 January 2012, the Company signed a non-binding heads of agreement with a third party pursuant to which the Company has a 90 day exclusive right to acquire the entire issued share capital of a private Romanian incorporated company which holds a 50% interest in a producing field in Romania for a total consideration of \$650,000 (\$10,000 of which has been paid as an initial deposit). It is intended that if this acquisition proceeds, it will be completed after the Company is admitted to the Official List of the ASX. There is no guarantee that the acquisition will proceed. Please refer to Section 4.2 of the Prospectus for further details.

Comprehensive technical information on the Company's assets and a summary of the oil and gas resource estimates prepared by the Independent Competent Person is detailed in the Independent Competent Person's Report set out in Section 8 of this Prospectus.

The Company is seeking to issue up to 40 million CDIs at an issue price of \$0.20 each together with 1 Free Attaching Option exercisable at \$0.20 on or before 15 June 2013 for every 1 CDI issued, to raise up to \$8 million (with a minimum subscription of \$5 million and provision to accept oversubscriptions of up to a further 20 million CDIs at \$0.20 to raise up to an additional \$4 million) to provide funds towards commencing the initial drilling campaign on the Bobocu Gas Field, securing new ventures and for further exploration work.

A Loyalty Option will be available to all Shareholders approximately three months following Official Quotation of the Company's CDIs on the Australian Securities Exchange.

Investors are invited to read the detailed information contained within this Prospectus concerning the Offer, the Company, its projects and the risks associated with investment in the Company and in an exploration company in general. I encourage you to study this document in order to make an informed decision, before deciding to invest in Zeta Petroleum. On behalf of the Board of Directors, I thank you for your interest and look forward to welcoming you as a Shareholder in the Company.

Yours faithfully

Timothy Osborne
Chairman

4. INVESTMENT OVERVIEW

This Section is a summary only and is not intended to provide full information for investors intending to apply for CDIs offered pursuant to this Prospectus. This Prospectus should be read and considered in its entirety.

4.1 The Company

Zeta Petroleum is an independent oil and gas exploration and development company incorporated in England and Wales on 12 September 2005, with a regional focus on Eastern Europe. The Company currently holds licences to projects in Romania via its 100% owned subsidiary company, Zeta Petroleum (Romania) SRL.

Zeta Petroleum has an experienced local management and technical team based in Bucharest, Romania, which is supplemented by technical management based in the United Kingdom and corporate management based in Australia. This combination gives Zeta Petroleum access to international opportunities and financing whilst ensuring it has the intimate local knowledge required to operate successfully in Romania and the Eastern European region.



Zeta Petroleum currently has a balanced portfolio of oil and gas assets which includes the following development, appraisal and exploration projects in Romania (as shown in the diagram above):

- **Bobocu Gas Field** (100% owned and operated)

The Bobocu Gas Field previously produced from 1977 until it was abandoned prematurely in 1995. Since acquiring the field in 2007, the Company has collated all existing well data and 2D seismic data on the field, and in 2010 acquired 75km² of 3D seismic to complete an extensive geological model, identify drill targets and establish a Pmean contingent resource of 44Bcf and a Pmean prospective resource of 14Bcf.

- **Jimbolia Oil Field** (100% beneficially owned and operated)

Jimbolia is an oil field that was discovered in 1979 with two wells testing oil at rates of up to 120bbls/day; however, the oil field never produced. Since acquiring the field in 2007, the Company has collated all existing well data and 2D seismic data on the field to complete a geological model, identify drill targets and establish a Pmean prospective resource of 1.72MMbbls. The Company is intending to seek farm-in partners for Jimbolia to finance the drilling of an appraisal well in 2012 (with discussions already on going with several parties). If no farm-in partner is found for Jimbolia, the Company will decide whether to use part of the funds raised under the Offer (please refer to the use of funds table at Section 4.8 under 'Discretionary exploration and appraisal work' for further details) to re-enter an old well on the field, to delay the drilling of an appraisal well or to relinquish the asset.

The Company beneficially holds 100% of the Jimbolia licence but is registered at present as having a 50% interest in the licence by the Romanian National Agency for Mineral Resources (**NAMR**). The Company has made the appropriate application to NAMR to register its 100% interest in the licence and after registration by NAMR, the Company shall have a 100% registered interest in the licence. Please refer to Section 6.3(b) of this Prospectus and section 3.2 of the Solicitor's Report on Tenements contained in Section 11 of this Prospectus for further details on the status of the licence.

- **Padureni Gas Field** (12.5% owned, non-operated)

Padureni is a gas field that was discovered in 1984 and produced between 1991 and 1994. In October 2009, Zeta Petroleum (Romania) SRL farmed out an 87.5% interest in the licence to Expert Petroleum SRL (**Expert**). In accordance with the Sale and Purchase Agreement with Expert, Zeta Petroleum (Romania) SRL is free carried on all expenditure for the duration of the licence. Please refer to Sections 13.12 and 13.13 for further details of the Sale and Purchase Agreement and Joint Operating Agreement between Expert and Zeta Petroleum (Romania) SRL in relation to the licence.

- **Prospecting Permits** (100% owned and operated):

In addition to its licences over gas and oil fields, the Company holds in excess of 6,000km² of non-exclusive prospecting permits in the eastern Moldavian region of Romania, which is a known hydrocarbon-prone area. The prospecting permits give the Company the right to data in relation to the prospecting areas and also the right, but not the obligation, to request that part of a prospecting area is placed into a bidding round in which the Company will have the opportunity to bid for a licence over the selected prospecting area. The Company has performed an extensive evaluation of these permits and intends to request that certain areas of the prospecting permits are placed in a bidding round in 2012.

Technical information on the Company's Projects and a summary of the oil and gas resource estimates prepared by the Independent Competent Person is detailed in the Independent Competent Person's Report set out in Section 8 of this Prospectus.

4.2 Business model

Zeta Petroleum's aim is to create Shareholder value through redevelopment opportunities and by bringing new fields into production and through further exploration of existing assets.

To date, Zeta Petroleum has compiled a balanced portfolio of oil and gas assets that include development, appraisal and exploration projects in Romania.

Zeta Petroleum also intends to identify and secure oil and gas production opportunities by either:

- purchasing licences outright through direct negotiation with vendors;
- farming into acreage owned by third parties and then paying for exploration work to earn a direct equity interest in the projects; or
- bidding for new licences in competitive bidding rounds.

When assessing projects and their economic viability, the Company uses a combination of existing data together with newly acquired data, such as seismic data, to build an in-house geological model. During this process, the Company estimates recoverable resources which are used as a key driver in determining the economic viability of a project. If a project is deemed to be economic, the Company will, upon successfully securing the project, proceed to drill wells on the project to prove up reserves and, subject to successful drilling results and the securing of sufficient development finance, bring it into production.

Currently, Zeta Petroleum holds oil and gas assets in Romania; however, the Company intends to expand beyond the borders of Romania whilst retaining an onshore Eastern Europe focus. Zeta Petroleum intends to leverage off its Romanian operations office and connections to secure opportunities in nearby countries such as Ukraine, Bulgaria, Serbia, Poland and Hungary.

Funds required to acquire projects or for exploration work have historically been raised through capital raisings or by bringing in a partner to fund works in return for direct equity in the project.

Going forward, the Company plans to fund acquisitions and exploration and development works through further capital raising and by farming out interests, together with obtaining debt financing where available and appropriate.

On 27 January 2012, the Company signed a non-binding heads of agreement with an unrelated third party pursuant to which the Company has a 90 day exclusive right to acquire a private Romanian incorporated company which holds as its sole asset a 50% interest in a concession licence in Romania that has a producing field, for a total consideration of \$650,000 (\$10,000 of which has been paid as an initial deposit). The tenure of the concession licence is 30 years from the grant of the original licence in April 2004. If the acquisition proceeds, the Company intends to fund the acquisition from moneys raised under the Offer (please refer to the use of funds table at Section 4.8 under 'Project Generation' for further details). The acquisition will only proceed if the full subscription is raised under the Offer and the Company is satisfied with its due diligence undertaken in relation to the transaction.

Completion of the acquisition is not guaranteed and is also conditional upon both parties negotiating and executing a mutually acceptable sale and purchase contract. The acquisition, if finalised, would complete after the Company is admitted to the Official List of the ASX, and would commit Zeta to

participating in a work programme to acquire 2D seismic and to drilling a shallow well at a total cost to the Company of €1 million (being approximately \$804,700 using the conversion rate of €1:\$1.2427 as at 31 January 2012) prior to 8 January 2013. If the acquisition proceeds, the Company intends to fund these commitments from moneys raised under the Offer (please refer to the use of funds table at Section 4.8 under 'Discretionary exploration and appraisal work' for further details).

There is no guarantee that the acquisition will proceed. While the acquisition would contribute to the Company's aim of acquiring near term production assets, neither the Company nor its objectives would, in the Board's opinion, be materially affected if the acquisition does not proceed. The Board considers that there are numerous other opportunities in the region to consider should the acquisition not proceed.

Based on due diligence work performed to date, the Company is not aware of any specific risks associated with the acquisition but will seek to mitigate any risks associated with the transaction by including suitable warranties and indemnities within the sale and purchase contract (if it proceeds).

4.3 Objectives

The Company's main objectives on completion of the Offer are to:

- commence the drilling of 1-2 appraisal/development well(s) on the Bobocu Gas Field;
- farm-out a 50% interest in the Jimbolia Oil Field to finance the drilling of an appraisal well;
- undertake Field Development Plans on the Bobocu Gas Field and the Jimbolia Oil Field;
- participate in new licensing rounds in Romania and apply for additional licences, concentrating on the areas covered by the Company's existing non-exclusive prospecting permits; and
- source and review additional onshore project opportunities in Eastern Europe through direct negotiation.

On completion of the Offer, the Board believes the Company will have sufficient working capital to achieve these objectives.

4.4 Key investment highlights

- Zeta Petroleum has a balanced Romanian oil and gas asset portfolio;
- The Company has Pmean contingent gas resources of 44.3Bcf (Billion Cubic Feet), Pmean prospective oil resources of 1.72MMbbls (Million Barrels) and further prospective resources of over 14Bcf.
- The Directors anticipate that the deregulation of the Romanian gas price in 2013 (as required by the European Union) may lead to an increase in the price of natural gas in Romania.
- The Company has over 6,000km² of non-exclusive prospecting permits in the eastern Moldavian area of Romania, a known hydrocarbon prone area.
- Romania is an EU member country that has a long and established petroleum industry, has favourable and stable fiscal terms for oil and gas companies with a low tax rate of 16% and Government royalties, applied on a field by field basis, of between 3.5-13.5% for crude oil and between 3.0-13.0% for natural gas.
- The Company has had established operations and an in-country presence in Romania since 2006.
- Eastern Europe is a renowned petroleum province and the Company aims to expand through value-adding acquisitions within Eastern Europe, leveraging off its position in Romania, although at present there are no binding agreements in place in relation to such acquisitions and there can be no guarantee that additional acquisitions shall occur;
- Zeta Petroleum directors and other major Shareholders are entering into voluntary lock-in agreements, a positive signal of their long term ambitions for the enlarged company; and
- Loyalty Options will be offered to all Shareholders on a 1 for 4 basis approximately 3 months after the date the Company's CDIs and Options are officially quoted on the Australian Securities Exchange. Each Loyalty Option will cost \$0.01 with an exercise price of \$0.30 and an expiry date of 15 July 2015.

4.5 Key investment risks

The Company's business, assets and operations are subject to certain risk factors that have the potential to influence its operating and financial performance in the future. These risks can impact on the value of an investment in the Company's securities.

The Board aims to manage these risks by carefully planning its activities and implementing risk control measures. Some of the risks are, however, highly unpredictable and the extent to which they can effectively manage them is limited.

Set out below is a summary of some of the specific risks that the Company is exposed to. Further risks associated with an investment in the Company are outlined in Section 7.

Specific Risk Area	Risks	Further Details
Political Risk	The Company is conducting its activities in Romania. Any changes in policy in Romania may result in legislative changes which may affect the Company's ability to develop its Projects.	Section 7.2(a)
No Geographical Diversification Risk	The Company's Projects are all located in Romania. Any circumstances which negatively impact upon the project areas could materially affect the financial performance of the Company more significantly than if it had a diversified asset base.	Section 7.2(b)
Foreign Exchange Rate Risk	Any revenue received by the Company would likely be in Romanian New Lei (RON) and a large proportion of the Company's operating expenses would be incurred principally in British Pounds Sterling (GBP), Australian Dollars (AUD) and Euros (EUR). Therefore, the Company's revenue will be directly impacted by movements in the RON/AUD, RON/GPB, RON/EUR and GPB/AUD exchange rates.	Section 7.2(c)
No Takeover Protection Under the Corporations Act	<p>As the Company is incorporated in England and Wales, the rights of Shareholders are governed by UK law which differ in some respects from the rights of shareholders of companies incorporated in Australia. Please refer to Section 14.5 of this Prospectus for further details.</p> <p>The takeover provisions in the Corporations Act 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.</p>	Section 7.2(e)
Litigation Risk	The Company is exposed to possible litigation risks including tenure disputes, environmental claims, occupational health and safety claims and contractual claims. Further, the Company may be involved in disputes with other parties in the future which may result in litigation. Any such claim or dispute if proven, may impact adversely on the Company's operations, financial performance and financial position.	Section 7.2(f) and Section 14.1

Specific Risk Area	Risks	Further Details
	<p>On 16 February 2012, the Company's wholly owned subsidiary in Romania, Zeta Petroleum (Romania) SRL, received a claim for damages from SC Armax Gaz SRL ("Armax"), a former partner on the Jimbolia field, for an amount equal to approximately \$395,000. Zeta Petroleum (Romania) SRL replied to Armax on 27 February 2012, rejecting the claim for damages on the basis that, in the view of the Company, it is ungrounded and without merit.</p>	
<p>Funding Risk</p>	<p>At present, the Company has no income producing assets and will generate losses for the foreseeable future. Until it is able to develop a project and generate appropriate cash flow, it is dependent upon being able to obtain future equity or debt funding to support long term exploration. There is no guarantee that if further funding is required, such funding can be raised.</p> <p>In particular, as disclosed in the Investigating Accountant's Report at Section 10 and in Note 2 to the Financial Information at Section 9 of this Prospectus, there is significant uncertainty whether the Company will be able to continue as a going concern and therefore whether it will be able to pay its debts as and when they become due and payable and realise its assets and extinguish its liabilities in the normal course of operations if the minimum subscription under the Offer is not raised and the Company is unable to reduce its overheads.</p>	<p>Section 7.2(g), Section 9 Note 2 and Section 10.</p>
<p>Liquidity Risk</p>	<p>There are 70,863,709 Shares already on issue in the Company and the Company has been in operation since 2005. On completion of the Offer (assuming the Offer is fully subscribed), it is estimated there will be 129,000,000 CDIs on issue in the Company.</p> <p>A significant portion of these CDIs (potentially up to approximately 70% of the CDIs on issue in the Company) are likely to be escrowed either because they are classified by the ASX as 'restricted securities' or because shareholders have entered into voluntary</p>	<p>Section 4.10</p>

Specific Risk Area	Risks	Further Details
	restriction agreements. Some investors may consider that there is an increased liquidity risk as a large portion of issued capital may not be able to be traded freely for a period of time.	
Intangibles Risk	A significant percentage of the Company's assets are classified as intangible assets. Given the funding risk noted above, some investors may consider that there is an increased risk that the illiquidity of such intangible assets would mean they may be incapable of being distributed to shareholders should the Company be unable to continue as a going concern.	Section 9
Exploration & Development Risk	By its nature, the business of oil and gas exploration, project development and production contains elements of significant risk with no guarantee of success. There is also no certainty that assets will become producing assets and therefore economically viable.	Section 7.3(a)
Capital Intensive Business Risk	The drilling of wells to discover whether there is oil or gas is a highly capital intensive business and will require the Company to raise capital in the future.	Section 7.3(b)
Oil and Gas Price Fluctuations Risk	The Company's asset value and the economic viability of its exploration projects depend on the price of natural gas and oil. The Company's ability to raise funds in the future is therefore likely to be sensitive to the price of natural gas and oil.	Section 7.3(c)
Environmental Regulations Risk	The Company's operations are subject to the environmental risks inherent in the oil and gas industry.	Section 7.3(d)
Project Risk	Regulatory approvals may be required prior to work being undertaken on the ground. The granting of such approvals may take time to achieve and no guarantees can be given that the approvals will be granted.	Section 7.3(e)

The above list of risk factors ought not to be taken as exhaustive of the risks faced by the Company and you should refer to the additional risk factors described in Section 7 of this Prospectus before deciding whether to apply for CDIs pursuant to this Prospectus.

4.6 The Offer

The Company invites Applications for up to 40 million CDIs at an issue price of \$0.20 each together with 1 Free Attaching Option exercisable at \$0.20 on or before 15 June 2013 for every 1 CDI issued, to raise up to \$8 million.

Oversubscriptions of up to a further 20 million CDIs at an issue price of \$0.20 each to raise up to a further \$4 million may be accepted.

A Loyalty Option entitlement issue is also proposed. See below at Section 4.9 for further information.

The key information relating to the Offer and references to further details are set out below.

Indicative timetable*

Event	Date
Lodgement of Prospectus with ASIC	23 March 2012
Opening Date	23 March 2012
Closing Date	5pm WST on 18 April 2012
Allotment of CDIs and Free Attaching Options	23 April 2012
Dispatch of holding statements	27 April 2012
Expected date for quotation on ASX	3 May 2012

* The above dates are indicative only and may change without notice. The Company reserves the right to extend the Closing Date or close the Offer early without notice.

4.7 Purpose of the Offer

The purpose of the Offer is to facilitate an application by the Company for admission to the Official List of ASX and position the Company to seek to achieve the objectives set out above in Section 4.3.

4.8 Use of funds

The Company intends to apply funds raised from the Offer, together with existing cash reserves, over the first two years following the Company's admission to the Official List of ASX as follows:

Funds available	Minimum subscription (AU\$) (\$5,000,000)	Full subscription (AU\$) (\$8,000,000)	Full Over-subscription (AU\$) (\$12,000,000)
Existing cash reserves ¹	361,403	361,403	361,403
Funds raised from the Offer	5,000,000	8,000,000	12,000,000
Total	5,361,403	8,361,403	12,361,403
Expenses of the Offer ²	759,521 (14.2%)	971,914 (11.6%)	1,255,104 (10.2%)
Exploration & appraisal expenditure:			

Funds available	Minimum subscription (AU\$) (\$5,000,000)	Full subscription (AU\$) (\$8,000,000)	Full Over- subscription (AU\$) (\$12,000,000)
- Bobocu Gas Field: appraisal well	3,000,000 (56.0%)	3,000,000 (35.9%)	3,000,000 (24.3%)
- Discretionary exploration & appraisal work	-	1,850,000 (22.1%)	5,350,000 (43.3%)
Administration costs	1,601,882 (29.9%)	1,889,489 (22.6%)	2,106,299 (17.0%)
Project generation	-	650,000 (7.8%)	650,000 (5.3%)
Total	5,361,403	8,361,403	12,361,403

¹ Refer to the Financial Information set out in Section 9 of this Prospectus for further details.

² Excludes a total amount of \$49,915 that was paid prior to 31 December 2011. Refer to Section 14.11 of this Prospectus for further details.

In the event the Company raises between the minimum subscription (\$5 million) and the full subscription (\$8 million) under the Offer, the additional funds raised in excess of the minimum subscription (after expenses) will be first applied towards discretionary exploration and appraisal expenditure, secondly applied to administration costs, and thirdly towards project generation.

Similarly, in the event the Company raises more than the full subscription amount under the Offer, the additional funds raised in excess of the full subscription (after expenses) will be first applied towards discretionary exploration and appraisal expenditure and secondly applied to administration costs.

The above table is a statement of current intentions as of the date of this Prospectus. As with any budget, intervening events (including exploration success or failure) and new circumstances have the potential to affect the manner in which the funds are ultimately applied. The Board reserves the right to alter the way funds are applied on this basis.

4.9 Capital structure

The Company's capital structure following completion of the Offer (assuming full subscription) is summarised below¹:

Shares²	Number
Shares currently on issue	70,863,709
CDIs to be issued to GM Investment & Co Limited under the Convertible Loan Agreement	18,136,291 ³
CDIs to be issued pursuant to the Offer	40,000,000
Total Shares on completion of the Offer	129,000,000
Options⁸	Number
Management Options currently on issue ⁴	14,000,000
Corporate Adviser Options currently on issue ⁵	206,000
Free Attaching Options to be issued pursuant to the Offer ⁶	40,000,000

Options to be issued to the Corporate Adviser ⁷	1,600,000
Total Options on completion of the Offer	55,806,000

¹ Refer to the Financial Information set out in Section 9 of this Prospectus for further details.

² The rights attaching to the CDIs are summarised in Section 14.2 of this Prospectus.

³ The loan under the Convertible Loan Agreement (the balance of which was US\$3,672,395 (being approximately \$3,470,046 using the conversion rate of US\$1: \$0.9449 as at 31 January 2012) as at 31 January 2012) is to be converted into CDIs upon the Company being admitted to the Official List of the ASX. As agreed with GM Investment & Co Limited (**GMI**) a maximum of 18,136,291 CDIs will be issued on conversion of the loan. Any Shares which GMI would have been entitled to above this figure will be settled by the Company making a cash payment to GMI equal to the number of such CDIs above the maximum number multiplied by \$0.20. Please refer to Section 13.3 of this Prospectus for further details on the Convertible Loan Agreement.

⁴ These Management Options were issued under the Company's Employee Share Option Plan (**ESOP**) on 11 January 2012. Please refer to Section 14.7 for a full summary of the Company's ESOP. Please refer to Section 14.6.1 of this Prospectus for the full terms and conditions of the Management Options. Please refer to Section 4.16 of this Prospectus for details of the Management Options which have been issued to Directors.

⁵ The Company issued Pursuit Capital with 206,000 Corporate Adviser Options in the Company on 11 January 2012 under the Company's ESOP and the Corporate Adviser Mandate. Please refer to Section 13.1 for a summary of the Corporate Adviser Mandate between the Company and Pursuit Capital. Please refer to Section 14.6.2 of this Prospectus for the full terms and conditions of the Corporate Adviser Options.

⁶ Please refer to Section 14.6.3 of this Prospectus for the full terms and conditions of the Free Attaching Options to be issued pursuant to the Offer.

⁷ The Company has agreed to issue a further 1,600,000 Corporate Adviser Options to Pursuit Capital on completion of the Offer under the Company's ESOP and the Corporate Adviser Mandate (assuming the Offer is fully subscribed).

⁸ A Loyalty Option entitlement issue is also proposed. See below for further information.

NB: the current Shareholders of the Company are party to a Shareholders Agreement which terminates upon the Company being admitted to the Official List of the ASX.

Non-renounceable Entitlements Issue of Options after Listing (Loyalty Options)

All Shareholders registered on the share register of the Company within approximately three months following the listing of the Company's shares on the ASX (record date to be confirmed) will be entitled to participate in a proposed non-renounceable entitlements issue of options on the basis of one proposed Loyalty Option for every four Shares held. The proposed Loyalty Options are to be issued at a cost of \$0.01 each with an exercise price of \$0.30 and expiring on 15 July 2015 (5pm WST). Application will be made for the proposed Loyalty Options to be quoted on the ASX.

The terms and conditions of the proposed Loyalty Options to be issued pursuant to the entitlements issue are set out in section 14.6.4 of this Prospectus.

Substantial Shareholders

Those Shareholders holding 5% or more of the Shares on issue both as at the date of this Prospectus and on completion of the Offer (assuming full subscription) are set out in the respective tables below. Investors should note that the provisions of the Corporations Act dealing with the notification of substantial holdings and takeovers do not apply to the Company. Please see Section 14.5 for more information on the differences between UK and Australian company law.

As at the date of this Prospectus

Shareholder	Shares	Options	% (undiluted)	% (fully diluted)
GM Investment & Co Limited ¹	25,248,848	-	35.63%	29.68%
Scott Pagel	9,094,375	-	12.83%	10.69%
Cresthaven Investments Pty Limited ²	8,084,015	5,000,000	11.41%	15.38%
Banque Heritage	7,000,000	-	9.88%	8.23%

¹ Timothy Osborne, a Director, is a director of GML Limited, the ultimate holding company of the entity.

² This entity is controlled by Stephen West, a Director.

On completion of the Offer (assuming no existing substantial Shareholder subscribes and receives additional Shares pursuant to the Offer)

Shareholder	Shares	Options	% (undiluted)	% (fully diluted)
GM Investment & Co Limited ¹	43,385,139	-	33.63%	23.48%
Scott Pagel	9,094,375	-	7.05%	4.92%
Cresthaven Investments Pty Limited ²	8,084,015	5,000,000	6.27%	7.08%
Banque Heritage	7,000,000	-	5.43%	3.79%

¹ Timothy Osborne, a Director, is a director of GML Limited the ultimate holding company of the entity.

² This entity is controlled by Stephen West, a Director.

The Company will announce details of its top-20 Shareholders (following completion of the Offer) to the ASX prior to the CDIs commencing trading on ASX.

4.10 Restricted securities

Subject to the Company being admitted to the Official List, certain Shares and Options on issue prior to the Offer (and the CDIs to be issued on the date of Official Quotation under the conversion of the Convertible Loan Agreement with GM Investment & Co Limited) will be classified by ASX as restricted securities and will be required to be held in escrow for up to 24 months from the date of Official Quotation. The Company also intends to encourage existing Shareholders to enter voluntary restriction agreements under which Shares on issue prior to the Offer will be required to be held in escrow for up to 12 months from the date of Official Quotation.

It is estimated that a total of 77,515,356 Shares and CDIs, 14,000,000 Management Options and 1,806,000 Adviser Options will be subject to escrow as follows:

- 52,656,482 Shares and 14,000,000 Management Options for 24 months from the date of Official Quotation (primarily held by directors and their associated entities and substantial holders); and
- 24,858,874 Shares (including 18,136,291 CDIs issued on conversion of the Convertible Loan Agreement with GM Investment & Co Limited) for 12 months from the date of Official Quotation and 1,806,000 Adviser Options for 12 months from their date of issue (being the date of Official Quotation).

During the period in which these securities are prohibited from being transferred, trading in Shares will be less liquid which may impact on a Shareholder's ability to dispose of his or her Shares in a timely manner.

The Company will announce to the ASX full details (quantity and duration) of the CDIs and Options required to be held in escrow prior to the CDIs commencing trading on ASX.

4.11 Financial information

The Directors have considered the matters set out in ASIC Regulatory Guide 170 and believe that they do not have a reasonable basis to forecast future earnings on the basis that the operations of the Company are inherently uncertain. Accordingly, any forecast or projection information would contain such a broad range of potential outcomes and possibilities that it is not possible to prepare a reliable best estimate forecast or projection.

Please also refer to the Company's balance sheet which is included in the Financial Information contained in Section 9 and to the Investigating Accountant's Report which is contained in Section 10 of this Prospectus.

4.12 Taxation

The acquisition and disposal of CDIs will have tax consequences, which will differ depending on the tax status (including residing for tax purposes) and individual financial affairs of each investor. All potential investors in the Company are urged to obtain independent financial advice about the consequences of acquiring CDIs from a taxation viewpoint and generally.

There are no UK stamp taxes on an issue of CDIs and the Company understands that HMRC has agreed with ASX and CDN that, although subsequent transfers of CDIs remain technically subject to UK stamp duty reserve tax, they will not seek to recover any UK stamp taxes from transfers of CDIs on ASX. Transfers of interests in Shares other than by way of disposals of CDIs may give rise to a liability to UK stamp taxes at a rate of 0.5% of the consideration.

To the maximum extent permitted by law, the Company, its officers and each of their respective advisers accept no liability and responsibility with respect to the taxation consequences of subscribing for CDIs under this Prospectus.

4.13 Dividend policy

The Company anticipates that significant expenditure will be incurred in the evaluation and development of our Projects. These activities, together with the

possible acquisition of interests in other projects, are expected to dominate the two year period following the date of this Prospectus. Accordingly, the Company does not expect to declare any dividends during that period.

Any future determination as to the payment of dividends by the Company will be at the Directors' discretion and will depend on the availability of distributable earnings and operating results and the Company's financial condition, future capital requirements and general business and other factors considered relevant by the Directors. No assurance in relation to the payment of dividends or franking credits attaching to dividends can be given by the Company.

4.14 Directors and key personnel

Timothy Osborne
Non-Executive Chairman
LLB

Mr Osborne gained an LLB in 1972 at University College, London and Articled at Lovell White & King from 1974, qualifying as a solicitor in 1976 and practicing with the same firm until 1978. In 1978 Mr Osborne joined Wiggin and Co where he was promoted to Partner and Managing Partner before becoming the Senior Partner in 2001 and has been Senior Partner of Wiggin Osborne Fullerlove since 2003. Mr Osborne is a director of GML Limited, a diversified financial holding company which, at one time, owned strategic stakes in a number of Russian companies, including a majority shareholding in Yukos Oil Company (previously Russia's largest oil company).

Mr Osborne currently resides on no other public boards.

Stephen West
Managing Director
BCom, CA

Mr West is a founder of Zeta Petroleum plc and a Chartered Accountant with over 17 years of financial and corporate experience ranging from public practice, investment banking, oil & gas and mining. Mr West holds a Bachelor of Commerce (Double Major, Accounting and Business Law) from Curtin University of Technology. Previous appointments include senior positions at Duesburys Chartered Accountants, Regal Petroleum plc (UK AIM listed company), Barclays Capital (London) and PriceWaterhouseCoopers Australia.

Mr West currently resides on no other public boards.

Philip Crookall
Chief Operating Officer
MSc (Sedimentology), BSc (Joint Hons)(Geography/Geology), PESGB, SPE

Mr Crookall is a petrophysicist with over 24 years industry experience with both independent oil companies and consultancy groups including Valiant Petroleum plc, Hamilton Brothers Oil & Gas Ltd, Ultramar Ltd, LASMO plc, Hardy Oil & Gas plc, Scott Pickford Ltd and Paradigm Geophysical Ltd.

Mr Crookall currently resides on no other public boards.

Michael Scott
Non-Executive Director
BSc (First Class Hons)(Civil Engineering), MEng (Petroleum Engineering), SPE, MAICD

Mr Scott is a petroleum reservoir engineer with over 25 years upstream and downstream industry experience. During his career Mr Scott has worked for Texaco Ltd, Esso Australia Ltd, Woodside Energy Ltd and during 2004-2011 was the Managing Director of Cooper Energy Limited.

Mr Scott currently resides on no other public boards.

Helen Prior
Technical Manager
BSc (Geology), MSc (Basin Evolution and Dynamics), AAPG, EAGE, PESGB

Ms Prior is a qualified Geologist with over 11 years experience. Prior to joining Zeta Petroleum in 2007, Ms Prior worked for Troy-Ikoda on a range of international projects including geological and log analysis and reserves audits, for Regal Petroleum plc as a Senior Geoscientist on their Romanian assets and for Granby Oil & Gas covering both their central and northern North Sea assets and licensing asset reviews. Ms Prior has covered a wide range of geoscientific disciplines and has worked closely with engineers to integrate results and to create a full subsurface understanding of assets.

Bogdan Popescu
Romanian Country Manager
PhD (Sedimentology), MSc (Geology), BSc (Geology), AAPG, RGS, EAGE

Mr Popescu is an oil industry specialist and NAMR certified expert with extensive international experience. His former appointments include Executive Senior Vice President of The Rompetrol Group (2003-2006), Senior Vice President (Australia) and CEO (Switzerland) of Millennium Group of Companies (1999-2003), various positions at Petroconsultants SA/IHS Energy (1980-1999) and Earth Sciences Researcher at the Institute of Geology and Geophysics (1968-1979). Mr Popescu is currently the elected President of the Petroleum Exploration & Production Managers Forum in Romania.

Ilie Stefan
Senior Reservoir Engineer
MSc (Petroleum Engineering), SPE

Mr Stefan is a qualified Reservoir Engineer and NAMR certified specialist with 20 years experience in conventional and advanced reservoir engineering. Key experiences include a broad range of classical reservoir engineering, production history analysis, field development planning, production monitoring and forecasting work as well as reservoir 3D modelling and reservoir simulation. Ilie has worked in multidisciplinary teams as well as independently within consulting companies and operating companies. Previous appointments include positions at IAT Global, Schlumberger Logelco, Halliburton Energy Services, ASCOM Group and SNP Petrom.

Jimmy Micu
Senior Geologist
PhD (Structural Geology), MSc (Geology), BSc (Geology), RGS

Mr Micu is an NAMR certified Geologist with over 40 years experience. Mr Micu's career has mainly been spent in Romania with the Geological Survey, Faculty of

Geology and Geophysics and with Prospektiuni. He was a Senior Researcher, Associate Professor and the Head of Research in these organisations. His experience is mainly in the domains of structural geology and stratigraphy of the Mesozoic and Tertiary of the Carpathian foldbelt and foredeep.

Management and Consultants

The Company is aware of the need to have sufficient management to properly supervise the exploration and the development of the projects in which the Company has, or will in the future have, an interest and the Board will continually monitor the management roles in the Company. As our Projects require an increased level of involvement the Board will look to appoint additional management and/or consultants when and where appropriate to ensure proper management of the Company's Projects.

4.15 Corporate governance

To the extent applicable, in light of the Company's size and nature, the Company has adopted *The Corporate Governance Principles and Recommendations (2nd Edition)* as published by the ASX Corporate Governance Council (**Recommendations**).

The Company's main corporate governance policies and practices as at the date of this Prospectus are outlined in Section 12.1 of this Prospectus and the Company's compliance and departures from the Recommendations are set out in Section 12.2 of this Prospectus.

In addition, the Company's full Corporate Governance Plan is available from its website (www.zetapetroleum.com).

4.16 Disclosure of interests

For each of the Directors, the proposed annual remuneration for the financial year following the Company being admitted to the Official List together with the relevant interest of each of the Directors in the securities of the Company as at the date of this Prospectus is set out in the table below.

Director	Remuneration (AU\$)	Shares	Management Options ¹
Stephen West	320,000	8,084,015 ³	5,000,000 ³
Philip Crookall	213,150 ²	437,328	3,000,000
Timothy Osborne	35,280 ²	-	1,000,000
Michael Scott	36,000 ⁴	750,000 ⁵	1,000,000 ⁵

¹ Please refer to Section 14.6.1 of this Prospectus for the full terms and conditions of the Management Options.

² Mr Crookall's salary of GBP 145,000 and Mr Osborne's director fees of GBP 24,000 have been converted into Australian dollars using an exchange rate of 1.47.

³ Mr West's shares and Management Options are held by Cresthaven Investments Pty Ltd, a company in which Mr West has an indirect beneficial interest.

⁴ Mr Scott's remuneration is made up of director's fees payable under his service contract and fees paid under the consultancy agreement between the Company and Copia Consulting Pty Limited. Please refer to Sections 4.17, 13.6 and 13.8 for more details.

⁵ Mr Scott's shares and 500,000 Management Options are held by Scott Investment Fund Pty Ltd, a company in which Mr Scott has an indirect beneficial interest. 500,000 Management

Options are held by Copia Investment Holding Company Pty Ltd, a company in which Mr Scott has an indirect beneficial interest.

4.17 Agreements with Directors or related parties

The Company's policy in respect of related party arrangements is:

- (a) a Director with a material personal interest in a matter is required to give notice to the other Directors before such a matter is considered by the Board; and
- (b) for the Board to consider such a matter, the Director who has a material personal interest is not present while the matter is being considered at the meeting and does not vote on the matter.

Deeds of indemnity, insurance and access

The Company has entered into a deed of indemnity, insurance and access with each of its Directors. Under these deeds, the Company agrees to indemnify each officer to the extent permitted by the UK Companies Act against any liability arising as a result of the officer acting as an officer of the Company. The Company is also required to maintain insurance policies for the benefit of the relevant officer and must also allow the officers to inspect board papers in certain circumstances.

Related Party Transactions

The Company has entered into the following related party transactions:

- (a) the grant of the Management Options to each of Stephen West, Philip Crookall, Timothy Osborne and Michael Scott as set out in Section 4.16; and
- (b) the payment of director fees to each of the Directors as set out in detail in Section 4.16. The value of the financial benefit paid or to be paid, the nature of the relationship (being as a Director) and other important information on this point is set out in that section.

Management Options

The Management Options issued to each Director (**Related Parties**) set out above were issued on 11 January 2012 under the Company's Employee Share Option Plan. The value of the financial benefit of the Management Options was calculated by internal management of the Company using the Black & Scholes option model. Based on this model and on the assumptions set out below, the Management Options were ascribed the following value:

Assumptions:	
Valuation date	29 February 2012
Market price of Shares	20 cents
Exercise price	20 cents
Expiry date (length of time from issue)	11 January 2019
Risk free interest rate	3.60%
Volatility (discount)	80%
Indicative value per Related Party Option	\$0.1482
Total Value of Related Party Options	\$1,482,000
Stephen West	\$741,000
Philip Crookall	\$444,600
Timothy Osborne	\$148,200
Michael Scott	\$148,200

It should be noted that the valuation is not necessarily the market price that the Management Options could be traded at and is not automatically the market price for taxation purposes. It is not considered that there are any risks associated with this related party transaction however the following points are noted:

- (a) the grant of the Management Options is contrary to Recommendation 8.2 of the ASX Corporate Governance Principles and Recommendations. However, the Board considered the grant of the Management Options reasonable in the circumstances;
- (b) the primary purpose of the grant of the Management Options is to provide a performance linked incentive component in the remuneration package and to motivate and reward the performance of the Related Parties in their respective roles as Directors;
- (c) the grant of the Management Options to the Related Parties will align the interests of the Related Parties with those of Shareholders;
- (d) the grant of the Management Options is a reasonable and appropriate method to provide cost effective remuneration as the non-cash form of this benefit will allow the Company to spend a greater proportion of its cash reserves on its operations than it would if alternative cash forms of remuneration were given to the Related Parties; and
- (e) it is not considered that there are any significant opportunity costs to the Company or benefits foregone by the Company in granting the Management Options upon the terms proposed.

Convertible Loan Agreement – GM Investment & Co Limited

The Company and GM Investment & Co Limited (**GMI**) are parties to a convertible loan agreement for a loan facility of up to an aggregate principal amount of US\$3,200,000 (being approximately \$3,023,680 using the conversion rate of US\$1:\$0.9449 as at 31 January 2012). Please refer to Section 13.3 of the Prospectus for a summary of the main terms of the Convertible Loan Agreement.

Mr Timothy Osborne, a Director, is also a director of GML Limited, the ultimate holding company of GMI. GMI, at the date of this Prospectus, owns 35.63% of the undiluted issued share capital of the Company.

Notwithstanding this relationship between the Company and GMI, the Board considered prior Shareholder approval to the entry into the agreement was not required on the basis that the terms of the agreement are considered by the non-interested Directors to be 'arm's length'.

The loan under the Convertible Loan Agreement (the balance of which was US\$3,672,395 (being approximately \$3,470,046 using the conversion rate of US\$1:\$0.9449 as at 31 January 2012) as at 31 January 2012) is to be converted into Shares upon the Company being admitted to the Official List of the ASX. As agreed with GMI a maximum of 18,136,291 Shares will be issued on conversion of the loan. Any Shares which GMI would have been entitled to above this figure will be settled by the Company making a cash payment to GMI equal to the number of such Shares above the maximum number multiplied by \$0.20.

Service Contract – Stephen West

Mr Stephen West is contracted to act in the capacity as Managing Director of the Company. Mr West currently receives an annual salary of \$225,000 per annum. Please refer to Section 13.4 for full details of the Service Contract.

Service Contract – Philip Crookall

Mr Philip Crookall is contracted to act in the capacity as Chief Operating Officer of the Company. Mr Crookall currently receives an annual salary of UK£145,000 (being approximately \$213,150 using the conversion rate of UK£1:\$1.47 as at 31 January 2012) per annum. Please refer to Section 13.5 for further details of this Service Contract.

Service Contract – Michael Scott

Mr Michael Scott is contracted to act in the capacity as Non-Executive Director of the Company. Mr Scott currently receives a director's fee of \$5,500 per annum. Please refer to Section 13.6 for full details of the Service Contract.

Service Contract – Tim Osborne

Mr Tim Osborne is contracted to act in the capacity as Non-Executive Director and Chairman of the Company. Mr Osborne currently receives a director's fee of UK£1,200 (being approximately \$1,764 using the conversion rate of UK£1:\$1.47 as at 31 January 2012) per annum. Please refer to Section 13.7 for full details of the Service Contract.

Consultancy Agreement – Copia Consulting Pty Limited

Copia Consulting Pty Limited (**Copia**) is contracted to provide specialist management and technical consultation and advice to the Company with respect to the Company's assets in Romania. Copia will receive a consultant's fee of \$12,500 plus GST per annum. Please refer to Section 13.8 for full details of the Consultancy Agreement.

Mr Michael Scott, a Director of Zeta Petroleum plc, has a 50% relevant interest in, and is a director of, Copia.

Notwithstanding this relationship between the Company and Copia, the Board considered prior Shareholder approval to the entry into the agreement was not required on the basis that the terms of the agreement are considered by the non-interested Directors to be 'arm's length'.

Consultancy Agreement – Overseas Oil Management Services Limited

Overseas Oil Management Services Limited (**Overseas Oil**) is contracted to provide the Company with consulting services in the field of petroleum exploration and production activities in Romania. Overseas Oil will receive a consultant's fee of €81,360 (being approximately \$101,106 using the conversion rate of €1:\$1.2427 as at 31 January 2012) per annum. Please refer to Section 13.11 for full details of the Consultancy Agreement.

Mr Bogdan Popescu, a Director of Zeta Petroleum (Romania) SRL, owns 100% of the issued share capital of Overseas Oil.

Notwithstanding this relationship between the Company and Overseas Oil, the Board considered prior Shareholder approval to the entry into the agreement was not required on the basis that the terms of the agreement are considered by the non-interested Directors to be 'arm's length'.

5. DETAILS OF THE OFFER

5.1 The Offer

Pursuant to this Prospectus, the Company invites Applications for up to 40 million CDIs at an issue price of \$0.20 each together with 1 Free Attaching Option exercisable at \$0.20 on or before 15 June 2013 for every 1 CDI issued, to raise up to \$8 million.

Please refer to Section 14.6.3 of this Prospectus for the full terms and conditions of the Free Attaching Options.

The Company may accept oversubscriptions of up to a further \$4 million through the issue of up to a further 20 million CDIs at an issue price of \$0.20 each under the Offer. The maximum amount which may be raised under this Prospectus is therefore \$12 million.

Subject to the Company being admitted to the Official List, investors should note that Shares offered under this Prospectus will trade on ASX by way of CDIs. Refer to Sections 2.8 and 14 for further explanation of CDIs. The Shares underlying the CDIs offered under this Prospectus will rank equally with the existing Shares on issue.

A Loyalty Option entitlement issue is also proposed. See Section 4.9 for further information.

5.2 Minimum subscription

If the minimum subscription to the Offer of \$5 million has not been raised within four (4) months after the date of this Prospectus, the Company will not issue any CDIs and will repay all application moneys for the CDIs within the time prescribed under the Corporations Act, without interest.

5.3 Applications

Applications for CDIs under the Offer must be made:

- (a) using the Application Form attached to or accompanying this Prospectus; **OR**
- (b) through the electronic payment facility described below. If you make your payment electronically, you do not need to return the Application Form.

Applications for CDIs must be for a minimum of 10,000 CDIs and thereafter in multiples of 1,000 CDIs and payment for the CDIs must be made in full at the issue price of \$0.20 per CDI.

Completed Application Forms and accompanying cheques, made payable to "**Zeta Petroleum plc – Share Application Account**" and crossed "Not Negotiable", must be mailed or delivered to the address set out on the Application Form by no later than the Closing Date.

Electronic payments should be made according to the instructions set out below and on the Application Form. Application money can be paid to the Company by electronic funds transfer (**EFT**) to the following account:

Bank: National Australia Bank
Account Name: Zeta Petroleum plc – Share Application Account
BSB: 086 488
Account Number: 129457300

Applicants should ensure they include their reference details if paying by EFT.

Electronic payments must be received by the Company by 1:00pm (WST) on the Closing Date. You should be aware that your own financial institution may implement earlier cut-off times with regard to electronic payment, and you should therefore take this into consideration when making payment. It is your responsibility to ensure that funds submitted electronically are received by 1:00pm (WST) on the Closing Date.

The Company reserves the right to extend the Closing Date or close the Offer early.

5.4 ASX listing

Application for Official Quotation by ASX of the CDIs offered pursuant to this Prospectus will be made within 7 days after the date of this Prospectus.

If the CDIs are not admitted to Official Quotation by ASX before the expiration of 3 months after the date of issue of this Prospectus, or such period as varied by the ASIC, the Company will not issue any CDIs and will repay all Application moneys for the CDIs within the time prescribed under the Corporations Act, without interest.

The fact that ASX may grant Official Quotation to the CDIs is not to be taken in any way as an indication of the merits of the Company or the CDIs now offered for subscription.

5.5 Allotment

Subject to the minimum subscription to the Offer being reached and ASX granting conditional approval for the Company to be admitted to the Official List, allotment of CDIs offered by this Prospectus will take place as soon as practicable after the Closing Date.

Pending the allotment and issue of the CDIs or payment of refunds pursuant to this Prospectus, all Application moneys will be held by the Company in trust for the Applicants in a separate bank account as required by the Corporations Act. The Company, however, will be entitled to retain all interest that accrues on the bank account and each Applicant waives the right to claim interest.

The Directors will determine the allottees of all the CDIs in their sole discretion. The Directors reserve the right to reject any Application or to allocate any applicant fewer CDIs than the number applied for. Where the number of CDIs issued is less than the number applied for, or where no allotment is made, surplus Application moneys will be refunded without any interest to the Applicant as soon as practicable after the Closing Date.

5.6 Applicants outside Australia

This Prospectus does not, and is not intended to, constitute an offer in any place or jurisdiction, or to any person to whom, it would not be lawful to make such an offer or to issue this Prospectus. The distribution of this Prospectus in jurisdictions outside Australia may be restricted by law and persons who come into possession of this Prospectus should seek advice on and observe any of these

restrictions. Any failure to comply with such restrictions may constitute a violation of applicable securities laws.

No action has been taken to register or qualify the CDIs or otherwise permit a public offering of the CDIs the subject of this Prospectus in any jurisdiction outside Australia. Applicants who are resident in countries other than Australia should consult their professional advisers as to whether any governmental or other consents are required or whether any other formalities need to be considered and followed.

If you are outside Australia it is your responsibility to obtain all necessary approvals for the allotment and issue of the CDIs pursuant to this Prospectus. The return of a completed Application Form will be taken by the Company to constitute a representation and warranty by you that all relevant approvals have been obtained.

In particular, please refer to Section 2.9 of this Prospectus for important information for United Kingdom residents.

The Offer pursuant to an electronic Prospectus is only available to persons receiving an electronic version of this Prospectus within Australia.

5.7 Oversubscriptions

The Company may accept oversubscriptions of up to a further \$4 million through the issue of up to a further 20 million CDIs at an issue price of \$0.20 each under the Offer. The maximum amount which may be raised under this Prospectus is therefore \$12 million.

5.8 Not underwritten

The Offer is not underwritten.

5.9 Lead Manager

The Company has appointed Patersons Securities Limited (**Patersons**) as the Lead Manager to the Offer. The Company will pay Patersons a brokerage commission of 5% of the gross amount raised under the Offer, (other than on any funds up to \$3 million which have been raised directly by the Company), and a management fee of 1% of the total funds raised under the Offer, all excluding GST in accordance with the Lead Manager Mandate summarised in Section 13.2 of this Prospectus.

5.10 Corporate Adviser

The Company has appointed Pursuit Capital (**Pursuit**) as Corporate Adviser to the Company in respect of the Offer. The Company will pay Pursuit a brokerage commission of 5% of the gross amount raised by Pursuit under the Offer, and a management fee of 1% of the total funds raised under the Offer, in accordance with the Corporate Adviser Agreement summarised in Section 13.1 of this Prospectus.

6. COMPANY AND PROJECT OVERVIEW

6.1 Company Background

Zeta Petroleum is an independent oil and gas exploration and development company incorporated in England and Wales on 12 September 2005 with a regional focus on Eastern Europe.

Zeta Petroleum has an experienced local management and technical team based in Bucharest, Romania, which is supplemented by technical management based in the UK and corporate management based in Australia. This combination gives Zeta Petroleum access to international opportunities and financing whilst ensuring it has the intimate local knowledge required to operate successfully in Romania and the Eastern European region.



Zeta Petroleum currently has a balanced portfolio of oil and gas assets that includes the following development, appraisal and exploration projects in Romania (as shown in the diagram above):

- Bobocu Gas Field licence (100% held and operated)
- Jimbolia Oil Field licence (100% beneficially held and operated)
- Padureni Gas Field licence (12.5% held, non-operated)
- Non-exclusive Prospecting Permits (100% held and operated)

The Company holds its interests in the Projects via its wholly owned Romanian subsidiary, Zeta Petroleum (Romania) SRL.

6.2 Background on Romania

(a) Overview

Romania is located in south-eastern Europe on the coast of the Black Sea and covers an area of over 238 thousand km² with a population of over 21 million (2011).

Romania contains south-eastern Europe's most significant oil and gas reserves and has surplus refining capacity. The Board believes that the extensive existing infrastructure, lower competition than developed markets and attractive prospective geology all add to the attraction of the Romanian petroleum industry. It also offers a strategically important location within the European energy market that the Directors believe presents growth potential and good access to markets.



Figure 1 - Location Map of Romania

Romania was under Communist control from 1947 until the Romanian Revolution in 1989. During that time, there was a lack of growth and little progress or development of Romanian industry, with the country focussed on developing its self sufficiency. Since 1990, Romania has been undergoing the transition to a free market and today the country is attempting to develop its economy to catch up with its European neighbours. Romania was awarded membership of NATO in 2004 and the European Union in January 2007.

The country has a wealth of natural resources and is ranked tenth in the world for its diversity of minerals. Its production of metals (including aluminium, copper, lead, zinc and steel) and the quarrying and mining of industrial materials (including salt, barite and graphite) are of regional importance. The petroleum industry in Romania, although small by world standards, is the largest in the region and is an important factor in the country's energy balance.

(b) Oil and Gas

The oil and gas industry in Romania dates back to the mid 1800's. By 1937, Romania was the second largest European oil producer and the seventh largest

in the world, producing 7.2 metric tonnes of oil per year. Progress and development of the industry was temporarily slowed during the Communist rule of the country, when the focus was on self sufficiency and little was done to expand or improve the existing infrastructure and performance.

Romania held its first post Communism licensing round in 1992, with both onshore and offshore concessions on offer. The round resulted in companies including Shell, Enterprise Oil and Amoco being awarded licences. The concession areas cover most of the country's lowland area and exclude the highland areas of the Carpathian Mountains.

The majority of production blocks currently under agreement in Romania are held by Romgaz, the state owned national gas company, and Petrom, the Romanian state oil company which was privatised and is now majority (51%) owned by Austrian oil company, OMV.

Romania is the largest natural gas producer in Eastern Europe, but is still a net importer of both oil and gas.

(c) **Exploration & Development**

The first oil well was drilled in Romania in the mid 1800's, onshore production of oil began in 1857 and natural gas in 1913, with the first offshore well being drilled in 1975.

Exploration in Romania has recently attracted the interest of the super majors, with ExxonMobil acquiring offshore blocks in the Black Sea and Chevron acquiring onshore blocks to explore unconventional potential.

Recently, the focus in onshore Romanian exploration has shifted from pure exploration to the appraisal and re-development of existing fields. These areas are seen as lower risk and are thought to have considerable potential.

(d) **Infrastructure**

Romania has an extensive network of oil and gas pipelines (as shown in the diagram below).



Figure 2 - Romania Oil & Gas Pipeline Infrastructure

The oil pipeline network of Romania runs from the main production centres. Romanian based company CONPET operates the national pipeline network of 2 to 18 inch diameter pipeline, over 4,500km in length with an annual capacity of over 211 MMbbls. The network is also connected to the oil terminal at Constanta, with a storage capacity of 10.7 MMbbl/year, which imports crude oil and exports petroleum products.

Transgaz runs the National Gas Transmission System, which has over 12,000 km of transmission pipelines, with a capacity of over 1 Tcf/year. In 2006, the system transported just over 550Bcf through 6 to 40 inch pipelines at an operating pressure of 6 to 40 bar. The country also has 568 km of international transit pipelines crossing its territory.

Cross border interconnection pipelines currently exist between Romania and Ukraine, Bulgaria and Hungary. Romania is also trying to position itself as a

transport route from Russia and the Caspian Sea Region to the European markets. Proposed pipeline projects include the Nabucco Pipeline and the South Stream Pipeline.

(e) **Fiscal Regime**

The fiscal regime in Romania is composed of royalties, income tax and excise tax.

Royalties are payable in two forms:

- Production Royalty: a percentage of the value of gross production on a field basis, fixed on a sliding scale (between 3.5% to 13.5% for crude oil and between 3% to 13% for natural gas) depending on production levels; and
- Transportation Royalty: a fixed percentage of the gross income obtained from the transportation and transit of petroleum through the national pipeline system and state owned oil terminals. The transportation royalty rate is 10%.

Income tax is 16%; however, the first year from the first day of production is tax free. Excise duty is levied on a Euro per tonne/thousand cubic metres basis.

(f) **Natural Gas Pricing**

The domestic gas price in Romania is currently regulated by ANRGN, a government agency established in February 2000. Since joining the European Union in January 2007, the gas industry in Romania is governed by EU Directive 2009/73/EC. This directive states that Romania is required to deregulate its domestic gas price and allow it to converge with Western Europe prices. Based on this and on statements made by the European Union, the Company expects the domestic gas price to be deregulated by mid-2013. There is, however, no guarantee that this will occur. In May 2011 the Romanian domestic gas price was approximately \$4.67/Mcf whereas imported gas was priced at \$11.33/Mcf.

(g) **Licensing Regimes**

Petroleum resources in Romania are state owned and applications for licences are run through the National Agency for Mineral Resources (**NAMR**). The NAMR was set up in 1993 to direct and regulate the petroleum industry and it is responsible for the country's petroleum policy and strategy.


Licences made available by the NAMR are published in the Official Gazette, which lists the available blocks for concession. Interested Romanian and foreign companies must register interest by a specified date and submit applications by a specified deadline. Licensing rounds are competitive in Romania, with the winning bid based on a scoring system. NAMR then negotiates the terms of agreement with the licensee which are then passed to the Government for approval. All blocks which fail to be licensed are re-offered in subsequent licensing rounds.

The NAMR issues either a Prospecting Permit or a Petroleum Agreement. Prospecting Permits are allocated on a non-exclusive basis and new blocks are selected and offered for concession in each licensing round. Petroleum Agreements provide exclusive rights to conduct petroleum exploration and production. Their term is for up to 45 years, including up to 5 years for initial exploration, which is negotiable.

6.3 Project Overview

A summary of the Company's Projects is set out below. Please also refer to the Independent Competent Person's Report at Section 8 and the Solicitor's Report on Tenements at Section 11 of this Prospectus for more detailed information on the Company's Projects.

(a) Bobocu Gas Field Project

Licence:	Bobocu	
Operator:	Zeta Petroleum (Romania) SRL	
Participants:	Zeta Petroleum (Romania) SRL 100%	
Contingent Resources (Pmean):	44.36Bcf	
Prospective Resources (Pmean):	14Bcf	
Planned Development:	Initially 6 development wells	

The Bobocu Gas Field is located to the north of the Buzau valley, approximately 20km northeast of Buzau and 110km northeast of Bucharest. Geologically, the field lies on the northeast part of the Moesian Platform.

The field was discovered by Romgaz in 1966, with the discovery well testing gas at a flow rate of 2.5 MMscf/d (Million Standard Cubic Feet), and the field was then put on production in 1977. Peak production of 12.8 MMscf/d was reached in April 1981, from nine wells. Due to sand production, poor completion practices and a general poor understanding of the field, the field was shut in 1995. The field has produced a total of 33Bcf over its life.

Zeta Petroleum (Romania) SRL acquired the Bobocu Gas Field in 2007 and since then has undertaken an extensive data gathering, collation and review exercise, and geological modelling. In addition, in 2010 the Company acquired, processed and interpreted 75km² of 3D seismic over the field. The 2010 3D seismic survey has led to a revised geological model with a significant improvement in the understanding of the geology and distribution of hydrocarbons across the field. Furthermore, the 3D seismic has identified significant additional prospectivity on the field.

Previous production from the field is from several reservoirs at a depth of 2,500m to 2,700m, within stratigraphic traps of a delta lobe environment ("Delta Wedge Sequence"). Some of the delta wedge lobes have previously been produced but have remaining resources, and there is mapped potential in undrilled delta wedge lobes similar on the seismic to the previously produced lobes.

The Company has also identified further exploration targets both in the intervals above and below the Delta Wedge Sequence.

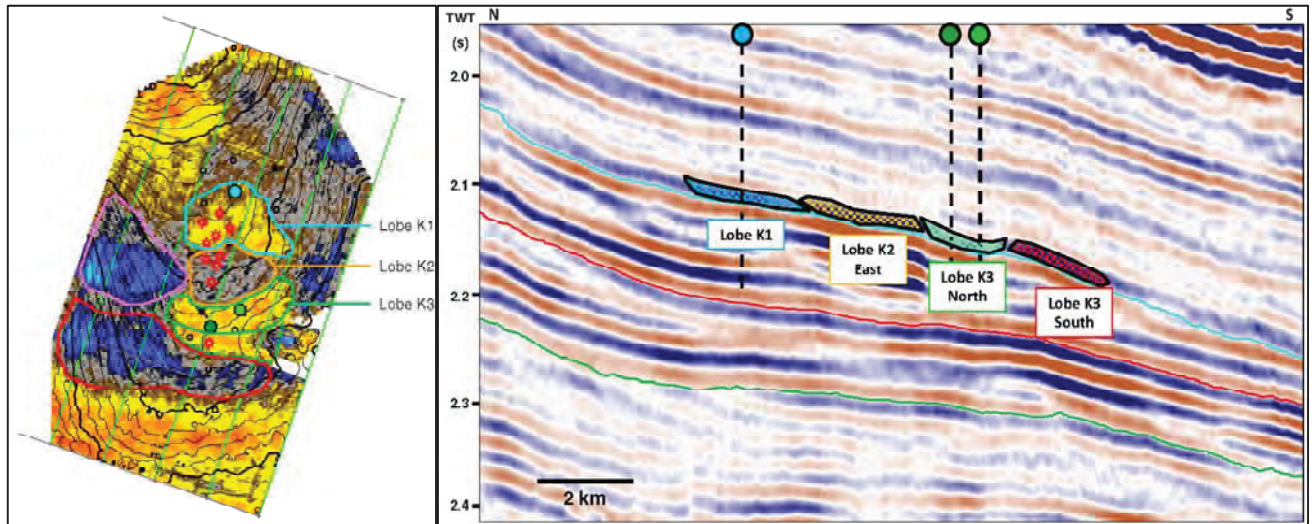


Figure 3- Example of one of many sets of deltaic lobes found in the Bobocu Field

The intention of the Company is to bring this field back into production by drilling new development wells using modern drilling techniques and, where possible, undertaking workovers of existing wells.

The Company has established a Pmean contingent resource of 44Bcf and a Pmean prospective resource of 14Bcf.

The Company has recently identified several drill ready targets and plans, subject to the minimum subscription being raised under the Offer, to commence drilling in 2012.

(b) **Jimbolia Oil Field Project**

Licence:	Jimbolia	
Operator:	Zeta Petroleum (Romania) SRL	
Participants:	Zeta Petroleum (Romania) SRL 100% beneficial ownership and current 50% registered interest in the licence.	
Contingent Resources (Pmean):	-	
Prospective Resources (Pmean):	1.72MMbbls	
Planned Development:	Initially 2 appraisal wells	

The Jimbolia licence is located in the proven producing eastern part of the Pannonian Basin, approximately 40km west of Timisoara on the Romanian-Serbian border and covers an area of 23.9km². The licence contains two discoveries, Jimbolia Veche and Jimbolia Vest that were discovered in 1983 by Petrom.

Zeta Petroleum (Romania) SRL acquired the Jimbolia licence in 2007 and since then has collated all existing well data and 2D seismic data on the field to complete a geological model, identify drill targets and establish a Pmean contingent oil resource of 1.72MMbbls.

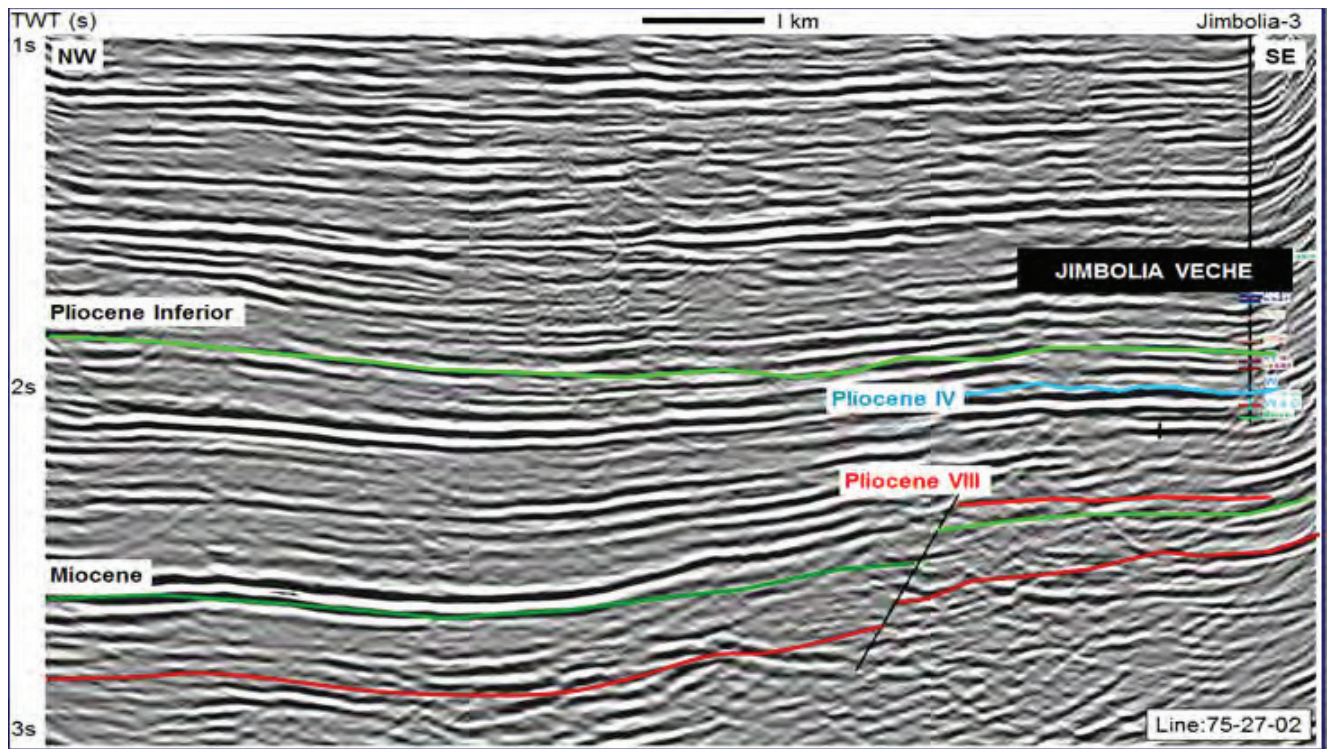


Figure 4 - Seismic line showing the structure across the Jimbolia field

The Jimbolia Veche discovery has two hydrocarbon bearing intervals:

- Jimbolia Oil Field: the Pliocene VIII which is an oil reservoir with a gas cap penetrated by two wells: Jimbolia-1 (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); and
- Jimbolia Gas Field: the Pliocene III gas reservoir which was brought on stream from 1985 to 1998 and produced 2.89Bcf of gas. It is worth noting that the Pliocene III interval showed a spike in drilling gas during the last well penetration in 2010 suggesting that there may be some remaining reserves, or that some limited recharge may have taken place.

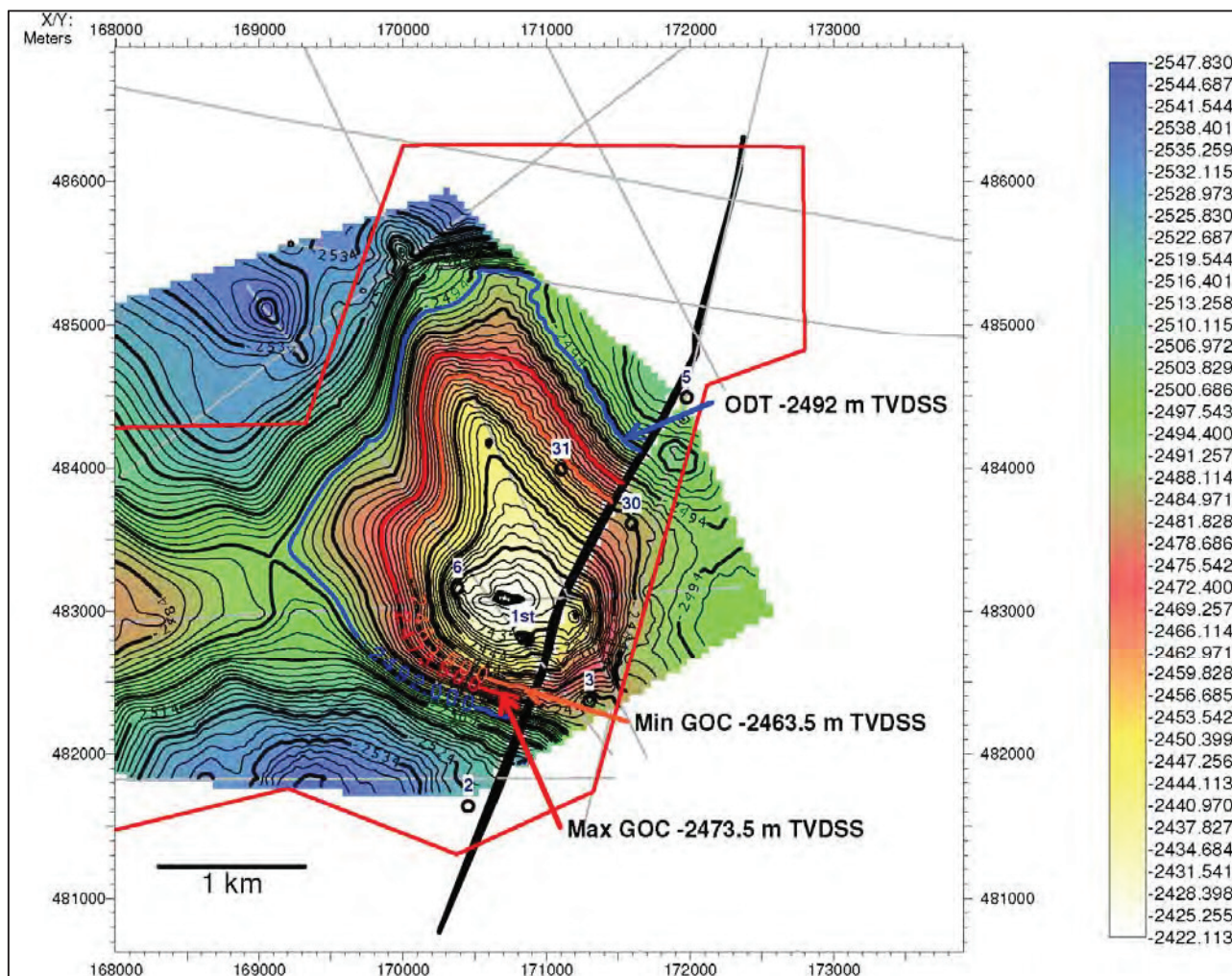


Figure 5 - Map showing fluid contacts in Jimbolia

The Board believe there is additional potential in the Jimbolia Vest discovery which was tested (but not produced) over two intervals of the Lower Pliocene IV, with the lower interval (16m) flowing 33% CO₂, 61% CH₄ and condensate at rates of 196Mscf/d, and the upper interval (8m) testing gas (no flow rate details available).

The discovered oil in the Jimbolia Oil Field has never been produced. The Company intends to bring in a farm-in partner on the Jimbolia licence to fund the drilling of an appraisal well in 2012 (with discussions already on going with several parties). If no farm-in partner is found for Jimbolia, the Board will decide whether to use part of the funds raised under the Offer (please refer to the use of funds table at Section 4.8 under 'Discretionary exploration and appraisal work' for further details) to either re-enter an old well on the field, delay the drilling of an appraisal well or to relinquish the asset.

The Company beneficially holds 100% of the Jimbolia licence but is registered at present as having a 50% interest in the licence by the Romanian National Agency for Mineral Resources (**NAMR**). The Company has made the appropriate application to NAMR to register its 100% interest in the licence and after registration by NAMR, the Company shall have a 100% registered interest in the licence. Please refer to section 3.2 of the Solicitor's Report on Tenements contained in Section 11 of this Prospectus for further details on the status of the licence.

(c) **Padureni Gas Field Project**

Licence:	Padureni	
Operator:	Expert Petroleum SRL	
Participants:	Zeta Petroleum (Romania) SRL 12.5% ¹ Expert Petroleum 87.5%	
Contingent Resources (Pmean):	0.52Bcf	
Prospective Resources (Pmean):	-	
Planned Development:	Finalise Geological modelling and refine drilling target	

¹Company is free carried on expenditure for the duration of the licence.

The Padureni licence lies in the eastern area of the Transylvanian Basin which developed from late Cretaceous times.

Padureni is a structurally complex gas field located in the Transylvanian Basin situated in Mures county, about 25km north-east of the town of Targu-Mures. Geologically the depositional environment is deltaic and the logs show principally fining upward sequences but with some coarsening upward sequences suggesting proximity to fluvial channels.

The Padureni gas field was discovered by Romgaz in 1984 and produced 0.226Bcf from Padureni 2 between 1991 and 1994, and has a total of 5 wells drilled on the structure.

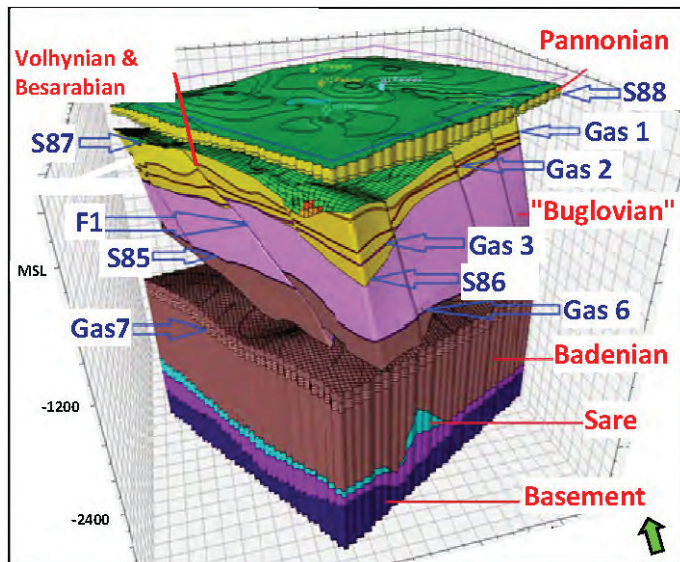


Figure 6 - Model showing structural complexity in Padureni

In April 2009, the Company sold an 87.5% interest in the licence to Expert Petroleum SRL (**Expert**). Zeta Petroleum (Romania) SRL is fully carried on all expenditure on the licence for the duration of the licence by Expert under the terms of the Sale and Purchase Agreement. For further details of the Sale and Purchase Agreement and Joint Operating Agreement between Zeta Petroleum (Romania) SRL and Expert, please refer to Sections 13.12 and 13.13 of the Prospectus.

Expert Petroleum are currently finalising the work programme for the next phase of the Padureni licence.

(d) **East Moldavian Prospecting Permits**

Prospecting Permits:	Falticeni (653km ²) Faurei (2,439km ²) Vaslui (2,981km ²)	
Operator:	Zeta Petroleum (Romania) SRL	
Participants:	Zeta Petroleum (Romania) SRL 100%	
Planned Development:	Request new bidding round to secure licences	

Zeta Petroleum (Romania) SRL holds in excess of 6,000km² of non-exclusive prospecting permits in the eastern Moldavian region of Romania, which is a known hydrocarbon prone area. The prospecting permits give the Company the right to data in relation to the prospective areas and also the right, but not the obligation, to request that a prospective area is placed into a bidding round in which the Company will have the opportunity to bid for a licence over the prospective area. The Company has performed an extensive evaluation of these permits and intends to request that certain blocks of the prospecting permits are placed in a bidding round in 2012.

Please refer to the Independent Competent Person's Report in Section 8 of this Prospectus for more detailed information on the Bobocu, Jimbolia and Padureni projects.

7. RISK FACTORS

7.1 Introduction

The CDIs offered under this Prospectus are considered highly speculative. An investment in the Company is not risk free and the Directors strongly recommend potential investors consider the risk factors described below (together with information contained elsewhere in this Prospectus) and to consult their professional advisers before deciding whether to apply for CDIs pursuant to this Prospectus.

There are specific risks which relate directly to our business. In addition, there are other general risks, many of which are largely beyond our control. The risks identified in this Section, or other risk factors, may have a material impact on the Company's financial performance and the market price of the CDIs.

The following is not intended to be an exhaustive list of the risk factors to which the Company is exposed.

7.2 Company specific

(a) Political risk

The Company is conducting its activities in Romania. The Directors believe that the Government of Romania supports the development of natural resources by foreign investors. However, there is no assurance that future political and economic conditions in Romania will not result in the Government of Romania adopting different policies regarding foreign development and ownership of mineral resources. Any changes in policy may result in legislative changes affecting ownership of assets, taxation, rates of exchange, environmental protection, labour relations, repatriation of income and return on capital, all of which may affect the Company's ability to develop the Projects.

(b) No geographical diversification

The Company's Projects are all located in Romania. Any circumstance or event which negatively impacts the ownership or development of these areas or which negatively affects Romania could materially affect the financial performance of the Company and more significantly than if it had a diversified asset base.

(c) Foreign exchange rate risk

Any revenue received by the Company would likely be in Romanian New Lei (RON) derived from the sale of oil and gas and a large proportion of the Company's operating expenses would be incurred principally in British Pounds Sterling (GBP), Australian Dollars (AUD) and Euros (EUR). Furthermore the income and expenditure accounts will be initially prepared in British Pounds Sterling (GBP). Therefore, Australian dollar reported revenue will be directly impacted by movements in the RON oil and gas price and the RON/AUD, RON/GBP, RON/EUR and GBP/AUD exchange rates. Movements in the RON/AUD or GBP/AUD exchange rates and/or the RON oil and gas price may adversely or beneficially affect the Company's results or operations and cash flows.

(d) **Joint venture parties, agents and contractors**

The Directors are unable to predict the risk of financial failure or default by a participant in any earn-in agreement or joint venture to which the Company is or may become a party or the insolvency or managerial failure by any of the contractors used (or to be used in the future) by the Company in any of its activities or the insolvency or other managerial failure by any of the other service providers used (or to be used in the future) by the Company for any activity.

(e) **No Takeover Protection under Corporations Act**

As a company incorporated in England and Wales, the rights of Shareholders are governed by UK law. The rights of shareholders under UK law differ in some respects from the rights of shareholders of companies incorporated in Australia. Please refer to Section 14.5 of this Prospectus for further details.

As the company is incorporated in England and Wales, the takeover provisions in the Corporations Act 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.

(f) **Litigation Risk**

The Company is exposed to possible litigation risks including tenure disputes, environmental claims, occupational health and safety claims and contractual claims. Further, the Company may be involved in disputes with other parties in the future which may result in litigation. Any such claim or dispute if proven, may impact adversely on the Company's operations, financial performance and financial position.

On 16 February 2012, the Company's wholly owned subsidiary in Romania, Zeta Petroleum (Romania) SRL, received a claim for damages from SC Armax Gaz SRL ("**Armax**"), a former partner on the Jimbolia field, for an amount equal to approximately \$395,000. Zeta Petroleum (Romania) SRL replied to Armax on 27 February 2012, rejecting the claim for damages on the basis that, in the view of the Company, it is ungrounded and without merit.

Please refer to Section 14.1 of this Prospectus for further details of the claim.

(g) **Funding Risk**

At the date of this Prospectus, the Company has no income producing assets and will generate losses for the foreseeable future. Until it is able to develop a project and generate appropriate cash flow, it is dependent upon being able to obtain future equity or debt funding to support long term exploration, after the expenditure of the net proceeds raised under the Offer. Neither the Company nor any of the Directors or any other party can provide any guarantee or assurance that if further funding is required, such funding can be raised on terms favourable to the Company.

Any additional equity funding will dilute existing Shareholders. Also, no guarantee or assurance can be given as to when a project can be

developed to the stage where it will generate cash flow. As such, a project would be dependent on many factors, for example exploration success, subsequent development, commissioning and operational performance.

In particular, as disclosed in the Investigating Accountant's Report at Section 10 and in Note 2 to the Financial Information at Section 9 of this Prospectus, there is significant uncertainty whether the Company will be able to continue as a going concern and therefore whether it will be able to pay its debts as and when they become due and payable and realise its assets and extinguish its liabilities in the normal course of operations if the minimum subscription is not raised under the Offer and the Company is unable to reduce its overheads.

If sufficient capital is not raised under the Offer to meet existing licence commitments and secure the Company's operational future based on the current business plan, the Company will seek to reduce overheads, farm out interests in and/or realise its existing assets. The Directors believe that these conditions indicate the existence of a material uncertainty which may cast significant doubt about the Company's ability to continue as a going concern.

Should the capital raising under the Offer not be sufficient and the Company not be able to achieve the reductions in overheads and the realisation of existing assets as discussed above, the going concern basis of the Company would no longer be appropriate.

7.3 Industry specific

(a) Exploration and development risks

By its nature, the business of oil and gas exploration, project development and production contains elements of significant risk with no guarantee of success. Ultimate and continuous success of these activities is dependent on many factors such as:

- (i) the discovery and/or acquisition of economically recoverable reserves;
- (ii) access to adequate capital for project development;
- (iii) design and construction of efficient development and production infrastructure within capital expenditure budgets;
- (iv) securing and maintaining title to interests;
- (v) obtaining consents and approvals necessary for the conduct of oil and gas exploration, development and production; and
- (vi) access to competent operational management and prudent financial administration, including the availability and reliability of appropriately skilled and experienced employees, contractors and consultants.

Whether or not income will result from projects undergoing exploration and development programmes depends on successful exploration and establishment of production facilities. Factors including costs, actual hydrocarbons and formations, flow consistency and reliability and

commodity prices affect successful project development and operations.

Drilling activities carry risk as they may be curtailed, delayed or cancelled as a result of weather conditions, mechanical difficulties, shortages or delays in the delivery of drill rigs or other equipment. In addition, drilling and operations include reservoir risk such as the presence of shale laminations in the otherwise homogeneous sandstone porosity.

Industry operating risks include fire, explosions, unanticipated reservoir problems which may affect field production performance, industrial disputes, unexpected shortages or increases in the costs of consumables, spare parts, plant and equipment, mechanical failure or breakdown, blow outs, pipe failures and environmental hazards such as accidental spills or leakage of liquids, gas leaks, ruptures, discharges of toxic gases or geological uncertainty (such as lack of sufficient sub-surface data from correlative well logs and/or formation core analyses). The occurrence of any of these risks could result in legal proceedings against the Company and substantial losses to the Company due to injury or loss of life, damage to or destruction of property, natural resources or equipment, pollution or other environmental damage, cleanup responsibilities, regulatory investigation, and penalties or suspension of operations. Damage occurring to third parties as a result of such risks may give rise to claims against the Company.

There is no assurance that any exploration on current or future interests will result in the discovery of an economic deposit of oil or gas. Even if an apparently viable deposit is identified, there is no guarantee that it can be economically developed.

(b) **Capital intensive business risk**

The drilling of wells to discover whether there is oil or gas is a highly capital intensive business and will require the Company to raise capital in the future. If the Company is unable to obtain additional financing as needed, it may be required to reduce the scope of its operations and scale back its exploration programmes, as the case may be. There is however no guarantee that the Company will be able to secure any additional funding or be able to secure funding on favourable terms. Any additional equity financing will dilute shareholdings, and debt financing, if available, may involve restrictions on financing and operating activities

(c) **Oil and gas price fluctuations**

The demand for, and price of, oil and natural gas is highly dependent on a variety of factors, including international supply and demand, the level of consumer product demand, weather conditions, the price and availability of alternative fuels, actions taken by governments and international cartels, and global economic and political developments.

International oil and gas prices have fluctuated widely in recent years and may continue to fluctuate significantly in the future. Fluctuations in oil and gas prices and, in particular, a material decline in the price of oil or gas may have a material adverse effect on the Company's business, financial condition and results of operations.

(d) **Environmental Regulations risk**

The exploration, development and production of natural oil and gas can be hazardous to the environment. The Projects are subject to Romanian laws and regulations regarding environmental matters and the discharge of hazardous wastes and materials. As with all exploration projects, the Projects may have a variety of environmental impacts should development proceed.

The Company intends to conduct its activities in an environmentally responsible manner. However, the Company could be subject to liability due to risks inherent to its activities. The Company may incur substantial costs for environmental rehabilitation, damage control and losses by third parties resulting from its operations.

(e) **Project Risk**

Oil and gas exploration and development licences are subject to periodic renewal and Ministerial discretion. In particular, there is no guarantee that applications for future exploration licences or production licences will be approved. Renewal and transfer conditions may include increased expenditure and work commitments or compulsory relinquishment of areas of the exploration licences comprising the Company's Projects.

Interests in Romanian licences are governed by the relevant domestic legislation and are evidenced by the granting of licences. Each licence is for a specific term and carries with it annual expenditure and reporting commitments, as well as other conditions requiring compliance. Consequently, the Company could lose title to or its interest in a licence if conditions are not met or if insufficient funds are available to meet expenditure commitments.

The imposition of new conditions or the inability to meet conditions may adversely affect the operations, financial position and/ or performance of the Company.

(f) **Resource estimates**

Resource estimates are expressions of judgement based on knowledge, experience and industry practice. Estimates, which when made, may change significantly when new information becomes available. In addition, resource estimates are imprecise and depend to some extent on interpretations, which may prove to be inaccurate. Should the Company encounter geological and geophysical data different from those predicted by past seismic data and drilling, resource estimates may have to be adjusted and development plans may have to be altered in a way which could have a positive or negative effect on the Company's operations.

7.4 **General risks**

(a) **Economic**

General economic conditions, introduction of tax reform, new legislation, movements in interest and inflation rates and currency exchange rates may have an adverse effect on the Company's

exploration, development and production activities, as well as on its ability to fund those activities.

(b) **Market conditions**

Share market conditions may affect the value of the Company's quoted securities regardless of the Company's operating performance. Share market conditions are affected by many factors such as:

- the general economic outlook;
- the introduction of tax reform or other new legislation;
- interest rates and inflation rates;
- changes in investor sentiment toward particular market sectors;
- the demand for, and supply of, capital; and
- terrorism or other hostilities.

The market price of securities can fall as well as rise and may be subject to varied and unpredictable influences on the market for equities in general and resource exploration stocks in particular. Neither the Company nor the Directors warrant the future performance of the Company or any return on an investment in the Company.

(c) **Reliance on key personnel**

The responsibility of overseeing the Company's day-to-day operations and strategic management depends substantially on its senior management and key personnel. There can be no assurance that there will be no detrimental impact on the Company if one or more of these employees cease their employment.

(d) **Investment speculative**

The above list of risk factors ought not to be taken as exhaustive of the risks faced by the Company or by investors in the Company. The above factors, and others not specifically referred to above, may in the future materially affect the Company's financial performance and the value of the CDIs offered under this Prospectus.

Therefore, the CDIs to be issued pursuant to this Prospectus carry no guarantee with respect to the payment of dividends, returns of capital or the market value of those CDIs.

Potential investors should consider that an investment in the Company is highly speculative and should consult their professional advisers before deciding whether to apply for CDIs pursuant to this Prospectus.

8. INDEPENDENT COMPETENT PERSON'S REPORT



Romania

Competent Persons Report

**Zeta Petroleum plc
Romania Assets**

**Bobocu Gas Field
Jimbolia Oil Field
Padureni Gas Field**

Prepared for

Zeta Petroleum plc

by

ISIS Petroleum Consultants Pty Ltd

January 2012

Declaration

Zeta Petroleum plc ("Zeta") commissioned ISIS Petroleum Consultants Pty Ltd ("ISIS") to prepare a Competent Persons Report on the petroleum development assets currently held by Zeta in Romania.

The evaluation of petroleum assets is subject to uncertainty because it involves judgments on many parameters that cannot be precisely assessed and which may change as new information becomes available.

The statements and opinions attributed to Isis are given in good faith and in the belief that such statements are neither false nor misleading. In carrying out its tasks, ISIS has considered and relied upon data and information provided by Zeta. Consequently Isis and its servants do not accept any liability for its accuracy, nor do we warrant that our enquiries have revealed all of the matters that a more extensive examination may disclose.

Neither ISIS nor its subcontractors have any pecuniary interest or any other interest in Zeta, or the assets evaluated other than for professional fees received for carrying out this project.

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Table of Contents

1.0	Executive summary.....	7
2.0	Introduction	9
2.1	Purpose and Scope	9
2.2	Assessment Procedures and Reporting Standard Used	9
2.3	Sources of Information	10
2.4	Qualifications and Independence	10
2.5	Disclaimer	10
2.6	Consent and Exclusivity	11
2.7	Information and Database	12
3.0	Technical Discussion.....	13
3.1	Data Quality Issues	13
3.2	Summary of Hydrocarbon Assets Reviewed	13
3.2.1	Regional Setting	14
3.3	Bobocu Licence	17
3.3.1	Introduction	17
3.3.2	Geological Interpretation	17
3.3.3	Geophysical Interpretation.....	19
3.3.4	Geological and Geophysical Factors considered in Determining Volumes.....	21
3.3.5	Petroleum Engineering Interpretation.....	22
3.4	Jimbolia Licence	24
3.4.1	Introduction	24
3.4.2	Geological Interpretation	25
3.4.3	Geophysical Interpretation.....	26
3.3.3	Geological and Geophysical Factors considered in determining Volumes.....	27
3.3.4	Petroleum Engineering Interpretation.....	27
3.5	Padureni Licence.....	28
3.5.1	Introduction	28
3.5.2	Geological Interpretation	28
3.5.3	Geophysical Interpretation.....	29
3.5.4	Geological and Geophysical Factors considered in determining Volumes.....	30
3.5.5	Petroleum Engineering Interpretation.....	31
4.0	Contingent and Prospective Resource Estimates	32
4.1	Bobocu Licence	32
4.1.1	Drilled Lobes.....	32
4.1.2	Undrilled Lobes.....	35
4.2	Jimbolia Licence	38
4.2.1	Jimbolia Veche - Pliocene VIII.....	38
4.2.2	Jimbolia Veche - Pliocene III	38
4.2.3	Jimbolia Vest	38
4.3	Padureni Licence.....	38
4.3.1	Resources.....	39

5.0	Signatures.....	40
	Appendix A.....	41
	Qualifications and Experience of the ISIS Staff responsible for the preparation of this report	41
	Dr. Enrique Carballido: Chief Operating Officer	41
	Mark Brennan: Principal Geophysicist	41
	Mike Walker: Principal Petrophysicist	42
	Barry Messent: Principal Geologist	42
	Werner Ribul: Principal Reservoir Engineer.....	43
	Appendix B.....	44
	Definitions, Abbreviations and Glossary of Technical Terms	44
	Glossary of Abbreviations.....	44
	Glossary of Technical Terms.....	49
	References.....	56

List of Figures

Figure 1 : Location of Romanian Hydrocarbon Assets.....	14
Figure 2 : Generalized geological and geographic features of the Carpathian-Balkanian Basin province, Romania and Bulgaria (Pawlewicz, 2007).....	15
Figure 3 : Subsidence Isopach Maps showing the development of the Forscani Depression (Bertotti et al, 2003).....	16
Figure 4 : Cross Section showing limited structural development on the Moesian Platform (Pawlewicz, 2007).....	16
Figure 5 : Satellite image showing location of Bobocu Gas Field	17
Figure 6 : NW-SE seismic section showing main sequences and overall thinning of the section to the south.....	18
Figure 7 : Depth Map (sub-sea) at top of the Wedge	19
Figure 8 : Depth Map (sub-sea) at the top of the BW1 sand.....	20
Figure 9 : Jimbolia Licence Location Map	24
Figure 10 : Location of Mako-Jimbolia-Kikinda Sub-basin and Veche Structure	25
Figure 11 : Jimbolia Field: Top Pliocene VIII Time Structure Map	26
Figure 12 : Location Map Padureni Licence	28
Figure 13 : Location of Transylvanian Basin	29
Figure 14 : Padureni Field: Top of Sarmatian VI Time Structure Map	30
Figure 15 : Location of reservoir lobes carried in analysis	32
Figure 16 : Undrilled Lobes	35

List of Tables

Table 1 : Summary of the mean GIIP, Contingent Resources and Prospective Resources for Bobocu, Padureni and Jimbolia	8
Table 2 : Summary of data supplied to ISIS by Zeta	12
Table 3 : Bobocu Gas Field: Summary of the ISIS GIIP and Contingent Resources (without compression) for Drilled Lobes (100%)	33
Table 4 : Bobocu Gas Field: Summary of the ISIS GIIP and Contingent Resources (with compression) for Drilled Lobes (100%)	34
Table 5 : Bobocu Undrilled Lobes ISIS GIIP and Prospective Resources (Bcf) without compression (100%).....	36
Table 6 : Bobocu Undrilled Lobes ISIS GIIP and Prospective Resources (Bcf) without compression facilities within Licence Area	36
Table 7 : Bobocu Undrilled Lobes ISIS GIIP and Prospective Resources (Bcf) with compression facilities (100%).....	37
Table 8 : Bobocu Undrilled Lobes ISIS GIIP and Prospective Resources (Bcf) with compression facilities within Licence Area	37
Table 9 : Jimbolia Resource Estimate for Oil in PVIII (100%).....	38
Table 10 : Padureni Field ISIS Contingent Resources from Produced Reservoirs (100% share).....	39
Table 11 : Padureni Gas Field ISIS Contingent Resources from Unproduced Reservoirs (100% share)	39

1.0 EXECUTIVE SUMMARY

This Competent Persons Report was prepared by qualified evaluators and auditors of ISIS Petroleum Consultants Pty Ltd during November and December 2011 at the request of Zeta Petroleum plc (“Zeta” or the “Company”). The report was prepared in relation to the proposed admission of the ordinary shares of Zeta to trading on the ASX market of the Australian Stock Exchange, for which Pursuit Capital Pty Ltd (“Pursuit”) is acting as Zeta’s “Lead Manager”.

This report evaluates and reviews Zeta’s hydrocarbon assets in Romania. Zeta has 100% of the Bobocu Licence, 100% of the Jimbolia licence and 12.5% of the Padureni Licence. No economic evaluation has been carried out by ISIS on these assets. All volumes quoted below represent a 100% field share.

All data used in this report was supplied to ISIS by Zeta. The quality of the data is variable and limited in some cases. There is excellent 3D seismic data coverage for the Bobocu gas field. For Jimbolia and Padureni fields, there is only limited 2D seismic data available. Downhole wireline data is sparse and of variable quality. Production data is incomplete and partly unreliable.

For the **Bobocu** field, hydrocarbon resources have been estimated based on re-development concepts with and without gas compression. The reservoir units were further sub-divided into drilled and undrilled reservoir lobes based on the latest geological interpretation. The estimated mean GIIP for the drilled reservoir lobes in the field is 114.39 Bcf. Without gas compression, contingent resources from these lobes are 22.14 Bcf which increases to mean resources of 44.30 Bcf for a development which includes gas compression. The undrilled reservoir lobes have been assessed to contain a mean GIIP of 100.80 Bcf with prospective resources of 49.00 Bcf (no compression) and 68.73 Bcf for the gas compression case, respectively.

There are indications of channelised systems in seismic time slices across the shallow and deep sections of the **Bobocu** area. ISIS has not conducted an evaluation of the potential for these channel features to contain reservoir units or hydrocarbons in them. Whether these features could offer additional upside to the resources evaluated in this report or whether there is additional reservoir or hydrocarbon potential in these channel-like features has not been established at this time by ISIS.

For the **Jimbolia Veche** field, the mean STOIIP for the Pliocene VIII oil reservoir has been estimated at 5.87 MMbbl of oil with mean contingent resources of 1.72 MMbbl. The Pliocene III gas zone has a mean GIIP of 4.67 Bcf. This reservoir has been depleted after production of 2.89 Bcf of gas (62% recovery) by the previous field operator prior to its abandonment. There are no remaining recoverable resources in this reservoir.

No resources have been estimated for the **Jimbolia Vest** field due to insufficient data being available at this stage.

The **Padureni** field has been estimated to contain a mean GIIP of 2.78 Bcf of gas. After accounting for the historical production of 0.23 Bcf by the previous field operator, mean contingent resources in the field have been estimated at 0.37 Bcf.

Table 1 below shows a summary of the mean GIIP, Contingent Resources and Prospective Resources for Bobocu, Padureni and Jimbolia owned by Zeta (e.g. adjusted to Zeta's working interest in the assets).

(i) Gas	GIIP (Bcf)				Contingent Resources (Bcf)				Prospective Resources (Bcf)			
	P90	P50	P10	Pmean	P90	P50	P10	Pmean	P90	P50	P10	Pmean
Bobocu (with compression)	101.64	187.09	360.45	215.18	0.18	33.33	103.85	44.30	6.71	12.52	23.62	14.09
Padureni	0.95	3.25	7.17	3.75	0.00	0.06	0.16	0.06	-	-	-	-
Total - Gas (Bcf)	102.59	190.34	367.62	218.93	0.18	33.39	104.01	44.36	6.71	12.52	23.62	14.09
Total - Gas (MMboe)	17.65	32.74	63.23	37.66	0.03	5.74	17.89	7.63	1.15	2.15	4.06	2.42
(ii) Oil	STOIIP (MMbbl)				Contingent Resources (MMbbl)				Prospective Resources (MMbbl)			
	P90	P50	P10	Pmean	P90	P50	P10	Pmean	P90	P50	P10	Pmean
Jimbolia	2.93	5.28	9.52	5.87	-	-	-	-	0.63	1.51	3.13	1.72
Total - Oil	2.93	5.28	9.52	5.87	-	-	-	-	0.63	1.51	3.13	1.72
TOTAL OIL & GAS (Mmboe)	20.58	38.02	72.75	43.53	0.03	5.74	17.89	7.63	1.78	3.66	7.19	4.14
P90, P50 and P10 estimates have been added arithmetically, therefore the totals don't represent a probabilistic addition and should not be treated as such												

Table 1: Summary of the mean GIIP, Contingent Resources and Prospective Resources for Bobocu, Padureni and Jimbolia

2.0 INTRODUCTION

2.1 Purpose and Scope

This Competent Persons Report was prepared by qualified evaluators and auditors of ISIS during November and December 2011 at the request of Zeta. The report was prepared in relation to the proposed admission of the ordinary shares of Zeta to trading on the ASX market of the Australian Stock Exchange, for which Pursuit Capital Pty Ltd is acting as Zeta's "Lead Manager".

This report primarily evaluates and reviews Zeta's hydrocarbon assets in Romania. Zeta has 100% of the Bobocu Licence, 100% of the Jimbolia licence and 12.5% of the Padureni Licence. No economic evaluation has been carried out by ISIS as part of this report.

This one volume report contains an Executive Summary, Introduction and Discussion accompanied by pertinent Tables, Figures, and Appendices. The Executive Summary presents a high-level summary of the review. This introduction includes information on the scope, preparation and use of this report and the Discussion includes our commentary pertaining to the assessment of the blocks.

ISIS accepts responsibility for this report for the purposes of the ASX Rules. Having taken all reasonable care to ensure that such is the case, the information contained in this report is to the best of our knowledge in accordance with the facts and contains no omission likely to affect its import.

2.2 Assessment Procedures and Reporting Standard Used

The assessment of the hydrocarbon resource potential of Zeta's assets has been carried out in accordance with both the 'Petroleum Resource Management System' as defined by the Society of Petroleum Engineers (SPE), the World Petroleum Council (WPC), the American Association of Petroleum Geologists (AAPG) latest guidelines and standards, dated March 2007 together with the Code of Technical Assessment and Valuation of Mineral and Petroleum Assets and Securities for Independent Expert Reports, (The Valmin Code), 2005 Edition

The licences under review have all tested gas and at Jimbolia (PVIII), oil. The fields at Bobocu, Jimbolia and Padureni have been abandoned. It is hoped that, with the use of modern techniques, additional hydrocarbon recovery can be achieved.

Appendix B contains a glossary of the abbreviations and technical terms used in this report.

2.3 Sources of Information

All information used in preparing this report was provided to ISIS by Zeta in respect of seismic, well data and production data.

2.4 Qualifications and Independence

ISIS is an internationally known petroleum consultancy that provides expertise to the oil and gas industry in assisting with exploration, development and valuation of oil and gas assets.

The company was established in Perth during 2000 with an initial staff of 5 technical professionals. The team has now grown to 40 and located in 4 cities across Australia providing a wide range of services from onshore seismic acquisition through to country based economic evaluations. The ISIS team is a dedicated staff of internationally recognised and highly experienced professionals that have worked with major, independent and national oil and gas companies.

The company was founded initially for exploration and new ventures work, but over the period the capabilities of the team has expanded to encompass field evaluation and development, producing asset reviews, due diligence assessment for large projects, economic evaluations of company assets and IPO listings.

Over the past 11 years ISIS has developed deep knowledge of the petroleum potential for the basins of Australia, South East Asia, India, west and east coast Africa and Mongolia. The team has also been involved with exploration and production in the Middle East, Europe, North and South America.

ISIS is independent from Zeta and has no interest in the projects reviewed in this CPR. Appendix A provides the qualifications and experience of the ISIS staff involved in the preparation of this report.

2.5 Disclaimer

This report has been prepared by qualified evaluators and auditors of ISIS using current geological and engineering knowledge and techniques. Nevertheless, the assessment presented in this report could be affected by the quality of data received, as qualified below:

1. Property descriptions, details of interests held, and well data, as obtained from the Company, or public sources, were accepted as represented. No further investigation was made into either the legal titles held or any operating agreements in place relating to the subject properties.
2. In the preparation of this review, a field inspection of the holdings was not undertaken. Certain relevant geological data were made available by Zeta, or were obtained from public sources or from the non-confidential files of ISIS.

The signatures of those evaluators involved in the preparation of this report have been included in section 4.0

2.6 Consent and Exclusivity

ISIS consents to the public release of this report by Zeta, via Zeta's website or otherwise, as required for the purposes of Zeta's proposed admission to ASX.

Notwithstanding this consent, this report has been prepared for the exclusive use of Zeta. Other than for the above purpose, it may not be reproduced, distributed, or made available to any other company or person, regulatory body, or organization without the knowledge and written consent of ISIS, and without the complete contents of the report being made available to that party.

2.7 Information and Database

The geological, geophysical and engineering data supplied to ISIS by Zeta is shown in Table 2.

		Concession		
		Bobocu	Jimbolia	Padureni
Seismic Database	2D Seismic	269 Km	116 Km	62.4 Km
	3D Seismic	76 Km ²	No	No
	Interpretation Available? Software Platform?	YES - Kingdom	YES - Kingdom	YES - Kingdom
Well Database	Number of Exploration Wells	16	9	3
	Number of Production / Development Wells	15	2 - Shallow gas reservoir only	2
	Petrophysical Evaluation available?	Yes	YES - Kingdom	YES - Kingdom
	Core Analytical Data and Reports?	Limited	Limited - 1 Well	Not within reservoir
	Other			
Engineering	Production Data Available? Format?	Yes - Excel	Yes - Excel	Yes - Excel
	Well Tests available? Format?	Yes - Limited information Excel Summary in English	Yes - Limited information Excel Summary in English	Yes - Limited information
	Other Test Data?			
	Fluids/PVT Data?	Yes - One fluid sample	Limited fluid information	Limited fluid information
Models of Field	Static Model(s) available? Format?	Mbal model	No	No
	Dynamic Model(s) available? Format?	No	No	No
General Reports	E.g. Technical Reports, Third Party Audits etc.	Numerous technical reports including: NAMR submission October 2011, NAMR submission January 2011, Helix RDS Sanding report	Jimbolia 1A end of well report, NAMR submission January 2011	Expert Petroleum Geological Model Report 2011

Table 2: Summary of data supplied to ISIS by Zeta

3.0 TECHNICAL DISCUSSION

3.1 Data Quality Issues

The data provided by Zeta to assess the assets is often old and limited. There is 3D seismic data (2010) coverage over the Bobocu gas field which is of good quality. However over Jimbolia and Padureni there is limited 2D seismic. Check-shot data has been collected in a significant number of wells.

In all fields, there is limited wireline data and only SP and resistivity logs are available for most wells. Where density/neutron data is available there is no environmental correction data available. As an example in the Bobocu gas field, there are a total of 31 wells, of which only 4 (wells 83, 84, 85, and 309) have porosity logs. With no environmental corrections available, errors in analysis are possible. Where sonic data is available, there is only compressional data. As a result, the seismic inversion work cannot be calibrated. In addition, there is very limited core data available to calibrate logs with no header or well reports.

A review of Zeta's petrophysical parameters and interpretation has been carried out by ISIS. In view of the limited data available, interpretations and data derived from these carry a relatively wide range of uncertainty.

Initial pressure data was collected by Romgaz in 13 Bobocu wells but most of the data is unreliable and cannot be incorporated into the geological model. No downhole pressure data was acquired in any of the Padureni wells and regional pressure gradients had to be used to define initial reservoir conditions.

During the Bobocu production phase, limited data was collected which increases the uncertainty in interpretation of historical data. In most Bobocu wells, commingled production was obtained from several reservoir layers without any production logs (PLTs) which normally would allow an allocation of produced volumes to individual layers with some degree of confidence. In addition, very limited downhole pressure data was acquired to support reservoir performance analysis through material balance calculations.

3.2 Summary of Hydrocarbon Assets Reviewed

The three licences under review in this report are Bobocu, Jimbolia and Padureni. The location of each of these licences in Romania is shown in Figure 1.



Figure 1: Location of Romanian Hydrocarbon Assets

3.2.1 Regional Setting

The broad structural features are shown in Figure 2. Each of the fields is located in a different geological setting. The Bobocu Field is preserved on the Moesian Platform, which forms part of a broad crustal block initially formed by Hercynian deformation during the Late Devonian to Early Triassic.

A generalised cross-section is shown in Figure 4, which suggests structural development was limited post Mid-Miocene times on the Moesian Platform.

The oil and gas reservoirs under discussion are found in the Neogene succession which is greater than 6,000 m thick in the area of the fields. The reservoirs are late Miocene to Pliocene in age. Most of the sediment supply came from exhumed Carpathian pile with a dominant transport direction from the north-northwest along the Forcsani depression.

The Jimbolia Oil and Gas Field is located within the Pannonian Basin.

Padureni is in the eastern area of the Transylvanian Basin (Figure 2). Uplift occurred during the Early Cretaceous (Aptian), followed by subsidence at the end of the Cretaceous. The area was then uplifted and exposed until the mid-late Miocene. Post mid-late Miocene, accommodation space was provided by the accelerated flexure of the Moesian foreland (Figure 3).

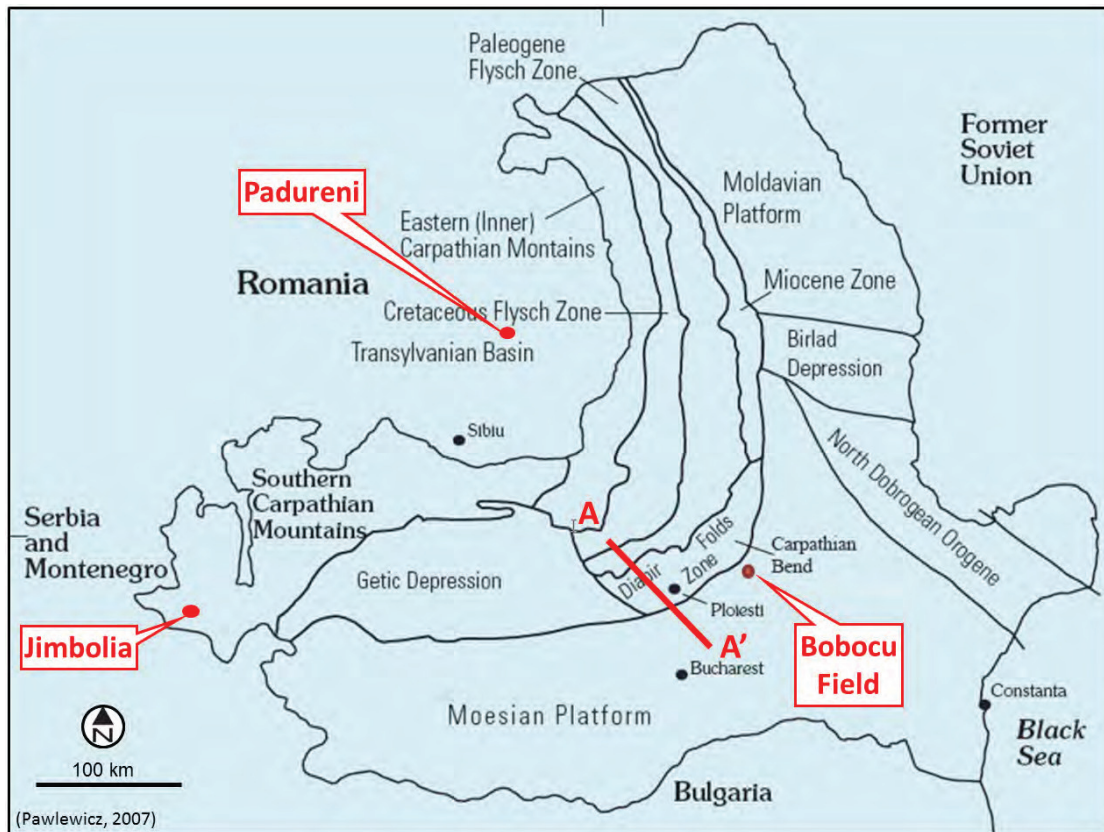


Figure 2: Generalized geological and geographic features of the Carpathian-Balkan Basin province, Romania and Bulgaria (Pawlewicz, 2007)

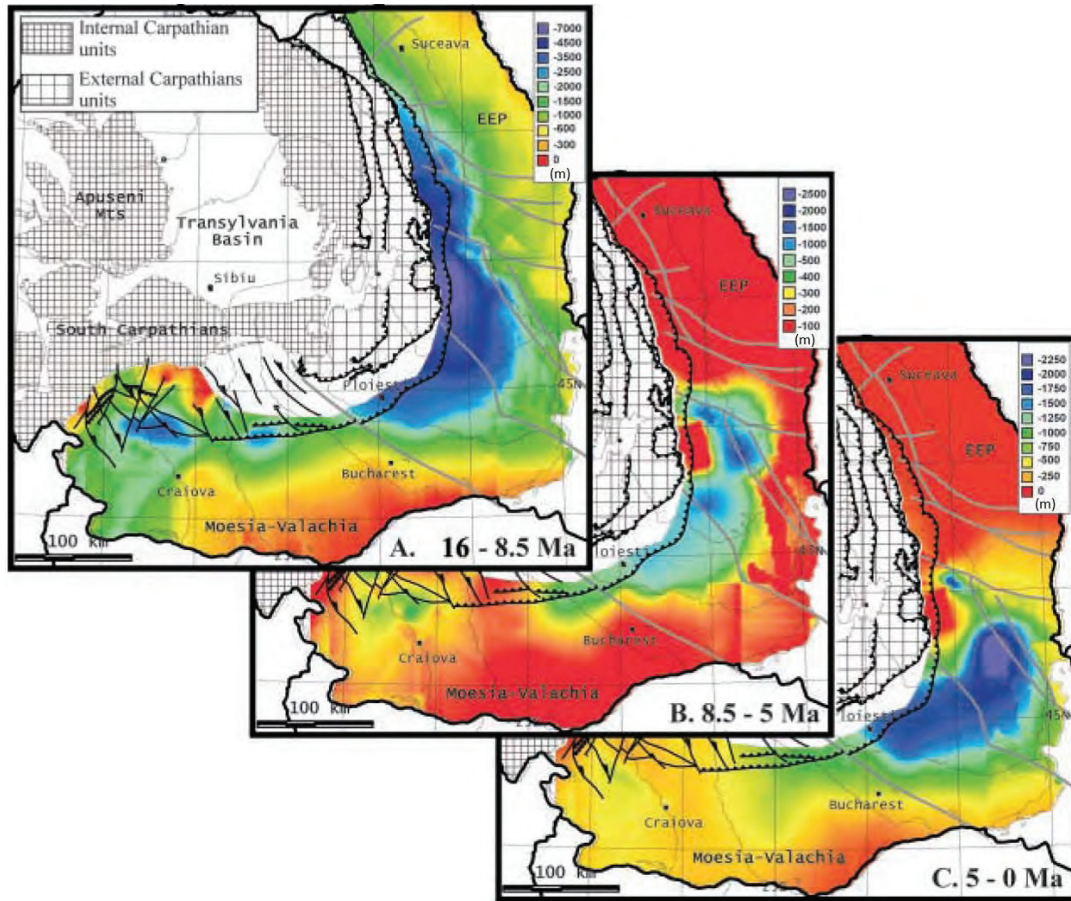
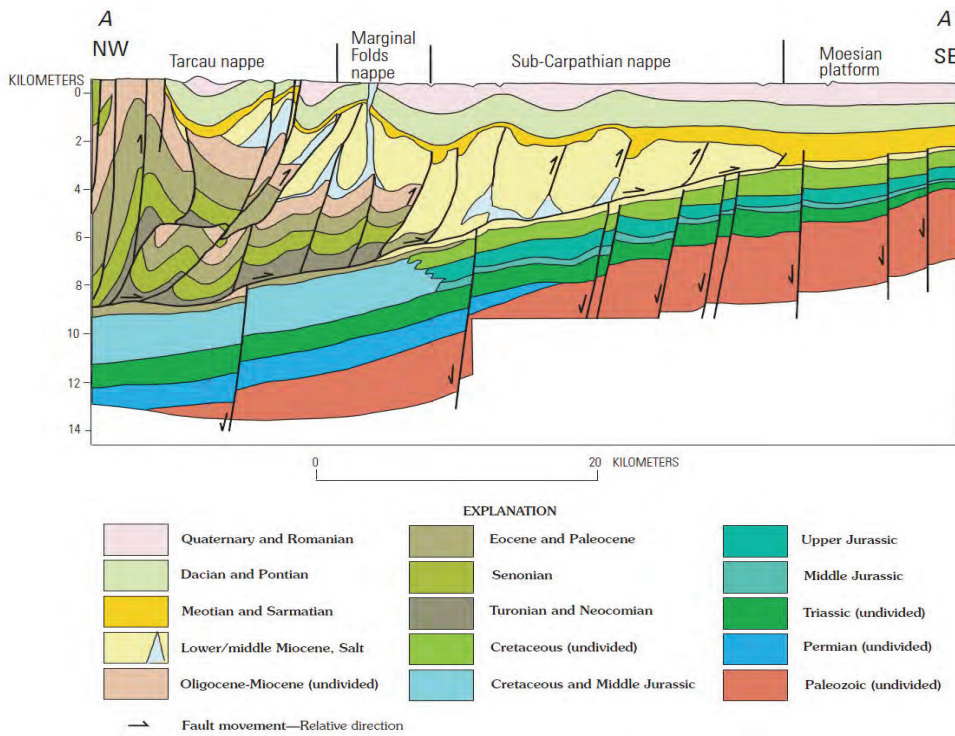


Figure 3: Subsidence Isopach Maps showing the development of the Forscani Depression (Bertotti et al, 2003)



(See Figure 2 for line location)

Figure 4: Cross Section showing limited structural development on the Moesian Platform (Pawlewicz, 2007)

3.3 Bobocu Licence

3.3.1 Introduction

The Bobocu gas field is located to the north of the Buzau valley approximately 20 km northeast of Buzau and 110 km northeast of Bucharest (Figure 5).

The Bobocu Licence was signed with NAMR on the 27th March 2007 and ratified by the government on 19th December 2007. Zeta has a 100% working interest in the permit. During 2010 Zeta acquired and processed 75.25km² 3D seismic. Zeta is planning to drill a well in Q2 2012 to access remaining gas reserves at Bobocu.

An initial field study was carried out. Subsequently an application was lodged to enlarge the licence area which was granted on the 17th December 2008.

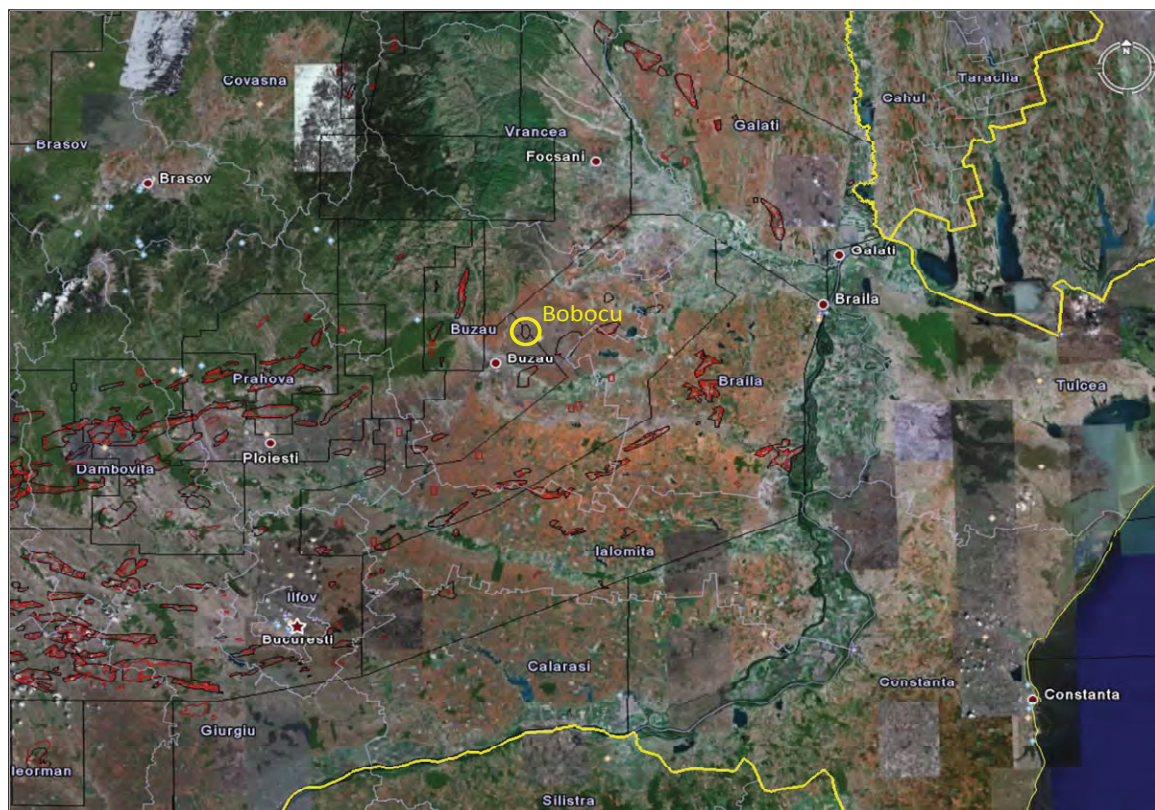


Figure 5: Satellite image showing location of Bobocu Gas Field

3.3.2 Geological Interpretation

The Bobocu gas field lies on the northeast part of the Moesian Platform, at the transition towards the Focsani Basin, which represents the deepest part of the entire Romanian outer Carpathian Neogene foreland basin. While the majority of hydrocarbon fields in the Moesian Platform are clustered along deep fractures, the Bobocu field, and other similar age fields in the region are related to compressional fold lineaments although in the case of Bobocu there is also a strong stratigraphic control on the accumulation.

The basic geological model is a lacustrine delta sourced from the north and northeast, prograding in a southerly direction during the Pontian (Upper Miocene).

The logs at Bobocu show generally classic coarsening upward log motifs, with reservoir sands having a thickness of less than 10 m. Two cross-sections, Enclosures 1 and 2 of this report, show the reservoir correlation and architecture. The wells and seismic show three major sequences over the reservoir section related to different cycles of sedimentation.

As is typical with lacustrine deposits there are a number of cycles of deposition ranging from distal fan deposits to distributary mouth bars and channel sands. The sequences have developed as a response to accommodation created by thrusting in the Carpathian Mountains. The main sequences of interest are defined by the seismic markers Basal Low, S4 and S7 (Figure 6).

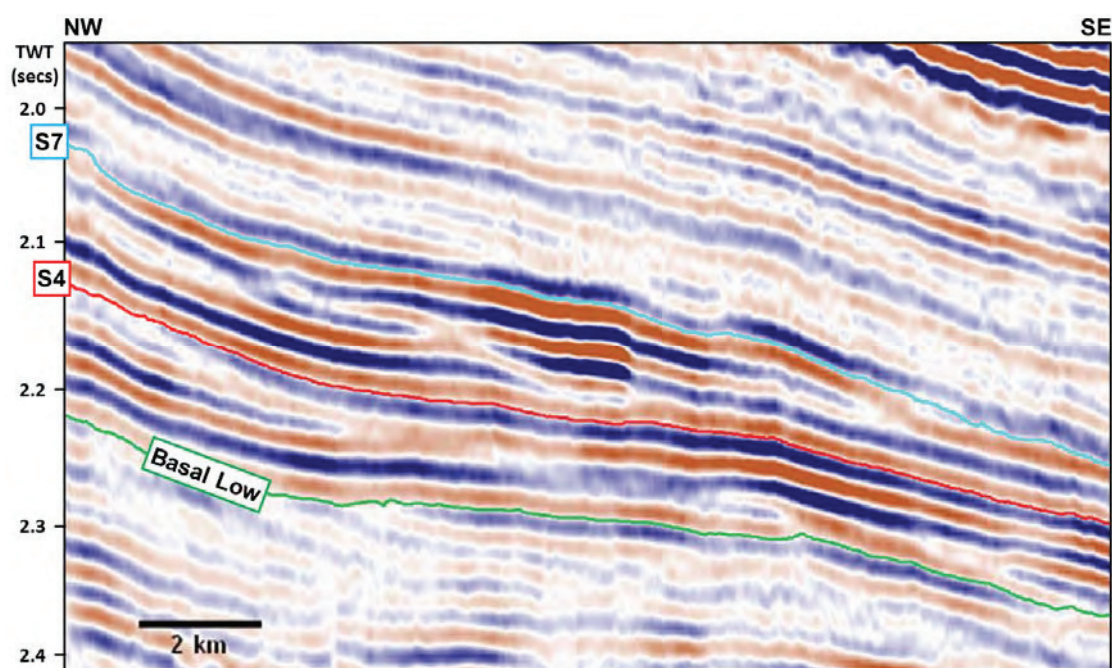


Figure 6: NW-SE seismic section showing main sequences and overall thinning of the section to the south

Clinofolds with small amplitudes (~20 ms) can be seen on the 3D seismic suggesting deposition in relatively shallow water (Figure 6). The prograding clinofolds have the potential to contain isolated reservoirs with hydrocarbons. However the sandstone reservoirs are generally less than 10m and therefore at or beyond seismic resolution.

Within each sequence there is a complex series of parasequences showing general progradation to the south. The parasequences are probably related to switching of the delta lobes and possibly small scale tectonic activity.

Zeta's work suggests the sequences are retrogradational and therefore backstepping to the north. This has not been confirmed by ISIS as the seismic data does not extend to the north.

3.3.3 Geophysical Interpretation

A 76 km² 3D seismic survey was recorded at Bobocu in March and April 2010. The full fold data area covers 52.4 km². Initial processing was performed by Prospectiuni with subsequent reprocessing carried out by Fugro. Data quality is excellent. The southerly prograding deltaic objective sequence is well imaged. However, individual sand bodies of 10 m are not resolved. The dominant frequency within the wedge is of the order of 30 Hz. Assuming an interval velocity within the wedge of 3,000 m/s, this implies a tuning thickness of 25 metres. Sand bodies with thicknesses of 10 metres or less therefore cannot be resolved.

Zeta has picked zero crossings for the S7 and S4 reflectors. ISIS prepared depth maps on the high amplitude reflectors above S7 and below S4. These picks would correspond to the top of the wedge (i.e. the K sequence and the top of the BW1 sand).

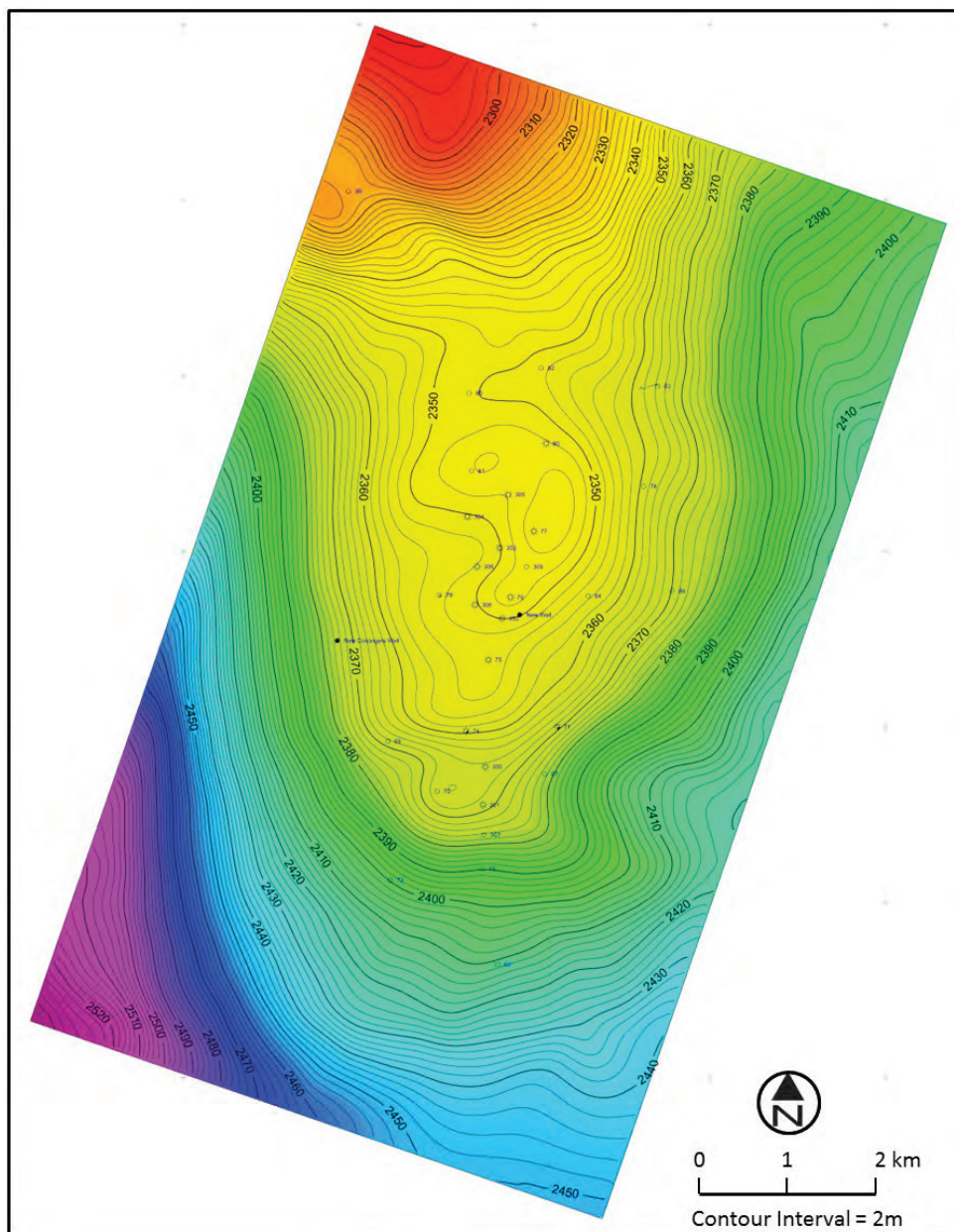


Figure 7: Depth Map (sub-sea) at top of the Wedge

Although there are only three wells with check-shot data and four wells with sonic logs (one of which, well 309, has an incorrect .las file) correlation of the SP logs across the field is good. Velocity information from twenty eight wells has been used to depth convert the shallow reflector. Fourteen wells were used to depth convert the deeper reflector. There is 1.8 km² of areal structural closure mapped at the shallower level and 4 to 5 metres of vertical closure. Wells which have had significant production from sands within the K sequence, such as 71 and 304, are not within structural closure. The conclusion is that the Bobocu Field is actually a combination structural/stratigraphic trap.

The depth map on the reflector underlying Zeta's S4 pick shows 17.5 km² of areal closure and ~ 20 metres of vertical closure.

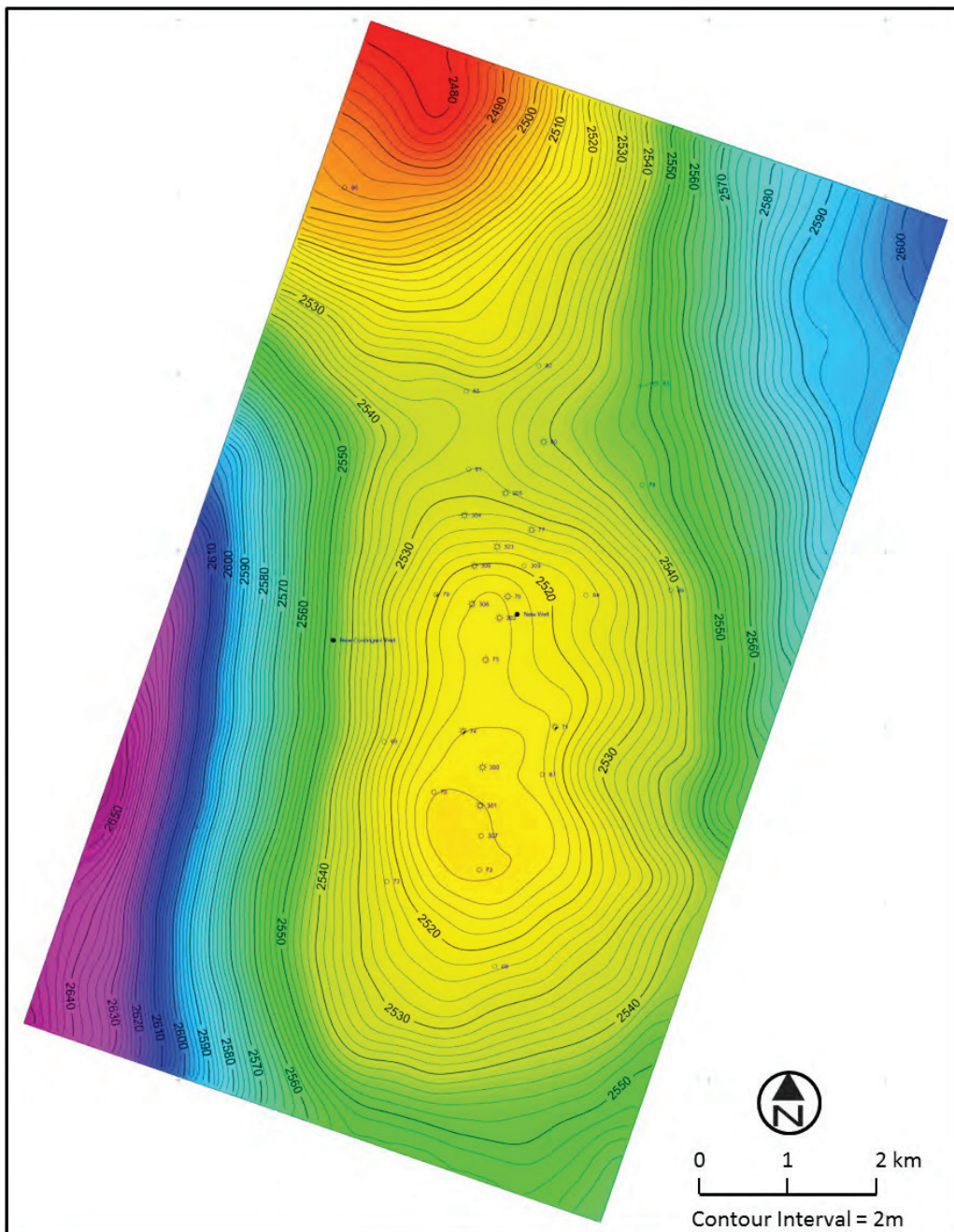


Figure 8: Depth Map (sub-sea) at the top of the BW1 sand

Zeta has performed an intricate sub-division of the sedimentary wedge into a large number of lobes by picking the zero crossings between peaks and troughs within the wedge. Root mean square (“RMS”) amplitude extractions have been made between the upper and the lower zero crossing. RMS amplitude maps have been generated for each lobe. “Sweet spots” were identified by Zeta as the areas having the maximum amplitude and potential reserves have been assigned by Zeta to these “sweet spots”.

However there are instances where lobes have been identified from peaks on seismic (i.e. increases in acoustic impedance). The G lobe is an example of such an interpretation where one would expect the presence of gas to decrease seismic amplitude and yet the sweet spot of the G lobe corresponds to the maximum RMS amplitude of a positive reflection coefficient.

There are indications of channelised systems in seismic time slices across the shallow and deep sections of the Bobocu area. ISIS has not conducted an evaluation of the potential for these channel features to contain reservoir units or hydrocarbons in them. Whether these features could offer additional upside to the resources evaluated in this report or whether there is additional reservoir or hydrocarbon potential in these channel-like features has not been established at this time by ISIS

3.3.4 Geological and Geophysical Factors considered in Determining Volumes

ISIS initially compared the deltaic lobe model with a simple 4-way dip structure to establish the validity of the lobe model compared to a simpler structural trapping mechanism. The lithostratigraphic correlation suggested reservoirs could be connected laterally and therefore a simple 4-way dip closure could explain the distribution of gas. ISIS maps showed a small 4-way dip closure at the top of the deltaic wedge and a larger 4-way dip at the BW1 horizon. The gas contact data however indicated top seals were present across the field. An analysis of the well and production data showed that the simple closure model could not solely explain the gas distribution and production history. ISIS’ analysis therefore concluded that the Bobocu Gas Field is a combined structural-stratigraphic trap.

For the deltaic model, seismic amplitudes define the overall distribution of the lobes. The majority of the reservoirs are between 1-10 m in thickness, which is beyond the resolution of the seismic. The amplitude data is therefore more likely to reflect the overall gross form of a lobe package as the seismic cannot accurately determine the reservoir distribution within a lobe. There is insufficient data to determine if any of the lobes are in communication.

A review of the petrophysical data determined that wireline logs were limited and of variable quality. ISIS reviewed Zeta’s sand thickness and porosity distribution model and followed the same approach for volumetric estimation. A correlation coefficient of 0.8 was used for the relationship between hydrocarbon saturation and porosity. ISIS did attempt to use a net to gross approach but concluded there could be significant errors in lobe thickness and net to gross estimates impacting on volumetric estimates for the lobe model.

ISIS volumetric review included using a GDT and possible GWCs to determine P90 and P50. This approach was not followed through due to lack of information on

original contacts, initial pressure data and whether the lobes were filled to spill. Therefore a net reservoir thickness approach was decided as a valid way to estimate a lobes volume.

The largest uncertainty in determining the volume of hydrocarbons available within a lobe is in the area of a lobe given the amplitude maps lack of resolution and calibration at the individual sand layer level. A review of the MBAL data was carried out instead. The quality of the MBAL data was variable. However, K3 North lobe appears to have a good match with the production data and the production was not commingled with other zones. The estimate of GIIP was thus considered reasonable. The K3 GIIP MBAL estimate was then used to calibrate a distribution for the geometric factor and fill and these parameters were then applied to undrilled lobes.

3.3.5 Petroleum Engineering Interpretation

All data provided by Zeta was acquired by the original field operator Romgaz between 1966 and 2001, when the field was abandoned. Most of the data is limited to surface measurements (pressures and flow rates) which were used by Zeta to approximate downhole reservoir pressures over time and allocate produced volumes to individual reservoir units. This procedure is only valid in special circumstances (e.g. where there is no water production) and therefore leads to significant uncertainties in the interpreted data.

From the 146 static pressure measurements recorded in the Bobocu wells, only 13 were measured at bottom hole, with the rest being wellhead pressures. Since the wells produced with water, and the liquid level in the well at the time of the pressure measurement is unknown, the wellhead pressures cannot be reliably corrected to the reservoir datum. From the 13 static pressures measured downhole, only three were taken before production started or shortly thereafter. In view of this, Zeta used a regional pressure gradient based on analogue fields, to establish the most likely initial reservoir pressures for each of the lobes.

Limited data was available from temperatures measured in the Bobocu field. Only 3 reservoir temperature measurements were obtained by Romgaz as part of the acquisition programme for the initial exploration/appraisal wells. As with the pressure data, Zeta has used temperature data from surrounding fields to derive an average temperature gradient for the field.

Production data was limited to total field volumes which needed to be allocated to wells and reservoir intervals. In the majority of cases, wells were produced commingled from a number of intervals without any production logging (PLTs) conducted to assist in the correct allocation of produced volumes to individual reservoirs/lobes. The allocated reservoir production data therefore carries a substantial range of uncertainty.

The interpreted data was used by Zeta to generate gas material balance models in MBAL (Petroleum Experts modelling software) to analyse historical reservoir and well performance for the majority of the produced lobes. ISIS reviewed Zeta's models and interpretation results and found that the history match results are realistic and can be supported within the range of uncertainties. In a number of cases, alternative history matches with similar quality results can be obtained using different aquifer sizes. ISIS used the history matched GIIP volumes from the available MBAL models in order to calibrate the volumetrically derived GIIPs for each reservoir lobe.

A range of gas recovery factors were derived based on two different engineering concepts for the re-development of the Bobocu field: one without compression and one with wellhead and export compression included. Preliminary assumptions on expected compression ratios and pressure drops throughout the gas delivery system were provided by Zeta and were used by ISIS.

3.4 Jimbolia Licence

3.4.1 Introduction

The Jimbolia Licence was signed with NAMR on 27th August 2007 and ratified by the government on 25th March 2008.

The Phase 1a work program has been completed (Geological and Geophysical studies).

The Phase 1b work program has also been completed (work-over and evaluation of a well) in October 2011.

Phase 2 is pending and waiting on written confirmation.

There are two discoveries on the licence, Jimbolia Veche and Vest (1983, Petrom S.A.). The location map for the licence is shown in Figure 9

Zeta has a 100% working interest in the licence.

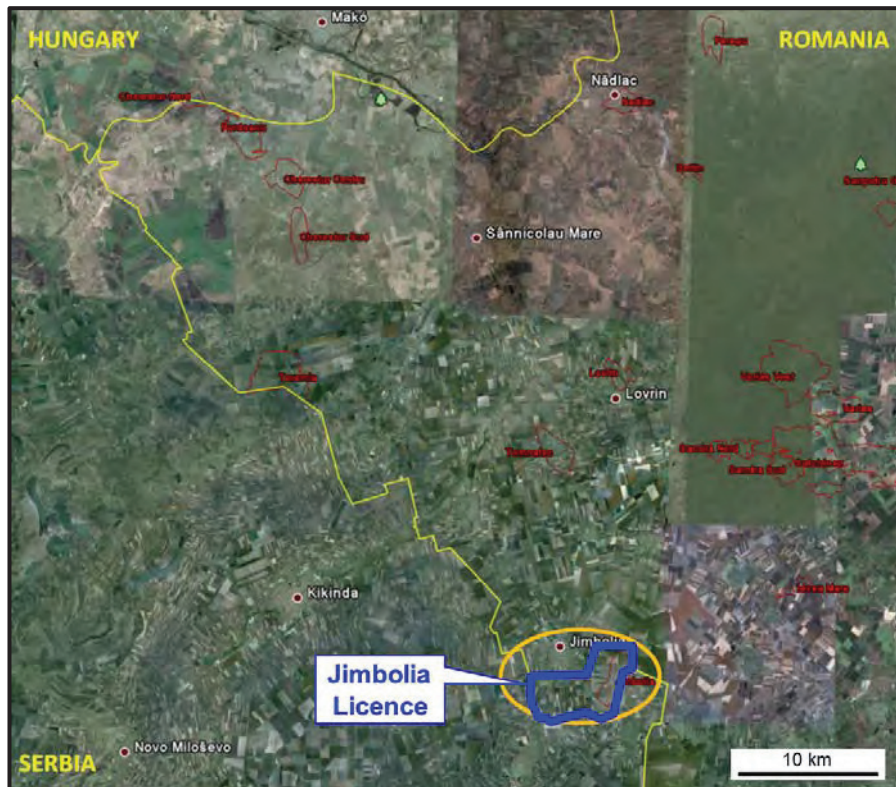


Figure 9: Jimbolia Licence Location Map

3.4.2 Geological Interpretation

The Jimbolia Licence is located in Pannonian Basin and forms part of a sub-basin (Mako-Jimbolia-Kikinda) which contains up to 7,000 m of sediment (Figure 10). Extension occurred during the Pannonian and Pliocene with extensive normal faulting associated. Initial sedimentation included deepwater sediments followed by rapid infilling by pro-delta deposits.

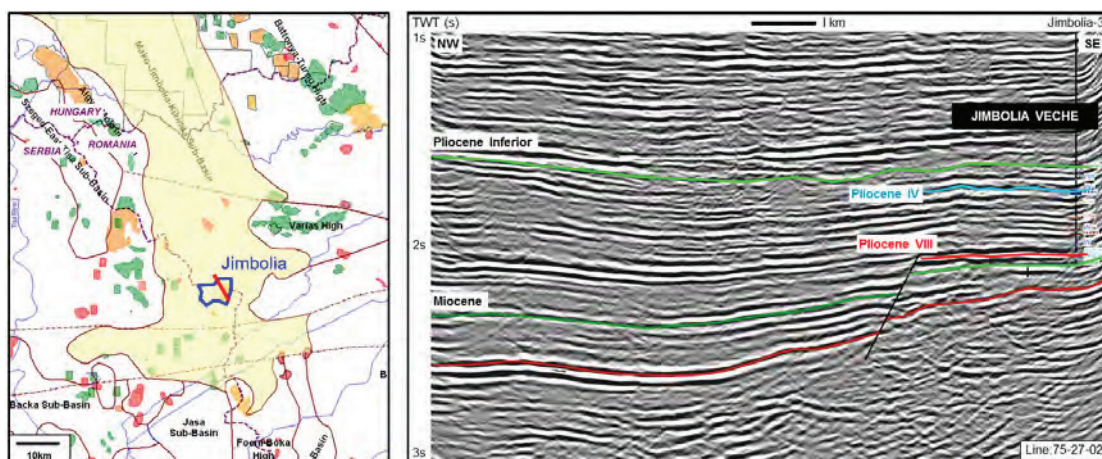


Figure 10 : Location of Mako-Jimbolia-Kikinda Sub-basin and Veche Structure

The active petroleum system supplying the Jimbolia accumulations is sourced from the Lower Pliocene intra-formational shales and Badenian (Miocene) black shales.

The deposition of reservoirs occurred in delta front environments.

Jimbolia Veche is a 3-way dip faulted closure. There are 2 hydrocarbon-bearing zones of interest:

1. The Pliocene VIII, which is an oil reservoir with a CO₂ gas cap. Jimbolia-1 has flowed rates up to 120 bbl/d with a sustained 6-day rate of 50 bbl/d. The oil is light, 0.78 gm/cc with 50° API.
2. The Pliocene III unit produced 2.89 Bcf with impurities of 40% from November 1985 to June 1998. This reservoir is now considered depleted.

The Jimbolia Vest discovery encompasses 2 gas bearing intervals within the Pliocene IV interval:

1. A lower interval which contained 16 m gas which flowed 61% methane and 33% CO₂ with some condensate.
2. An upper 8 m gas interval with no test data available.

It is possible that the Jimbolia Vest discovery is an extension of the Serbian Crnja Gas Field.

3.4.3 Geophysical Interpretation

There are only four seismic lines across the Jimbolia Veche oil field. Two were recorded in 1975 and two in 1984. Data quality is fair to good. ISIS has made a different seismic pick for the oil-bearing Pliocene VIII reservoir from that made by Zeta.

The Zeta mapping shows the Jimbolia Veche oil field to be three way dip closed against a down to the east normal fault.

The ISIS interpretation (Figure 11) does not see the fault extending as far to the north as it appears on Zeta's interpretation. The structure is more likely to be a 4-way dip closure with minor associated faulting. The closure appears to extend across the Romanian border with Serbia, however ISIS has modified the lowest closing contour at 2.052 s, to calculate the areal closure within the licence boundary. The mapped closure is 1.927 km²; assuming an average velocity from surface of 2,400 m/s which implies a vertical closure of 31.2 m.

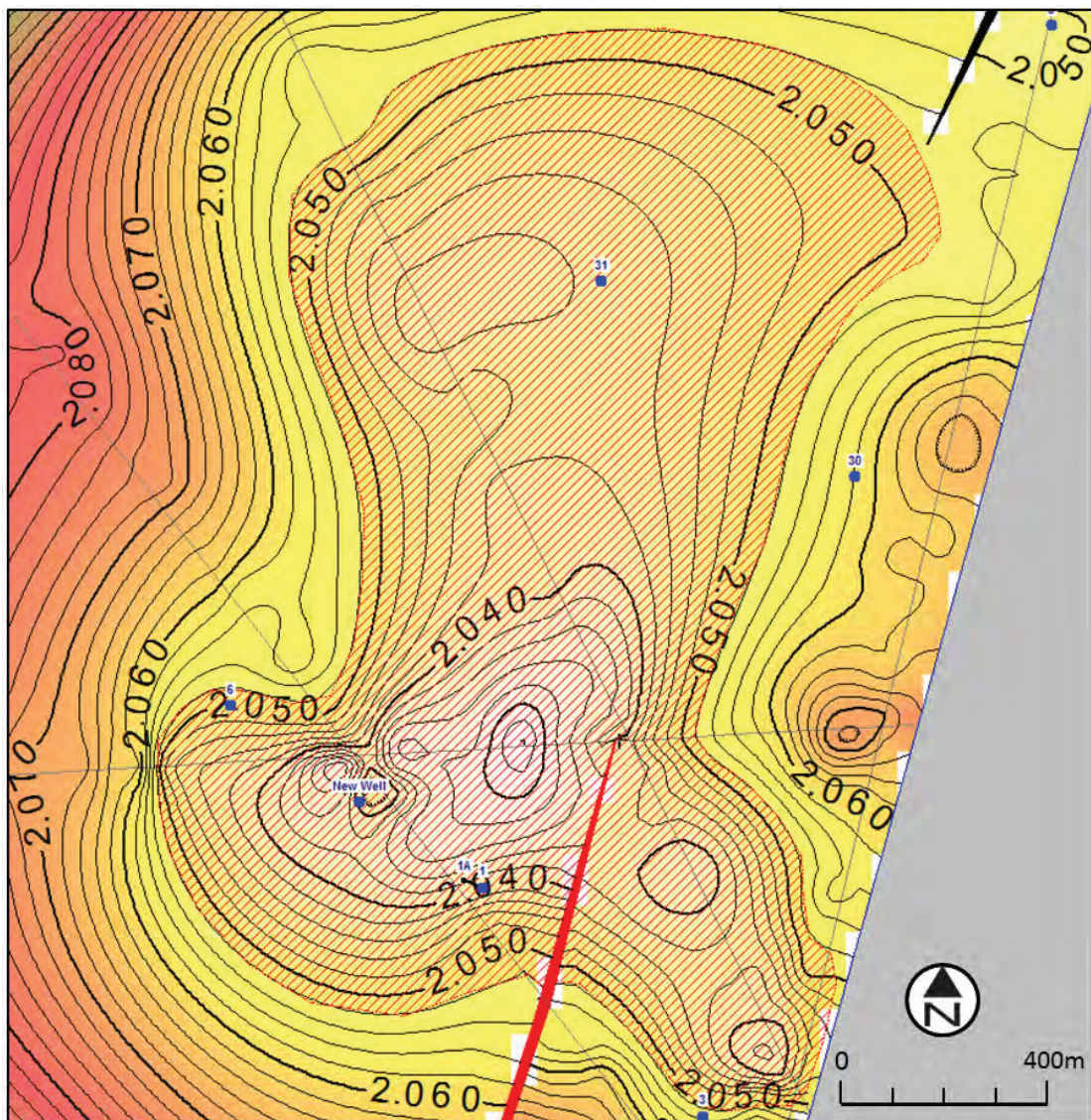


Figure 11: Jimbolia Field: Top Pliocene VIII Time Structure Map

No attempt has been made to map the Jimbolia Vest area, which is only controlled by two seismic lines which do not intersect.

3.3.3 Geological and Geophysical Factors considered in determining Volumes

Volume calculations were only carried out on Jimbolia Veche due to inadequate data for Jimbolia Vest.

In view of the limited wireline data for the Jimbolia Veche field, ISIS carried out a QC of the petrophysical evaluation completed by Zeta. The Zeta interpretation provided to ISIS was considered reasonable and thus the P50 parameters used in the volumetric calculations were similar to those by Zeta. However, in most cases a different distribution was used for the P90 and P10.

3.3.4 Petroleum Engineering Interpretation

Most of the data provided by Zeta was acquired by the original field operator Petrom between 1983 and 1998. Limited data is available on reservoir fluid properties from the Jimbolia wells. Only one of the reservoirs (Pliocene III in Jimbolia Veche) was produced historically and is now considered depleted. Zeta attempted to drill a sidetrack from the original Jimbolia-1 well location in 2010, but the well failed to reach the target interval (Pliocene VIII oil reservoir) due to hole stability problems, therefore no logs were acquired in the well.

This reservoir was originally tested in wells Jimbolia 1 and 6 and indications of a segregated oil column were obtained. The gas from this interval was interpreted to comprise mostly of CO₂ in the form of a gas cap overlying the oil layer.

A range of oil recovery factors were derived by ISIS based on varying assumptions on well placement, pressure support and sweep efficiency.

3.5 Padureni Licence

3.5.1 Introduction

The Padureni Licence was signed with NAMR on 27th August 2007 and ratified by the government on 25th March 2008.

The field was originally discovered in 1984 by Romgaz who drilled 5 wells on the structure.

The field has produced 0.226 Bcf of gas from Padureni 2 between 1991 and 1994.

Zeta has a 12.5% fully carried interest. The operator is Expert Petroleum with 87.5% of working interest. The location map for the Padureni Licence is shown in Figure 12.



Figure 12: Location Map Padureni Licence

3.5.2 Geological Interpretation

The Padureni licence lies in the eastern area of the Transylvanian Basin (Figure 13) which developed from late Cretaceous times.

Deposition occurred in a gradually subsiding basin. The petroleum system is sourced from Mid Miocene (Badenian) radiolaria rich Velapertina marls. The gas is interpreted to be of biogenic origin.

The main reservoirs are late Miocene in age (Sarmatian). There are 5 major sandstone reservoir horizons whose deposition occurred in a deltaic environment in the Padureni Licence.

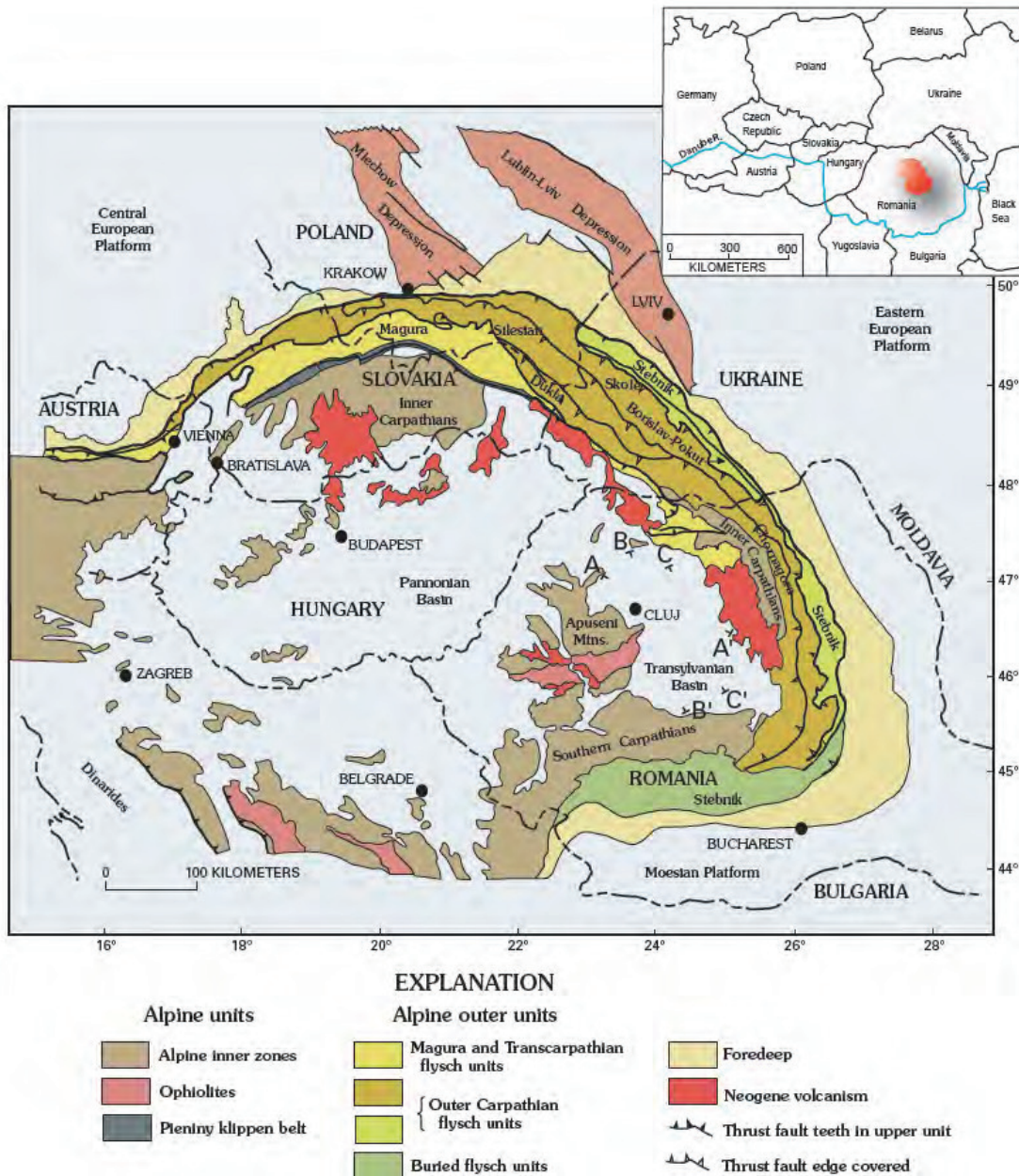


Figure 13: Location of Transylvanian Basin

3.5.3 Geophysical Interpretation

The Padureni Gas Field is defined on three seismic lines dating from the early eighties. A review of Zeta's interpretation shows that it is not possible to pick an event at the prospective level of the Sarmatian section (I to V). Zeta has picked a deeper event, Sarmatian VI (~150 ms below the prospective level) and a two way time map on this horizon is shown in Figure 14.

At this deeper Sarmatian VI level, the areal closure of the 0.56 s contour is 1.512 km², the closure within the licence is 0.784 km². Given that it is not known what the areal closure is at the objective level, it is not possible to confirm by mapping the GIIP estimated by a P/Z plot.

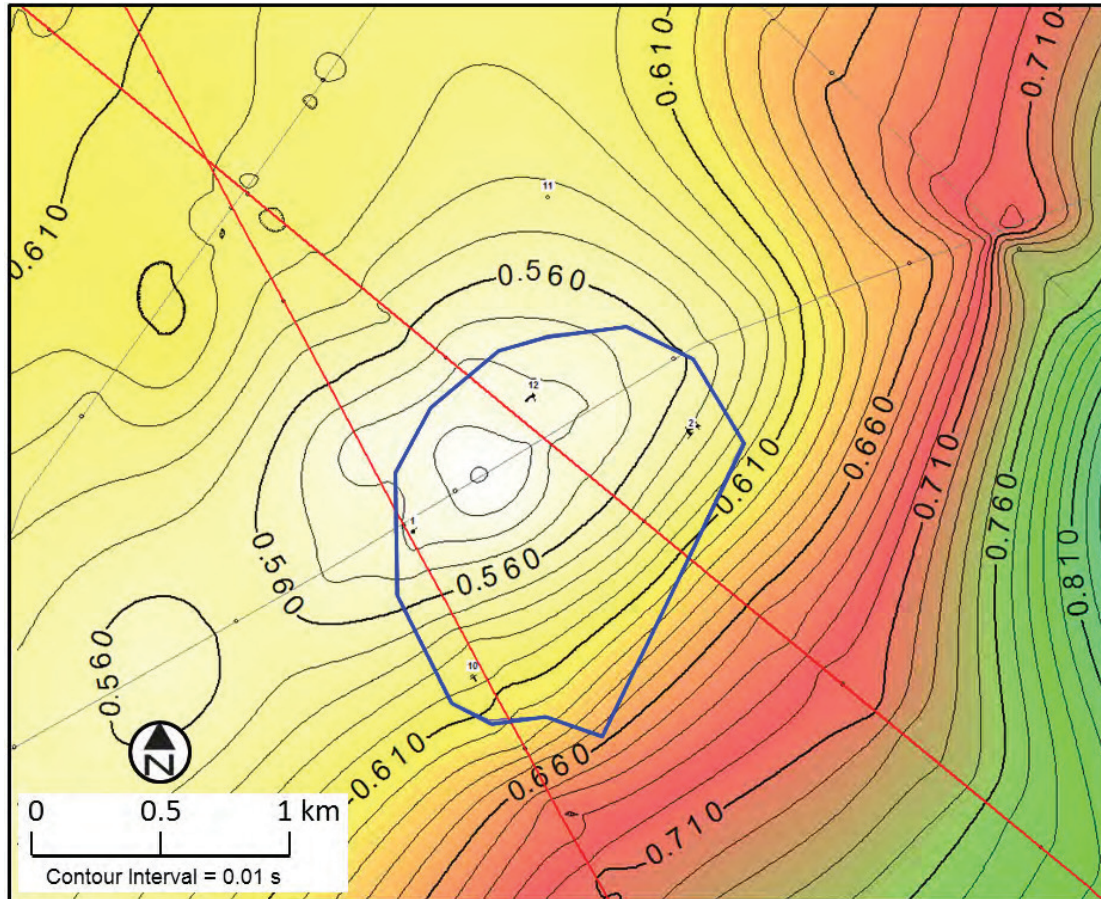


Figure 14: Padureni Field: Top of Sarmatian VI Time Structure Map

3.5.4 Geological and Geophysical Factors considered in determining Volumes

Limited data was available to ISIS to conduct an in-depth review of Padureni and therefore the analysis carried out by the operator, Expert Petroleum, was used as a basis for the volume calculations.

A QC of the petrophysical interpretation was carried out and the interpretation by Expert Petroleum was found to be acceptable.

The volumetric method for determining the GIIP results in approximately 30-50% greater volumes than what is obtained by Material Balance (p/Z) analysis. This would suggest that the produced wells were only connected to a limited drainage area and that the reservoirs are likely to be associated with lobes which are restricted aurally. There is insufficient data available to ISIS to determine whether this scenario is realistic.

3.5.5 Petroleum Engineering Interpretation

Most of the data provided by Zeta was acquired by the original field operator Romgaz between 1984 and 2001, when the field was abandoned. Limited downhole data (pressures/temperatures/fluid samples) is available from the Padureni wells. Only two of the reservoirs (Gas-1/Sarm-II and Gas-2/Sarm-III) were produced in well Padureni 2 between 1991 and 1996.

Pressure and temperature data for the individual reservoir intervals were determined by the operator based on regional trends. ISIS independently verified the approach taken by the Expert Petroleum.

Material balance analysis (p/Z) carried out on the produced reservoirs by both Zeta and Expert Petroleum indicate that the main drive mechanism is depletion and the extrapolated volume should represent the connected GIIP. However, in view of the limited pressure data, the results for this analysis carry a substantial uncertainty.

A range of gas recovery factors were derived by ISIS using initial pressures based on regional gradients and included the assumption that gas compression will be provided as part of the field re-development. The resulting recovery factors agree reasonably well with Expert Petroleum's gas recovery factors with the exception of Gas7 reservoir where Expert applies a large risking to arrive at a 30% target recovery factor. There is no explanation as to why this discount has been applied. ISIS assumes a 60% recovery factor is reasonable under the assumptions outlined above.

4.0 CONTINGENT AND PROSPECTIVE RESOURCE ESTIMATES

ISIS has estimated the distribution of initial in-place hydrocarbons and resource volumes for each of the licences under review using a probabilistic approach. The parameters used as input to the calculation were discussed in the sections above. A summary of the results is presented below.

4.1 Bobocu Licence

4.1.1 Drilled Lobes

The lobes of interest relevant to this study are included in Table 3.

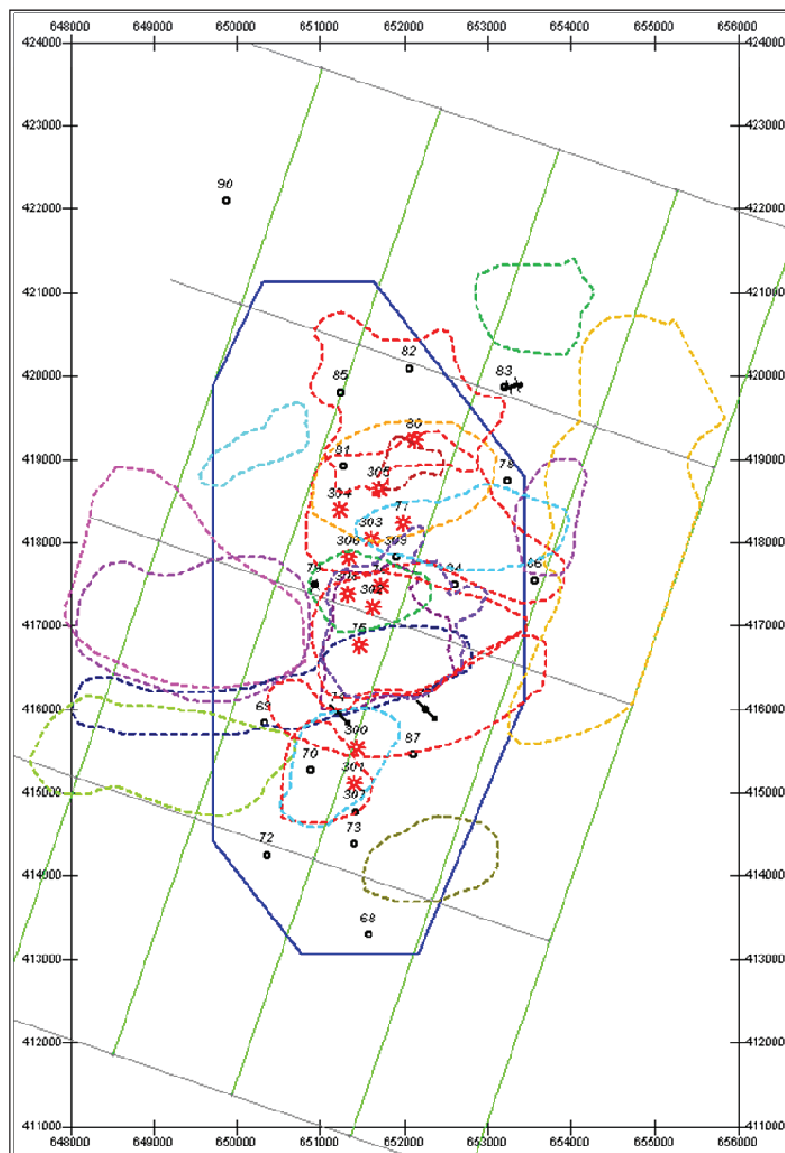


Figure 15: Location of reservoir lobes carried in analysis

A summary of the ISIS GIIP and contingent resource volumes (without compression) for drilled lobes is shown in Table 3.

Bobocu Gas Field Without Compression											
Drilled Lobes											
Lobe	GIIP (Bcf)					Gas Ultimate Recovery (Bcf)				Cumulative Production (Bcf)	Contingent Resources Pmean
	P90	P50	P10	Pmean	Material Balance	P90	P50	P10	Pmean		
BW2	5.94	9.43	14.99	10.07	9.62	2.32	4.56	8.11	4.93	3.25	1.68
BW1*	3.46	5.97	10.33	6.54	6.13	1.38	2.87	5.48	3.19	1.2	1.5
B1c*	2.42	3.62	5.39	3.79	3.72	0.93	1.75	2.97	1.86	2.36	
C1c	0.16	0.57	2	0.92	0.54	0.07	0.27	0.97	0.42	0.2	0.22
D2m	0.47	1.65	5.77	2.65	1.66	0.2	0.78	2.79	1.21	0.33	0.88
E1n	1.73	4.84	13.44	6.64	4.9	0.73	2.29	6.66	3.12	2.61	0.52
E2s2	0.8	3.29	13.13	5.87	3.28	0.35	1.54	6.29	2.63	1.61	1.02
E2s1	1.75	4.33	10.71	5.56	4.14	0.73	2.06	5.36	2.64	1.92	0.72
G1	14.4	23.1	37.09	24.72	23.08	5.65	11.15	19.96	12.1	4.34	7.76
H1m	1.33	2.7	5.26	3.06	2.6	0.55	1.29	2.72	1.49	1.19	0.3
H1mn	0.59	0.88	1.33	0.93		0.23	0.43	0.73	0.46		0.46
H2m*	3.07	6.05	11.56	6.83	6.09	1.25	2.88	6.01	3.31	4.07	
H2mn*	2.55	3.31	4.31	3.38	3.38	0.93	1.62	2.49	1.67	0.65	0.26
Jm	2.04	5.47	14.67	7.35		0.86	2.59	7.27	3.46	1.03	2.43
K1n	4.06	9.13	20.46	11.12	10.33	1.69	4.34	10.37	5.33	3.85	1.48
K2e	0.89	1.72	3.33	1.97		0.36	0.82	1.73	0.95	0.6	0.36
K3n	4.55	10.53	24.25	13	9.99	1.9	4.99	12.26	6.22	3.67	2.55
Total				114.39	89.46				55	32.86	22.14

* production re-allocated between lobes

Table 3: Bobocu Gas Field: Summary of the ISIS GIIP and Contingent Resources (without compression) for Drilled Lobes (100%)

A summary of the ISIS GIIP and contingent resource volumes (with compression) for drilled reservoir lobes is shown in Table 4.

Bobocu Gas Field With Compression											
Drilled Lobes											
Lobe	GIIP (Bcf)					Gas Ultimate Recovery (Bcf)				Cumulative Production	Contingent Resources
	P90	P50	P10	Pmean	Material Balance	P90	P50	P10	Pmean	(Bcf)	Pmean
BW2	5.94	9.43	14.99	10.07	9.62	3.87	6.48	10.61	6.91	3.25	3.66
BW1	3.46	5.97	10.33	6.54	6.13	2.27	4.1	7.23	4.47	1.2	3.27
B1c	2.42	3.62	5.39	3.79	3.72	1.57	2.49	3.85	2.61	2.36	0.26
C1c	0.16	0.57	2	0.92	0.54	0.11	0.39	1.33	0.59	0.2	0.39
D2m	0.47	1.65	5.77	2.65	1.66	0.32	1.13	3.85	1.71	0.33	1.38
E1n	1.73	4.84	13.44	6.64	4.9	1.16	3.3	9.09	4.38	2.61	1.78
E2s2	0.8	3.29	13.13	5.87	3.28	0.54	2.23	8.71	3.7	1.61	2.09
E2s1	1.75	4.33	10.71	5.56	4.14	1.17	2.96	7.29	3.71	1.92	1.79
G1	14.4	23.1	37.09	24.72	23.08	9.41	15.87	26.17	16.96	4.34	12.62
H1m	1.33	2.7	5.26	3.06	2.6	0.89	1.85	3.64	2.08	1.19	0.9
H1mn	0.59	0.88	1.33	0.93		0.38	0.61	0.95	0.64		0.64
H2m	3.07	6.05	11.56	6.83	6.09	2.04	4.14	8.02	4.65	4.07	0.58
H2mn	2.55	3.31	4.31	3.38	3.38	1.61	2.29	3.15	2.34	0.65	1.69
Jm	2.04	5.47	14.67	7.35		1.37	3.74	9.91	4.86	1.03	3.83
K1n	4.06	9.13	20.46	11.12	10.33	2.7	6.24	14.01	7.48	3.85	3.63
K2e	0.89	1.72	3.33	1.97		0.59	1.18	2.31	1.34	0.6	0.74
K3n	4.55	10.53	24.25	13	9.99	3.04	7.19	16.59	8.72	3.67	5.06
Total				114.39	89.46				77.15	32.86	44.3

Table 4: Bobocu Gas Field: Summary of the ISIS GIIP and Contingent Resources (with compression) for Drilled Lobes (100%)

4.1.2 Undrilled Lobes

Undrilled reservoir lobes are presented in Figure 16.

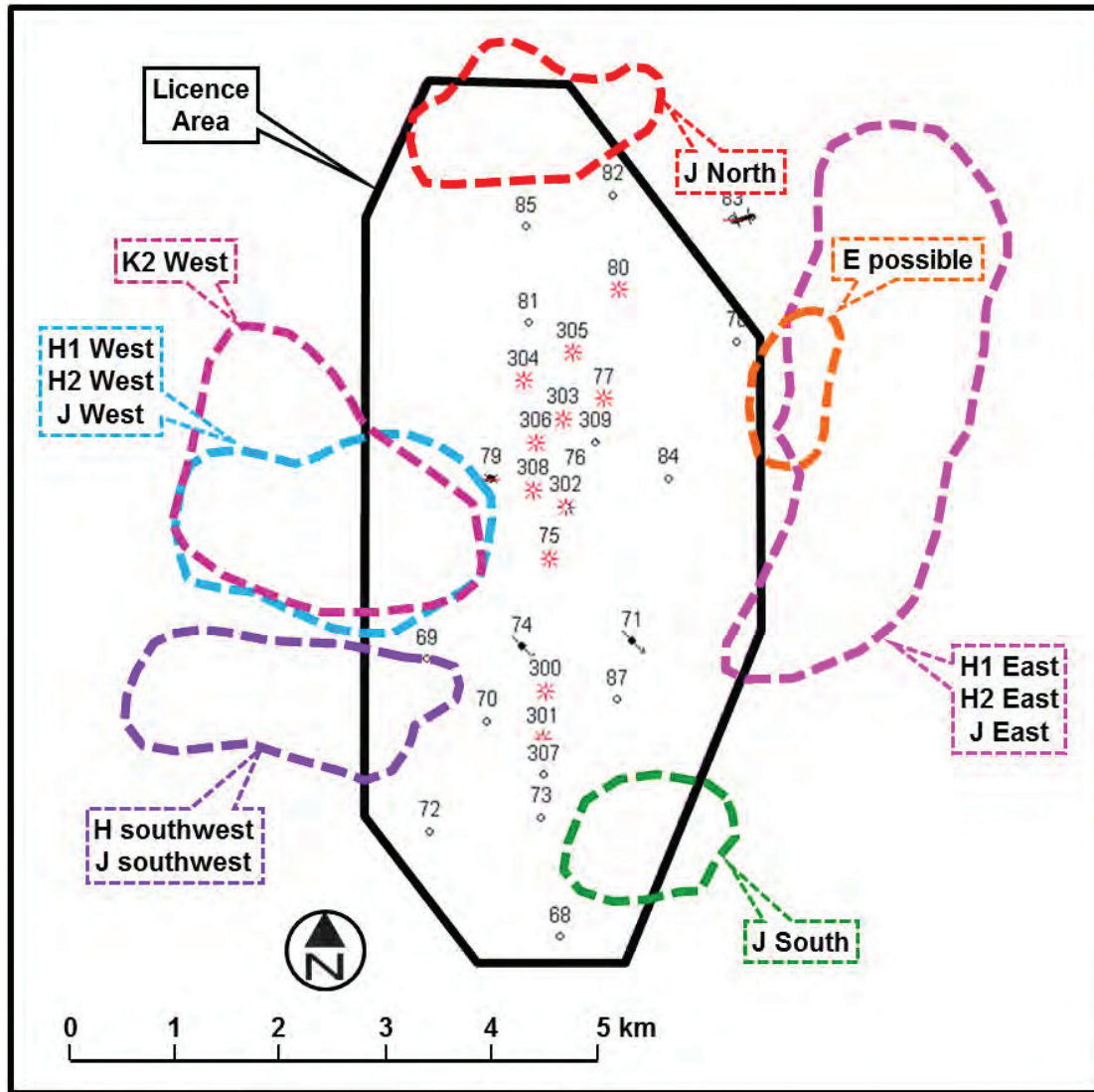


Figure 16: Undrilled Lobes

The undiscovered ISIS GIIP and prospective resource estimates for undrilled lobes is summarised in Table 5 and Table 6.

Bobocu Gas Field without Compression								
Undrilled Lobes								
Lobe	Undiscovered GIIP (Bcf)				Prospective Resources (Bcf)			
	P90	P50	P10	Pmean	P90	P50	P10	Pmean
E possible	0.51	0.95	1.76	1.08	0.2	0.45	0.92	0.52
H southwest	2.14	4.81	10.82	5.87	0.89	2.29	5.48	2.81
H 1 east	3.68	8.2	18.2	9.95	1.53	3.9	9.25	4.77
H 1 west	4.49	7.38	12.13	7.95	1.77	3.56	6.5	3.89
H 2 east	13.69	20.92	31.87	22.06	5.3	10.13	17.42	10.82
H 2 west	4.13	8.5	17.54	9.96	1.7	4.06	8.99	4.8
J south	0.47	0.98	2.06	1.16	0.19	0.47	1.05	0.56
J southwest	7.29	11.46	17.92	12.17	2.84	5.54	9.73	5.96
J west	6.03	9.46	14.81	10.05	2.35	4.57	8.03	4.93
J east	7.07	13.99	27.59	16.09	2.89	6.68	14.29	7.78
J north	0.2	0.45	1.02	0.55	0.08	0.21	0.52	0.26
K2 West	1.73	3.4	6.66	3.9	0.71	1.62	3.45	1.89
Total				100.8				49

Table 5: Bobocu Undrilled Lobes ISIS GIIP and Prospective Resources (Bcf) without compression (100%)

The ISIS prospective GIIP and prospective resource estimates for undrilled lobes within Zeta's licence is summarised in Table 6.

Bobocu Gas Field without Compression								
Undrilled Lobes within Licence								
Lobe	Undiscovered GIIP (Bcf)				Prospective Resources (Bcf)			
	P90	P50	P10	Pmean	P90	P50	P10	Pmean
E possible	0.5	0.95	1.81	1.06	0.2	0.45	0.94	0.52
H southwest	0.56	1.24	2.74	1.5	0.23	0.59	1.39	0.72
H 1 east	0.24	0.53	1.19	0.65	0.1	0.25	0.6	0.31
H 1 west	1.96	3.23	5.31	3.48	0.78	1.56	2.84	1.7
H 2 east	0.08	0.2	0.5	0.26	0.03	0.1	0.25	0.12
H 2 west	1.81	3.72	7.68	4.36	0.74	1.78	3.93	2.1
J south	0.33	0.73	1.58	0.87	0.14	0.35	0.81	0.42
J southwest	1.89	2.97	4.64	3.15	0.74	1.43	2.52	1.54
J west	2.64	4.14	6.48	4.4	1.03	2	3.51	2.16
J east	0.06	0.12	0.24	0.14	0.03	0.06	0.12	0.07
J north	0.12	0.28	0.63	0.34	0.08	0.21	0.52	0.26
K2 West	0.02	0.14	1.26	0.6	0.01	0.07	0.57	0.22
Total				20.81				10.15

Table 6: Bobocu Undrilled Lobes ISIS GIIP and Prospective Resources (Bcf) without compression facilities within Licence Area

The ISIS prospective GIIP and prospective resource estimates for undrilled lobes with compression facilities is summarised in Table 7.

Bobocu Gas Field with Compression								
Undrilled Lobes								
Lobe	Undiscovered GIIP (Bcf)				Prospective Resources (Bcf)			
	P90	P50	P10	Pmean	P90	P50	P10	Pmean
E possible	0.51	0.95	1.76	1.06	0.33	0.65	1.26	0.73
H southwest	2.14	4.81	10.82	5.87	1.42	3.29	7.41	3.95
H 1 east	3.68	8.2	18.24	9.95	2.45	5.61	12.5	6.69
H 1 west	4.49	7.38	12.13	7.96	2.94	5.07	8.53	5.45
H 2 east	13.69	20.92	31.87	22.06	8.89	14.38	22.64	15.18
H 2 west	4.13	8.5	17.54	9.96	2.74	5.82	12.07	6.74
J south	0.47	0.98	2.06	1.16	0.31	0.67	1.41	0.78
J southwest	7.29	11.46	17.92	12.17	4.75	7.88	12.7	8.36
J west	6.03	9.46	14.81	10.05	3.93	6.5	10.48	6.91
J east	7.07	13.99	27.6	16.09	4.68	9.58	19.1	10.92
J north	0.2	0.45	1.02	0.55	0.13	0.31	0.7	0.37
K2 West	1.73	3.4	6.66	3.9	1.15	2.33	4.61	2.65
Total				100.79				68.73

Table 7: Bobocu Undrilled Lobes ISIS GIIP and Prospective Resources (Bcf) with compression facilities (100%)

The undiscovered ISIS GIIP and prospective resource estimates for undrilled lobes with compression facilities within Zeta's licence area is summarised in Table 8

Bobocu Gas Field with Compression								
Undrilled Lobes within Licence								
Lobe	Undiscovered GIIP (Bcf)				Prospective Resources (Bcf)			
	P90	P50	P10	Pmean	P90	P50	P10	Pmean
E possible	0.51	0.95	1.76	1.06	0.33	0.65	1.22	0.72
H southwest	0.56	1.24	2.74	1.5	0.37	0.85	1.88	1.01
H 1 east	0.24	0.53	1.19	0.65	0.16	0.36	0.81	0.44
H 1 west	1.96	3.23	5.31	3.48	1.29	2.22	3.73	2.39
H 2 east	0.08	0.2	0.5	0.26	0.06	0.14	0.34	0.17
H 2 west	1.81	3.72	7.68	4.36	1.2	2.55	5.28	2.95
J south	0.33	0.73	1.58	0.87	0.22	0.5	1.08	0.59
J southwest	1.89	2.97	4.64	3.15	1.23	2.04	3.29	2.16
J west	2.64	4.14	6.48	4.4	1.72	2.84	4.59	3.02
J east	0.06	0.12	0.24	0.14	0.04	0.08	0.16	0.09
J north	0.12	0.28	0.63	0.34	0.08	0.19	0.43	0.23
K2 West	0.02	0.14	1.26	0.6	0.01	0.1	0.81	0.31
Total				20.81				14.09

Table 8 : Bobocu Undrilled Lobes ISIS GIIP and Prospective Resources (Bcf) with compression facilities within Licence Area

4.2 Jimbolia Licence

4.2.1 Jimbolia Veche - Pliocene VIII

PVIII is an oil reservoir, which has tested oil and high CO₂ gas. Production has not occurred from this interval. The results are summarised in Table 9 (100% share). Zeta owns a 100% working interest in the permit.

Zone	STOIIP (MMbbl)				Prospective Resources (MMbbl)			
	P90	P50	P10	Pmean	P90	P50	P10	Pmean
PVIII Oil	2.93	5.28	9.52	5.87	0.63	1.51	3.13	1.72

Table 9: Jimbolia Resource Estimate for Oil in PVIII (100%)

4.2.2 Jimbolia Veche - Pliocene III

PIII has produced 2.89 Bcf gas and 13 MMbbl of condensate. The field began production in November 1985. The field was abandoned in June 1998 and the reservoir is considered fully depleted.

4.2.3 Jimbolia Vest

There is very little data available on Jimbolia Vest. In addition, the field straddles over the border with Serbia and is potentially connected to the Serbian Crnja field.

1. No log interpretation data available
2. The seismic coverage is limited and does not extend into Serbia. The extent of the field is unknown
3. No information on production for the Serbian Crjna Field and, therefore, an indication if there has been any drainage from the Romanian section of the field.

For the above reasons, no resource assessment could be completed by ISIS for the Jimbolia Vest field.

4.3 Padureni Licence

The Padureni field contains a number of gas reservoirs, which have different GWCs. There are six zones of interest, Gas1, Gas2, Gas3, Gas4, Gas6 and Gas7. Gas production started in October 1991 from well Padureni 2 and continued to July 1996 when the field was abandoned due to depletion. Total production was 0.27 Bcf of gas from the shallow Gas1 and Gas2 reservoirs.

ISIS has calculated initial gas-in-place volumes and contingent resources for all produced and unproduced reservoirs with the exception of Gas6. This unit is expected to be in communication with the neighbouring Dumbravioara field which has historically been produced from this reservoir, however no data is available to assess the level of pressure depletion in Padureni. Therefore, no resource volumes have been assigned by ISIS to Padureni Gas6 at this stage.

4.3.1 Resources

A summary of the ISIS GIIP and contingent resource distribution for the produced Padureni reservoirs is shown in Table 10 (100% share). Zeta has a 12.5% interest in the permit.

Padureni Gas Field											
Produced Reservoirs											
Layer	GIIP (Bcf)					Ultimate Recovery (Bcf)				Cumulative Production (Bcf)	Contingent Resources (Bcf)
	P90	P50	P10	Pmean	Material Balance	P90	P50	P10	Pmean		Pmean
Gas1	0.14	0.33	0.65	0.37	0.12	0.08	0.19	0.44	0.14	0.06	0.09
Gas2	0.22	0.49	1.11	0.6	0.31	0.11	0.18	0.25	0.23	0.17	0.06
Total				0.97	0.43				0.38	0.23	0.15

Table 10: Padureni Field ISIS Contingent Resources from Produced Reservoirs (100% share)

The contingent resources for the unproduced reservoirs in Padureni are summarised in Table 11.

Padureni Gas Field								
Unproduced Reservoirs								
Layer	GIIP (Bcf)				Contingent Resources (Bcf)			
	P90	P50	P10	Pmean	P90	P50	P10	Pmean
Gas3	0	0.01	0.02	0.01	0	0	0.01	0.01
Gas4	0.05	0.49	1.16	0.56	0.01	0.14	0.35	0.16
Gas6*	0.49	1.47	3.2	1.7				
Gas7	0.05	0.46	1.03	0.51	0.01	0.17	0.43	0.2
Total				2.78				0.37

* No resource volumes estimated as level of depletion from neighbouring Dumbravioara field is unknown

Table 11: Padureni Gas Field ISIS Contingent Resources from Unproduced Reservoirs (100% share)

5.0 SIGNATURES



Signed:
Name: Enrique Carballido
Chief Operating Officer



Signed:
Name: Mark Brennan
Principal Geophysicist



Signed:
Name: Mike Walker
Principal Petrophysicist



Signed:
Name: Barry Messent
Principal Geologist



Signed:
Name: Werner Ribul
Principal Reservoir Engineer

APPENDIX A

Qualifications and Experience of the ISIS Staff responsible for the preparation of this report

Dr. Enrique Carballido: Chief Operating Officer

Enrique Carballido holds a Bs Eng in Geology, Magna Cum Laude, National University of Mexico and a Ph.D. in Geology from Tulane University USA. He has over 17 years of exploration, appraisal and development experience.

He worked for Shell for 17 years and in 2010 became an international oil and gas consultant. He has held a wide variety of technical and management roles in Shell.

He has extensive experience in completing seismic and well interpretations in a variety of depositional and structural settings.

He held a leadership role in the US deepwater Gulf of Mexico for development of hub-class projects of >200 MMbbl. The development of upstream gas reserves in Western China for a country wide pipeline project. The planning and production of the largest LNG project in Russia. He represented Shell's participation in development and production of major LNG projects in the North West Shelf of Australia.

Enrique was assigned in 2005 to become part of the Shell Development Australia Non-operated E&P organization, with accountability to represent Shell in the Greater Gorgon and North West Shelf joint ventures and with an advisory role for major subsurface Shell investment decisions on projects operated by Chevron and Woodside.

He was Project Manager for the Greater Western Flank Gas development operated by Woodside, a US \$6 billion multi-Tcf LNG development. Enrique had accountability on the strategy, planning, approval and corporate reporting activities in Shell's Australian portfolio.

Mark Brennan: Principal Geophysicist

Mark Brennan holds a BSc (Hons) in Physics from the University of Reading, U.K. and a PhD in Theoretical Physics from the University of Reading, U.K. He has over 35 years of oil and gas exploration, appraisal and development experience.

Mark worked for Schlumberger for 2 years, Shell International, Brunei and Holland for 6 years, Occidental for 7 years, Santos for 4 years, OMV for 10 years, Tullow for 5 years and has been an independent international consultant since 2006.

He has worked in a wide range of depositional and structural settings throughout the world. He is technically strong in both this understanding of depositional and tectonic processes together with the resultant seismic response of those processes.

Mark has worked in a variety of roles in large operating international companies. He has a proven track record of working effectively in independent or team roles. He is highly experienced in assessing exploration / appraisal risk and ranking opportunities. He has demonstrated that he can work and effectively communicate in a variety of cultural settings.

Mike Walker: Principal Petrophysicist

Mike Walker holds a BSc (Hons) from the University of New South Wales and has over 29 years of oil industry experience.

He has worked for 9 years with CSR Petroleum, 7 years with BHP Petroleum, 3 years with Woodside Offshore Petroleum, 6 Years with Baker Hughes and has been an independent consultant since 2004.

He has worked with operating companies in Australia, New Zealand, Indonesia, Malaysia, Thailand, Bangladesh, Brunei, China and Vietnam. He is experienced in wellsite supervision, logging and core analysis, tender evaluation and contract preparation and administration.

Mike is an expert in the petrophysical evaluation of reservoirs, as well as experienced in the planning and evaluation of exploration and development drilling programmes. The evaluations covered all aspects of petrophysics and dealt with different types of reservoirs, hydrocarbons and drilling fluids.

Mike has experience in exploration and production geology, economic assessment and prospect ranking through risking and basin analysis. He is also experienced with tools, data and products from the major wireline and FEWD logging companies. He is the founding President of the Formation Evaluation Society of Victoria, a chapter of the Society of Petrophysicists and Well Log Analysts.

Barry Messent: Principal Geologist

Barry Messent has an B. Sc in Petroleum Geology from Aberdeen University, Scotland. He has more than 30 years of experience as a petroleum geologist in a wide range of exploration and development settings. This has been gained working on acreage in Australia, SE Asia, West Africa, India, and Pakistan. He has worked in both exploration and production environments, for consultancies, major oil companies and independent operators.

He has extensive experience working on clastic reservoirs in Australia and SE Asia. He has participated in licence round applications, volumetric studies and reservoir modelling of various fields, and has published a number of papers on a range of subjects.

In Australasia, he has been responsible for asset valuations, evaluating exploration and production acreage, in both an operator and non-operator roles. He has worked off-shore Northern Australian and offshore Southern Australian Basin. Additional work has involved evaluating acreage in Indonesia.

Werner Ribul: Principal Reservoir Engineer

Werner Ribul holds an MSc in Petroleum Engineering from the University of Leoben, Austria. He has over 24 years of petroleum and reservoir engineering experience.

Werner worked for Shell International E&P, Netherlands for 1 year, Norske Shell, Norway for 2 years, Shell Expro UK for 4 years, Brunei Shell Petroleum, Brunei for 9 years, Woodside Energy Ltd, Australia for 3 years, Shell Development Australia for 5 years and as an independent consulting petroleum engineer since 2010.

He has extensive experience in reservoir engineering, field appraisal & development planning and execution, reserves estimation and certification, management of integrated reservoir studies and performance optimisation.

His core capabilities relate to working with and managing integrated multi-disciplinary teams for asset appraisal and development projects with specific focus on recovery optimisation opportunities, reserves determination and classification.

APPENDIX B

Definitions, Abbreviations and Glossary of Technical Terms

Glossary of Abbreviations

Abbreviation	Definition
1P	Taken to be equivalent to Proved Reserves; denotes low estimate scenario of Reserves
1Q	1 st quarter, also written as Q1
2P	Taken to be equivalent to the sum of Proved plus Probable Reserves; denotes best estimate scenario of Reserves
2Q	2 nd quarter or Q2
2D	Two dimensional
3D	Three dimensional
3P	Taken to be equivalent to the sum of Proved plus Probable plus Possible Reserves; denotes high estimate scenario of Reserves
3Q	3 rd quarter or Q3
4Q	4 th quarter or Q4
ACQ	Annual contract quantity
ATP	Authority to Prospect (QLD)
A\$	Australian dollars
A\$ MM	Million Australian dollars
Bg	Gas formation volume factor. Units: reservoir volume per volume at standard conditions, expressed in surface volume/reservoir volume. More often used is 1/Bg and is a large number otherwise known as the expansion factor. Determined using reservoir pressure, reservoir temperature and gas composition and Boyles Law.
Bo	Oil formation volume factor. Reservoir volume per volume at standard conditions expressed in reservoir volume/surface volume. More commonly used is , 1/Bo is a number less than 1 and is termed the shrinkage factor. Determined using oil composition
BOE	US barrels of oil equivalent
bbI	US barrel
bbI/d	US barrels per day
BBTU	Billion (10 ⁹) British Thermal Units
Bcf	Billion (10 ⁹) cubic feet
BCPD	Barrels of condensate per day
BFPD	Barrels of fluid per day
BML	Below mud line
BOPD	Barrels of oil per day
BTU	British Thermal Units
BWPD	Barrels of water per day
C	Celsius
Capex	Capital expenditure, the cost of setting up a facility
CGR	Condensate Gas Ratio – usually expressed as bbl/MMscf
CIIP	Condensate initially in-place
CO ₂	Carbon dioxide
Cp	Centipoise (measure of viscosity)
CPI	Consumer Price Index

Abbreviation	Definition
CPF	Central processing facilities
Cr/Mo	Chrome / Molybdenum steel alloy, used where gas has a high CO ₂ content
DCF	Discounted cash flow
DCQ	Daily contract quantity
deg	Degrees
DHI	Direct hydrocarbon indicator
DST	Drill stem test
EIA	US Energy Information Administration
EMV	Expected monetary value
EOR	Enhanced oil recovery
EP	Exploration Permit (WA)
ESP	Electric submersible pump
EUR	Estimated ultimate recovery
F	Degrees Fahrenheit
FDP	Field Development Plan
FEED	Front end engineering design
FID	Final investment decision
Fm	Formation
FPSO	Floating offshore production and storage unit
FS	Flooding surface
FWL	Free water level, position in the reservoir where water occupies the bulk of the pore volume and below which a pressure gradient will be related to the density of the water, see OWC and GWC
FVF	Formation volume factor
G&G	Geological and Geophysical
GIIP	Gas initially in-place
GJ	Giga (10 ⁹) joules
GOC	Gas-oil contact
GRV	Gross rock volume
GSA	Gas sales agreement
GWC	Gas water contact, position in the reservoir above which gas occupies the bulk of the pore volume and where a pressure gradient will be related to the density of the gas
H1	First half year, and H2
H ₂ S	Hydrogen sulphide
HHV	Higher heating value, related LHV (Lower Heating Value) properties of flammable fuels
HI	Hydrogen Index
HKW	Highest know water, for cases where a FWL cannot be identified
ID	Internal diameter
IRR	Internal Rate of Return is the discount rate that results in the NPV being equal to zero.
JV(P)	Joint Venture (Partners)
KB	Kelly Bushing
K _h	Horizontal permeability
k _{rg}	Relative permeability to gas
k _{ro}	Relative permeability to oil
k _{rw}	Relative permeability to water

Abbreviation	Definition
k _v	Vertical permeability
Km	Kilometres
KPa	Kilo (thousand) pascal (measurement of pressure)
LCC	Lowest closing contour
LKG	Lowest known gas
LKO	Lowest known oil
LNG	Liquefied natural gas
LPG	Liquefied petroleum gas, predominantly propane and butane
m	Metres
Ma	Millions of years
MDT	Modular dynamic formation tester – at type of wireline formation pressure device
MDQ	Maximum daily quantity
Mean	Average of a series of values, usually Arithmetic if not qualified, with Harmonic or Geometric
mD	Millidarcies (permeability)
MFS	Maximum flooding surface
Mgal	Milligal. A unit of acceleration used with gravity measurements (1.0 ⁺⁵ Mgal = 1.0 m/sec ²)
MJ	Mega (10 ⁶) Joules
mKB	Metres below Kelly Bushing
Mm ³	Million cubic metres
MMbbl	Million US barrels
MMBOE	Million US barrels of oil equivalent
MMBTU	Million British Thermal Units
MMscf	Million standard cubic feet
MMscfd	Million standard cubic feet per day
MMstb	Million US stock tank barrels
MOD	Money of the Day (nominal dollars) as opposed to money in real terms
Mscf	Thousands standard cubic feet
Mstb	Thousand US stock tank barrels
Mstb/d	Thousand US stock tank barrels per day
MPa	Mega (10 ⁶) pascal (measurement of pressure)
mss	Metres subsea
Mtpa	Million metric tonnes per annum
mTVDss	Metres true vertical depth subsea
NPV	Net Present Value (of a series of cash flows)
NTG	Net to Gross (ratio)
NZ\$	New Zealand dollars
NZ\$ MM	Million New Zealand dollars
OD	Outside Diameter
Opex	Operating expenditure, the cost of keeping a facility running
OWC	Oil-water contact, see FWL
P10 / high estimate	There should be at least a 10% probability that the quantities actually recovered will equal or exceed the high estimate
P50 / best estimate	There should be at least a 50% probability that the quantities actually recovered will equal or exceed the best estimate

Abbreviation	Definition
P90 / low estimate	There should be at least a 90% probability that the quantities actually recovered will equal or exceed the low estimate
PBU	Pressure build-up
PEL	Petroleum Exploration Licence (South Australia & NSW)
PHIE	Effective porosity
PHIT	Total porosity
PJ	Peta (10^{15}) Joules
PSC	Production Sharing Contract
POS	Probability of success, the product of the probability of closure, reservoir, seal and source
PPL	Petroleum Prospecting Licence (PNG)
PSDM	Pre-stack depth migration
psi(a)(g)	Pounds per square inch pressure (absolute) or (gauge = absolute +14.7)
p.u.	Porosity unit e.g. porosity of 20% +/- 2 p.u. equals a porosity range of 18% to 22%
PVT	Pressure, volume & temperature
QA	Quality assurance
QC	Quality control
rb/Mscf	Reservoir barrels per thousand standard cubic feet under standard conditions
rb/stb	Reservoir barrels per stock tank barrel under standard conditions
RL	Retention Lease (Offshore Australia)
Rock-Eval	Rock Evaluation Pyrolysis – the process of heating a sample and analysing the evolved gasses to determine the source rock potential
RT	Rotary Table – part of the drilling rig and used as a reference level for the determination of depth, eg mRT Also Real Terms (in the reference date dollars) as opposed to Nominal Terms of Money of the Day
S2	During the Rock-Eval process sediments are heated in the laboratory. The proportion of hydrocarbons that can be liberated as the temperature rises are defined as S1, S2 and S3. S1 is the initial amount of hydrocarbons that lies within the pore spaces; S2 is amount of hydrocarbons generated after S1 has been released and is the latent potential of the rocks prior to the generation of CO ₂
SB	Sequence boundary
SC	Service Contract
scf	Standard cubic feet (measured at 60 degrees F and 14.7 psia)
S _g	Gas saturation
S _{gr}	Residual gas saturation
Sh	Hydrocarbon saturation, proportion of the pore volume occupied by hydrocarbon
Shr	Residual Hydrocarbon Saturation – proportion of the pore volume occupied by hydrocarbon when no more hydrocarbon can be extracted
SPE	Society of Petroleum Engineers
sq Km	Square kilometres
SS	Subsea – depth below sea level or local height datum
STB	Stock tank barrels
STEO	Short term energy outlook
STOIIIP	Stock tank oil initially in-place
s.u.	Fluid saturation unit. e.g. saturation of 80% +/- 10 s.u. equals a saturation range of 70% to 90%
S _w	Water saturation (1-Sh) proportion of the pore volume occupied by water

Abbreviation	Definition
Swirr	Irreducible Water Saturation – proportion of the pore volume occupied by water when no more hydrocarbon can be introduced into the pores
TAC	Technical assistance contract
TBTU	One trillion (10 ¹²) British thermal units
Tcf	Trillion (10 ¹²) cubic feet
TJ	Tera (10 ¹²) Joules
TOC	Total organic carbon
tpa	Tonnes (metric) per annum
tpd	Tonnes (metric) per day
TS	Transgressive surface
TVD	True vertical depth where the borehole is not vertical
Unc.	Unconformity
US\$	United States dollar
US\$ MM	Million United States dollars
V _R	Vitrinite Reflectance
WACC	Weighted average cost of capital
WHFP	Well Head Flowing Pressure
WP&B	Work programme and budget
WPC	World Petroleum Council
WTI	West Texas Intermediate Crude Oil

Glossary of Technical Terms

Geological Term	Definition
2D seismic	Two dimensional seismic data is collected and processed in a individual lines, usually comprising a grid of parallel lines and lines oriented at right angles. The detectors, or geophones are laid out along the surface and the sound source, either a small explosion or a truck with a vibrating weight is moved progressively along the line. The distance between the lines controls the level of detail that can be identified on the subsurface. Each line is processed separately and the resulting data from each line are essentially independent, even at the line intersections where misties may occur. Two dimension seismic exploration techniques date back to the origin of the technique and are still used in reconnaissance exploration, and are relatively cheap.
3D seismic	Three dimensional seismic data is collected by a grid of geophones spaced. The data processing combines information from the geophones into bins, analogous to a vertical columns on a chessboard and the processed data is presented as a three dimensional volume of information that may be viewed and interpreted from any perspective using appropriate interpretation software. Three dimension seismic is commonly acquired offshore, and only in the last 10 years has on-shore acquisition been common place. It is much more expensive to acquire and process and is application onshore has been limited to regions of high prospectively
acquisition parameters	Information pertaining to how a seismic survey is recorded, such as the distance between each geophone, the type of seismic source and how many times the source is activated at each location and the information summed to boost the strength of the signal and reduce the effects of random noise.
alluvial fans	A cone-shaped deposit of alluvium made by a stream where it runs from hills onto a level plain
amplitude anomaly	Part of a seismic horizon showing a change in signal strength, see seismic amplitude.
amplitude extraction	A seismic processing technique to produce numerical data for the seismic signal strength, see seismic amplitude
anticline	A fold, generally convex upward, whose core contains older rocks; forms basis of many hydrocarbon traps
arbitrary seismic section	A seismic section produced from a 3D data set to look like a 2D seismic line. Due to the properties of the 3D data set it can be at any geographic orientation.
basement depth structure maps	A map which illustrates the depth to the top of the basement surface; contour lines are drawn to link points of equal basement depth; basement usually consists of non-sedimentary rocks, but the term is often used to indicate the base of the prospective section
basement highs	Elevated structures at the basement level; significant because related structures may exist in the overlying prospective sedimentary section
base seal	Seal at the bottom of a reservoir, required in stratigraphic traps
block	Subdivision of an exploration permit – usually as a result of a farmout or farmin
bouguer gravity map	A map showing the variations in Bouguer gravity over an area; Bouguer gravity is the gravity measurement corrected for the altitude of the station & the attraction of the rock mass between the station & sea-level
braided	Refers to a stream where branches form and re-join producing a braided or net-like pattern; caused by stream dumping some of its sediment load and being forced to create new branches
burial modelling	Describing the infilling of a sedimentary trough as a function of time and space; used to predict the time of generation, migration and expulsion of oil & gas
capillary effects	Physical property of porous material to soak up fluids, related to porosity and permeability
casing	Steel pipe used to line hydrocarbon wells
check shot	Using a specific well logging tool to measure the time it takes a sound wave to travel from the surface to particular depths in the well, and compared to the seismic survey data

Geological Term	Definition
chronostratigraphy	The organisation of rock strata in an area into units on the basis of their age or time of origin; usually includes information on periods of non-deposition or erosion & the lithology and environments of deposition of the sediments
clastic	Refers to rock or sediment composed mainly of broken fragments which are derived from pre-existing rocks & have been transported some distance from their place of origin; the commonest clastics are sand and shale
closure	An area or volume enclosed by a depth contour above the spill point, and also used on the POS calculation as the probability of closure
completion cost	Costs associated with preparing (known as a completion) a well for production, and include pipe and equipment installed in the well to allow the controlled production of the hydrocarbons. Dry holes would typically not be completed
compression	Using gas compressors to increase the pressure in surface pipelines and hence move a large volume of gas
condensate	Liquid recovered from processing natural gas, quite valuable
conglomerate	Coarse grained clastic sedimentary rock composed of rounded to subangular fragments larger than 2 mm in diameter set in a fine grained matrix of sand or silt
contingent resources	Those quantities of petroleum estimated, as of a given date, to be potentially recoverable from known accumulations by application of development projects, but which are not currently considered to be commercially recoverable due to one or more contingencies
continuously cored	An interval where that is cored over the entire interval of interest or in some cases the entire well; the recovered core is invaluable for directly analysing rock properties
contour	A line joining points of equal elevation
core	Cylindrical prisms of rock obtained using a special drilling bit which allows intact samples of the rock to be examined, see cuttings
core analysis	Physical measurements made on samples of core, for properties such as porosity, permeability and rock strength
craton	A geologically stable region of old rocks, from Greek meaning strength
cratonic fill	Refers to sediments deposited in basins or troughs within an area of the earth's crust which has been stable and relatively undeformed for a prolonged period
cuttings	Typically rock from the drilling process is brought to the surface in the mud circulation system as fragments or individual grains where it is examined under a microscope, see core
depth conversion	Process of converting seismic horizon information which are usually given in units of time to depth using seismic interval velocity information
depth structure map	Refers to a map which shows the varying depths to a specific geological horizon or unit; contour lines are drawn to link points with equal depth
depth to basement map	See above for basement depth structure map
development well	Well drilled into a known hydrocarbon accumulation or pool for the purpose of extracting oil or gas
discount Rate	The interest rate used to discount future cash flows into a dollars of a reference date
drilling costs	Costs associated with drilling an exploration well, also referred to as a dry hole cost
drilling location	The physical location for an exploration well to drill into a prospect
dry hole	An unsuccessful exploration well, also known as a duster
ethane	C ₂ H ₆ , component to natural gas. Has more value than methane, and is separated from methane in the Cooper Basin and piped separately to a processing plant in South Australia
farmin	Earning an interest in a block or well by paying a share of the costs, see working interest
farminee	Company farming in
farmout	Offering an interest in a block or well

Geological Term	Definition
fault lineaments	A fault is a fracture or fracture zone where there has been displacement of the sides relative to each other parallel to the fracture; the displacement may range from a few cm to several km; faults appear in map view as lineaments or lines
feldspars	The most widespread mineral group, comprising 60% of the earth's crust; decompose to form most of the clay in soils, including kaolinite; may be significant in reducing reservoir porosities in sandstones
floodplain	A geographic setting where a river flows over a very flat environment and the fluvial channel is surrounded by swampy ground that is periodically inundated by floods, see fluvio deltaics
fluvial channel	A channel produced by the erosional action of a river or a stream
fluvio deltaics	Sediments which are deposited in river channels and deltas where the river is close to or reaches a lake or the sea
fold	In general terms how many times the seismic source is activated to boost the strength of the seismic signal and reduce the effects of random noise. In general the higher the fold, the more time consuming and more costly the survey
formation volume factor	Either 1/Bg for Gas or 1/Bo for Oil, see Bg or Bo
G&G studies	Geological and geophysical studies which are conducted to understand some or all of the components of a petroleum system, e.g. source, maturation, migration, reservoir, seal, play, structure, trap
geochemistry	The study of chemical processes within the earth, in the petroleum industry this is chiefly concerned with the processes that produce hydrocarbons from source rock
geology	The study of the earth, usually by direct examination of the rocks or extrapolating information from known areas to a region of interest to determine the origin of the rocks their properties and potential value
geologic pick	A change in geology noted when drilling a well or seen on well logs, may be related to a seismic pick
geophysics	The study of the earth, usually by indirect means, examining the seismic, magnetic and gravitation response of the earth, and formulating interpretations on the structure of earth, the possible rock types present and potential fluid contents of reservoir rocks
graben	An elongated trough bounded by faults on its longer sides
gravity & magnetic survey	A field operation and the results thereof, in which the earth's magnetic field or gravity field are measured on the surface in some form of regular grid
gross rock volume	The volume of rock contained in a prospect bounded by the LCC
horst	A structurally high block generally elongated and bounded by faults on its two longer sides
hydrocarbon column	The portion of the reservoir that contains hydrocarbon as opposed to formation water. The hydrocarbon column may consist of an oil column and a gas column, or may be only gas or only oil.
hydrocarbon system	A term which describes the total environment in which oil and gas has been generated, migrated and trapped; it can refer to a proven system such as the Viking Graben in the North Sea hydrocarbon system or it can be used to describe an unproven system
isochron mapping	Mapping in which the interpreted seismic time interval between mapped geological horizons is shown; contour lines are drawn to link points of equal time interval
interval velocity	Speed taken by a sound wave between two seismic picks or horizons
intra-cratonic	Literally inside a craton or continent, eg an intra-cratonic basin is a sedimentary basin inside a continent and surrounded by older rocks.
lacustrine	Pertaining to, produced by or formed in a lake; e.g. lacustrine sediments are deposited in lakes
lateral connectivity	The degree to which reservoirs at the same depth are connected. An analogy is a road with only a painted line to separate traffic (fully connected) , a road with a median strip (partially connected) and a divided freeway (no connectivity)

Geological Term	Definition
lead	A potential trap for hydrocarbons which is not mature for drilling; additional information could make it mature to prospect status e.g. a structure which has sparse seismic control
lenticular	Shaped like a lens; e.g. a lenticular sand body refers to the cross-sectional shape of a sand deposit
manifold	Pipeline junction where many pipelines are joined and one pipe takes the combined flow to the next stage of the process
mature, maturity	A property of source rock which has been heated to the point where hydrocarbons can be expelled to make their way to the reservoir
merged 3d data	A processing technique that takes the raw data from several 3D seismic surveys and combines and processes the information as if all the data had been recorded together
metamorphics	Types of rocks which have been altered from their original state by marked changes in temperature, pressure or chemical environment, usually at depth within the Earth's crust
methane	CH ₄ , the simplest molecule in natural gas, and forms the bulk of the gas piped to consumers
migration	The movement of hydrocarbons from the mature source to the reservoir Also a seismic processing technique to attempt to correct for the effects of refraction of the sound waves
misties	Mismatches in seismic travel times to a specific horizon at two intersecting seismic lines; if large and not properly corrected they can throw doubt on the validity of potential hydrocarbon traps
multiples	Multiple echoes from rock layers caused by the sound waves taking different paths to return to the surface
net to gross	The proportion of porous and permeable reservoir section (net) over a defined gross interval also known as N/G
onlap	Seismic stratigraphy term related to pinchout
permeability	The capacity of a rock for transmitting a fluid; the unit is the Darcy
petrophysics	Literally the physics of rocks – a discipline in the oil industry associated with understanding the composition of the reservoir and the reservoir fluids. Much of this information can be derived from well logs
pinchout	Related to a stratigraphic trap, where the reservoir rock becomes thinner due to lower a reduction in the rate of deposition or increased erosion.
play types	The types of traps that may be present to entrap hydrocarbons in an area
pool	A volume of hydrocarbon contained in a reservoir and may be accessed by several wells
pore-clogging	During the drilling of a well, the invasion of drilling fluids can either result in clays being forced into the reservoir section or cause clays in reservoir pore spaces to swell or to be altered, resulting in pore-clogging and damaging the formation
porosity	The spaces between the grains in a reservoir, expressed as a percentage of the total rock volume, also referred to as the pore volume
post-rift sedimentary fill	Refers to the ongoing infilling of a sedimentary depression at the end of a rifting phase; post rifting, a more quiescent period usually follows, with more widespread deposition
porosity	The percentage of the volume of a given rock mass which is not made up of solid rock, but of interstices or voids between the rock material
probabilistic volumetrics	A method of calculating the potential distribution of hydrocarbon volumes in a trap using probability distributions of the key parameters such as gross rock volume, porosity, net to gross etc.; employing various distribution functions, such as lognormal or triangular.
production profile	Computed forecast for the hydrocarbon production for a well or field based on the geological and reservoir engineering analysis
prograding	A seaward advance or building outwards of the shore line into the ocean or a lake

Geological Term	Definition
prospect	An undrilled potential trap for hydrocarbons which has is ready for drilling
prospect evaluation	The process of determining whether a place of intersect in the sub surface has the relevant attributes to contain hydrocarbons. This is usually a team effort utilising the skills of the geophysicist, the geologist, the petrophysicist and geochemist.
prospective resources	Those quantities of petroleum which are estimated, on a given date, to be potentially recoverable from undiscovered accumulations according to the definitions of the Society of Petroleum Engineers, World Petroleum Council and American Association of Petroleum Geologists.
public domain data	Information released to the public having been collected during the drilling of a well or from a seismic survey and kept confidential for periods of time dictated by the designated authorities, also known as open file data
raw gas	Gas at the well which has not had impurities, and liquids removed, see sales gas and condensate
recovery efficiency	The ability to extract fluids and gasses from the reservoir, see recovery factor
recovery factor	The proportion of the fluids and gasses in the reservoir that can be extracted and sold
reserves	Reserves are those quantities of petroleum anticipated to be commercially recoverable by application of development projects to known accumulations from a given date forward under defined conditions
reservoir	A rock that can contain hydrocarbons and allow hydrocarbons to be extracted and also used in the POS calculation as the probability that the reservoir exists
rotated fault block	A fault block that has been rotated and tilted so that the beds within the block are now tilted
sales gas	Processed gas free from impurities, meeting a pre-determined set or properties for which an agreed price will be paid
seal	An impermeable layer of rocks which does not allow transmission of fluids and used in the POS calculation as the probability that the seal exists
seismic amplitude	The strength of the sound wave returning to the surface from a particular horizon, with high quality seismic data this attribute may relate to the fluid content of rocks adjacent to the horizon
seismic frequency	Expressed in Hertz, the period of the sound wave, and relates to seismic resolution
seismic pick	A well defined layer identified on a seismic section, usually relating to a change in geology, also known as a seismic horizon
seismic processing	Taking the raw information from the geophones, the location of the geophones and the location of the seismic sources, and information about the near surface conditions, removing noise from the signals to produce seismic sections that show defined and interpretable seismic horizons. Raw seismic data is generally not able to be interpreted
seismic resolution	The ability of the seismic data to be able to separate two rock layers into two seismic horizons. It is related to depth of the layers and the seismic data quality. For land seismic data it is often impossible to separate layers that are 10m apart.
seismic section	Physical representation of the results of a seismic survey, which shows the reflected signals display as a vertical slice through the earth
seismic survey	A geophysical technique in which the generation of sound waves near the ground surface or in the ocean and the recording of reflected signals from rock interfaces allows a picture of the subsurface structure of the earth to be generated
separation	Process to split the components of natural gas in to separate streams for further processing and sale, the first stage is generally gas and condensate, other stages may separate methane from ethane and from LPG
shale	A fine-grained laminated fissile sedimentary rock formed by the consolidation of clay
shut-in	The state of a reservoir or pool when production has been temporarily stopped
source rock	Rocks that are rich in organic material, such as coal and oil shale, formed from decaying plants and algae and used in the POS calculation that the source (rock) exists and is mature and is able to migrate to the reservoir

Geological Term	Definition
source rock maturity maps	A map which shows for a specific source rock the level of maturity of the organic material in the rocks over an area; contour lines are drawn linking points of equal maturity
spill point	A point on a hydrocarbon trap where if the structure is filled to that level with hydrocarbons, any additional hydrocarbons which move to the structure will spill out of the trap
stacked reservoirs	Reservoirs situated vertically above each other, but not connected, so that fluids may be extracted without extracting fluids from the other reservoirs
stratigraphy	The science of rock strata; the original succession of strata, their age relations, form, distribution, lithologic composition, fossil content, geophysical & geochemical properties; their interpretation in terms of environment, mode of origin, geologic history.
stratigraphic trap	A means of containing hydrocarbon where the reservoir quality changes from porous to impermeable.
structural trap	A means of containing hydrocarbon where the reservoir is deformed to create a dome or where a fault provides juxtaposition of a seal against the reservoir
syn-rift fill	The sediments deposited during a period of active rifting; sediment type and distribution is profoundly affected by the horsts and grabens which develop during the rifting
technical success	A term used to tease explorationists when a well finds a small non-commercial quantity of hydrocarbon
tectonic elements	Tectonics- a branch of geology dealing with the broad architecture of the outer part of the earth, i.e. the regional assembling of structural or deformational features, a study of their mutual relations, origin and historical evolution Tectonic elements- The key features that define the architecture of the outer part of the earth; including but not limited to faults, basins and structural highs
tectonic evolution	The development through geological time of an area in regard to the large-scale architecture of its crustal blocks
tectonic setting	The large scale architecture of crustal blocks in an area which provides a context for the development and history of sedimentary basins or troughs
thermal gradient	The rate of change of temperature with distance; for the earth, it is referred to as geothermal gradient, i.e. rate of change of temperature with depth below the surface of the earth
time structure maps	Refers to a map which shows the varying seismic travel-time to a specific geological horizon or unit; contour lines are drawn to link points with equal depth
time thickness maps	See isochron maps
tolling arrangement	Agreement to use and pay for a third party to transport and process the hydrocarbons produced
top seal	Seal above the reservoir
transtensional structuring	Structuring which combines the two elements of extension and strike-slip motion
trap	Trap- any barrier to the upward movement of oil and or gas allowing either or both to accumulate; it includes both the reservoir rocks and the overlying or updip impermeable sealing rocks Structural trap- in this case the trap or "container" is formed entirely by folding or faulting of beds to create the impermeable barriers to further migration Stratigraphic trap- at least in part. the trap is formed by a lateral change in the reservoir permeability, e.g. a reservoir sand being replaced by a shale
tuning	A property of the seismic sound wave where various reflections can cause constructive or destructive interference, related to seismic frequency and bed thickness
unconformity	A surface of erosion or no-deposition that separates younger strata from older rocks

Geological Term	Definition
uphole	Method of collecting information about the near surface seismic conditions from shallow holes drilled during the seismic survey. The near surface conditions vary more rapidly than the conditions deep in the earth and are frequently the cause of poor quality or unpredictable data in land based seismic surveys
velocity surveys	Measurements of seismic travel-time recorded at various depths in a well to allow seismic reflectors to be associated with specific geological boundaries in the rock sequence
vertical connectivity	The degree that reservoirs above and below each other are connected. Discret stacked reservoirs have no vertical connectivity
volumetric equation	$Gross\ Rock\ Volume * N/G * Porosity * Sh * Formation\ Volume\ Factor = Hydrocarbons\ in\ Place$
weathering profile	The characteristics of the layer of soil and altered rock from the surface to rock that has been unaffected by erosion and ground water. Investigated by uphole surveys
well logs	The data resulting from various measurements made while drilling or after drilling by equipment that measures various properties of the rocks, such as electrical conductivity, density and the velocity of sound.
well synthetic	Seismic section computed from well logs and used to compare with the seismic survey data
well tie	Comparing the rock layers encountered during the drilling of a well with the layers identified on the seismic sections. Related to the quality of the geological picks, the geophysical picks and the seismic interval velocities
wildcat	Term for an exploration well
working interest	A company's equity interest in a project before reduction for royalties or production share owed to others under the applicable fiscal terms.
workover	An operation on a producing well usually to change equipment in the well or to enhance production

(modified after (1) Dictionary of Geological Terms, American Geological Institute, 1962 and (2) Glossary of Geology; Bates R. L. & Jackson J. A. (eds), American Geological Institute, 1980

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9. FINANCIAL INFORMATION

9.1 Introduction

This section contains the following financial information, prepared by the Directors:

- The Historical Consolidated Statement of Financial Position of Zeta Petroleum plc ("Zeta" or "the Group") as at 31 December 2011.
- A Pro Forma Consolidated Statement of Financial Position of Zeta as at 31 December 2011, which assumes completion of the transactions set out in Note 3 as at that date, including the minimum subscriptions under this Prospectus.
- A Pro Forma Consolidated Statement of Financial Position of Zeta as at 31 December 2011, which assumes completion of the transactions set out in Note 3 as at that date, including the maximum subscriptions under this Prospectus.

Collectively the "**Financial Information**".

The Directors of the Group are responsible for the inclusion of all financial information in the Prospectus. The Historical and Pro Forma Consolidated Statements of Financial Position have been reviewed by Ernst & Young whose Investigating Accountant's Report is contained in Section 10.

9.2 Basis of Preparation and Presentation of the Consolidated Historical and Pro Forma Statements of Financial Position

The Consolidated Historical Statements of Financial Position as at 31 December 2011 have been derived from the respective companies' underlying books and records and the 31 December 2011 Consolidated Statement of Financial Position of Zeta Petroleum plc.

The Pro Forma Consolidated Statements of Financial Position have been presented on the basis consistent with the Historical Consolidated Statement of Financial Position of the Group as at 31 December 2011. As set out in Note 3, Pro Forma adjustments have been made to the Historical Consolidated Statement of Financial Position of the Group as at 31 December 2011 to compile the Pro Forma Consolidated Statement of Financial Position of the Consolidated Entity as at that date, and:

- (i) a minimum subscription to raise AU\$5,000,000 (£3,292,723) by the issue of 25 million CDI's for fully paid ordinary Shares; and
- (ii) a maximum subscription to raise AU\$12,000,000 (£7,902,535) by the issue of 60 million CDI's for fully paid ordinary Shares under the public offer.

The financial information contained in this Prospectus is presented in an abbreviated form and does not contain all the disclosures required by International Financial Reporting Standards as adopted by the European Union.

The Financial Information in this section should be read in conjunction with:

- the summary of significant accounting policies and additional financial disclosures set out in Note 1;
- the Pro Forma Statements of Financial Position assumptions set out in Notes 1 and 2;
- the risk factors as set out in Section 7 of this Prospectus; and
- other information contained within this Prospectus.

9.3 Directors' Forecasts

It was determined by the Directors of the Group not to include forecast information.

9.4 Consolidated Historical and Pro Forma Statements of Financial Position

		Zeta Petroleum plc			
		Historical	Pro-forma	Pro-forma	
		31 December 2011	31 December 2011	31 December 2011	
		£	Assumed Capital	Assumed Capital	
Note		£	Raising \$5,000,000	Raising \$12,000,000	
		£	£	£	
CURRENT ASSETS					
	Cash and cash equivalents	4	238,000	3,202,409	7,485,858
	Trade and other receivables	5	597,000	597,000	597,000
	Prepayments and accrued		180,865	9,000	9,000
	TOTAL CURRENT ASSETS		1,015,865	3,808,409	8,091,858
NON-CURRENT ASSETS					
	Exploration & Evaluation	6	379,000	379,000	379,000
	Property Plant and Equipment	7	9,000	9,000	9,000
	TOTAL NON-CURRENT ASSETS		388,000	388,000	388,000
	TOTAL ASSETS		1,403,865	4,196,409	8,479,858
CURRENT LIABILITIES					
	Trade and other payables	8	395,000	395,000	395,000
	Interest bearing loans & borrowings	9	2,361,000	-	-
	TOTAL CURRENT LIABILITIES		2,756,000	395,000	395,000
NON-CURRENT LIABILITIES					
	Provisions		78,000	78,000	78,000
	TOTAL NON-CURRENT LIABILITIES		78,000	78,000	78,000
	TOTAL LIABILITIES		2,834,000	473,000	473,000
	NET ASSETS/(LIABILITIES)		(1,430,135)	3,723,409	8,006,858
EQUITY					
	Issued Capital	11	71,000	105,390	128,439
	Share premium reserve	12	1,773,000	6,797,883	10,877,186
	Share options reserve	13	-	2,246,787	2,431,560
	Foreign currency translation reserve		263,000	263,000	263,000
	Accumulated losses	14	(3,537,135)	(5,689,650)	(5,693,327)
	TOTAL EQUITY		(1,430,135)	3,723,409	8,006,858

9.5 Notes to and Forming Part of the Consolidated Historical and Pro Forma Statements of Financial Position

1. General Information and Accounting Policies

Zeta Petroleum plc ("Zeta") was incorporated in the United Kingdom on 12 September 2005. On 6 January 2012, Zeta Petroleum plc registered as a foreign business in Australia.

The Pro Forma Consolidated Statements of Financial Position presented in this Financial Information represent the ongoing business of Zeta; a foreign business operation that is listed on the Australian Stock Exchange ("ASX").

The Financial Information set out in the Prospectus has been prepared in accordance with the recognition and measurement principles (but not all the disclosure requirements) prescribed by International Financial Reporting Standards as adopted by the European Union.

International Financial Reporting Standards as adopted by the European Union differs in certain respects from Australian Equivalents of International Financial Reporting Standards. The directors have determined that the differences have no impact on the Financial Information set out in the Prospectus.

(a) Basis of Preparation

The Financial Information has been prepared on an accruals basis, based on historical cost and, except where stated, does not take into account changing money values or current valuations of non-current assets.

(b) Basis of Consolidation

The Financial Information comprises the financial statements of Zeta and its subsidiaries (the "Consolidated Group") as at 31 December 2011. The financial statements of the subsidiaries are prepared for the same reporting period as the parent company, using consistent accounting policies.

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

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

(c) Joint Ventures

The Consolidated Group has a number of contractual arrangements with other parties which represent joint ventures.

A joint venture is a contractual arrangement whereby the Consolidated Group and the other parties undertake an economic activity that is subject to joint control.

Where a Consolidated Group company undertakes its activities under joint venture arrangements, the Consolidated Group's share of jointly and directly controlled assets and any liabilities incurred jointly with other ventures are recognised and classified according to their nature. The Consolidated Group's share of joint venture expenses are recognised when it is probable that the

economic benefits associated with the transactions will flow from the Consolidated Group and their amounts can be measured reliably.

(d) **Foreign Currencies**

The functional and presentational currency of Zeta is British pounds. Each entity in the Group translates foreign currency transactions into its functional currency at the rate of exchange prevailing at the transaction date. Monetary assets and liabilities denominated in foreign currencies are translated into the functional currency at the rate of exchange prevailing at the reporting date. Exchange differences arising are taken to the Income Statement.

The functional currency of the foreign subsidiaries Zeta Petroleum (Romania) SRL and Zeta Petroleum Exploration SRL is Romanian New Lei (RON). Zeta translates the subsidiary accounts into the presentational currency using the closing rate method for assets and liabilities, which are translated into British pounds at the rate of exchange prevailing at the reporting date, and the weighted average exchange rate for the period for Income Statement accounts. Exchange differences arising on the translation of net assets of the subsidiary are taken to reserves.

The financial information has been translated from British pounds to Australian dollars using an exchange rate of 1.5185.

(e) **Intangible Assets**

Oil and gas exploration assets

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

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

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

Exploration expenditure is expensed through the income statement and capitalised only in the event of commercially viable gas reserves being 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: Bobocu 19/12/2007 – 19/12/2027; Jimbolia 25/03/2008 – 25/03/2028; Padureni 25/03/2008 – 25/03/2028.

Software costs

Software costs are carried within intangible assets at cost, less any accumulated amortisation and accumulated impairment losses.

Amortisation is charged so as to write off the cost over the estimated useful lives (1 to 3 years) using the straight-line method.

(f) Property, plant and equipment

Property, plant and equipment are carried at cost, less any accumulated depreciation and accumulated impairment losses. Cost includes purchase price and construction costs for qualifying assets and borrowing costs capitalised in accordance with the Group's accounting policy. Depreciation of these assets commences when the assets are ready for their intended use.

Depreciation is charged so as to write off the cost, less estimated residual value, over their estimated useful lives using the straight-line method, for the following classes of assets: computer equipment (3 years) and other equipment (1 to 5 years).

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

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

(g) Impairment of intangible assets and property, plant and equipment

At each reporting date, the Consolidated Group reviews the carrying amounts of its intangible assets and property, plant and equipment to determine whether there is any indication that those assets have suffered an impairment loss. Individual assets are grouped together as a cash-generating unit for impairment assessment purposes at the lowest level of their identifiable cash flows, where these are largely independent of the cash flows of the other Consolidated Group assets. In the case of exploration assets this will normally be at a field by field level.

If any such indication of impairment exists the Consolidated Group makes an estimate of the recoverable amount of the asset or cash generating unit. The recoverable amount is the higher of its fair value less costs to sell and its value in

use. Where the carrying amount of an individual asset or a cash-generating unit exceeds its recoverable amount, the asset/cash-generating unit is considered impaired and is written down to its recoverable amount. In accessing the value in use, the estimated future cash flows are adjusted for the risks specific to the asset/cash-generating unit and are discounted to their present value at a rate that reflects the current market indicators.

Where an impairment loss subsequently reverses, the carrying amount of the asset/cash-generating unit is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset/cash-generating unit in prior years. A reversal of an impairment loss is recognised as income immediately.

(h) Impairment of financial assets

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

(i) 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.

(j) Trade and other receivables

Trade receivables are recognised and carried at the lower of their original invoiced value and recoverable amount. Other debtors are recognised and measured at nominal value.

(k) Share-based payments

The Consolidated Group issues equity-settled share-based payments to the directors and senior management ("Employee Share Options") and to its corporate finance advisers for assistance in raising private equity and to convertible loan providers ("Non-employee Share Options"). Equity-settled share-based payments are measured at fair value at the date of grant for Employee Share Options and the date of service for Non-employee Share Options. The fair value determined at the grant date or service date, as applicable, of the equity-settled share-based payments is expensed, with a corresponding credit to equity, on a straight-line basis over the vesting period, based on the Consolidated Group's estimate of shares that will eventually vest. At each subsequent reporting date the Consolidated Group calculates the estimated cumulative charge for each award having regard to any change in the number of options that are expected to vest and the expired portion of the vesting period. The change in this cumulative charge since the last reporting date is expensed with a corresponding credit being made to equity. Once an option vests, no further adjustment is made to the aggregate amount expensed. The fair value is calculated using the Black Scholes method. 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.

The fair value of the options issued described in note 3 have been assessed using a Black and Scholes Option Pricing Model using the assumptions detailed below:

Share Price: \$0.20
Exercise Price: \$0.20
Interest Rate: 3.37% - 3.60%
Volatility: 80%

(l) **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 Consolidated Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the reporting date.

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

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

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

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

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

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

(m) **Financial liabilities**

Initial recognition

Financial liabilities within the scope of IAS 39 are classified as financial liabilities at fair value through profit or loss or loans and borrowings. The Consolidated Group determines the classification of its financial liabilities at initial recognition.

Financial liabilities are recognised initially at fair value and in the case of loans and borrowings, directly attributable transaction costs.

The Consolidated Group's financial liabilities include trade and other payables as well as loans and borrowings.

Interest bearing loans and borrowings

Borrowings are initially recognised at the fair value of consideration received less directly attributable transaction costs. After initial recognition, borrowings are subsequently measured at amortised cost using the effective interest method. Borrowings denominated in a currency other than British Pounds are revalued through the income statement on a monthly basis.

(n) **Revenue recognition**

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

(o) **Interest income**

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

(p) **Share issue expenses and share premium account**

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

2. Going Concern

The financial statements have been prepared on a going concern basis. As at 31 December 2011 the Group had available funds totalling £238 thousand, a net current liability position of £1,714 thousand and a deficit on shareholder's funds of £1,430 thousand. In March 2012, the Company intends to complete an initial public offering ("IPO") of the Company's ordinary shares on the Australian Stock Exchange and target raising up to AU\$12 million, with a minimum fund raising of AU\$5 million, which, if achieved, will also result in the conversion of the convertible note. Funds raised will be used to meet its licence commitments, develop existing assets as well as help to finance new acquisitions.

Whilst the directors believe that the fundraising will be successful, the actual outcome of the fund raising cannot be determined with certainty at this stage. If sufficient capital is not raised to meet existing licence commitments and secure the Group's operational future based on the current business plan, the Group will seek to reduce overheads, farm out interests in and/or realise its existing assets. The Directors believe that these conditions indicate the existence of a

material uncertainty which may cast significant doubt about the company's ability to continue as a going concern.

However, after consideration of the options available as described above, the Directors have a reasonable expectation that the Group has adequate alternatives to secure the resources required to continue in operational existence for the foreseeable future. Accordingly, they continue to adopt the going concern basis in preparing the Financial Information in the Prospectus.

However, should the capital raising not be sufficient and the Group not be able to achieve the reductions in overheads and the realisation of existing assets as discussed above, the going concern basis would no longer be appropriate. The Financial Information in the Prospectus does not include any adjustments relating to the recoverability and classification of recorded asset amounts or to the amounts and classification of liabilities that might be necessary should the Group not continue as a going concern.

3. Actual and Proposed Transactions to Arrive at the Pro Forma Consolidated Statements of Financial Position

The Pro Forma Consolidated Statements of Financial Position have been included for illustrative purposes to reflect the position of Zeta on the assumption that the following transactions had occurred as at 31 December 2011.

- 3.1 The issue of 25,000,000 (minimum subscription) or 60,000,000 (maximum subscription) CDI's for shares at an issue price of 20 cents each pursuant to this Prospectus to raise \$5,000,000 (£3,292,723) (minimum subscription) or \$12,000,000 (£7,902,535) (maximum subscription).
- 3.2 The payment of costs of the Prospectus issue. These costs are recognised as to \$660,977 (£435,283) (minimum raising) and \$1,150,977 (£757,970) (maximum raising) directly in equity relating to equity raising costs and \$98,544 (£64,896) (minimum raising) and \$104,127 (£68,574) (maximum raising) in profit and loss relating to the listing of the Group's existing shares. The costs of the Prospectus issue also include the issue of 1,206,000 (minimum subscription) or 2,606,000 (maximum subscription) Corporate Adviser Options with an exercise price of \$0.20. Refer to Section 14.6.2 of this Prospectus for the full terms and conditions.
- 3.3 The issue of 17,925,893 CDI's for shares at an issue price of 20 cents each in full settlement of the outstanding convertible loan due. The maximum number of shares that can be issued is 18,136,291. Refer to note 17 of the Financial Information for details relating to the conversion of the convertible note into shares.
- 3.4 The issue of 14,000,000 Management Options issued under the Company's Employee Share Option Plan (ESOP) with an exercise price of \$0.20 and an expiry of 11 January 2019. Refer to Section 14.6.3 of this Prospectus for the full terms and conditions.

Zeta Petroleum plc

Note	Historical 31 December 2011 £	Pro-forma 31 December 2011 Assumed Capital Raising \$5,000,000 £	Pro-forma 31 December 2011 Assumed Capital Raising \$12,000,000 £
4. Cash and Cash Equivalents			
	238,000	238,000	238,000
At 31 December 2011			
Issue of Shares pursuant to this prospectus	-	3,292,723	7,902,535
3.1			
Equity raising and issue costs	-	(328,314)	(654,678)
3.2			
	238,000	3,202,409	7,485,858
5. Receivables			
Trade & other receivables	597,000	597,000	597,000
6. Intangible assets			
Intangible assets – net book value	379,000	379,000	379,000
7. Property, Plant and Equipment			
Property, plant and equipment – net book value	9,000	9,000	9,000
8. Payables			
Trade and other payables	395,000	395,000	395,000
9. Interest-bearing loans & borrowings			
Convertible note*	2,361,000	2,361,000	2,361,000
Conversion into shares	-	(2,361,000)	(2,361,000)
3.3			
	2,361,000	-	-
10. Provisions			
Corporations tax	78,000	78,000	78,000
11. Issued Capital			
At 31 December 2011	71,000	71,000	71,000
Issue of CDI's for ordinary shares pursuant to this Prospectus	-	16,464	39,513
3.1			
Conversion of convertible note	-	17,926	17,926
3.3			
	71,000	105,390	128,439
<i>Number of shares issued:</i>			
At 31 December 2011	70,863,709	70,863,709	70,863,709

Zeta Petroleum plc

Note	Historical 31 December 2011 £	Pro-forma 31 December 2011 Assumed Capital Raising \$5,000,000 £	Pro-forma 31 December 2011 Assumed Capital Raising \$12,000,000 £	
Issue of CDI's for ordinary shares pursuant to this Prospectus	3.1	-	25,000,000	60,000,000
Issue of CDI's for ordinary shares on conversion of convertible note	3.3	-	17,925,893	17,925,893
		<u>70,863,709</u>	<u>113,789,602</u>	<u>148,789,602</u>
12. Share Premium Reserve				
At 31 December 2011		1,773,000	1,773,000	1,773,000
Arising on issue of CDI's for ordinary shares pursuant to this Prospectus	3.1	-	3,276,259	7,863,023
Equity raising costs	3.2	-	(594,451)	(1,101,911)
Arising on issue of CDI's for ordinary shares on conversion of convertible note	3.3	-	2,343,074	2,343,074
		<u>1,773,000</u>	<u>6,797,883</u>	<u>10,877,186</u>
13. Share Options Reserve**				
Arising on issue of Management Options	3.4	-	2,087,619	2,087,619
Arising on issue of Options to the Corporate Adviser	3.2	-	159,168	343,941
		<u>-</u>	<u>2,246,787</u>	<u>2,431,560</u>
14. Accumulated Losses				
At 31 December 2011		(3,537,135)	(3,537,135)	(3,537,135)
Costs associated with the listing of existing shares	3.2	-	(64,896)	(68,573)
Costs on issue of Management Options	3.4	-	(2,087,619)	(2,087,619)
		<u>(3,537,135)</u>	<u>(5,689,650)</u>	<u>(5,693,327)</u>

*Refer to Section 13.3 of this Prospectus for the terms and conditions of the Convertible Loan Agreement.

** Refer to Section 14.6 of this Prospectus for the terms and conditions of Options.

15. Commitments

There are no capital commitments outstanding that have not been disclosed in the Historical Statement of Financial Position.

The Consolidated Group has exploration commitments of AU\$3,000,000 (£1,975,633) in the first year to maintain its exploration permits in good standing.

16. Contingent Assets and Liabilities

At the date of our report, the Directors have not made any specific undertakings regarding any amounts which may become payable in the future. Further details and specific arrangements are contained in Section 12 of this Prospectus. In the opinion of the directors, other than the matters disclosed above, there were no material contingent liabilities or assets as at 31 December 2011 and in the interval between 31 December 2011 and the date of this report.

17. Subsequent Events

On 11 January 2012 Zeta Petroleum (Romania) SRL and Rompetrol S.A entered into a formal agreement to terminate the Groups 35% participating interest in the Zegujani licence. Zeta Petroleum (Romania) has relinquished all title from the licence and will pay to Rompetrol S.A. US\$125,000 (being approximately \$118,113 using the conversion rate of US\$1:\$0.9449 as at 31 January 2012) in full settlement of any and all obligations connected with the licence.

On 27 January 2012, Zeta Petroleum plc signed a Heads of Terms to acquire the entire issued share capital of a private Romanian company for a total consideration of \$650,000. Upon signing, \$10,000 became payable to the vendor and, if the transaction proceeds, the balance of \$640,000 will become due upon completion of the acquisition. The Group has a 90 day exclusivity period in which to complete the transaction.

On 31 January 2012 the Company reached agreement with GM Investment & Co Limited to convert the entire balance of the fully drawn US\$3.2 million (being approximately \$3,023,680 using the conversion rate of US\$1:\$0.9449 as at 31 January 2012) convertible note loan facility into fully paid ordinary shares at a conversion price of AU\$0.20 per share. The conversion is subject to the Company listing on the Australian Stock Exchange (ASX) before 30 April 2012. The conversion date shall be deemed to be the date the Company receives consent from ASX Limited to the admission of the Company to the official list of ASX Limited and consent by ASX Limited to official quotation of the Company's securities.

The amount of principal and accrued interest outstanding at the conversion date will be converted into Australian dollars at the prevailing exchange rate at the date on conversion. The Company will issue 18,136,291 Conversion Shares and any amount over and above this will be settled in cash.

There have been no other events subsequent to balance date not already disclosed or accounted for in the pro forma financial information which are sufficiently material to warrant disclosure.

18. Related Party Transactions

Refer to Sections 4.16 and 4.17 of this Prospectus for the details of related party transactions and shareholdings

The Board of Directors
Zeta Petroleum plc
1 Berkeley Street
London W1J 8DJ
United Kingdom

16 February 2012

Dear Directors

Investigating Accountant's Report on Historical and Pro forma Consolidated Statements of Financial Position

Introduction

We have prepared this Investigating Accountant's Report (the "Report") on the Historical and Pro forma Consolidated Statements of Financial Position of Zeta Petroleum plc ("Zeta" or "the Group") for inclusion in the Prospectus to be dated on or about 16 February 2012 relating to the offer by the Company of up to 40 million CHESS Depository Interest ("CDIs") (at an issue price of \$0.20 each) together with 1 free attaching Option exercisable at \$0.20 for every 1 CDI issued, to raise up to \$8 million before share issue costs.

Expressions defined in the Prospectus have the same meaning in this report.

Scope

Ernst & Young has been requested to prepare this Report to cover the following financial information:

Historical Financial Information

The historical financial information, as set out in Part 9 of the Prospectus comprises:

- ▶ The Historical Consolidated Statement of Financial Position and applicable notes of Zeta as at 31 December 2011.

The historical financial information as at 31 December 2011 of Zeta has been extracted from the consolidated special purpose financial information of Zeta Petroleum plc, which was reviewed by Ernst & Young LLP and on which an unqualified review conclusion was issued.

Pro forma Financial Information

The Pro forma financial information, as set out in Part 9 of the prospectus, comprises:

- ▶ the Pro forma Consolidated Statement of Financial Position and applicable notes of Zeta as at 31 December 2011, which assumes completion of the proposed transactions ("the Pro forma Transactions") and includes the Pro forma Adjustments disclosed in Part 9, Note 3 relating to the raising of the minimum subscription amount; and

- ▶ the Pro forma Consolidated Statement of Financial Position and applicable notes of Zeta as at 31 December 2011, which assumes completion of the proposed transactions (the “Pro forma Transactions”) and includes the Pro forma Adjustments disclosed in Part 9, Note 3 relating to the raising of the maximum subscription amount;

(collectively, the “Financial Information”).

The Financial Information is presented in an abbreviated form insofar as it does not include all of the presentation and disclosure requirements of Australian Accounting Standards applicable to general purpose financial reports.

Directors’ Responsibility for the Financial Information

The directors of the Group have prepared and are responsible for the preparation and presentation of the Financial Information. The directors are also responsible for the determination of all of the assumptions and Pro forma Transactions and adjustments as set out in Part 9 of the prospectus.

Our Responsibility for the Financial Information

Our responsibility is to express a conclusion on the Financial Information based on our review. We have conducted an independent review of the Financial Information in order to state whether, on the basis of the procedures described, anything has come to our attention that would cause us to believe that, in all material respects:

- ▶ The Historical Financial Information, as set out in Part 9 of the Prospectus, does not present fairly the Consolidated Statement of Financial Position and applicable notes of Zeta, as at 31 December 2011 in accordance with the measurement and recognition requirements (but not all of the presentation and disclosure requirements) of applicable International Financial Reporting Standards as adopted by the European Union;
- ▶ The Pro forma Adjustments in Part 9, Note 3 do not provide a reasonable basis for the Pro forma Consolidated Statements of Financial Position; and
- ▶ The Pro forma Statements of Financial Position and applicable notes, which assume completion of the proposed transactions (the “Pro forma Transactions”) as set out in Part 9 of the Prospectus, are not prepared in accordance with the Pro Forma Adjustments disclosed in Part 9 and the measurement and recognition requirements (but not all of the presentation and disclosure requirements) of applicable International Financial Reporting Standards as adopted by the European Union as if the Pro forma Transactions had occurred at 31 December 2011.

Our independent review of the Financial Information has been conducted in accordance with Australian Auditing and Assurance Standards applicable to review engagements. Our procedures consist of reading of relevant Board minutes, reading of relevant contracts and other legal documents, inquiries of management personnel and the directors of Zeta and analytical and other review procedures applied to Zeta’s accounting records. These procedures do not provide all the evidence that would be required in an audit, thus the level of assurance provided is less than that given in an audit. We have not performed an audit and, accordingly, we do not express an audit opinion on the Financial Information.

Conclusion Statements

Review conclusion on the Financial Information

Based on our independent review, which is not an audit, nothing has come to our attention which causes us to believe that, in all material respects:

- ▶ The Historical Financial Information, as set out in Part 9 of the prospectus does not present fairly the Consolidated Statement of Financial Position and applicable notes of Zeta as at 31 December 2011 in accordance with the measurement and recognition requirements (but not all of the presentation and disclosure requirements) of applicable International Financial Reporting Standards as adopted by the European Union;
- ▶ The Pro forma Adjustments in Part 9, Note 3 do not provide a reasonable basis for the Pro forma Financial Information; and
- ▶ The Pro forma Consolidated Statements of Financial Position and applicable notes, which assume completion of the proposed transactions (the Pro forma Transactions) as set out in Part 9 of the prospectus are not prepared in accordance with the Pro Forma Adjustments disclosed in Part 9 and the measurement and recognition requirements (but not all of the presentation and disclosure requirements) of applicable International Financial Reporting Standards as adopted by the European Union as if the Pro forma Transactions had occurred at 31 December 2011.

Ernst & Young disclaim any assumption of responsibility for any reliance on this Report or on the Financial Information to which this Report relates for any purposes other than the purposes for which it was prepared. This Report has been prepared for inclusion into the Prospectus and should be read in conjunction with it.

Inherent Uncertainty Regarding Continuation as a Going Concern

Without qualification to the review statement expressed above, attention is drawn to the following matter. As disclosed in Note 2 to the Historical and Pro forma Consolidated Statements of Financial Position, set out in Part 9 to the Prospectus, there is significant uncertainty whether the Group will be able to continue as a going concern and therefore whether it will be able to pay its debts as and when they become due and payable and realise its assets and extinguish its liabilities in the normal course of operations and at the amounts stated in the Historical and Pro forma Consolidated Statements of Financial Position. The Historical and Pro forma Consolidated Statements of Financial Position do not include any adjustments relating to the recoverability and classification of recorded asset amounts or to the amounts and classification of liabilities that might be necessary should the Group not continue as a going concern.

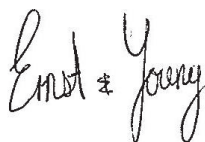
Independence or Disclosure of Interest

Ernst & Young does not have any pecuniary interests that could reasonably be regarded as being capable of affecting its ability to give an unbiased conclusion in this matter. Ernst & Young LLP provides audit and other advisory services to the Company, and Ernst & Young Australia will receive a professional fee for the preparation of this Report.

Consent

Consent to the inclusion of this Investigating Accountant's Report in the Prospectus in the form and content in which it appears, together with all references to this Report in the Prospectus, has been given. At the date of this Report, the consent has not been withdrawn.

Yours faithfully



Ernst & Young

MEMORANDUM

The Directors

ZETA Petroleum PLC

1 Berkeley Street
London W1J 8DJ
United Kingdom

DATE

March 20, 2012

Dear Sirs,

In response to your request, Wilmington Consulting has prepared this memorandum (the "**Memorandum**") in respect of the title of Zeta Petroleum Romania SRL ("**Zeta**") to its concession licence agreements in Bobocu, Jimbolia and Padureni fields, Romania (the "**Licences**") and to its prospecting permits in Faurei, Vaslui and Falticeni, Romania (the "**Permits**").

Zeta is a wholly owned subsidiary of Zeta Petroleum PLC. This Memorandum has been prepared for inclusion in a prospectus to be dated on or about the date of this Memorandum (the "**Prospectus**") to be lodged by Zeta Petroleum PLC with the Australian Securities and Investments Commission ("**ASIC**"), offering for subscription a maximum of 40 million fully paid ordinary shares in Zeta Petroleum PLC at an issue price of A\$0.20 per share to raise up to A\$8 million.

The content of the Memorandum is based on the documents and information provided to us by Zeta, headquartered in 4-6 Profesor Ion Bogdan Street, 5th Floor, 010539, Sector 1, Bucharest, Romania, to certain verbal communications

made to us by representatives of Zeta and to the independent enquiries we made with the National Agency for Mineral Resources in Romania (“**NAMR**”). The list of documents we were provided with is attached hereto as Annexure 1 (the “**Documents**”).

LEGISLATION

The Memorandum has been prepared based on the following Romanian legislation in force:

Petroleum Law no.238/2004 as subsequently amended by Government Decision no 2.075/2004;

Order no. 2075/2004 regarding the rules of application of Petroleum Law no. 238/2004;

OUR ASSUMPTIONS

The legal review set out in this Memorandum has been undertaken based on the following assumptions:

We have limited our analysis to the validity of the Licences and the Permits.

We have not undertaken the examination of any matters of fact with respect to the Licences and the Permits or Zeta’s actual compliance with any requirements other than the legislation described in the list above.

Our examination of matters of law has been limited to the laws of Romania.

We have not considered the tax consequences of entering into, exercising the rights of, or performing the obligations set out in the Licences and the Permits.

We have not undertaken any due diligence with regard to the historic ownership of the Bobocu, Jimbolia and Padureni fields, nor their mineral resources.

Our knowledge of the facts underlying the opinions expressed in this Memorandum is limited to the information contained in the Documents and to certain verbal communications made to us by representatives of Zeta and to the independent enquiries we made with the National Agency for Mineral Resources in Romania (“**NAMR**”) with the letter registered on NAMR under no.

14/05.01.2012, regarding Zeta, the Licences and the Permits which enquiries independently verify the information in the Documents (and the information supplied in relation to the Documents) and the tenure of the Licences and the Permits.

We have relied on the Documents and verbal communications made to us by representatives of Zeta and to the independent enquiries we have made with the NAMR with the letter registered on NAMR under no. 14/05.01.2012, assuming that the Documents and all the information supplied by Zeta's representatives were, when supplied, and continue to be, true, accurate, complete and not misleading.

We have assumed that each of the Documents is in full force and effect and, save where expressly brought to our attention, has not been terminated or amended.

We have assumed that all photocopies of the Documents reviewed by us conform to the originals, and we have assumed the authenticity of the originals of such Documents and the genuineness of all signatures and seals on the Documents.

We have assumed that the persons who signed the Documents are the persons who were duly authorised to sign such Documents.

We have assumed that each party to a Document (including, without limitation, any state or regional authorities) has the right, power and authority and has taken all action necessary to execute and deliver, and to exercise its rights and perform its obligations under, the relevant Document, save as expressly stated in the Memorandum.

Despite anything to the contrary, and except for matters arising as a result of fraud, wilful misconduct or gross negligence on our part, the aggregate liability of our firm and its associated companies, partners, agents and/or employees (together referred to in this and subsequent clauses as the "Firm") for damage shall be limited to the lawful maximum liability amount as established by Law 51/1995 as subsequently amended and republished.

In no event should our Firm be liable for any damage arising in any way from, or in connection with, any dishonest, deliberate or reckless misstatement, concealment or other conduct on the part of any other person. The Firm should not be liable for

any claim for damage unless proceedings in respect of such claim have been issued and served on the Firm on or before February 2, 2012.

Consent has been given for the distribution of this Memorandum in the form and context in which it appears and for the inclusion of the Memorandum in the Prospectus. Wilmington Consulting have not withdrawn their consent prior to the lodgement of the Prospectus with ASIC.

TABLE OF CONTENTS

- 1.Zeta’s Licences and Prospecting Permits in Romania – overview5
- 2. Petroleum Legislation in Romania.....5
- 3.Overview of Licences
 - 3.0 Principles and structure.....8
 - 3.1 Bobocu Licence.....10
 - 3.2 Jimbolia Licence.....11
 - 3.3 Padureni Licence.....13
- 4. Description of Prospecting Permits
 - 4.0 Principles and structure.....15
 - 4.1 Faurei Prospecting Permit.....16
 - 4.2 Vaslui Prospecting Permit.....17
 - 4.3 Falticeni Prospecting Permit.....18
- 3. Annexure 1 – List of Documents20

1. ZETA'S LICENCES IN ROMANIA

(overview)

Concession	Field/Prospect	Working Interest	Target	Zeta's title
Bobocu	Bobocu	100.0%	Gas	Operator
Jimbolia	Jimbolia	50.0%	Oil	Operator ¹
Padureni	Padureni	12.5%	Gas	Associated partner

Zeta also holds a 100% interest in three prospecting permits: Falticeni, Faurei and Vaslui Prospecting Permits.

¹The working interest will increase to a 100% registered interest once the NAMR registers the application submitted by Zeta

2. PETROLEUM LEGISLATION IN ROMANIA

(overview)

According to Petroleum Law no. 238/2004 (the "**Law**"), an oil concession licence is the legal document via which the Romanian State, represented by the competent authority in its capacity as lessor, assigns, for a determined duration, to a Romanian or foreign legal entity, in its capacity as lessee, the right and obligation to perform, at its own risk and expense, oil operations falling under the Law, and the right to utilise public property assets required for carrying out such oil operations, in exchange for payment of a royalty.

The following provisions are the most relevant legal provisions generally applicable to Zeta's Licences and Permits as set by Petroleum Law no 238/2004:

According to art.27 of the Law, oil operations, including public property assets required to perform such operations are leased pursuant to the Law by the competent authority. The initial duration of an oil concession licence can be up to 30 years and may be extended by up to an additional 15 years.

According to art.28 of the Law, exploration operations may also be performed upon non-exclusive prospecting permits, granted by the competent authority upon written demand, for perimeters defined via survey-geodezic coordinates.

The shape and the dimensions of the prospecting perimeter are established by the competent authority. The prospecting permit can be granted for a duration of no more than 3 years, without a right to extension.

According to art.29 of the Law, the competent authority establishes, by issuing an order, the list of perimeters open for oil operations to be leased, and also the assets required to perform such operations. The list is published in Monitorul Oficial al României, Part I and in the EU Official Journal.

According to art.31 of the Law, an oil accord must be concluded in writing and comes into force after being approved by the Romanian Government. The provisions of the oil accord stay in force throughout its duration, unless additional provisions in favor of the oil accord holder are adopted.

In the event that, during the carrying out of the oil operations, circumstances which were unforeseen at the time of entering into the oil accord emerge, (other than provisions that led to the winning of the public bid), the parties, in agreement, will conclude addendums to the oil accord, which shall come into force on the date of their approval by the Romanian Government.

According to art.34 of the Law, the holder of an oil accord may transfer to another legal entity its earned rights and assumed obligations under the oil accord only with the prior written approval of the competent authority. Transfers performed in the absence of this approval of the competent authority shall be null and void.

Approval in relation to the transfer of earned rights and assumed obligations shall be granted if the legal entity taking over the rights and obligations pertaining to the oil accord demonstrates that it has the required technical and financial capacity to perform the oil operations under the conditions stipulated in the oil accord.

In the event that the oil accord holder modifies its status via a reorganisation, the oil accord, as initially entered into, shall be transferred to the legal successors of the holder via an order issued by the president of the competent authority in compliance with the specified legislative provisions.

Concession licence agreements and prospecting permits shall come to an end, according to art. 38 of Petroleum Law no. 238/2004:

- a) as a result of the expiry of the duration for which they were granted;
- b) as a result of the withdrawal of the oil accord holder under the conditions set forth under art. 40 paragraph (1);
- c) as a result of an agreed termination between the holder and the competent authority pursuant to the provisions of art. 42; or
- d) at the holder's request in the event of a force majeure situation which makes fulfillment of the holder's objectives impossible or makes fulfillment of certain obligations and/or certain rights of the holder as provided for in the accord impossible and which objective or obligations or rights are crucial for the accomplishment of the oil operations.

The competent authority shall terminate a concession licence agreement or a prospecting permit, according to art. 42 of the Law, if it finds that the holder of the oil accord:

- a) fails to fulfill obligations undertaken by it with regard to the date of beginning oil operations because of the fault of the holder;
- b) continues to keep oil operations at a standstill for a duration longer than 60 days without approval from the competent authority;
- c) fails to observe the provisions of technical exploitation reports;
- d) performs oil operations without having the authorisation provided by law, or has the oil accord and/or any environmental protection authorisation and/or any labor safety authorisation withdrawn;
- e) deliberately provides false data and information to the competent authority in regard to oil operations, or breaches the confidentiality clauses provided in a licence;
- f) fails to pay within 6 months from the due date the oil royalty owed to the State;
- g) fails to observe a clause included in the oil accord which leads to revocation of the relevant lease;

h) fails to achieve the minimum amount of works provided for by the oil accord for a given and expired duration; or

i) fails to remedy a default for which the lease was suspended within the term set under art. 41 paragraph (2).

The concession licence agreements and the prospecting permits may also be suspended according to art. 41 of the Law in the event that the holder of an oil accord, despite receiving notification of an offence or punishment for an offence, continues to commit one of the following offences 60 days after receiving such notice or punishment:

a) does not observe a court ruling in relation to litigation arising from the execution of oil operations;

b) is subject to a legal reorganisation procedure and/or bankruptcy;

c) endangers, because of the manner in which oil operations are being executed, the possibility of future exploitation of the accumulation and breaches regulations regarding protection and safe exploitation of accumulations; or

d) seriously breaches regulations in relation to health and labor safety.

3. OVERVIEW OF LICENCES

3.0. Principles and Structure

This section of the Memorandum gives an overview of the form, content and essential clauses of each of Zeta's Licences and the corresponding concession agreements, focusing on the duration, location, executing parties and validity of each Licence.

Attached to the overview of each Licence is a list of data considered important to particular aspects of each Licence which has come to our attention during the analysis of the documents provided to us.

Following the commencement of insolvency proceedings (as stipulated by Law no. 85/2006) against TRANSION OIL & GAS SA (as debtor), it was established that in its property existed several valid concession licence agreements between the debtor (through the liquidator) and the institution authorized by the Petroleum

Law no. 238/2004, namely the National Agency for Mineral Resources ("NAMR"). Minutes dated 25/11/2005 were signed by the NAMR and liquidator providing that the concession licence agreements could be transferred.

In accordance with art. 120 of Law no. 85/2006, art. 43 paragraph 3 and art. 61 paragraph 1 of the Petroleum Law no. 238/2004 and art. 22 paragraph 3 point „c” of GD no. 2075/24.11.2004, approval of the Norms for applying Petroleum Law was signed on 15/01/2007 and a minute was signed pursuant to which the concession licence agreements of TRANSION OIL & GAS SA were transferred to Zeta, as a contractor, and Zeta was subsequently awarded all of the debtor's property and assets.

Under the decision issued in file no. 7616/3/2004 by the syndic judge from the Bucharest Court - Commercial Section VII, it was decided that the transfer of the concession licence agreements for the Bobocu perimeter, Huruiesti perimeter, Jimbolia perimeter, Padureni perimeter and Otelec perimeter be granted in favor of Zeta, with the NAMR ruling Zeta as the winning bidder of the individual agreements for the perimeters transmitted subject to approval by the Government.

Following this decision, Zeta signed concession licence agreements with NAMR for the Bobocu perimeter, the Huruiesti perimeter, the Jimbolia perimeter, the Otelec perimeter and the Padureni perimeter in 2007.

After analyzing the concession licence agreements at the end of 2007, Zeta decided to return to NAMR the concession licence agreements for the Otelec perimeter and for the Huruiesti perimeter and retain the concession licence agreements for the Bobocu perimeter, the Jimbolia perimeter and the Padureni perimeter for petroleum operations.

3.1. Bobocu Licence

Contract title: Concession Licence for exploiting and developing gas and oil operations in Bobocu field registered on March 28th 2009 under number S/2/94, as amended by Protocol no. S/2/998/December 17th 2008, duly signed by Zeta and NAMR representatives.

The Bobocu Concession was granted by NAMR to Zeta following a Bucharest Commercial Court Decision issued on February 8th 2007 in File Court no. 7616/3/2004.

The Bobocu Concession Agreement was approved by Romanian Government decision no. 15375/2007. Under this concession agreement, Zeta was transferred the right to extract natural resources owned by the Romanian authority and to develop oil and gas operations in the working perimeter, at Zeta's expense and risk, for payment of a royalty established as a percentage between 3.5% and 13.5 % of the total natural resources extracted by Zeta from Bobocu field.

Expiration date: The Bobocu Concession Agreement expires on January 1st 2028; subject to the parties' agreement the Licence may be renewed for an additional term of 15 years. At the time of drafting this Memorandum, no information about any breach or the service of any termination notices by any of the executing parties was communicated to us in relation to the Concession Agreement no. S/2/94/March 28th 2009.

Type of the subsurface natural resources: condensed oil and/or free gas.

Type of right to use the subsurface: exclusive oil and gas operating rights to extract and develop the commercial resources estimated to be found in Bobocu field.

Location of the field: Bobocu Village, Buzau County, Romania. Geological resources were confirmed as 'possible' or 'probable' by NAMR decision no. 214-99, as communicated to Zeta before the execution of the Bobocu Concession Agreement.

Total area of the field: 24.97sq. km. On March 27th 2007, NAMR granted the Bobocu Licence to Zeta for a total perimeter of 7.50 sq. km. On December 18th

2008, the said parties executed an amending Protocol no. S/2/1110/21 January 2009 by which the perimeter surface was increased to 24.97sq. km.

Price: The total price of the concession rights was established by the executed Concession Agreement which provides Zeta's obligation to pay to NAMR a royalty consisting of a certain percentage calculated on the total value of any extracted resources, as provided in art 9.2 and 10.2 of the Bobocu Concession Agreement. The reference quantity of resources is measured by the parties at the point where the resources exit the treatment and segregation technical points for oil and gas.

3.2. Jimbolia Licence

In consideration of the financial and technical capacity of Zeta to perform oil operations and considering its capacity as contractor in several concession agreements, the NAMR (as grantor) and Zeta (as grantee) signed a concession agreement for oil exploitation and petroleum development in the Jimbolia perimeter on 27th August 2007 and such agreement was approved by Government Decision no. 361/26.03.2008.

Contract title: Concession Licence for exploiting and developing gas and oil operations in the Jimbolia field, entitled "DEE V – 20 Jimbolia" registered on 27th August 2007 under the number S/2/277 as amended by Protocol no. S/2/1110/January 21st 2009, duly signed by Zeta and NAMR representatives on January 20th 2009.

The Jimbolia Concession was granted by NAMR to Zeta following a Bucharest Commercial Court Decision issued on February 8th 2007 in File Court no. 7616/3/2004.

The Jimbolia Concession Agreement was approved by Romanian Government decision no. 361/2008. By this concession agreement, Zeta was transferred the right to extract natural resources owned by the Romanian authority and to develop oil and gas operations in the working perimeter, at Zeta's expense and risk, for

payment of a royalty established as a percentage between 3.5% and 13.5 % of the total natural resources extracted by Zeta from Jimbolia field.

Expiration date: The Jimbolia Concession Agreement expires on January 1st 2028; subject to the parties' agreement, the Licence may be renewed for an additional term of 15 years. At the time of drafting this Memorandum, no information about any breach or the service of any termination notices by any of the executing parties was communicated to us in relation to the Concession Agreement no. S/2/277/27.08.2007

Type of the subsurface natural resources: oil, free gas and associated gas.

Type of right to use the subsurface: exclusive oil and gas operating rights to extract and develop the commercial resources estimated to be found in Jimbolia field.

Location of the field: Jimbolia Village, Timis County, Romania. Geological resources were confirmed as 'existing' by NAMR decision no. 43-02, as communicated to Zeta before the execution of the Jimbolia Concession Agreement.

Total area of the field: 23,908 sq. km. On 27th August 2007, NAMR granted the Jimbolia Licence to Zeta for a total perimeter of 8.50 sq. km. On January 21st 2009, the said parties executed an amending Protocol no. S/2/1110/21.01.2009 by which the perimeter surface was increased up to 3,908 sq. km.

Price: The total price of the concession rights was established by the executed Concession Agreement which provides Zeta's obligation to pay to NAMR a royalty consisting of a certain percentage calculated on the total value of any extracted resources, as provided in art 9.2 and 10.2 of the Jimbolia Agreement. The reference quantity of resources is measured by the parties at the point where the resources exit the treatment and segregation technical points for oil and gas.

On 16th June 2010, a Farmout Agreement was signed between SC ARMAX GAZ SRL ("Armax") and Zeta for the Jimbolia perimeter under which Zeta transferred to Armax an interest of 50% of the acquired rights and obligations under the Jimbolia Concession Agreement.

Armax is a Romanian company with headquarters in Medias county, Romania and is registered in the Romanian Commercial Register under the number J32/127/1991 and Unique Code of Registration RO 803727.

Under art. 2, clause 2.2., of the Farmout Agreement, Zeta and Armax agreed to sign a contract for the joint operation of oil exploration in the Jimbolia perimeter.

Upon request by Armax and Zeta, the transfer to Armax of 50% of the acquired rights and obligations under the concession agreement by Zeta was approved and registered at NAMR under no. 1708 AP/24.06.2010 and completed by the address no. 1797 AP/05.07.2010.

Following Armax becoming a holder of 50% of the acquired rights and obligations of the concession agreement under the Farmout Agreement (approved by Order 114/2010), Zeta and Armax signed a joint operation agreement on 6th August 2010, which established the rights and obligations of the parties regarding the specific operations of the oil deposit from the Jimbolia perimeter.

Following this, Armax defaulted under the terms of the Joint Operating Agreement. Upon its breach of the Joint Operating Agreement, Armax automatically relinquished its rights to and its 50% interest in the licence and Zeta became 100% beneficial owner of the licence. Zeta sent a termination notice on December 06th 2011 under the Joint Operating Agreement to Armax and, as such, the Joint Operating Agreement has been terminated and is no longer in force. Zeta has filed all relevant applications in order to register its 100% interest in the licence to NAMR and after the NAMR registers the documents it will again enjoy a 100% registered interest in the licence

3.3. Padureni Licence

Contract title: Concession Licence for exploiting and developing gas and oil operations in Padureni field registered as "DEE V-28 Padureni" on August 27th 2007 under number S/2/276 as amended by Protocol no. S/2/586/September 9th, 2009, duly signed by Zeta and NAMR representatives.

The Padureni Concession was granted by NAMR to Zeta following a Bucharest Commercial Court Decision given on February 8th 2007 in File Court no. 7616/3/2004.

The Padureni Concession Agreement was approved by the Romanian Government decision no. 360/2009. By this concession agreement, Zeta was transferred the right to extract natural resources owned by the Romanian authority and to develop oil and gas operations in the working perimeter, at Zeta's expense and risk, for payment of a royalty established as a percentage between 3.5% and 13.5 % of the total natural resources extracted by Zeta from Padureni field.

Expiration date: The Concession Agreement expires on January 1st 2028; subject to the parties' agreement, the Licence may be renewed for an additional term of 15 years. At the time of drafting this Memorandum, no information about any breach or the service of any termination notices by any of the executing parties was communicated to us in relation to the Concession Agreement no. S/2/276/ August 27th 2007.

Type of the subsurface natural resources: free gas.

Type of right to use the subsurface: exclusive oil and gas operating rights to extract and develop the commercial resources estimated to be found in Padureni field.

Location of the field: Padureni Village, Mures County, Romania. Geological resources were confirmed as 'existing' by NAMR decision no. 309-1999, as communicated to Zeta before the execution of the Padureni Concession Agreement.

Total area of the field: 1,551 sq. km.

Price: The total price of the concession rights was established by the executed Concession Agreement which provides Zeta's obligation to pay to NAMR a royalty consisting of a certain percentage calculated on the total value of any extracted resources, as provided in art 9.2 and 10.2 of the Padureni Concession Agreement. The reference quantity of resources is measured by the parties at the point where the resources exit the treatment and segregation technical points for oil and gas.

On April 22nd 2009, Zeta sold 87.5% of its concession rights to SC Expert Petroleum SRL. Title of the concession rights was transferred through a Sale-Purchase Agreement (“SPA”) as certified by the Public Notary Mrs. Gurchian Mariana with number 3727/June 4th 2009. The SPA was confirmed and approved by the President of NAMR in an official Governance Order no. 143/June 9th 2009.

NAMR approved the modification of the Padureni work program by extending the duration of Phase I, subphase I, with approval no.S/2/586/9th September 2009, pursuant to art. 3 from the Order 143/25.06.2009, art. 22 paragraph 3, letter „e” and „i” and art. 22 paragraph 4 letter „a” and „b” of the Methodological Norms for applying the Petroleum Law no. 238/2004 as approved by GD 2075/2004.

These official documents confirm that the title transfer resulted in a division of the Padureni concession rights as follows:

- SC Expert Petroleum SRL – owning 87.5% of the total concession rights; and
- SC Zeta Petroleum (Romania) SRL – owning 12.5% of the total concession rights.

SC Expert Petroleum SRL is a Romanian company with headquarters in Tamas Erno str. #1, Targu Mures, Mures county, Romania and is registered with the Romanian Commercial Register under the number of J26/1656/2008 and Unique Code of Registration 1734428.

4. DESCRIPTION OF PROSPECTING PERMITS

4.0. Principles and Structure

This section of the Memorandum completes the overview of Zeta’s oil and gas operations in Romania. As already mentioned, the company holds a 100% interest in three Prospecting Permits (“Permits”) granted by NAMR for three geographical perimeters : Vaslui, Faurei and Falticeni.

The Permits were issued in standard form agreements with similar structures and object descriptions: subject to entering a confidentiality agreement, Zeta is entitled to, in the name of and for NAMR, carry out oil and gas prospecting works, on the grounds of relevant prospecting data provided by NAMR in this respect.

The relevant contractual framework is governed by Petroleum Law no. 238/2004 and Order no. 2075/2004 regarding the rules of application of Law no. 238/2004 and the related confidentiality agreements in relation to the data, information, material and geographical limits of perimeter of each Permit.

Under art. 58 of Order no. 2075/2004 regarding the rules of application of the Petroleum Law no. 238/2004, a prospecting permit allows the holder to undertake the following activities: evaluation studies, background work, interpretation of geological mapping, geochemistry, magnetometry, radiometry, electrometry, gravimetry, use of seismometers, remote sensing, drilling, obtaining laboratory measurements and other work necessary to establish the geological resources of the exploration perimeter.

4.1. Faurei Permit

Contract title: Prospecting Permit no. 32/2009, for the execution of prospecting works in the Faurei perimeter executed and registered on December 07th 2009 with number S/2/679 and duly signed by Zeta and NAMR representatives.

Expiration date: The Permit expires on the earlier of December 9th 2012 and the date the Faurei perimeter is the subject of a concession public offer issued by NAMR. Other standard legal termination terms also apply to the Permit.

At the time of drafting this Memorandum, no information about any breach or the service of any termination notices by any of the executing parties was communicated to us in relation to the Faurei Permit no. S/679/December 7th 2009.

Works description: Zeta has undertaken to follow a work schedule in the Faurei perimeter; the schedule outlines different work phases such as ground data analysis,

evaluation of local potential for oil extraction and the issue of a technical report on the results of such evaluation.

The Permit provides Zeta with a right to receive (and NAMR the corresponding obligation to supply) all data and geological information necessary to carry out prospecting works.

Location of the field: Faurei, Braila County, Romania.

Confidentiality: Annex 2 of the Permit Agreement contains Zeta's obligation to keep confidential all data put at its disposal by NAMR in relation to the geographical limits of the prospected perimeter and in relation to all other new geological or prospecting information captured by Zeta while performing the works.

4.2. Vaslui Permit

Contract title: Prospecting Permit no. 33/2009, for the execution of prospecting works in the Vaslui perimeter, executed and registered on December 07th 2009 with number S/2/680 and duly signed by Zeta and NAMR representatives.

Expiration date: The Permit expires on the earlier of December 9th 2012 and the date the Vaslui perimeter is the subject of a concession public offer issued by NAMR. Other standard legal termination terms also apply to the Permit.

At the time of drafting this Memorandum, no information about any breach or the service of any termination notices by any of the executing parties was communicated to us in relation to the Vaslui Permit no. S/680/December 7th 2009.

Works description: Zeta has undertaken to follow a work schedule in the Vaslui perimeter; the schedule refers to different work phases such as ground data analysis, evaluation of local potential for oil extraction and the issue of a technical report on the results of such evaluation.

The Permit provides Zeta with a right to receive (and NAMR the corresponding obligation to supply) all data and geological information necessary to carry out prospecting works.

Location of the field: Vaslui County, Romania.

Confidentiality: Annex 2 of the Permit Agreement contains Zeta's obligation to keep confidential all data put at its disposal by NAMR in relation to the geographical limits of the prospected perimeter and in relation to all other new geological or prospecting information captured by Zeta while performing the works.

4.3 . Falticeni Permit

Contract title: Prospecting Permit no. 34/2009, executed and registered on December 07th 2009 with number S/2/681 and duly signed by Zeta and NAMR representatives.

Expiration date: The Permit expires on the earlier of December 7th 2012 and the date the Falticeni perimeter is the subject of a concession public offer issued by NAMR. Other standard legal termination terms also apply to the Permit.

At the time of drafting this Memorandum, no information about any breach or the service of any termination notices by any of the executing parties was communicated to us in relation to the Falticeni Permit no. S/681/December 7th 2009.

Works description: Zeta has undertaken to follow a work schedule in the Falticeni perimeter; the schedule refers to different work phases such as ground data analysis, evaluation of local potential for oil extraction and the issue of a technical report on the results of such evaluation.

The Permit provides Zeta with a right to receive (and NAMR the corresponding obligation to supply) all data and geological information necessary to carry out prospecting works.

Location of the field: Falticeni, Suceava County, Romania.

Confidentiality: Annex 2 of the Permit Agreement contains Zeta's obligation to keep confidential all data put at its disposal by NAMR in relation to the geographical limits of the prospected perimeter and in relation to all other new geological or prospecting information captured by Zeta while performing the works.

According to the letter received from NAMR, in response to the address registered under no. 14/05.01.2012 , **Zeta** has fulfilled all its obligations arising out of the Petroleum Agreements (Licences and Prospectig Permits) concluded with the National Agency for Mineral Resources (irrespective of being the titleholder or co-titleholder of such Petroleum Agreements, the Operator or Non-Operator in the related blocks) and fully performing the petroleum operations provided in the Minimum Work Programs referring to each of such Petroleum .Agreements.

Should you have any questions regarding the above please do not hesitate to contact us.

Kind regards,

Adv. Andrew Costin

Adv. Magdalena Ghioca



ANNEXURE 1

LIST OF DOCUMENTS

1. Minute dated 01.02.2007 of the syndic judge, pronounced in the file no. 7616/3/2004 – Bucharest Court – VII Commercial Section
2. Concession agreement to develop oil exploration in the Bobocu perimeter between the National Agency for Mineral Resources and SC Zeta Petroleum (Romania) SRL under no. S/2/94/28.03.2007
3. Protocol between the National Agency for Mineral Resources and SC Zeta Petroleum (Romania) SRL under no. S/2/94/28.03.2007 in relation to the amendment of the Bobocu perimeter limits
4. Concession agreement to develop oil exploration in the Jimbolia perimeter between the National Agency for Mineral Resources and SC Zeta Petroleum (Romania) SRL under no. S/2/277/27.08.2007
5. Protocol between the National Agency for Mineral Resources and SC Zeta Petroleum (Romania) SRL under no. S/2/1110/21.01.2009 in relation to the amendment of the Jimbolia perimeter limits
6. Farmout agreement between SC Zeta Petroleum (Romania) SRL and SC Armax Gaz SA dated 16.06.2010
7. Joint Operation Agreement between SC Zeta Petroleum (Romania) SRL and SC Armax Gaz SA dated 07.08.2010
8. Concession agreement to develop oil exploration in the DEE V-28 Padureni perimeter between the National Agency for Mineral Resources and SC Zeta Petroleum (Romania) SRL under no. S/2/276/27.08.2007
9. Approval of the National Agency for Mineral Resources under no. S/2/586/09.09.2009, in relation to the amendment of certain provisions

relating to the terms of execution of the minimum work program for the DEE V-28 Padureni perimeter

10. Prospecting permit for the execution of prospecting works in Faurei perimeter between the National Agency for Mineral Resources and SC Zeta Petroleum (Romania) SRL under no. 32/07.12.2009
11. Prospecting permit for the execution of prospecting works in Vaslui perimeter between the National Agency for Mineral Resources and SC Zeta Petroleum (Romania) SRL under no. 33/07.12.2009
12. Prospecting permit for the execution of prospecting works in Falticeni perimeter between the National Agency for Mineral Resources and SC Zeta Petroleum (Romania) SRL under no. 34/07.12.2009
13. NAMR searches on the Licences and the Permits dated March 20-th, 2012.

12. BOARD, MANAGEMENT AND CORPORATE GOVERNANCE

12.1 ASX Corporate Governance Council Principles and Recommendations

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 (2nd 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 Prospectus 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).

Board of Directors

The Board is responsible for the Company's corporate governance. The Board develops strategies for the Company, reviews strategic objectives and monitors performance against those objectives. The goals of the corporate governance processes are to:

- (a) maintain and increase shareholder value;
- (b) ensure a prudential and ethical basis for the Company's conduct and activities; and
- (c) ensure compliance with the Company's legal and regulatory objectives.

Consistent with these goals, the Board assumes the following responsibilities:

- (a) developing initiatives for profit and asset growth;
- (b) reviewing the corporate, commercial and financial performance of the Company on a regular basis;
- (c) acting on behalf of, and being accountable to, the Shareholders; and
- (d) identifying business risks and implementing actions to manage those risks and corporate systems to assure quality.

The Company is committed to the circulation of relevant materials to Directors in a timely manner to facilitate Directors' participation in the Board discussions on a fully-informed basis.

Composition of the Board

Election of Board members is substantially the province of the Shareholders in general meeting. However, subject thereto, the Company is committed to the following principles:

- (a) the Board is to comprise persons with a blend of skills, experience and attributes appropriate for the Company and its business; and
- (b) the principal criterion for the appointment of new directors is their ability to add value to the Company and its business.

No formal nomination committee or procedures have been adopted for the identification, appointment and review of the Board membership, but an informal assessment process, facilitated by the Chairman in consultation with the Company's professional advisors, has been committed to by the Board.

Identification and management of risk

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.

Ethical standards

The Board is committed to the establishment and maintenance of appropriate ethical standards.

Performance evaluation

In the absence of a nomination committee, the Board will conduct a performance evaluation of its individual Directors on an annual basis. To assist in this process an independent advisor may be used.

Where applicable, the review will include:

- (a) comparing the performance of the Board with the requirements of the Board Charter as set out in the Company's Corporate Governance Plan;
- (b) examination of the Board's interaction with management;
- (c) the nature of information provided to the Board by management; and
- (d) management's performance in assisting the Board to meet its objectives.

Independent professional advice

Subject to the Chairman's approval (not to be unreasonably withheld), the Directors, at the Company's expense, may obtain independent professional advice on issues arising in the course of their duties.

Remuneration arrangements

The remuneration of an executive Director will be decided by the Board, without the affected executive Director participating in that decision-making process.

The total maximum remuneration of non-executive Directors is initially set by the Articles and subsequent variation is by ordinary resolution of Shareholders in general meeting in accordance with the Articles, the UK Companies Act and the ASX Listing Rules, as applicable. The determination of non-executive Directors' remuneration within that maximum will be made by the Board having regard to the inputs and value to the Company of the respective contributions by each non-executive Director. The current amount has been set at an amount not to exceed UK£200,000 (being approximately \$294,000 using the conversion rate of UK£1:\$1.47 as at 31 January 2012) per annum.

In addition, a Director may be paid fees or other amounts (i.e. subject to any necessary Shareholder approval, non-cash performance incentives such as Options) as the Directors determine where a Director performs special duties or otherwise performs services outside the scope of the ordinary duties of a Director.

Directors are also entitled to be paid reasonable travelling, hotel and other expenses incurred by them respectively in or about the performance of their duties as Directors.

The Board reviews and approves the remuneration policy to enable the Company to attract and retain executives and Directors who will create value for Shareholders having consideration to the amount considered to be commensurate for a company of its size and level of activity as well as the relevant Directors' time, commitment and responsibility. The Board is also responsible for reviewing any employee incentive and equity-based plans including the appropriateness of performance hurdles and total payments proposed.

Trading policy

The Board has adopted a policy that sets out the guidelines on the sale and purchase of securities in the Company by its key management personnel (i.e. Directors and, if applicable, any employees reporting directly to the managing director). The policy generally provides that the written acknowledgement of the Chair (or the Board in the case of the Chairman) must be obtained prior to trading.

External audit

The Company in general meetings is responsible for the appointment of the external auditors of the Company, and the Board from time to time will review the scope, performance and fees of those external auditors.

Audit committee

The Company will not have a separate audit committee until such time as the Board is of a sufficient size and structure, and the Company's operations are of a sufficient magnitude for a separate committee to be of benefit to the Company. In the meantime, the full Board will carry out the duties that would ordinarily be assigned to that committee under the written terms of reference for that committee, including but not limited to, monitoring and reviewing any matters of significance affecting financial reporting and compliance, the integrity of the financial reporting of the Company, the Company's internal financial control system and risk management systems and the external audit function.

Diversity policy

The Board has adopted a diversity policy which provides a framework for the Company to achieve, amongst other things, a diverse and skilled work force, a workplace culture characterised by inclusive practices and behaviours for the benefit of all staff, improved employment and career development opportunities for women and a work environment that values and utilises the contributions of employees with diverse backgrounds, experiences and perspectives.

12.2 Departures from Recommendations

Following admission to the Official List of ASX, the Company will be required to report any departures from the Recommendations in its annual financial report.

The Company's compliance and departures from the Recommendations as at the date of this Prospectus are set out on the following pages.

PRINCIPLES AND COMMENT		RECOMMENDATIONS
1.	Lay solid foundations for management and oversight	
1.1	Companies should establish the functions reserved to the board and those delegated to senior executives and disclose those functions.	The Company's Corporate Governance Plan includes a Board Charter, which discloses the specific responsibilities of the Board.
1.2	Companies should disclose the process for evaluating the performance of senior executives.	The Company's Corporate Governance Plan includes a section on performance evaluation practices adopted by the Company. The chair will monitor the Board and the Board will monitor the performance of any senior executives who are not Directors, including measuring actual performance against planned performance.
1.3	Companies should provide the information indicated in the <i>Guide to reporting on Principle 1</i> .	Explanation of departures from Principles and Recommendations 1.1 and 1.2 (if any) are set out above. The Company will also explain any departures from Principles and Recommendations 1.1 and 1.2 (if any) in its future annual reports. No formal performance evaluation of senior executives has taken place to date. Future annual reports will disclose whether such a performance evaluation has taken place in the relevant reporting period and whether it was in accordance with the process disclosed. The Corporate Governance Plan, which includes the Board Charter, is posted on the Company's website.
2.	Structure the board to add value	
2.1.	A majority of the board should be independent directors.	The Company is currently not in compliance with this recommendation as only one of the four directors is independent.
2.2.	The chair should be an independent director.	The Company is currently not in compliance with this recommendation as Timothy Osborne is a director of the ultimate holding company of a substantial shareholder. The Board believes that the Company, in its current size and level of complexity, cannot justify the expense of searching for, and appointing, an Independent Chairman of the same experience as Mr Osborne. Points of conflict arising from Mr Osborne's lack of independence are to be dealt with by Mr Osborne being excluded in any voting pertaining to potentially conflicting items of business faced by the Board.
2.3.	The roles of chair and chief executive officer should not be exercised by the same individual.	The Company is in compliance with this recommendation.

	PRINCIPLES RECOMMENDATIONS	AND COMMENT
2.4.	The board should establish a nomination committee.	<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>
2.5.	Companies should disclose the process for evaluating the performance of the board, its committees and individual directors.	<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>
2.6.	Companies should provide the information indicated in the <i>Guide to reporting on Principle 2</i> .	<p>The Company has provided details of each director, such as their skills, experience and expertise relevant to their position in this Prospectus and will also provide these details on its website and in future annual reports.</p> <p>Explanation of departures from Principles and Recommendations 2.1, 2.2, 2.3, 2.4 and 2.5 (if any) are set out above. The Company will also explain any departures from Principles and Recommendations 2.1, 2.2, 2.3, 2.4 and 2.5 (if any) in its future annual reports.</p> <p>No performance evaluation of the Board, its committees and individual directors has taken place to date as this process is conducted annually and the first year of evaluation has not been completed. Future annual reports will disclose whether such a performance evaluation has taken place in the relevant reporting period and whether it was in accordance with the process disclosed.</p> <p>The Corporate Governance Plan, which</p>

PRINCIPLES AND COMMENT		RECOMMENDATIONS
		includes the Nomination Committee Charter, is posted on the Company's website.
3.	Promote ethical and responsible decision-making	
3.1.	<p>Companies should establish a code of conduct and disclose the code or a summary of the code as to:</p> <ul style="list-style-type: none"> the practices necessary to maintain confidence in the company's integrity the practices necessary to take into account their legal obligations and the reasonable expectations of their stakeholders the responsibility and accountability of individuals for reporting and investigating reports of unethical practices. 	The Company's Corporate Governance Plan includes a ' <i>Corporate Code of Conduct</i> ', which provides a framework for decisions and actions in relation to ethical conduct in employment.
3.2.	Companies should establish a policy concerning diversity and disclose the policy or a summary of that policy. The policy should include requirements for the board to establish measureable objectives for achieving gender diversity and for the board to assess annually both the objectives and progress in achieving them.	The Company's Corporate Governance Plan includes a ' <i>Diversity Policy</i> ', which provides a framework for establishing measureable objectives for achieving gender diversity and for the Board to assess annually both the objectives and progress in achieving them.
3.3.	Companies should disclose in each annual report the measureable objectives for achieving gender diversity set by the board in accordance with the diversity policy and progress in achieving them.	This disclosure has not yet been made as the first year as a listed company has not been completed. Future annual reports will disclose the measureable objectives for achieving gender diversity set by the board in accordance with the diversity policy and progress in achieving them.
3.4.	Companies should disclose in each annual report the proportion of women employees in the whole organisation, women in senior executive positions and women on the board.	This disclosure has not yet been made as the first year as a listed company has not been completed. Future annual reports will disclose the proportion of women employees in the whole organisation, women in senior executive positions and women on the board.

	PRINCIPLES AND RECOMMENDATIONS	COMMENT
3.5.	Companies should provide the information indicated in the <i>Guide to reporting on Principle 3</i> .	Explanation of departures from Principles and Recommendations 3.1, 3.2, 3.3 and 3.4 (if any) are set out above. The Company will also explain any departures from Principles and Recommendations 3.1, 3.2, 3.3 and 3.4 (if any) in its future annual reports. The Corporate Governance Plan, which includes the Corporate Code of Conduct and Diversity Policy, is posted on the Company's website.
4.	Safeguard integrity in financial reporting	
4.1.	The board should establish an audit committee.	No formal Audit Committee has been established by the Company as yet as yet as the Board considers the Company is not currently of the relevant size or complexity to warrant the formation of an Audit Committee. The Board, as a whole, currently serves as the audit committee. Once the Board deems that the Company warrants a Audit Committee, one will be formed in compliance with this Recommendation.
4.2.	The audit committee should be structured so that it: <ul style="list-style-type: none"> • consists only of non-executive directors • consists of a majority of independent directors • is chaired by an independent chair, who is not chair of the board • has at least three members. 	Whilst the Audit Committee is not structured in the manner set out in the Principles and Recommendations, the Board is of the view that the experience and professionalism of the persons on the Board is sufficient to ensure that all significant matters are appropriately addressed and actioned. Further, the Board does not consider that the Company is of sufficient size to justify the appointment of additional directors for the sole purpose of satisfying this recommendation as it would be cost prohibitive and counterproductive. As the operations of the Company develop the Board will reassess the formation of the audit committee.
4.3.	The audit committee should have a formal charter.	The Company's Corporate Governance Plan includes an Audit and Risk Committee Charter, which discloses its specific responsibilities.
4.4.	Companies should provide the information indicated in the <i>Guide to reporting on Principle 4</i> .	Explanation of departures from Principles and Recommendations 4.1, 4.2 and 4.3 (if any) are set out above. The Company will also explain any departures from Principles and Recommendations 4.1, 4.2 and 4.3 (if any) in its future annual reports. The Corporate Governance Plan, which includes the Audit & Risk Committee Charter, is posted on the Company's website.

PRINCIPLES AND COMMENT RECOMMENDATIONS		
5.	Make timely and balanced disclosure	
5.1.	Companies should establish written policies designed to ensure compliance with ASX Listing Rule disclosure requirements and to ensure accountability at a senior executive level for that compliance and disclose those policies or a summary of those policies.	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.
5.2.	Companies should provide the information indicated in Guide to Reporting on Principle 5.	The Company has not currently departed from Principle and Recommendation 5.1. The Company will provide an explanation of any departures from Principle and Recommendation 5.1 (if any) in its future annual reports. The Corporate Governance Plan, which includes a continuous disclosure program, is posted on the Company's website.
6.	Respect the rights of shareholders	
6.1.	Companies should design a communications policy for promoting effective communication with shareholders and encouraging their participation at general meetings and disclose their policy or a summary of that policy.	The Company's Corporate Governance Plan includes a shareholders communication strategy, which aims to ensure that the shareholders are informed of all major developments affecting the Company's state of affairs.
6.2.	Companies should provide the information indicated in the Guide to reporting on Principle 6.	The Company has not currently departed from Principle and Recommendation 6.1. The Company will provide an explanation of any departures from Principle and Recommendation 6.1 (if any) in its future annual reports. The Corporate Governance Plan, which includes a shareholders communication strategy, will be posted on the Company's website.
7.	Recognise and manage risk	
7.1.	Companies should establish policies for the oversight and management of material business risks and disclose a summary of those policies.	The Company's Corporate Governance Plan includes a risk management policy. 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.

PRINCIPLES RECOMMENDATIONS	AND	COMMENT
7.2.	The board should require management to design and implement the risk management and internal control system to manage the company's material business risks and report to it on whether those risks are being managed effectively. The board should disclose that management has reported to it as to the effectiveness of the company's management of its material business risks.	The Company's Corporate Governance Plan includes a risk management policy. The Board's collective experience will enable accurate identification of the principal risks that may affect the Company's business. Key operational risks and their management will be recurring items for deliberation at Board Meetings.
7.3.	The board should disclose whether it has received assurance from the chief executive officer (or equivalent) and the chief financial officer (or equivalent) that the declaration provided in accordance with section 295A of the Corporations Act is founded on a sound system of risk management and internal control and that the system is operating effectively in all material respects in relation to financial reporting risks.	The Company has not yet been required to lodge financial statements in Australia and as a result no declaration has been required. Reports on risk management are to be provided to the Board by management or the executive director(s) responsible for the management of the individual risk. The Board will seek the relevant assurance from the management and the executive directors (or their equivalents) at the relevant time.
7.4.	Companies should provide the information indicated in <i>Guide to Reporting on Principle 7</i> .	The Company has not currently departed from Principle and Recommendation 7.1, 7.2 and 7.3. The Company will provide an explanation of any departures from Principle and Recommendation 7.1, 7.2 and 7.3 (if any) in its future annual reports. The Corporate Governance Plan, which includes a risk management policy, is posted on the Company's website.
8.	Remunerate fairly and responsibly	
8.1.	The board should establish a remuneration committee.	The Board has not established a formal Remuneration Committee at this point in the Company's development. It is considered that the size of the Board along with the level of activity of the Company renders this impractical and the Board, acting without the affected director participating in the decision making process, currently serves as a remuneration committee. The Company's Corporate Governance Plan includes a Remuneration Committee Charter, which discloses its specific responsibilities. Remuneration to the executive directors is by way of salary only and to non-executive directors by way of director fees only, with

PRINCIPLES RECOMMENDATIONS	AND	COMMENT
		<p>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 commences operations. Further there are no schemes for retirement benefits in existence.</p>
8.2.	<p>The remuneration committee should be structured so that it:</p> <ul style="list-style-type: none"> • consists of a majority of independent directors • is chaired by an independent director • has at least three members 	<p>Although no formal remuneration committee has been established, the Board currently serves as the remuneration committee.</p> <p>The composition of the Board is such that the Company does not currently comply with this recommendation.</p>
8.3.	<p>Companies should clearly distinguish the structure of non-executive directors' remuneration from that of executive directors and senior executives.</p>	<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>
8.4.	<p>Companies should provide the information indicated in the <i>Guide to reporting on Principle 8</i>.</p>	<p>Explanation of departures from Principles and Recommendations 8.1, 8.2 and 8.3 (if any) are set out above. The Company will also provide an explanation of any departures from Principles and Recommendations 8.1, 8.2 and 8.3 (if any) in its future annual reports.</p> <p>The Corporate Governance Plan, which includes the Remuneration Committee Charter, is posted on the Company's website.</p>

13. MATERIAL CONTRACTS

13.1 Corporate Adviser Agreement – Pursuit Capital

On 20 September 2011, the Company and Pursuit Capital (**Pursuit**) entered into a corporate adviser agreement in relation to the Offer (**Corporate Adviser Agreement**).

Under the Corporate Adviser Agreement, Pursuit agreed to assist the Company with its proposed listing on ASX and its associated equity capital raising.

The material terms and conditions of the Corporate Adviser Agreement are as follows:

- (a) **(Fees)**: the following fees are payable by the Company to Pursuit:
 - (i) a corporate finance fee of \$75,000;
 - (ii) a management fee equal to 1% of any funds raised under this Prospectus excluding funds raised by nominated parties for which no commission shall be payable; and
 - (iii) a brokerage commission equal to 5% of any funds raised directly by Pursuit under this Prospectus. Pursuit may pay some of the brokerage commission to parties that assist in introducing capital under the Offer.
- (b) **(Options)**: the Company has agreed to issue to Pursuit Corporate Adviser Options equal to 4% of all the total CDIs issued under this Prospectus excluding capital raised from investors introduced by Zeta Petroleum. The Corporate Adviser Options are exercisable at \$0.20 with an expiry date of 5 years from the date of admission of the Company to the Official List of ASX;
- (c) **(Post-Listing Services)**: For the ongoing use of the Pursuit office as a registered office in Australia and the provision of corporate advisory and company secretarial services, Zeta Petroleum will pay to Pursuit \$108,000 per annum. This is subject to a minimum term of 12 months and may be terminated thereafter by 1 month notice.
- (d) **(Termination)**: the Corporate Adviser Agreement may be terminated by 1 month notice in writing, subject to the payment by the Company of the fees to Pursuit as set out above.

The Corporate Adviser Agreement contains other standard terms and conditions expected to be included in an agreement of this nature.

13.2 Lead Manager Mandate – Patersons

On 31 January 2012, the Company entered into a corporate mandate with Patersons Securities Limited (**Patersons**) to act as lead manager to the Offer (**Lead Manager Mandate**).

Under the Lead Manager Mandate and in consideration for its services as lead manager to the Offer, the Company will:

- (a) pay Patersons a lead manager fee of \$30,000 plus GST;

- (b) pay Patersons a 1% management fee based on the total funds raised under the Offer plus GST; and
- (c) pay Patersons a 5% brokerage commission based on the total funds raised under the Offer, other than on any funds up to \$3 million which have been raised directly by the Company.

The Lead Manager Mandate may be terminated by the Company upon 10 days' notice in writing at any time before Patersons have extended a firm commitment offer to an investor to subscribe for shares under the Offer if Patersons fail to rectify any material breach of the Lead Manager Mandate or on a no fault basis where the Company is dissatisfied with the services provided by Patersons under the Lead Manager Mandate provided the Company gives Patersons reasonable opportunity to rectify the quality of service provided.

The Lead Manager Mandate contains other standard terms and conditions expected to be included in an agreement of this nature.

13.3 Convertible Loan Agreement – GM Investment & Co Limited

The Company has entered into a Convertible Loan Agreement dated 27 August 2008 (as varied) with GM Investment & Co Limited on the following material terms and conditions:

- (a) **(Facility Limit):** The facility limit amount of the loan is US\$3,200,000 (being approximately \$3,023,680 using the conversion rate of US\$1:\$0.9449 as at 31 January 2012).
- (b) **(Use of Loan funds):** The loan funds must be applied primarily towards the funding of drilling and testing a well and for other corporate purposes.
- (c) **(Term):** The term of the Convertible Loan Agreement commences on 27 August 2008 and ends on 31 August 2012.
- (d) **(Interest):** Interest will be calculated daily on the amount outstanding at the rate per annum which is the aggregate of 4% and LIBOR and will be capitalised into the loan until such time as the loan and all outstanding moneys have been repaid.
- (e) **(Repayment):** The Loan must be fully and finally repaid, together with all outstanding moneys (including interest), at the end of the Term.
- (f) **(Conversion):** GM Investment & Co Limited may, at its election, direct the Company to satisfy the repayment of all or any part of the loan amount by applying it in payment for the subscription of Shares in the Company by GM Investment & Co Limited at a price per Share of UK£3.61 (being approximately \$5.31 using the conversion rate of UK£1:\$1.47 as at 31 January 2012) in minimum amounts of US\$500,000 (being approximately \$472,450 using the conversion rate of US\$1:\$0.9449 as at 31 January 2012) save that if the Company issues any Shares during the Term at a price lower than UK£3.61 (being approximately \$5.31) per Share, the conversion price under the Convertible Loan Agreement shall be reduced to such lower price.
- (g) **(Option to Subscribe):** GM Investment & Co Limited also has the option under the Convertible Loan Agreement to subscribe for 50,000 Shares at an exercise price of UK£3.61 (being approximately \$5.31) per Share save

that if the Company issues any Shares during the Term at a price lower than UK£3.61 (being approximately \$5.31) per Share, the exercise price of the Shares shall be reduced to such lower price. This option expires on 31 August 2015.

13.4 Employment Agreement – Mr Stephen West

On 1 February 2012, the Company entered into an employment agreement with Mr Stephen West to act in the capacity as Managing Director of the Company.

Mr West's employment under the agreement is effective on and from 1 February 2012 and will continue until terminated in accordance with the agreement. Mr West is employed on a full time basis.

Mr West will receive an annual salary of \$225,000, which will be subject to annual review by the Board. Upon the Company successfully listing on a recognised stock exchange, the annual salary shall immediately be increased to \$320,000 per annum.

The Company or Mr West may terminate the employment without cause by providing at least 6 month's written notice to the other party. Additionally, the Company may terminate the employment immediately by written notice to Mr West upon Mr West committing serious misconduct during his employment with the Company.

The employment agreement contains other standard terms and conditions expected to be included in an agreement of this nature.

13.5 Executive Services Agreement – Mr Philip Crookall

On 1 October 2011, the Company entered into a service agreement with Mr Philip Crookall to act in the capacity as Chief Operating Officer of the Company.

Mr Crookall's employment is effective on and from 1 October 2011 and will continue until terminated in accordance with the agreement. Mr Crookall is employed on a full time basis.

Mr Crookall will receive an annual salary of UK£145,000 (being approximately \$213,150 using the conversion rate of UK£1:\$1.47 as at 31 January 2012), which will be subject to annual review by the Board. Mr Crookall may also be entitled to be paid bonuses of such amounts and at such times as the Board may decide.

The Company or Mr Crookall may terminate the employment without cause by providing at least 1 month's written notice to the other party. This notice period shall be increased to 3 months upon the listing of the Company on a recognised investment exchange. Additionally, the Company may terminate the employment immediately and without notice upon certain events akin to misconduct or Mr Crookall's incapacity.

13.6 Contract for Services – Mr Michael Scott

On 20 October 2011, the Company entered into a contract for services with Mr Michael Scott to act in the capacity as Non-Executive Director of the Company.

Mr Scott's appointment is effective on and from 18 October 2011 and will continue for an initial period of 3 years unless terminated earlier in accordance

with the contract. Mr Scott is employed on a part time basis, spending 15 hours per month on work for the Company.

Mr Scott will receive a director's fee of \$5,500 per annum. Upon the Company successfully listing on a recognised stock exchange, the director's fee shall be increased to \$23,500 per annum. The director's fee shall be subject to annual review by the Board.

The Company or Mr Scott may terminate the appointment without cause by providing at least 1 month's written notice to the other party. Additionally, the Company may terminate the appointment immediately and without notice upon certain events akin to misconduct or Mr Scott's incapacity.

13.7 Contract for Services – Timothy Osborne

On 1 February 2012, the Company entered into a contract for services with Mr Timothy Osborne to act in the capacity as Non-Executive Director and Chairman of the Company.

Mr Osborne's appointment is effective on and from 1 February 2012 and will continue for an initial period of 3 years unless terminated earlier in accordance with the contract. Mr Osborne is employed on a part time basis, spending 15 hours per month on work for the Company.

Mr Osborne will receive a director's fee of UK£1,200 (being approximately \$1,764 using the conversion rate of UK£1:\$1.47 as at 31 January 2012) per annum. Upon the Company successfully listing on a recognised stock exchange, the director's fee shall be increased to UK£24,000 (being approximately \$35,280 using the conversion rate above) per annum. The director's fee shall be subject to annual review by the Board.

The Company or Mr Osborne may terminate the appointment without cause by providing at least 1 month's written notice to the other party. Additionally, the Company may terminate the appointment immediately and without notice upon certain events akin to misconduct or Mr Osborne's incapacity.

13.8 Consultancy Agreement – Copia Consulting Pty Limited

On 18 October 2011, the Company entered into a consultancy agreement with Copia Consulting Pty Limited (**Copia**) to provide specialist management and technical consultation and advice to the Company with respect to the Company's assets in Romania or other assets which the Company may require Copia to review.

Copia's appointment is effective on and from 18 October 2011 and will continue for a period of 3 years unless terminated earlier in accordance with the agreement. Copia is contracted to spend 5 days per annum on work for the Company.

Copia will receive a consultant's fee of \$12,500 plus GST per annum. Any support required by the Company above the basic 5 days per annum will be provided by Copia at a fee of \$2,500 plus GST per day.

The Company or Copia may terminate the appointment without cause by providing at least 1 month's written notice to the other party. Additionally, either party may terminate the appointment immediately and without notice upon certain events including material breach of the agreement by either party, misconduct of either party or the incapacity of either party.

Mr Michael Scott, a Director of Zeta Petroleum plc, has a 50% relevant interest in, and is a director of, Copia.

13.9 Services Agreement – Helen Prior

On 1 October 2007, the Company entered into a service agreement with Helen Prior to act in the capacity as Senior Geologist of the Company. Ms Prior's role has now changed to that of Technical Manager of the Company.

Ms Prior's employment commenced on 1 October 2007 and will continue until terminated in accordance with the agreement. Ms Prior is employed on a full time basis.

Ms Prior currently receives an annual salary of UK£85,000 (being approximately \$124,950 using the conversion rate of UK£1:\$1.47 as at 31 January 2012), which will be subject to annual review by the Board. Ms Prior may also be entitled to be paid bonuses of such amounts and at such times as the Board may decide.

The Company or Ms Prior may terminate the employment without cause by providing at least 2 month's written notice to the other party. Additionally, the Company may terminate the employment immediately and without notice upon certain events akin to misconduct or Ms Prior's incapacity.

13.10 Services Agreement – Bogdan Popescu

On 1 August 2010, the Company entered into a service agreement with Bogdan Popescu to act in the capacity as Managing Director of the Company's wholly owned Romanian subsidiary Zeta Petroleum (Romania) SRL.

Mr Popescu's employment commenced on 1 August 2010 and will continue until terminated in accordance with the agreement. Mr Popescu is employed on a full time basis.

Mr Popescu will receive an annual salary of €68,640 (being approximately \$85,299 using the conversion rate of €1:\$1.2427 as at 31 January 2012), which will be subject to annual review by the Board. Mr Popescu may also be entitled to be paid bonuses of such amounts and at such times as the Board may decide.

The Company or Mr Popescu may terminate the employment without cause by providing at least 6 month's written notice to the other party. Additionally, the Company may terminate the employment immediately and without notice upon certain events akin to misconduct or Mr Popescu's incapacity.

13.11 Consultancy Agreement – Overseas Oil Management Services Limited

On 1 August 2010, the Company entered into a consultancy agreement with Overseas Oil Management Services Limited (**Overseas Oil**) to provide consulting services in the field of petroleum exploration and production activities in Romania.

The appointment of Overseas Oil is effective on and from 1 August 2010 and will continue for a period of 3 years unless terminated earlier in accordance with the agreement. Overseas Oil is appointed on a full time basis.

Overseas Oil will receive a consultant's fee of €81,360 (being approximately \$101,106 using the conversion rate of €1:\$1.2427 as at 31 January 2012) per annum.

The Company or Overseas Oil may terminate the appointment without cause by providing at least 3 months' written notice to the other party. Additionally, either party may terminate the appointment immediately and without notice upon certain events including failure to remedy a breach of the agreement and the incapacity of either party.

Mr Bogdan Popescu, a Director of Zeta Petroleum (Romania) SRL, owns 100% of the issued share capital of Overseas Oil.

13.12 Sale and Purchase Agreement – Expert Petroleum SRL

On 22 April 2009, Zeta Petroleum (Romania) SRL (**Zeta Romania**), a wholly owned subsidiary of the Company, and Expert Petroleum SRL (**Expert**), a company registered in Romania, entered into a Sale and Purchase Agreement in respect of the licence for the Padureni Gas Field.

Under the agreement, Zeta Romania transferred Expert an 87.5% interest in the Padureni licence for consideration of US\$100,000 (being approximately \$94,490 using the conversion rate of US\$1:\$0.9449 as at 31 January 2012) and the payment by Expert of 100% of all exploration, development and production costs and expenditures relating to the Padureni licence for the duration of the licence and incurred in accordance with the Joint Operating Agreement summarised below in clause 13.13.

Expert is obliged to provide Zeta Romania with a quarterly report from the first day of production outlining monthly production and costs information in relation to the licence. Zeta Romania has the right to access all records of Expert in relation to levels of production and costs incurred on the licence. The parties also agreed to enter the Joint Operating Agreement in relation to the licence as summarised below.

Expert is entitled to transfer or assign its rights under the agreement and under the licence to an affiliate company or a third party consented to by Zeta Romania, such third party being obliged to perform Expert's obligations under the agreement. Zeta Romania is entitled to transfer or assign its rights to any affiliate company or third party.

Under the agreement, Zeta Romania indemnifies Expert against all obligations under the licence relating to any period prior to 16 April 2009. Expert indemnifies Zeta Romania against all obligations under the licence and also all losses, liabilities, damages and costs whatsoever in respect of the licence relating to any period after 16 April 2009. Expert is also responsible for all obligations in respect of abandonment and decommissioning on the licence and indemnifies Zeta Romania against the same.

The parties each give standard warranties and indemnities expected to be included in an agreement of this nature. The agreement also contains other standard terms and conditions expected to be included in an agreement of this nature.

13.13 Joint Operating Agreement – Expert Petroleum SRL

On or around October 2009, Zeta Romania and Expert entered into a Joint Operating Agreement to regulate operations under the licence for the Padureni Gas Field.

The term of the agreement commenced on or around June 2009 and will continue for the duration of the Padureni licence unless terminated earlier in accordance with the agreement.

Under the Sale and Purchase Agreement summarised above at Section 13.12, Zeta Romania is carried by Expert on all expenditure on the licence for the duration of the licence. During production on the licence, all rights and benefits arising out of activities on the licence shall be owned by the parties in proportion to their respective percentage interests in the licence (being at the date of this Prospectus 87.5% to Expert and 12.5% to Zeta Romania).

Under the agreement, Expert are appointed as the operator of the Padureni licence for the purposes of the exploration and production of petroleum within the licence area. Expert has the right to resign as operator by giving not less than 180 days notice to Zeta Romania.

As operator, Expert are obliged to solely conduct all operations on the Padureni licence and are also responsible for all matters and dealings with the National Agency for Mineral Resources of Romania (**NAMR**). The operator is also responsible for the preparation and implementation of all exploration and appraisal, development, production and decommissioning programmes and budgets to be approved by the Joint Operating Committee (**Committee**). Each party indemnifies the operator to the extent of its percentage interest in the licence against all losses, damages or claims arising from its duties or obligations under the agreement except in the case of wilful misconduct by the operator.

The Committee is established under the agreement which exercises overall supervision and determination of the entire operations on the Padureni licence. The Committee consists of two representatives appointed by Expert and one representative appointed by Zeta Romania.

Meetings of the Committee are to be held every six months. Each party to the agreement has a voting interest equal to its percentage interest in the Padureni licence. Certain decisions of the Committee require the consent of all parties, including the abandonment of the licence and any amendment of the agreement. All other decisions require an affirmative vote of an aggregate of 80% of votes cast.

The Committee must meet not less than 90 days prior to the latest date on which notice may be given to NAMR to extend the licence to decide whether to extend such licence.

The Committee can remove Expert as the operator on giving not less than 90 days' notice upon certain events including failure to remedy a breach of the agreement. Additionally, the Committee can remove Expert as the operator under the agreement immediately and without notice upon certain events including Expert entering insolvency proceedings and the NAMR withdrawing its approval of Expert as operator. The Committee are responsible for appointing a successor as operator.

Upon production, Zeta Romania and Expert shall each have the right to take in kind and separately dispose of its percentage interest share in the quantities of petroleum produced under the licence, subject to the operator having the right to take in kind and dispose of the amount of petroleum required to recover 100% of the costs of the joint operation between the parties on the licence.

Zeta Romania has the right, by written notice to Expert, to direct Expert to sell, on its behalf, all or part of Zeta Romania's percentage interest share in the crude oil

and natural gas produced from the licence. Expert must pay Zeta Romania the price received on such sales minus a 2% handling charge within 10 working days of receipt.

Each party shall be responsible for the settlement of its own royalties in accordance with relevant legislation and the licence.

Assignment or transfer by either party of its interest in the agreement or the licence must be in accordance with the terms of the Sale and Purchase Agreement summarised above and will be subject to the receipt of any necessary consent or approval of NAMR and to a transferee being obliged to perform the transferor's obligations under the agreement.

Either party may, subject to all work obligations on the licence being completed, withdraw from the agreement and the licence by giving notice to the other party. On receipt of such notice, the other party has 30 days to similarly give notice that it wishes to withdraw from the agreement and the licence. If both parties give such notice, the parties shall be deemed to have abandoned the joint operations and the licence shall be surrendered on the earliest possible date. If only one party gives such notice, the withdrawing party shall withdraw from the licence and the agreement on the earliest possible date and shall assign its interests in the licence and the agreement to the non-withdrawing party without any compensation. No party participating in a programme of development works to which NAMR has given consent may withdraw from the licence or the agreement.

The agreement contains other standard terms and conditions expected to be included in an agreement of this nature.

14. ADDITIONAL INFORMATION

14.1 Litigation

As at the date of this Prospectus, and subject to the information contained in the paragraph below, the Company is not involved in any legal proceedings and the Directors are not aware of any legal proceedings pending or threatened against the Company.

On 16 February 2012, the Company's wholly owned subsidiary in Romania, Zeta Petroleum (Romania) SRL, received a document from the law firm Tuca Zbarcea Asociatii dated 15 February 2012 entitled "Claim for damages for the works performed at Jimbolia 1 ST Well under the Joint Operating Agreement concluded between Zeta and Armax on 6 August 2010 ("JOA") and removal of the Operator". Within this document, SC Armax Gaz SRL ("**Armax**") (a former partner on the Jimbolia field) claims as damages from Zeta Petroleum (Romania) SRL an amount equal to all the expenses incurred by Armax under the JOA being RON 1,367,112.31 (being approximately \$395,000 using the conversion rate of RON1:\$0.2861 as at 31 January 2012)). Zeta Petroleum (Romania) SRL replied to Armax and Tuca Zbarcea Asociatii on 27 February 2012, rejecting all statements and claims contained in the document on the basis that, in the view of the Company, they are ungrounded and without merit.

Please refer to section 3.2 of the Solicitor's Report on Tenements contained in Section 11 of this Prospectus for further details on the status of the Jimbolia licence and the termination of the JOA with Armax.

14.2 Articles of Association

The Company's current Articles of Association were adopted by a special resolution passed on 17 November 2011. The Articles of Association were amended to comply with the ASX Listing Rules (amongst other things).

The following is a summary of the key provisions of the Articles of Association and principal rights and restrictions of Shareholders. This summary is not exhaustive, nor does it constitute a definitive statement of the rights and restrictions of Shareholders.

Investors should note that they will be issued with CDIs under this Prospectus. With the exception of voting arrangements, holders of CDIs have the same rights as holders of Shares, which are legally registered in their own name. Please see Sections 2.8, 14.3 and 14.4 for more information about CDIs.

(a) Application of Listing Rules

To the extent of any inconsistency between the Articles of Association and the ASX Listing Rules, the ASX Listing Rules prevail.

(b) General meetings

The Board may, whenever it thinks fit, and in accordance with the UK Companies Act convene a general meeting. Notice of every general meeting shall be given to every member of the Company who is, under the Articles of Association, entitled to receive such notices from the Company.

(c) **Voting rights**

Subject to any special terms as to voting upon which Shares may be issued or may for the time being be held, on a show of hands every member present in person or by proxy shall have one vote. On a poll every member who is present in person or by proxy shall have one vote for every Share they hold.

Where there are two or more joint holders of a share and more than one of them is present at a general meeting in person or by proxy and tenders a vote in respect of the share, the Company will count only the vote cast by, or on behalf of, the member whose name appears first in the Company's register of members.

(d) **Dividends**

The Company may by ordinary resolution in a general meeting declare dividends to be paid out of the profits of the Company available for distribution. No dividend shall be declared in excess of the amount recommended by the Board.

The Board may, provided that in its opinion the profits of the Company justify such payment, pay interim dividends from time to time of such amounts and on such dates and in respect of such periods as it thinks fit.

Except as otherwise provided by the rights attached to the Shares, all dividends shall be declared and paid pro rata according to the amounts paid up on the Shares in respect of which the dividend is declared and paid (divided) during any portion or portions of the period in respect of which the dividend is declared.

Any dividend unclaimed for a period of 12 years from the date on which the dividend becomes payable will be forfeited and will revert to the Company.

(e) **Winding up**

The Company presently has only issued one class of Shares, which all rank equally in the event of winding up.

A liquidator may, with the authority of a special resolution of Shareholders, divide among the Shareholders in proportion to their shareholdings in specie the whole or any part of the assets of the Company, and may for that purpose set such value as he considers fair upon any property to be so divided, and may determine how the division is to be carried out as between the Shareholders. The liquidator can with the sanction of a special resolution of the Company's shareholders vest the whole or any part of the assets in trust for the benefit of Shareholders as the liquidator thinks fit, but no shareholder of the Company can be compelled to accept any assets in respect of which there is a liability.

(f) **Purchase of own Shares**

Subject to the UK Companies Act, the Company may purchase its own Shares (including any redeemable shares) or enter into such agreement

(contingent or otherwise) in relation to the purchase of its own Shares on such terms and in such manner as may be permitted by the UK Companies Act.

(g) **Transfer of Shares**

In relation to a transfer of ordinary Shares which are in certificated form:

- (i) such transfers may be effected by transfer in writing in any usual form or in such other form as the Board may approve. The instrument of transfer shall be executed by or on behalf of the transferor and (in the case of a partly paid share) by or on behalf of the transferee;
- (ii) the Board may refuse to register any transfer of partly paid Shares or Shares on which the Company has a lien or any instrument of transfer in favour of an entity which is not a natural or legal person, a minor, infant person in respect of whom a receiving order or adjudication order in bankruptcy remains undischarged, a person with mental disorder or where the share is to be held jointly by more than 4 persons; and
- (iii) the Board may not decline to register any instrument of transfer if the instrument of transfer is duly stamped (if required), is in respect of only one class of share and is in favour of not more than four joint transferees, provided that to do so is not contrary to the ASX Listing Rules.

(h) **Alteration of capital**

The Company may by ordinary resolution, consolidate or sub-divide all or any of its Shares or cancel any Shares which have not been taken or agreed to be taken by any person.

Subject to the UK Companies Act and any other consent required by law, the Company may by special resolution reduce its share capital, any capital redemption reserve fund or any share premium account in any manner.

(i) **Takeover protection**

The Board of Directors may disenfranchise a Shareholder who does not make a takeover offer in circumstances where this would be required under the Takeover Code but at a time when the Takeover Code or any successor or other regime governing the conduct of takeovers and mergers in the United Kingdom does not apply, so that the protection is triggered upon acquiring 20% rather than 30% ownership in the Company (in line with standard provisions applying to Australian incorporated public companies listed on ASX).

14.3 **Rights of CDI Holders**

With the exception of voting arrangements, CDI holders have the same rights as holders whose securities are legally registered in their own name. The ASX Settlement Operating Rules require that all economic benefits, such as dividends, bonus issues, rights issues or similar corporate actions flow through to CDI holders as if they were the legal owners of the underlying securities.

The ASX Settlement Operating Rules require the Company to give notices to CDI holders of general meetings of Shareholders. The notice of meeting must include a form permitting the CDI holder to direct CDN to cast proxy votes in accordance with the CDI holder's written directions. CDI holders cannot vote personally at Shareholder meetings. The CDI holder must convert their CDIs into certificated Shares prior to the relevant meeting in order to vote at the meeting in person.

14.4 Converting from a CDI to a Share

CDI holders may at any time convert their holding of CDIs (tradeable on ASX) to certificated Shares:

- (a) For CDIs held through the issuer sponsored sub-register, contacting Computershare Investor Services plc in Australia directly to obtain the applicable request form. The removed holding would then be registered into the same address that appeared on the Australian CDI register; or
- (b) for CDIs held on the CHESSE sub-register, contacting their controlling participant (generally a stockbroker), who will liaise with Computershare Investor Services plc in Australia to obtain and complete the request form.

Upon receipt of a request form, the relevant number of CDIs will be cancelled and Shares will be transferred from CDN into the name of the CDI holder and a registered share certificate be issued. This will cause your Shares to be registered on the certificated UK register of Shares and trading will no longer be possible on the ASX.

A holder of Shares may also convert their Shares to CDIs, by contacting the Company Secretary in the United Kingdom (at +44 207 7016 8806 or bhodes@zetapetroleum.com), Computershare Investor Services plc in Australia, or their stockbroker (or applicable controlling participant). In this case, the Shares will be certificated if held in uncertificated form, transferred from the Shareholder's name into the name of CDN and a holding statement will be issued for the CDIs. The CDIs will be tradeable on ASX.

14.5 Differences between UK and Australian corporate law

The Company is incorporated under the laws of England and Wales. The following table sets out the principal differences between laws and regulations concerning shares in a company incorporated in England and Wales as opposed to Australia.

This summary is provided as a general guide only, and is not a comprehensive summary or analysis of all of the consequences resulting from acquiring, holding or disposing of shares or interests in such companies. The laws, rules, regulations and procedures described are subject to change from time to time, and investors should seek their own independent advice in relation to such differences. Please also refer to the risk factors set out in Section 7 of this Prospectus.

Share capital and issue of shares	
<p>United Kingdom</p> <p>The articles of association of some English companies contain a limit on authorised share capital (the Company's Articles do not contain such a limit). This may be increased by way of ordinary resolution of the company's shareholders.</p> <p>The directors may allot shares if authorised to do so by either ordinary resolution of the Company's shareholders or by the articles of association.</p> <p>Under English law, shareholders have pre-emption rights unless those rights are explicitly excluded or disapplied. This means that on an issue of equity securities (which term includes rights to subscribe for or convert into ordinary shares), such equity securities must be offered in the first instance to the existing equity shareholders in proportion to their respective nominal values of their holdings, unless a special resolution has been passed at a general meeting of shareholders to the contrary.</p> <p>At the general meeting of the Company held on 17 November 2011, Shareholders approved the Directors' authorities to allot shares up to an aggregate nominal amount of £200,000 (being approximately \$294,000 using the conversion rate of UK£1:\$1.47 as at 31 January 2012) and suspend the application of the UK pre-emption rights up to an aggregate nominal amount of £200,000 (approximately \$294,000) until conclusion of the 2012 AGM.</p>	<p>Australia</p> <p>The constitution of a typical Australian public company authorises the board to issue shares, options and other securities with preferred, deferred or other special rights or such restrictions, whether with regards to dividends, voting, return of capital and other matters as the directors may decide. The constitution typically does not impose any maximum limit on the number of shares.</p> <p>Under Australian law a company, as part of its legal personality, has the power to issue and cancel shares in the company. In addition to this power a company may also issue bonus shares, preference shares and partly paid shares. The company has the power to determine the terms of and rights and restrictions attaching to the shares it issues.</p> <p>ASX Listing Rule 7.1 provides that a company must not issue or agree to issue shares exceeding 15% of the company's issued capital without shareholder approval. Listing Rule 7.4 allows a company to obtain subsequent approval of a security issue, as per Listing Rule 7.1, in order that it is treated as if it had received prior approval.</p>
Share buybacks and share reductions	
<p>United Kingdom</p> <p>Under English law, shareholders must approve by special resolution any reductions of capital (subject to sanction by the Court and any restrictions in the articles of association) and certain re-purchases of shares (such as off-market purchases).</p>	<p>Australia</p> <p>Under Australian law, a company may reduce its share capital if the reduction is fair and reasonable to the company's shareholders as a whole, does not materially prejudice the company's ability to pay its creditors and is approved by shareholders in accordance with the Corporations Act and relevant filings</p>

	<p>are made and the statutory time period is adhered to.</p> <p>Under the Corporations Act, if the reduction is an equal reduction, it must be approved by an ordinary resolution passed at a general meeting of the company. However, if the reduction is a selective reduction, it must be approved by either a:</p> <ul style="list-style-type: none"> (i) special resolution passed at general meeting of the company with no votes cast by those who are to receive consideration as part of the reduction; or (ii) a resolution agreed to at a general meeting by all ordinary shareholders. <p>In addition, if the reduction involves the cancellation of shares, it must also be approved by a special resolution passed at a meeting of the shareholders whose shares are to be cancelled.</p> <hr/> <p>Under Australian law, a company may buy back its own shares if the buy-back does not materially prejudice the company's ability to pay its creditors and the company follows the procedures laid down in the Corporations Act.</p> <p>Under the Corporations Act:</p> <ul style="list-style-type: none"> (i) shareholder approval by ordinary resolution will be required if the buy-back will exceed more than 10% of the company's issued capital within a 12 month period; and (ii) shareholder approval will be required by special resolution if the buy-back will not qualify as an equal access buy-back (a buy-back will qualify as an equal access buy-back if it, among other things, relates only to ordinary shares and the offer is made equally to all holders of ordinary shares, otherwise the buy-back will be a selective buy-back).
Winding up	
United Kingdom	Australia

<p>A company can be wound up voluntarily by the shareholders if the directors are prepared to give a statutory declaration of solvency. A shareholders' voluntary winding up is started by the shareholders passing a special resolution.</p> <p>If the directors are not willing to give a statutory declaration of solvency a creditors' voluntary winding up can commence by the shareholders passing a special resolution.</p> <p>Any surplus after payment of debts and interest will go to the shareholders according to the rights attached to their shares. As with unsecured creditors, they would be paid out of free assets or any funds available from charged assets following payment of all prior claims (i.e. fixed charge holders, preferential creditors and floating charge holders).</p>	<p>Voluntary winding up requires the company to pass a special resolution that it be wound up voluntarily. Subject to the provisions of the Corporations Act regarding preferential payments, upon winding up the property of the company must be applied in satisfaction of its liabilities equally and, unless the company's constitution otherwise provides, be distributed among the members according to their rights and interests in the company.</p> <p>For winding-up in insolvency or by the court, a distribution of the surplus assets can only be made by order of the court.</p>
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Takeovers

United Kingdom

As the Company is currently managed and controlled within the UK, the UK City Code on Takeovers and Mergers (the **Takeover Code**) applies to the Company. The Takeover Code provides companies with certain protections, in particular if an individual investor or a group of investors acting in concert acquires ordinary shares representing 30% or more of the issued share capital of a company they will be under an obligation to make an offer to acquire the ordinary shares not owned by them.

It is usual for public limited companies to incorporate equivalent takeover protection in their articles of association. Such provisions provide protection against takeovers by allowing the board of directors to disenfranchise a shareholder who does not make a takeover offer in circumstances where this would be required under the Takeover Code. The Company's Articles contain such provisions which are triggered when a holding of 20% or more is reached – refer to section 14.2(i) above.

Australia

The Corporations Act places restrictions on a person acquiring relevant interests in the voting shares of an Australian unlisted public company which has more than 50 members, or an Australian listed company, where, as a result of the acquisition, that person's or someone else's voting power in the company (together with the voting power of their associates increases from 20% or below to more than 20% or from a starting point that is above 20% and below 90%.

Certain exceptions apply, such as acquisitions of relevant interests in voting shares made under takeover bids or made with shareholder approval, or creeping acquisitions of not more than 3% in a 6 month period.

Similar to the position under the UK Companies Act, the Corporations Act permits compulsory acquisition of the shares for which acceptances have not been received, where a bidder holds not less than a 90% relevant interest in the relevant securities.

<p>Sections 983 to 985 of the UK Companies Act give minority shareholders in a company a right to be bought out in certain circumstances by an offeror who has made a takeover offer as defined in section 974 of the UK Companies Act. If a takeover offer related to all the shares and at any time before the end of the period within which the offer could be accepted the offeror held or had agreed to acquire not less than 90% of the shares, any holder of shares to which the offer related who had not accepted the offer could by a written communication to the offeror require it to acquire those shares. If a shareholder exercises his/her rights, the offeror is bound to acquire those shares on the terms of the offer or on such other terms as may be agreed.</p>	<p>Takeover bids must treat all shareholders alike and must not involve any collateral benefits.</p>
<p>Limitations on directors' liability</p>	
<p>United Kingdom</p> <p>Under English law, an English company may not generally exempt a director from, or indemnify him against, liability in connection with any negligence, default, breach of duty or breach of trust by him in relation to the company. However, the general prohibition against exemption or indemnification by a UK company of its directors is subject to relaxation and the Company's Articles provide that:</p> <p>(i) The Company may, at its discretion and subject to any policies adopted by the directors, indemnify every director or other officer or auditor of the company out of the assets of the company against all costs, damages, losses, expenses and liabilities incurred by him in relation to the company in or about the actual or purported execution of the duties of his office or the exercise or purported exercise of his</p>	<p>Australia</p> <p>Under the Australian Corporations Act a company or a related body corporate must not exempt a person (whether directly or via an interposed entity) from a liability to the company incurred as an officer of the company.</p> <p>A company or a related body corporate cannot indemnify a director from any of the following liabilities incurred as an officer of the company:</p> <p>(i) a liability owed to the company;</p> <p>(ii) a liability for a pecuniary penalty or a compensation order incurred under the Corporations Act; or</p> <p>(iii) a liability that is owed to someone other than the company or a related body corporate and did not arise out of conduct in good faith. This prohibition does not apply to legal costs (but the</p>

<p>power or otherwise in relation thereto, including any liability incurred by him in defending any criminal or civil proceedings (subject to various exceptions); and</p> <p>(ii) the Company may at its discretion provide a Director or other officer with funds, or otherwise arrange, to meet expenditure incurred or to be incurred by him in defending any criminal or civil proceedings or defending himself in, for example, an investigation by a regulatory authority or against action proposed to be taken by a regulatory authority.</p>	<p>Corporations Act also restricts a company from indemnifying directors against certain types of legal costs).</p>
<p>Disclosure of substantial holdings</p>	
<p>United Kingdom</p> <p>Pursuant to Part 22 of the UK Companies Act and the Company's Articles, the Company is empowered by notice in writing to require any person whom the Company knows, or has reasonable cause to believe to be or, at any time during the three years immediately preceding the date on which the notice is issued, within a reasonable time to disclose to the Company particulars of any interests, rights, agreements or arrangements affecting any of the shares held by that person or in which such other person as aforesaid is interested.</p> <p>A shareholder in a UK public Company with shares admitted to trading on a regulated market and/or prescribed market must notify the Company of the percentage of voting rights it holds as a shareholder (or holds or is deemed to hold through his direct or indirect holding of financial instruments) if the percentage of voting rights reaches, exceeds or falls below 3% or any 1% threshold above 3% as a result of an acquisition or disposal of share or financial instruments.</p>	<p>Australia</p> <p>Under the Corporations Act, a shareholder who begins or ceases to have a substantial holding in a listed company or has a substantial holding in a listed company and there is a movement by at least 1% in their holding, must give a notice to the company and ASX.</p> <p>A person has a substantial holding if that person and that person's associates have a relevant interest in 5% or more of the voting shares in the company.</p> <p>The Company is not subject to the provisions of the Corporations Act relating to the disclosure of substantial holdings.</p>
<p>Protection of minority shareholders—oppression</p>	

<p>United Kingdom</p> <p>Under English law, if shareholders consider that a company's affairs are being conducted in an unfairly prejudicial manner to the interests of shareholders generally or to some part of its shareholders, or that an actual or proposed act or omission would be so prejudicial, they may apply to the court for an order. If the court is satisfied that the action is well founded, it may make such order as it thinks fit (such as a purchase order requiring the company to purchase the petitioner shareholder's shares.) Under English law, minority shareholders also have the following protections:</p> <p>(i) they may, in certain circumstances, take proceedings for injunctive or other relief to prevent the majority from exercising their voting power improperly by virtue of the doctrine of fraud on the minority; and</p> <p>(ii) they may bring proceedings on behalf of a company (i.e. a derivative action) in certain circumstances.</p>	<p>Australia</p> <p>Under Australian law, a shareholder of an Australian company may apply to the court under the Corporations Act to bring an action in cases of conduct which is either contrary to the interests of shareholders as a whole, or oppressive to, unfairly prejudicial to, or unfairly discriminatory against, any shareholders in their capacity as a shareholder, or themselves in a capacity other than as a shareholder.</p>
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Accounting and Auditors

<p>United Kingdom</p> <p>UK companies are required to prepare for circulation to shareholders and filing with Companies House annual accounting records in the prescribed form; failure to do so will result in a penalty being payable by the company and directors of the company being liable for prosecution.</p> <p>Under English law, shareholders of public companies may appoint auditors by ordinary resolution at the general meeting of the company at which the company's annual accounts are laid (usually the annual general meeting). Members can also appoint auditors if the company should have made the appointment at such an accounts meeting but failed to do so or where the directors</p>	<p>Australia</p> <p>Under the Corporations Act a company must report to members for a financial year by providing financial reports for the year, director's reports for the year and an auditor's report on the financial report or a concise report as specified under the Corporations Act.</p> <p>The directors of a public company must appoint an auditor within 1 month after the day on which the company is registered; however this appointment is subject to confirmation at the next annual general meeting. A public company must appoint an auditor of the company to fill any vacancy in the office of auditor at each subsequent annual general meeting.</p>
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<p>have the power but have failed to do so. Directors can appoint the auditors at any time before the company's first accounts meeting, after a period of exemption or to fill a casual vacancy. The Secretary of State has power to appoint an auditor where the company has failed to do so.</p>	
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14.6 Options Terms and Conditions

14.6.1 Management Options

The Management Options entitle the holder to subscribe for CDIs on the following terms and conditions:

- (a) Each Management Option gives the Optionholder the right to subscribe for one CDI.
- (b) The Management Options will expire at 5.00pm (WST) on 11 January 2019 (**Expiry Date**). Any Management Option not exercised before the Expiry Date will automatically lapse on the Expiry Date.
- (c) The amount payable upon exercise of each Management Option will be \$0.20 (**Exercise Price**).
- (d) The Management Options held by each Optionholder may be exercised in whole or in part, and if exercised in part, multiples of 100 must be exercised on each occasion.
- (e) An Optionholder may exercise their Management Options by lodging with the Company, before the Expiry Date:
 - (i) a written notice of exercise of Management Options specifying the number of Management Options being exercised; and
 - (ii) a cheque or electronic funds transfer for the Exercise Price for the number of Management Options being exercised,

(Exercise Notice).
- (f) An Exercise Notice is only effective when the Company has received the full amount of the Exercise Price in cleared funds.
- (g) Within 5 Business Days of receipt of the Exercise Notice accompanied by the Exercise Price, the Company will allot the number of CDIs required under these terms and conditions in respect of the number of Management Options specified in the Exercise Notice.
- (h) The Management Options are not transferable.
- (i) All CDIs allotted upon the exercise of Management Options will upon allotment rank pari passu in all respects with other Shares.
- (j) The Company will not apply for quotation of the Management Options on ASX. However, The Company will apply for quotation of all CDIs allotted pursuant to the exercise of Management Options on ASX within 10 Business Days after the date of allotment of those CDIs.
- (k) If at any time the issued capital of the Company is reconstructed, all rights of an Optionholder are to be changed in a manner consistent with the Corporations Act and the ASX Listing Rules at the time of the reconstruction.
- (l) There are no participating rights or entitlements inherent in the Management Options and Optionholders will not be entitled to participate in new issues of capital offered to Shareholders during the

currency of the Management Options. However, the Company will ensure that for the purposes of determining entitlements to any such issue, the record date will be at least 7 Business Days after the issue is announced. This will give Optionholders the opportunity to exercise their Management Options prior to the date for determining entitlements to participate in any such issue.

- (m) A Management Option does not confer the right to a change in exercise price or a change in the number of underlying securities over which the Management Option can be exercised.

14.6.2 Corporate Adviser Options

Exercisable at \$0.20 on or before the fifth anniversary of the date the Company is admitted to the Official List of the ASX, on the same terms and conditions of the Management Options.

14.6.3 Free Attaching Options

The Free Attaching Options entitle the holder to subscribe for CDIs on the following terms and conditions:

- (a) Each Free Attaching Option gives the Optionholder the right to subscribe for one CDI.
- (b) The Free Attaching Options will expire at 5.00pm (WST) on 15 June 2013 (**Expiry Date**). Any Free Attaching Option not exercised before the Expiry Date will automatically lapse on the Expiry Date.
- (c) The amount payable upon exercise of each Free Attaching Option will be \$0.20 (**Exercise Price**).
- (d) The Free Attaching Options held by each Optionholder may be exercised in whole or in part, and if exercised in part, multiples of 1,000 must be exercised on each occasion.
- (e) An Optionholder may exercise their Free Attaching Options by lodging with the Company, before the Expiry Date:
 - (i) a written notice of exercise of Free Attaching Options specifying the number of Free Attaching Options being exercised; and
 - (ii) a cheque or electronic funds transfer for the Exercise Price for the number of Free Attaching Options being exercised;

(Exercise Notice).
- (f) An Exercise Notice is only effective when the Company has received the full amount of the Exercise Price in cleared funds.
- (g) Within 5 Business Days of receipt of the Exercise Notice accompanied by the Exercise Price, the Company will allot the number of CDIs required under these terms and conditions in respect of the number of Free Attaching Options specified in the Exercise Notice.
- (h) The Free Attaching Options are transferable.

- (i) All CDIs allotted upon the exercise of Free Attaching Options will upon allotment rank pari passu in all respects with other Shares.
- (j) The Company will apply for quotation of the Free Attaching Options on ASX. The Company will also apply for quotation of all CDIs allotted pursuant to the exercise of Free Attaching Options on ASX within 10 Business Days after the date of allotment of those CDIs.
- (k) If at any time the issued capital of the Company is reconstructed, all rights of an Optionholder are to be changed in a manner consistent with the Corporations Act and the ASX Listing Rules at the time of the reconstruction.
- (l) There are no participating rights or entitlements inherent in the Free Attaching Options and Optionholders will not be entitled to participate in new issues of capital offered to Shareholders during the currency of the Free Attaching Options. However, the Company will ensure that for the purposes of determining entitlements to any such issue, the record date will be at least 7 Business Days after the issue is announced. This will give Optionholders the opportunity to exercise their Free Attaching Options prior to the date for determining entitlements to participate in any such issue.
- (m) A Free Attaching Option does not confer the right to a change in exercise price or a change in the number of underlying securities over which the Free Attaching Option can be exercised.

14.6.4 Loyalty Options

Each Loyalty Option will cost \$0.01 and will be exercisable at \$0.30 on or before 15 July 2015 on the same terms and conditions of the Free Attaching Options.

14.7 Employee Share Option Plan

The Company has established an Employee Share Option Plan (**ESOP**). The full terms of the ESOP may be inspected at the registered office of the Company during normal business hours, and a summary of the material terms is below:

- (a) The objective of the ESOP is to encourage participation by employees in the Company through Share ownership and to attract, motivate and maintain employees of the Company.
- (b) The Board shall have the discretion to approve the grant of employee options under the ESOP and decide the terms and conditions of such grants. However, each employee option shall be issued for nil consideration.
- (c) The exercise price of employee options granted under the ESOP will be determined by the Board prior to their being granted. To the extent that the ASX Listing Rules specify or require a minimum price, the exercise price must not be less than any minimum price specified in the ASX Listing Rules.
- (d) The employee options shall be subject to such performance targets as may be fixed by the Board prior to their being granted.

- (e) The options granted under the ESOP do not give any right to participate in rights issues until Shares are allotted pursuant to the exercise of the relevant employee option.
- (f) Employee options are not transferrable.
- (g) Employee options not exercised after six (6) months of cessation of employment shall automatically lapse at this time.
- (h) The maximum number of employee options that may be offered to participants under the ESOP shall not exceed 25% of the issued share capital of the Company from time to time.

14.8 Interests of Directors

Other than as set out in this Prospectus, no Director or proposed Director holds, or has held within the 2 years preceding lodgement of this Prospectus with the ASIC, any interest in:

- (a) the formation or promotion of the Company;
- (b) any property acquired or proposed to be acquired by the Company in connection with:
 - (i) its formation or promotion; or
 - (ii) the Offer; or
- (c) the Offer,

and no amounts have been paid or agreed to be paid and no benefits have been given or agreed to be given to a Director or proposed Director:

- (a) as an inducement to become, or to qualify as, a Director; or
- (b) for services provided in connection with:
 - (i) the formation or promotion of the Company; or
 - (ii) the Offer.

14.9 Interests of experts and advisers

Other than as set out below or elsewhere in this Prospectus, no:

- (a) person named in this Prospectus as performing a function in a professional, advisory or other capacity in connection with the preparation or distribution of this Prospectus;
- (b) promoter of the Company; or
- (c) underwriter (but not a sub-underwriter) to the issue or a financial services licensee named in this Prospectus as a financial services licensee involved in the issue,

holds, or has held within the 2 years preceding lodgement of this Prospectus with the ASIC, any interest in:

- (a) the formation or promotion of the Company;
- (b) any property acquired or proposed to be acquired by the Company in connection with:
 - (i) its formation or promotion; or
 - (ii) the Offer; or
- (c) the Offer,

and no amounts have been paid or agreed to be paid and no benefits have been given or agreed to be given to any of these persons for services provided in connection with:

- (a) the formation or promotion of the Company; or
- (b) the Offer.

Pursuit Capital has acted as Corporate Adviser to the Company. The Company estimates it will pay Pursuit Capital a corporate finance fee of \$75,000 (excluding GST), a brokerage commission of 5% of the gross amounts raised by Pursuit Capital under the Offer and a management fee of 1% of the total funds raised under the Offer for these services. The Company has also agreed to issue Pursuit Capital with Corporate Adviser Options equal to 4% of the total Shares issued under the Prospectus for services rendered. During the 24 months preceding lodgement of this Prospectus with the ASIC, Pursuit Capital has received fees from the Company totalling \$39,750 (excluding GST).

Patersons Securities Limited has acted as Lead Manager to the Offer. The Company estimates it will pay Patersons Securities Limited a lead manager fee of \$30,000 (excluding GST), a brokerage commission of 5% of the gross amounts raised by Patersons Securities Limited under the Offer and a management fee of 1% of the total funds raised under the Offer for these services. During the 24 months preceding lodgement of this Prospectus with the ASIC, Patersons Securities has not received fees from the Company for any other services.

Isis Petroleum Consultants has acted as Independent Competent Person and has prepared the Independent Competent Person's Report which is included in Section 8 of this Prospectus. The Company has paid Isis Petroleum Consultants a total of \$117,890 (excluding GST) and estimates it will pay a further total of \$68,095 (excluding GST) for these services. During the 24 months preceding lodgement of this Prospectus with the ASIC, Isis Petroleum Consultants has not received fees from the Company for any other services.

Ernst & Young (Australia) has acted as Investigating Accountant and has prepared the Investigating Accountant's Report which is included in Section 10 of this Prospectus. The Company estimates it will pay Ernst & Young (Australia) a total of \$12,500 (excluding GST) for these services. During the 24 months preceding lodgement of this Prospectus with the ASIC, Ernst & Young (Australia) has not received any fees from the Company for any other services.

Ernst & Young LLP (UK) has acted as the Company's auditors. During the 24 months preceding lodgement of this Prospectus with the ASIC, Ernst & Young LLP (UK) has received fees from the Company totalling £103,012 (being

approximately \$151,428 using the conversion rate of UK£1:\$1.47 as at 31 January 2012) (excluding VAT).

Steinepreis Paganin has acted as the solicitors to the Company in relation to the Offer. The Company has paid Steinepreis Paganin a total of \$24,155 (excluding GST) and estimates it will pay a further total of \$46,000 (excluding GST) for these services. Subsequently, fees will be charged in accordance with normal charge out rates. During the 24 months preceding lodgement of this Prospectus with the ASIC, Steinepreis Paganin has received fees from the Company totalling \$17,150 (excluding GST) for other services.

Wilmington Consulting has acted as the solicitors in Romania to the Company and has prepared the Solicitor's Report on Tenements which is included in Section 11 of this Prospectus. The Company has paid Wilmington Consulting a total of RON 30,474 (being approximately \$8,719 using the conversion rate of RON1:\$0.2861 as at 31 January 2012) (excluding VAT) and estimates it will pay a further total of RON 5,392 (being approximately \$1,543 using the conversion rate above) (excluding VAT) for these services. Subsequently, fees will be charged in accordance with normal charge out rates. During the 24 months preceding lodgement of this Prospectus with the ASIC, Wilmington Consulting has received fees from the Company totalling RON 48,250 (being approximately \$13,804 using the conversion rate above) (excluding VAT) for other services.

Dewey & LeBoeuf LLP has acted as the solicitors in the United Kingdom to the Company in relation to the Offer. The Company has paid Dewey & LeBoeuf LLP a total of £37,819 (being approximately \$55,594 using the conversion rate of UK£1:\$1.47 as at 31 January 2012) (excluding VAT) and estimates it will pay a further total of £6,706 (being approximately \$9,858 using the conversion rate above) (excluding VAT) for these services. Subsequently, fees will be charged in accordance with normal charge out rates. During the 24 months preceding lodgement of this Prospectus with the ASIC, Dewey & LeBoeuf LLP has received fees from the Company totalling £181,283 (being approximately \$266,486 using the conversion rate above) (excluding VAT) for other services.

14.10 Consents

Each of the parties referred to in this Section:

- (a) does not make, or purport to make, any statement in this Prospectus other than those referred to in this Section; and
- (b) to the maximum extent permitted by law, expressly disclaim and take no responsibility for any part of this Prospectus other than a reference to its name and a statement included in this Prospectus with the consent of that party as specified in this Section.

Pursuit Capital has given its written consent to being named as Corporate Adviser in this Prospectus in the form and context in which its name appears and has not withdrawn its consent prior to lodgement of this Prospectus with the ASIC.

Patersons Securities has given its written consent to being named as Lead Manager in this Prospectus in the form and context in which its name appears and has not withdrawn its consent prior to lodgement of this Prospectus with the ASIC.

Isis Petroleum Consultants has given its written consent to being named as Independent Competent Person in this Prospectus, the inclusion of the

Independent Competent Person's Report in Section 8 of this Prospectus in the form and context in which the report is included and the inclusion of statements contained in the Chairman's Letter in Section 3, Investment Overview in Section 4 and Section 6 of this Prospectus in the form and context in which those statements are included. Isis Petroleum Consultants has not withdrawn its consent prior to lodgement of this Prospectus with the ASIC.

Ernst & Young (Australia) has given its written consent to being named as Investigating Accountant in this Prospectus and to the inclusion of the Investigating Accountant's Report in Section 10 of this Prospectus in the form and context in which the information and report is included. Ernst & Young (Australia) has not withdrawn its consent prior to lodgement of this Prospectus with the ASIC.

Ernst & Young LLP (UK) has given its written consent to being named as the Company's auditors in this Prospectus. Ernst & Young LLP (UK) has not withdrawn its consent prior to lodgement of this Prospectus with the ASIC.

Steinepreis Paganin have given their written consent to being named as the solicitors in Australia to the Company in this Prospectus. Steinepreis Paganin have not withdrawn their consent prior to the lodgement of this Prospectus with the ASIC.

Wilmington Consulting has given its written consent to being named as the solicitor in Romania to the Company in this Prospectus and to the inclusion of the Solicitor's Report on Tenements in Section 11 of this Prospectus in the form and context in which the report is included. Wilmington Consulting has not withdrawn its consent prior to the lodgement of this Prospectus with the ASIC.

Dewey & LeBoeuf LLP have given their written consent to being named as the solicitors in the United Kingdom to the Company in this Prospectus. Dewey & LeBoeuf LLP have not withdrawn their consent prior to the lodgement of this Prospectus with the ASIC.

Computershare Investor Services Pty Limited has given its written consent to being named as the share registry to the Company in this Prospectus. Computershare Investor Services Pty Limited has not withdrawn its consent prior to the lodgement of this Prospectus with the ASIC.

14.11 Expenses of the Offer

The total expenses of the Offer (excluding GST) are estimated to be approximately \$809,436 for minimum subscription, \$1,021,829 for full subscription or \$1,305,019 for full over-subscription and are expected to be applied towards the items set out in the table below:

Item of expenditure²	Minimum subscription (AU\$)	Full subscription (AU\$)	Full over- subscription (AU\$)
ASIC	2,137	2,137	2,137
ASX	60,288	62,681	65,871
Broker commissions ¹	350,000	560,000	840,000
Legal	148,526	148,526	148,526
Independent Competent Person	185,985	185,985	185,985
Investigating Accountant	12,500	12,500	12,500
Printing and distribution	20,000	20,000	20,000
Miscellaneous	30,000	30,000	30,000
TOTAL	809,436	1,021,829	1,305,019

¹ Broker commissions will only be paid on Applications made through a licensed securities dealers or Australian financial services licensee and accepted by the Company (refer to Sections 5.9 and 5.10 of this Prospectus for further information). The amount calculated is based on 100% of Applications being made in this manner. For those Applications made directly to and accepted by the Company no broker commissions will be payable and the expenses of the Offer will be reduced and the additional funds will be put towards working capital.

² Expenditure amounts include a total amount of \$49,915 that was paid prior to 31 December 2011.

14.12 Foreign Company Registration in Australia

The Company is registered as a foreign company in Australia pursuant to the provisions of the Corporations Act. The Company's ARBN is 154 575 872. Mr Piers Lewis is appointed to act as the Company's local agent.

14.13 Company Tax Status and Financial Year

The Company is registered in England and Wales.

The Company is not a tax resident of Australia.

The financial year of the Company ends on 31 December of each year.

14.14 Continuous disclosure obligations

Following admission of the Company to the Official List, the Company will be a “disclosing entity” (as defined in Section 111AC of the Corporations Act) and, as such, will be subject to regular reporting and disclosure obligations. Specifically, like all listed companies, the Company will be required to continuously disclose any information it has to the market which a reasonable person would expect to have a material effect on the price or the value of the Company's securities.

Price sensitive information will be publicly released through ASX before it is disclosed to Shareholders and market participants. Distribution of other information to Shareholders and market participants will also be managed through disclosure to the ASX. In addition, the Company will post this information on its website after the ASX confirms an announcement has been made, with the aim of making the information readily accessible to the widest audience.

14.15 Electronic Prospectus

Pursuant to Class Order 00/44, the ASIC has exempted compliance with certain provisions of the Corporations Act to allow distribution of an electronic prospectus and electronic application form on the basis of a paper prospectus lodged with the ASIC, and the publication of notices referring to an electronic prospectus or electronic application form, subject to compliance with certain conditions.

If you have received this Prospectus as an electronic Prospectus, please ensure that you have received the entire Prospectus accompanied by the Application Form. If you have not, please contact the Company and the Company will send you, for free, either a hard copy or a further electronic copy of this Prospectus or both. Alternatively, you may obtain a copy of this Prospectus from the website of the Company at www.zetapetroleum.com.

The Company reserves the right not to accept an Application Form from a person if it has reason to believe that when that person was given access to the electronic Application Form, it was not provided together with the electronic Prospectus and any relevant supplementary or replacement prospectus or any of those documents were incomplete or altered.

14.16 Financial forecasts

The Directors have considered the matters set out in ASIC Regulatory Guide 170 and believe that they do not have a reasonable basis to forecast future earnings on the basis that the operations of the Company are inherently uncertain. Accordingly, any forecast or projection information would contain such a broad range of potential outcomes and possibilities that it is not possible to prepare a reliable best estimate forecast or projection.

14.17 Privacy statement

If you complete an Application Form, you will be providing personal information to the Company. The Company collects, holds and will use that information to assess your Application, service your needs as a Shareholder and to facilitate distribution payments and corporate communications to you as a Shareholder.

The information may also be used from time to time and disclosed to persons inspecting the register, including bidders for your securities in the context of takeovers, regulatory bodies including the Australian Taxation Office, authorised securities brokers, print service providers, mail houses and the share registry.

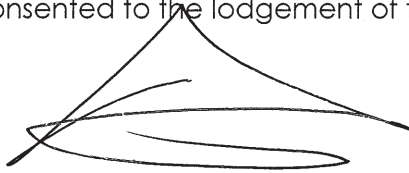
You can access, correct and update the personal information that we hold about you. If you wish to do so, please contact the share registry at the relevant contact number set out in this Prospectus.

Collection, maintenance and disclosure of certain personal information is governed by legislation including the Privacy Act 1988 (as amended), the Corporations Act and certain rules such as the ASX Settlement Operating Rules. You should note that if you do not provide the information required on the Application for CDIs, the Company may not be able to accept or process your Application.

15. DIRECTORS' AUTHORISATION

This Prospectus is issued by the Company and its issue has been authorised by a resolution of the Directors.

In accordance with Section 720 of the Corporations Act, each Director has consented to the lodgement of this Prospectus with the ASIC.



23/3/2012

Stephen West
Managing Director
For and on behalf of
Zeta Petroleum plc

16. GLOSSARY

Where the following terms are used in this Prospectus they have the following meanings:

\$ means an Australian dollar.

£ means UK pounds sterling.

AFSL means Australian Financial Services Licence.

Applicant means a person who submits a valid Application Form pursuant to this Prospectus.

Application means a valid application made on an Application Form to subscribe for CDIs pursuant to this Prospectus.

Application Form means the application form attached to or accompanying this Prospectus relating to the Offer.

Articles means the Articles of Association of the Company as adopted by special resolution passed on 17 November 2011.

ASIC means Australian Securities & Investments Commission.

ASX means ASX Limited (ACN 008 624 691) or the financial market operated by it as the context requires.

ASX Listing Rules means the official listing rules of ASX.

Bcf means Billion (10⁹) cubic feet.

Board means the board of Directors as constituted from time to time.

CDI means a CHESSE Depository Interest representing a unit of beneficial ownership in a Share registered in the name of CDN.

CDN means CHESSE Depository Nominees Pty Limited.

CHESSE means Clearing House Electronic Subregister System.

Closing Date means the closing date of the Offer as set out in the indicative timetable in the Investment Overview in Section 4 of this Prospectus (subject to the Company reserving the right to extend the Closing Date or close the Offer early).

Company or **Zeta** or **Zeta Petroleum** means Zeta Petroleum plc (ARBN 154 575 872), a company registered in England and Wales (Company Number 05560854).

Corporate Adviser Options means an Option to be issued on the terms set out in Section 14.6.2.

Corporations Act means the *Corporations Act 2001* (Cth).

Directors means the directors of the Company at the date of this Prospectus.

Exposure Period means the period of 7 days after the date of lodgement of this Prospectus, which period may be extended by the ASIC by not more than 7 days pursuant to Section 727(3) of the Corporations Act.

Free Attaching Options means an Option to be issued on the terms set out in Section 14.6.3.

HMRC means HM Revenue & Customs (UK).

Loyalty Options means an Option to be issued on the terms set out in Section 14.6.4.

Management Option means an Option to be issued on the terms set out in Section 14.6.1.

Mean means the mathematical average of all possible outcomes a probabilistic distribution of hydrocarbon volumes.

MMbbl means Million US barrels.

NAMR means the Romanian National Agency for Mineral Resources.

Offer means the offer of CDIs and Options pursuant to this Prospectus as set out in Section 5 of this Prospectus.

Official List means the official list of ASX.

Official Quotation means official quotation by ASX in accordance with the ASX Listing Rules.

Option means an option to acquire a CDI.

Optionholder means a holder of an Option.

Pmean means the arithmetic sum of Mean results for a selection of individual outcomes.

Projects means the Company's projects summarised in Section 6 of this Prospectus and described in more detail in the Independent Competent Person's Report in Section 8 of this Prospectus.

Prospectus means this prospectus.

RON means a Romanian New Lei

Section means a section of this Prospectus.

Share means a fully paid ordinary share in the capital of the Company.

Shareholder means a holder of Shares or CDIs.

Takeover Code means the UK City Code on Takeovers and Mergers.

UK Companies Act means the *Companies Act 2006*.

VAT means value added tax.

WST means Western Standard Time as observed in Perth, Western Australia.

[APPLICATION FORM]