

ZETA PETROLEUM PLC

ARBN 154 575 872

A company registered in England and Wales

Company Number 05560854

LOYALTY OPTION PROSPECTUS

For a pro-rata non-renounceable entitlement issue of 33,340,560 Loyalty Options on the basis of one (1) Loyalty Option for every four (4) Shares or CDIs held by Eligible Shareholders at an issue price of \$0.01 per Loyalty Option, to raise approximately \$333,406 (**Offer**).

Corporate Adviser

Pursuit Capital AFSL 339211



C. Manifold
CAMERON MANIFOLD
DIRECTOR
18 / 9 / 2012

IMPORTANT NOTICE

This document is important and should be read in its entirety. If after reading this Prospectus you have any questions about the Securities being offered under this Prospectus or any other matter, then you should consult your stockbroker, accountant or other professional adviser.

The Securities offered by this Prospectus should be considered highly speculative.

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1. IMPORTANT NOTES

Shareholders should read this document in its entirety and, if in doubt, should consult their professional advisers.

This Prospectus is dated 18 September 2012 and a copy of this Prospectus was lodged with the ASIC on that date. The ASIC and ASX take no responsibility for the content of this Prospectus.

The expiry date of the Prospectus is that date which is 13 months after the date of this Prospectus (**Prospectus Expiry Date**). No Loyalty Options will be allotted or issued on the basis of this Prospectus after the Prospectus Expiry Date.

Applications for Loyalty Options offered pursuant to the Offer under this Prospectus can only be submitted on an original Entitlement and Acceptance Form which accompanies this Prospectus.

This Prospectus does not constitute an offer in any place in which, or to any person to whom, it would not be lawful to make such an offer.

The distribution of this Prospectus in jurisdictions outside Australia and the United Kingdom may be restricted by law and persons who come into possession of this Prospectus should seek advice on and observe any of these restrictions. Failure to comply with these restrictions may violate securities laws. Applicants who are resident in countries other than Australia or the United Kingdom 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. The return of a duly completed Entitlement and Acceptance Form will be taken by the Company to constitute a representation and a warranty made by the applicant to the Company that there has been no breach of such laws and that all necessary approvals and consents have been obtained.

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. Neither the Company nor any other person warrants the future performance of the Company or any return on any investment made under this Prospectus, except as required by law and then only to the extent so required.

In making representations in this Prospectus regard has been had to the fact that the Company is a disclosing entity for the purposes of the Corporations Act and certain matters may reasonably be expected to be known to investors and professional advisers whom potential investors may consult.

TRANSACTION SPECIFIC PROSPECTUS

This Prospectus is a transaction specific prospectus for an offer of continuously quoted securities (as defined in the Corporations Act) and has been prepared in accordance with section 713 of the Corporations Act. It does not contain the same level of disclosure as an initial public offering prospectus. In making representations in this Prospectus regard has been had to the fact that the Company is a disclosing entity for the purposes of the Corporations Act and certain matters may reasonably be expected to be known to investors and professional advisers whom potential investors may consult.

ELECTRONIC PROSPECTUS

A copy of this Prospectus can be downloaded from the Company's website at www.zetapetroleum.com. Any person accessing the electronic version of this Prospectus for the purpose of making an investment in the Company must be a resident of Australia or the United Kingdom and must only access the Prospectus from within Australia or the United Kingdom.

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

The Company reserves the right not to accept an Entitlement and Application Form from a person if it has reason to believe that when that person was given access to the electronic Entitlement and Application Form, the Entitlement and 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.

CHESS and CDIs

Investors should note that as the Company is registered in England and Wales, they will be issued with CDIs rather than Shares upon the exercise of the Loyalty Options issued under this Prospectus.

The Company participates in the Clearing House Electronic Subregister System (**CHESS**), which is the ASX electronic transfer and settlement system in Australia. Settlement of trading of quoted securities on the ASX market takes place on CHESS. CHESS 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 CHESS, nor is it a requirement for transfer forms to be executed in relation to transfers that occur on CHESS.

CDIs will be used by the Company to hold and transfer title to the Shares issued upon the exercise of the Loyalty Options which will be issued pursuant to this Prospectus. CDIs are electronic depository receipts issued and are units of beneficial ownership in securities registered in the name of CHESS 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 upon the exercise of the Loyalty Options 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.

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.

Important information for United Kingdom residents

Without limiting the statements above, the Loyalty Options will be offered in the United Kingdom in reliance on exemptions to the Financial Services and Markets Act 2000 (United Kingdom) (**FSMA**) and the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005, as amended (**Financial Promotion Order**).

The total amount to be raised under the Offer is less than €5,000,000 or its equivalent in \$ which means that this Prospectus does not constitute an 'approved prospectus' for the purposes of section 85 and schedule 11A of the FSMA or the United Kingdom's Prospectus Rules. Accordingly the Prospectus has not been registered, approved or examined by the United Kingdom Financial Services Authority or the United Kingdom Listing Authority and therefore may not contain all of the information that a disclosure document or prospectus is required to contain under the laws of England and Wales.

The Offer is only being made in the United Kingdom to persons who are of a kind described in Article 43(2) (members and creditors of certain bodies corporate) of the Financial Promotion Order. Any investment to which this document relates is available to only those persons described above and persons who do not fall into that category should not rely on this document nor take any action in relation to it.

The Offer may involve a foreign currency exchange risk as the currency for Loyalty Options is not British Pounds.

United States

The Offer has not been, and the Loyalty Options offered under this Prospectus have not been, and will not be, registered under the *Securities Act of 1933* (United States) or the securities laws of any State or other jurisdiction of the United States and are not being made in the United States or to, or for the account or benefit of "US Persons" (as defined in the *Securities Act of 1933*). Without limitation, neither this Prospectus nor the accompanying Entitlement and Acceptance Form may be sent to investors in the United States or otherwise distributed in the United States.

2. INVESTMENT OVERVIEW

2.1 Important Notice

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

2.2 Summary of the Offer

By this Prospectus, the Company offers for subscription to Eligible Shareholders approximately 33,340,560 Loyalty Options (in total) on the basis of one (1) Loyalty Option for every four (4) Shares or CDIs held on the Record Date at an issue price of \$0.01 per Loyalty Option.

Fractional entitlements will be rounded up to the nearest whole number.

The Loyalty Options issued will be exercisable at \$0.30 on or before 15 July 2015. Exercise of the Loyalty Options will be at the sole discretion of the Loyalty Optionholder.

2.3 Timetable and important dates*

Lodgement of Prospectus and Appendix 3B with ASIC and ASX, announcement of Loyalty Option Issue and dispatch of letters to Optionholders	18 September 2012
Notice sent to Shareholders	19 September 2012
Ex Date for determining Entitlements	20 September 2012
Record Date for determining Entitlements	26 September 2012
Prospectus dispatched to Shareholders and announcement that dispatch has been completed	2 October 2012
Closing Date of Offer	5:00pm (WST) on 23 October 2012
Securities quoted on a deferred settlement basis	24 October 2012
Notify ASX of under-subscriptions	25 October 2012
Dispatch date/Loyalty Options entered into Shareholders' security holdings	29 October 2012
Trading of Loyalty Options issued pursuant to the Offer expected to commence on ASX	30 October 2012

*These dates are indicative only and subject to change. The Company reserves the right, subject to the Corporations Act, the ASX Listing Rules and other applicable laws, to vary the dates of the Offer, including, but not limited to, extending the Closing Date or accepting late applications, either generally or in particular cases, without notifying you. You are encouraged to submit your application as soon as possible. Any extension of the Closing Date will have a consequential effect on the date of the issue of the Loyalty Options.

2.4 Purpose of the Offer

The purpose of the Offer contained in this Prospectus is to:

- (a) issue the Loyalty Options initially referred to in the IPO Prospectus;
- (b) raise approximately \$333,406 (before expenses); and
- (c) provide additional working capital for the Company.

2.5 Use of Funds Raised

The proceeds of the Offer are planned to be used in accordance with the table set out below:

Proceeds of the Offer	Subscription (\$)
Working capital	288,897
Expenses of the Offer	44,509
Total	333,406

Notes:

¹The estimated expenses of the Offer, are set out below in Section 2.11.

The above table is a statement of current intentions as at the date of lodgement of this Prospectus with the ASIC. As with any budget, intervening events and new circumstances have the potential to affect the ultimate way funds will be applied. The Board reserves the right to alter the way funds are applied on this basis.

2.6 Effect of the Offer

The principal effect of the Offer will be to:

- (a) increase the cash reserves by approximately \$288,897 immediately after completion of the Offer after deducting the estimated expenses of the Offer; and
- (b) increase the number of Options on issue from 57,618,330 prior to the date of this Prospectus to approximately 90,958,890 following completion of the Offer.

2.7 Effect on capital structure

A comparative table of changes in the capital structure of the Company as a consequence of the Offer is set out below, assuming that the Offer is fully subscribed.

Shares	Number
Shares/CDIs on issue at date of Prospectus	133,362,240
Shares/CDIs now offered	Nil
Total Shares/CDIs on issue after completion of the Offer	133,362,240

Options	Number
Options currently on issue at date of Prospectus	57,618,330 ¹
Loyalty Options now offered	33,340,560
Total Options on issue after completion of the Offer	90,958,890

Notes:

¹. Consisting of 41,742,240 Options exercisable at \$0.20 on or before 15 June 2013, 14,000,000 Management Options exercisable at \$0.20 each on or before 11 January 2019 and 1,876,090 Corporate Adviser Options exercisable at \$0.20 each on or before 21 May 2017.

2.8 The Company and its Business Model

Zeta Petroleum is an independent oil and gas exploration and production 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 and corporate management based in the United Kingdom and a local agent 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's aim is to create Shareholder value through redevelopment opportunities and by bringing new fields into production and through further exploration of existing assets.

The Company currently has a balanced portfolio of oil and gas assets that includes the following production, 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 (39% held, non-operated)
- Suceava Gas Field licence (50% held, non-operated)
- Non-exclusive Prospecting Permits (100% held and operated) (together the **Projects**);

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

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.

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.

2.9 Directors' interests

Other than as set out below, in the IPO Prospectus or elsewhere in this Prospectus, no Director nor any firm in which such a Director is a partner, has or has had within 2 years before the lodgement of this Prospectus with the ASIC, any interest in:

- (a) the formation or promotion of the Company;
- (b) property acquired or proposed to be acquired by the Company in connection with its formation or promotion or the Offer pursuant to this Prospectus; or
- (c) the Offer pursuant to this Prospectus,

and no amounts have been paid or agreed to be paid (in cash or Securities or otherwise) to any Director or to any firm in which any such Director is a partner, either to induce him to become, or to qualify him as, a Director or otherwise for services rendered by him or by the firm in connection with the formation or promotion of the Company or Offer pursuant to this Prospectus.

The Directors' interests in securities of the Company at the date of this Prospectus are:¹

Name	Shares/CDIs	Options	Entitlement (Loyalty Options)	Annual Remuneration (\$) ³
Stephen West	8,186,515	5,000,000 ²	2,046,629	359,145 ⁴
Philip Crookall	437,328	3,000,000	109,332	226,417 ⁴
Timothy Osborne	Nil	1,000,000	nil	37,476 ⁴
Cameron Manifold	112,500 ⁵	nil	28,125	36,000
Piers Lewis	50,000 ⁶	nil	12,500	18,000 ⁷

Notes:

1. Each of the Directors has indicated that it is their present intention to subscribe for their full Entitlement under the Offer.

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

3. These figures are exclusive of superannuation.

4. Mr West's salary of GBP 230,000, 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 GBP 1 to \$1.5615.

5. Mr Manifold's Shares are held by the <Manifold Family S/F A/C>, in which Mr Manifold has an indirect beneficial interest.

6. Mr Lewis's Shares are held by Cranley Consulting Pty Limited ATF The Cranley Consulting Trust, in which Mr Lewis has an indirect beneficial interest.

7. Mr Lewis also receives \$3,000 per month in his role as Local Agent of the Company.

The Articles of Association of the Company provide that the Non Executive Directors may be paid out of the funds of the Company for their services as directors such remuneration as the Directors may determine to be divided among the Non Executive Directors and in default of agreement then in equal shares. Unless otherwise approved by an ordinary resolution of the Company the aggregate of the remuneration of all the Non Executive Directors of the Company shall not exceed GBP 200,000 per annum.

The Articles of Association of the Company provide that the Executive Directors shall receive such remuneration whether by way of salary, commission, participation in profits or otherwise as the remuneration committee of the Company or the Board may determine.

In addition, a Director may be paid fees or other amounts (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.

The Company paid to the Directors fees totalling \$320,108 for the year ended 30 December 2011 and \$354,149 for the current financial year to 31 August 2012.

Directors are also entitled to be reimbursed for all travel, hotel or other incidental expenses properly incurred in the course of conducting their duties.

2.10 Key Risks

The Directors are of the view that the Securities offered under this Prospectus should be considered speculative because of the nature of the Company's business and that an investment in the Company is subject to a number of risks.

Set out below is a summary of the key risk factors which should be considered before subscribing for Loyalty Options under this Prospectus. This list is not exhaustive and potential Applicants should examine the contents of this Prospectus and consult their professional advisers before deciding whether to apply for Loyalty Options.

Full details of risks are set out in Section 7 of this Prospectus.

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	As the Company is incorporated in England and Wales, the rights of Shareholders are governed by English law which differs in some respects from the rights of shareholders of companies incorporated in Australia. The takeover provisions in the Corporations Act do not apply to the	Section 7.2(d)

Specific Risk Area	Risks	Further Details
	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.	
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(e)
Funding Risk	At present, the Company has only one income producing asset 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.	Section 7.2(f).
Liquidity Risk	<p>There are 133,362,240 Shares/CDIs already in issue in the Company and the Company has been incorporated since 2005.</p> <p>A significant portion of these CDIs (approximately 56.08% of the CDIs on issue in the Company) have been escrowed either because they are classified by the ASX as 'restricted securities' or because Shareholders have entered into voluntary 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.</p>	
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	

Specific Risk Area	Risks	Further Details
	Shareholders should the Company be unable to continue as a going concern.	
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)

2.11 Estimated expenses of Offer

In the event that the Offer is fully subscribed, the estimated expenses of the Offer are as follows:

	\$
ASIC fees	2,171
ASX fees	19,838
Legal expenses	22,500
Total	44,509

3. CORPORATE DIRECTORY

Directors and Company Secretary

Mr Timothy Osborne
Non-Executive Chairman

Mr Stephen West
Managing Director

Mr Philip Crookall
Chief Operating Officer

Mr Cameron Manifold
Non-Executive Director

Mr Piers Lewis
Non-Executive Director and Local Agent in
Australia

Company Secretary
Mr Ben Hodges

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ASX Code ZTA

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

4. DETAILS OF THE OFFER

4.1 Offer

By this Prospectus, the Company offers for subscription approximately 33,340,560 Loyalty Options pursuant to a pro-rata non-renounceable entitlement issue to Eligible Shareholders on the basis of one (1) Loyalty Option for every four (4) Shares or CDIs held on the Record Date at an issue price of \$0.01 per Loyalty Option.

The Loyalty Options issued pursuant to the Offer will be exercisable at \$0.30 on or before 15 July 2015. Exercise of the Loyalty Options will be at the sole discretion of the Loyalty Optionholder. The Company will apply for quotation of the Loyalty Options on ASX. Refer to Section 6.1 of this Prospectus for the full terms of the Loyalty Options.

Based on the capital structure of the Company, the maximum number of Loyalty Options to be issued pursuant to the Offer is approximately 33,340,560. The Offer will raise approximately \$333,406. The purpose of the Offer and the use of funds raised are set out in Section 2.5 of this Prospectus.

Fractional entitlements will be rounded up to the nearest whole number.

4.2 How to accept the Offer

Your acceptance of the Offer must be made on the Entitlement and Acceptance Form accompanying this Prospectus. Your acceptance must not exceed your Entitlement as shown on that form. If it does, your acceptance will be deemed to be for the maximum Entitlement.

You may participate in the Offer as follows:

- (a) if you wish to accept your Entitlement in full:
 - (i) complete the Entitlement and Acceptance Form, filling in the details in the spaces provided; and
 - (ii) attach your cheque for (or pay via electronic funds transfer by following the instructions set out on the Entitlement and Acceptance Form) the amount indicated on that relevant Entitlement and Acceptance Form; or
- (b) if you only wish to accept part of your Entitlement:
 - (i) fill in the number of Loyalty Options you wish to accept in the space provided on the Entitlement and Acceptance Form; and
 - (ii) attach your cheque for the appropriate application monies (at \$0.01 per Loyalty Option) or pay via electronic funds transfer by following the instructions set out on the Entitlement and Acceptance Form.

if you do not wish to accept any of your Entitlement, you are not obliged to do anything.

All cheques must be drawn on an Australian bank or bank draft made payable in Australian currency to "**Zeta Petroleum plc – Share Application Account**" and crossed "**Not Negotiable**" unless otherwise agreed with the Company.

Your completed Entitlement and Acceptance Form and cheque must reach the Company's share registry no later than 5:00pm WST on the Closing Date. Alternatively, Applicants may pay via electronic funds transfer by following the instructions set out on the Entitlement and Acceptance Form (Applicants should ensure they include their reference details if paying by electronic funds transfer).

The Offer is non-renounceable. Accordingly, an Eligible Shareholder may not sell or transfer all or part of their Entitlement.

4.3 Minimum subscription

The minimum subscription in respect of the Offer is \$75,000.

No Loyalty Options will be granted until the minimum subscription has been received. If the minimum subscription is not achieved within 4 months after the date of issue of this Prospectus, the Company will either repay the application monies to the Applicants (without interest) or issue a supplementary prospectus or replacement prospectus and allow Applicants one month to withdraw their application and be repaid their application monies (without interest).

4.4 Maximum Subscription

The maximum subscription in respect of the Offer is \$333,406.

4.5 Underwriting

The Offer is not underwritten.

4.6 Shortfall Offer

If you do not wish to take up any part of your Entitlement you are not required to take any action. That part of your Entitlement not taken up will form part of the Shortfall. Eligible Shareholders who wish to apply for Loyalty Options above their Entitlement can complete the Shortfall Application Form attached to the back of this Prospectus and return it, together with a cheque for the value of those Shortfall Loyalty Options (at \$0.01 per Loyalty Option) to the Company.

The offer of the Shortfall is a separate offer pursuant to this Prospectus. The issue price of any Loyalty Options offered pursuant to the Shortfall Offer shall be \$0.01 being the price at which the Entitlement has been offered to Eligible Shareholders pursuant to this Prospectus. The Shortfall shall be placed at the discretion of the Company. The Company reserves the right to allot to an applicant a lesser number of Shortfall Loyalty Options than the number for which the applicant applies, or to reject an application, or to not proceed with placing all or part of the Shortfall.

4.7 Australian Securities Exchange Listing

Application for official quotation by ASX of the Loyalty Options offered pursuant to this Prospectus will be made within 7 days after the date of this Prospectus. The Company will apply to list the Loyalty Options together with the existing Options issued by the Company and listed under ASX code ZTA. If approval is not obtained from ASX before the expiration of 3 months after the date of issue of the Prospectus (or such period as modified by the ASIC), the Company will not issue any Loyalty Options and will repay all application monies for the Loyalty Options within the time prescribed under the Corporations Act, without interest.

The fact that ASX may grant official quotation to the Loyalty Options is not to be taken in any way as an indication of the merits of the Company or the Securities now offered for subscription.

4.8 Allotment of Loyalty Options

Subject to the minimum subscription to the Offer being reached, Loyalty Options issued pursuant to the Offer will be allotted as soon as practicable after the Closing Date. The Company will allot the Loyalty Options on the basis of an Eligible Shareholder's Entitlement. Where the number of Loyalty Options issued is less than the number applied for, or where no allotment is made, surplus application monies will be refunded without any interest to the Applicant as soon as practicable after the Closing Date.

Pending the allotment and issue of the Loyalty Options or payment of refunds pursuant to this Prospectus, all application monies 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.

4.9 Overseas Shareholders

This Offer does not, and is not intended to, constitute an offer in any place or jurisdiction in which, or to any person to whom, it would not be lawful to make such an offer or to issue this Prospectus.

It is not practicable for the Company to comply with the securities laws of overseas jurisdictions having regard to the number of overseas Shareholders, the number and value of Loyalty Options these Shareholders would be offered and the cost of complying with regulatory requirements in each relevant jurisdiction. Accordingly, the Offer is not being extended and Loyalty Options will not be issued to Shareholders with a registered address which is outside Australia or the United Kingdom (and are otherwise eligible to participate) unless such overseas Shareholders are otherwise eligible to participate in the Offer pursuant to the relevant securities laws of their country of residence.

4.10 Taxation implications

The Directors do not consider that it is appropriate to give Applicants advice regarding the taxation consequences of applying for Loyalty Options under this Prospectus, as it is not possible to provide a comprehensive summary of the possible taxation consequences. The Company, its advisers and officers, do not accept any responsibility or liability for any taxation consequences to Applicants. Potential Applicants should, therefore, consult their own professional tax adviser in connection with the taxation implications of the Loyalty Options offered pursuant to this Prospectus.

4.11 Clearing House Electronic Sub-Register System (CHES) and Issuer Sponsorship

The Company will not be issuing certificates. The Company will apply to ASX to participate in CHES, for those investors who have, or wish to have, a sponsoring stockbroker. Investors who do not wish to participate through CHES will be issuer sponsored by the Company. Because the sub-registers are electronic, ownership of securities can be transferred without having to rely upon paper documentation.

Electronic registers mean that the Company will not be issuing certificates to investors. Instead, investors will be provided with a statement (similar to a bank account statement) that sets out the number of Loyalty Options allotted to them under this Prospectus. The notice will also advise investors of their Holder Identification Number or Security Holder Reference Number and explain, for future reference, the sale and purchase procedures under CHESS and issuer sponsorship.

Further monthly statements will be provided to relevant Shareholders if there have been any changes in their security holding in the Company during the preceding month.

4.12 Privacy

If you complete an application for Loyalty Options, you will be providing personal information to the Company (directly or by the Company's share registry). The Company collects, holds and will use that information to assess your application, service your needs as a shareholder, facilitate distribution payments and corporate communications to you as a shareholder and carry out administration.

The information may also be used from time to time and disclosed to persons inspecting the register, 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 Company's share registry.

You can access, correct and update the personal information that we hold about you. Please contact the Company's Share Registry if you wish to do so at the relevant contact numbers set out in this Prospectus.

Collection, maintenance and disclosure of certain personal information is governed by legislation including the *Privacy Act 1988* (Cth) (as amended), the Corporations Act, certain rules such as the ASX Settlement Operating Rules and other applicable legislation. You should note that if you do not provide the information required on the application for Loyalty Options, the Company may not be able to accept or process your application.

5. FINANCIAL INFORMATION

The unaudited consolidated statement of financial position as at 30 June 2012 and the unaudited pro forma consolidated statement of financial position as at 30 June 2012 shown below have been prepared on the basis of the accounting policies normally adopted by the Company and reflect the changes to its financial position. They have been prepared on the assumption that all Loyalty Options pursuant to the Offer in this Prospectus are issued.

The unaudited consolidated statement of financial position has been prepared to provide Shareholders with information on the assets and liabilities of the Company and pro-forma assets and liabilities of the Company as noted below. The historical and pro-forma financial information is presented in an abbreviated form, insofar as it does not include all of the disclosures required by International Financial Reporting Standards as adopted by the European Union.

		Historical 30 June 2012	Pro-forma 30 June 2012 Assumed Capital Raising \$326,905
	Note	£	£
CURRENT ASSETS			
Cash and cash equivalents	4	4,224,000	4,409,012
Trade and other receivables	5	521,000	521,000
Prepayments and accrued income		14,000	14,000
TOTAL CURRENT ASSETS		4,759,000	4,944,012
NON-CURRENT ASSETS			
Exploration & Evaluation	6	339,000	339,000
Property Plant and Equipment	7	8,000	8,000
Other assets		6,000	6,000
TOTAL NON-CURRENT ASSETS		353,000	353,000
TOTAL ASSETS		5,112,000	5,297,012
CURRENT LIABILITIES			
Trade and other payables	8	140,000	140,000
Loans & borrowings		4,000	4,000
TOTAL CURRENT LIABILITIES		144,000	144,000
NON-CURRENT LIABILITIES			
Provisions	9	78,000	78,000
TOTAL NON-CURRENT LIABILITIES		78,000	78,000
TOTAL LIABILITIES		222,000	222,000
NET ASSETS/(LIABILITIES)		4,890,000	5,075,012
EQUITY			
Issued Capital	10	131,000	131,000
Share premium reserve		6,526,000	6,526,000
Share based payments reserve		689,000	689,000
Share options reserve	11	1,993,000	2,178,012
Foreign currency translation reserve		570,000	570,000
Accumulated losses		(5,019,000)	(5,019,000)
TOTAL EQUITY		4,890,000	5,075,012

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

1. General Information and Accounting Policies

Zeta was incorporated in England and Wales on 12 September 2005. On 6 January 2012, Zeta Petroleum registered as a foreign business in Australia.

The Pro Forma Consolidated Statement of Financial Position presented in this Financial Information represents the ongoing business of Zeta; a foreign business operation that is listed on 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 (**Consolidated Group**) as at 30 June 2012. 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, in this context, 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 entities 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 Consolidated 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, Zeta Petroleum Exploration SRL and Regal Petroleum Romania 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 GBP to \$1.5615.

(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 oil or 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.

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 Consolidated 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 assessing 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.

(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 30 June 2012 the Group had available funds totalling £4,224,000, a net current asset position of £4,615,000 and net shareholder's funds of £4,890,000.

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

The Pro Forma Consolidated Statement of Financial Position has been included for illustrative purposes to reflect the position of Zeta on the assumption that the following transactions had occurred as at 30 June 2012.

- 3.1 The issue of 33,340,560 Loyalty Options issue price of 1 cent each pursuant to this Prospectus to raise \$333,406 (£213,516).
- 3.2 The payment of costs of the Prospectus issue. These costs are recognised as to \$44,509 (£28,504) directly in equity relating to equity raising costs.

	Note	Historical 30 June 2012 £	Pro-forma 31 June 2012 Assumed Capital Raising \$326,905 £
4. Cash and Cash Equivalents			
At 30 June 2012		4,224,000	4,224,000
Issue of Loyalty Options pursuant to this prospectus	3.1	-	213,516
Equity raising and issue costs	3.2	-	(28,504)
		4,224,000	4,409,012
5. Receivables			
Trade & other receivables		521,000	521,000

6. Intangible assets

Intangible assets – net book value	339,000	339,000
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7. Property, Plant and Equipment

Property, plant and equipment – net book value	8,000	8,000
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8. Payables

Trade and other payables	140,000	140,000
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9. Provisions

Corporations tax	78,000	78,000
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10. Issued Capital

At 30 June 2012	131,000	131,000
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Number of shares issued:

At 30 June 2012	130,762,240	130,762,240
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11. Share Options Reserve

At 30 June 2012	2,682,000	2,682,000
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Issue of Loyalty Options pursuant to this prospectus	3.1	-	213,516
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Equity raising and issue costs	3.2	-	(28,504)
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	2,682,000	2,867,012
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12. 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 year ending 31 December 2012 to maintain its exploration permits in good standing.

13. 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. In the opinion of the directors, other than the matters disclosed above, there were no material contingent liabilities or assets as at 30 June 2012 and in the interval between 30 June 2012 and the date of this Prospectus.

14. Subsequent Events

There have been no other events subsequent to the balance sheet date not already disclosed or accounted for in the Pro Forma Financial Information which are sufficiently material to warrant disclosure.

6. RIGHTS AND LIABILITIES ATTACHING TO THE SECURITIES

6.1 Terms of Loyalty Options

The Loyalty Options to be issued pursuant to the Offer entitle, or will entitle the holder to subscribe for CDIs on the following terms and conditions:

- (a) Each Loyalty Option will cost \$0.01.
- (b) Each Loyalty Option gives the Loyalty Optionholder the right to subscribe for one CDI.
- (c) The Loyalty Options will expire at 5.00pm (WST) on 15 July 2015 (**Expiry Date**). Any Loyalty Option not exercised before the Expiry Date will automatically lapse on the Expiry Date.
- (d) The amount payable upon exercise of each Loyalty Option will be \$0.30 (**Exercise Price**).
- (e) The Loyalty Options held by each Loyalty Optionholder may be exercised in whole or in part, and if exercised in part, multiples of 1,000 must be exercised on each occasion.
- (f) A Loyalty Optionholder may exercise their Loyalty Options by lodging with the Company, before the Expiry Date:
 - (i) a written notice of exercise of Loyalty Options specifying the number of Loyalty Options being exercised; and
 - (ii) a cheque or electronic funds transfer for the Exercise Price for the number of Loyalty Options being exercised;

(Exercise Notice).
- (g) An Exercise Notice is only effective when the Company has received the full amount of the Exercise Price in cleared funds.
- (h) 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 Loyalty Options specified in the Exercise Notice.
- (i) The Loyalty Options are transferable.
- (j) All CDIs allotted upon the exercise of Loyalty Options will upon allotment rank *pari passu* in all respects with other Shares and CDIs.
- (k) The Company will apply for quotation of the Loyalty Options on ASX. The Company will also apply for quotation of all CDIs allotted pursuant to the exercise of Loyalty Options on ASX within 10 Business Days after the date of allotment of those CDIs.
- (l) If at any time the issued capital of the Company is reconstructed, all rights of a Loyalty Optionholder are to be changed in a manner consistent with the UK Companies Act, the Corporations Act and the ASX Listing Rules at the time of the reconstruction.
- (m) There are no participating rights or entitlements inherent in the Loyalty Options and Loyalty Optionholders will not be entitled to participate in

new issues of capital offered to Shareholders during the currency of the Loyalty 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 Loyalty Optionholders the opportunity to exercise their Loyalty Options prior to the date for determining entitlements to participate in any such issue.

- (n) A Loyalty Option does not confer the right to a change in exercise price or a change in the number of underlying securities over which the Loyalty Option can be exercised.

6.2 Rights Attaching to CDIs (being the underlying security of the Loyalty Options)

Full details of the rights and liabilities attaching to Shares are set out in the Company's Articles of Association, a copy of which is available for inspection at the Company's registered offices during normal business hours.

The following is a summary of the key provisions of the Articles of Association and the 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 upon exercise of the Loyalty Options issued 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.

(a) Application of Listing Rules

For so long as the Company is admitted to the official list of the ASX, to the extent of any inconsistency between the Company's 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 (in accordance with the UK Companies Act). No dividend shall be declared in excess of the amount recommended by the Board.

Subject to the UK Companies Act, 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 may be forfeited and may 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 (and any other sanction required pursuant to law), 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 may, with like authority, 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 (or potential liability).

(f) Purchase of own Shares

Subject to the UK Companies Act and to any rights conferred on the holders of any other Shares, the Company may with the authority of an ordinary or special resolution as may be required by the UK Companies Act, 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 approved by such resolution and permitted by the UK Companies Act.

(g) Transfer of Shares

In relation to a transfer of 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, a 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

Please refer to Section 7.2(d). In addition, under the Articles of Association the Board may disenfranchise a Shareholder who does not make a takeover offer in circumstances where this would be required under the Takeover Code 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).

6.3 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.

6.4 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 Pty Ltd 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 Pty Ltd 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 +44 207 016 8806 or bhodes@zetapetroleum.com), Computershare Investor Services Pty Ltd in Australia, or their stockbroker (or applicable controlling participant). In this case, the Shares will be certificated if held in uncertified 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.

7. RISK FACTORS

7.1 Introduction

The Loyalty Options 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 Loyalty Options 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 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 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 (GPB). Therefore, Australian dollar reported revenue will be directly impacted by movements in the RON oil and gas price and the RON/AUD, RON/GPB, RON/EUR and GPB/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) **No Takeover Protection under Corporations Act**

As a company incorporated in England and Wales, the rights of Shareholders are governed by English law. The rights of shareholders under English law differ in some respects from the rights of shareholders of companies incorporated in Australia.

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.

(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.

(f) **Funding Risk**

At the date of this Prospectus, the Company has only one income producing asset 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 nor 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 (or at all).

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.

(g) **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.

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 (or at all). 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 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 its Securities.

Therefore, the Loyalty Options to be issued pursuant to this Prospectus and the underlying CDIs 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 Loyalty Options pursuant to this Prospectus.

8. ADDITIONAL INFORMATION

8.1 Continuous disclosure obligations

The Company is a “disclosing entity” (as defined in Section 111AC of the Corporations Act) for the purposes of Section 713 of the Corporations Act and, as such, is subject to regular reporting and disclosure obligations. Specifically, like all listed companies, the Company is 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.

This Prospectus is a “transaction specific prospectus”. In general terms “transaction specific prospectuses” are only required to contain information in relation to the effect of the issue of Securities on the Company and the rights attaching to the Securities. It is not necessary to include general information in relation to all of the assets and liabilities, financial position, profits and losses or prospects of the issuing company.

This Prospectus is intended to be read in conjunction with the publicly available information in relation to the Company which has been notified to ASX and does not include all of the information that would be included in a prospectus for an initial public offering of securities in an entity that is not already listed on a stock exchange. Investors should therefore have regard to the other publicly available information in relation to the Company before making a decision whether or not to invest.

Having taken such precautions and having made such enquires as are reasonable, the Company believes that it has complied with the general and specific requirements of ASX as applicable from time to time throughout the 12 months before the issue of this Prospectus which required the Company to notify ASX of information about specified events or matters as they arise for the purpose of ASX making that information available to the stock market conducted by ASX.

Information that is already in the public domain has not been reported in this Prospectus other than that which is considered necessary to make this Prospectus complete.

The Company, as a disclosing entity under the Corporations Act states that:

- (a) it is subject to regular reporting and disclosure obligations;
- (b) copies of documents lodged with the ASIC in relation to the Company (not being documents referred to in Section 1274(2)(a) of the Corporations Act) may be obtained from, or inspected at, the offices of the ASIC; and
- (c) it will provide a copy of each of the following documents, free of charge, to any person on request between the date of issue of this Prospectus and the Closing Date:
 - (i) the financial statements of the Company for the financial year ended 31 December 2011 being the last financial statements for a financial year of the Company lodged with the ASIC before the issue of this Prospectus;
 - (ii) any half year financial statements of the Company lodged with ASIC since the lodgement of the last financial statements for

the year ended 31 December 2011 lodged with ASIC before the issue of this Prospectus; and

- (iii) any documents used to notify ASX of information relating to the Company in the period from lodgement of the financial statements referred to in paragraph (i) above until the issue of the Prospectus in accordance with the Listing Rules as referred to in Section 674(1) of the Corporations Act.

Copies of all documents lodged with the ASIC in relation to the Company can be inspected at the registered offices of the Company during normal office hours.

The Company has lodged the following announcements with ASX since the lodgement of the 2011 audited financial statements:

Date	Description of Announcement
18/09/2012	Results of Meeting
13/09/2012	Half Yearly Accounts
13/09/2012	Bobocu Well Update
11/09/2012	Trading Halt
11/09/2012	Initial Director's Interest Notice
06/09/2012	Bobocu 310 Well Testing Commenced
05/09/2012	Appendix 3B
04/09/2012	Director Appointment
31/08/2012	Jimbolia Farmout to NIS Gazprom Neft
30/08/2012	Notice of General Meeting/Proxy Form
27/08/2012	Padureni Concession – Notice of Withdrawal
22/08/2012	Bobocu 310 Well Encounters Gas in Multiple Sands
14/08/2012	Change of Auditor
08/08/2012	Bobocu 310 Drilling Update
06/08/2012	Becoming a Substantial Holder
01/08/2012	Completion of Acquisition, Regal Petroleum Romania
31/07/2012	Quarterly Activities Report
31/07/2012	Quarterly Cashflow Report
26/07/2012	New Energy and Gas Law – Liberalises Romanian Gas Market
24/07/2012	Bobocu 310 Spud Notice
16/07/2012	Becoming a Substantial Holder x 3
11/07/2012	Appendix 3B
02/07/2012	Corporate Presentation
02/07/2012	Results of Meeting
02/07/2012	Bobocu Drilling Update
18/06/2012	Change of Director's Interest Notice
14/06/2012	Change of Director's Interest Notice
07/06/2012	Annual Report to Shareholders

ASX maintains files containing publicly available information for all listed

companies. The Company's file is available for inspection at ASX during normal office hours.

The announcements are also available through the Company's website www.zetapetroleum.com.

8.2 Interests and consents of experts and advisers

Other than as set out below or elsewhere in this Prospectus, no expert, promoter or any other person named in this Prospectus as performing a function in a professional advisory or other capacity in connection with the preparation or distribution of the Prospectus, nor any firm in which any of those persons is or was a partner, nor any company with which any of those persons is or was associated, has or had within 2 years before the lodgement of this Prospectus with the ASIC, any interest in:

- (a) the formation or promotion of the Company; or
- (b) property acquired or proposed to be acquired by the Company in connection with its formation or promotion or the Offer of Securities pursuant to this Prospectus; or
- (c) the Offer of Securities pursuant to this Prospectus,

and no amounts have been paid or agreed to be paid (in cash or Shares or otherwise) to any expert, underwriter, promoter or any other 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, or to any firm in which any of those persons is or was a partner, or to any company with which any of those persons is or was associated, for services rendered by that person, or by the firm or the company, in connection with the formation or promotion of the Company or the Offer pursuant to this Prospectus.

Pursuant to Section 716 of the Corporations Act, Steinepreis Paganin has given, and has not withdrawn its consent to being named as Solicitors to the Company in the Corporate Directory of this Prospectus in the form and context in which it is named. Steinepreis Paganin has not caused or authorised the issue of this Prospectus, does not make or purport to make any statement in this Prospectus and takes no responsibility for any part of this Prospectus.

Pursuant to Section 716 of the Corporations Act, Watson, Farley and Williams LLP has given, and has not withdrawn its consent to being named as Solicitors in the United Kingdom to the Company in the Corporate Directory of this Prospectus in the form and context in which it is named. Watson, Farley and Williams LLP has not caused or authorised the issue of this Prospectus, does not make or purport to make any statement in this Prospectus and takes no responsibility for any part of this Prospectus.

Steinepreis Paganin act as solicitors to the Company. Steinepreis Paganin will be paid approximately \$15,000 for services in relation to this Prospectus. In the past two (2) years, Steinepreis Paganin has been paid approximately \$178,000 by the Company.

Watson, Farley and Williams LLP has acted as the solicitors in the United Kingdom to the Company. Watson, Farley and Williams LLP will be paid approximately \$7,500 for services in relation to this Prospectus. In the past two (2) years, Watson, Farley and Williams LLP has not received any fees from the Company for any other services.

8.3 Legal proceedings

As at the date of this Prospectus there is no litigation, arbitration or proceedings pending against or involving the Company.

8.4 Market Price of Shares

The Company is a disclosing entity for the purposes of the Corporations Act and its CDIs are enhanced disclosure securities quoted on ASX.

The highest and lowest market sale prices of the Company's CDIs on ASX during the three months immediately preceding the date of lodgement of this Prospectus with the ASIC and the respective dates of those sales were:

Highest: \$0.17 on 1 June 2012; and

Lowest: \$0.06 on 17 September 2012.

The latest available closing sale price of the Company's CDIs on ASX prior to the lodgement of this Prospectus with the ASIC was \$0.06 on 17 September 2012.

8.5 Electronic Prospectus

Pursuant to Class Order 00/044, 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 Entitlement and Application Form. If you have not, please phone the Company and the Company will send you, for free, either a hard copy or a further electronic copy of the Prospectus, or both.

The Company reserves the right not to accept an Entitlement and Application Form from a person if it has reason to believe that when that person was given access to the Entitlement and 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.

9. DIRECTORS' CONSENT

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.

Stephen West
Managing Director
For and on behalf of
Zeta Petroleum plc

10. DEFINITIONS

Applicant means an Eligible Shareholder who applies for Loyalty Options pursuant to the Offer.

ASIC means the Australian Securities and Investments Commission.

ASX means the ASX Limited (ACN 008 624 691) or the financial market operated by it as the context requires.

Board means the board of Directors unless the context indicates otherwise.

Business Day means a day on which trading takes place on the stock market of ASX.

CDN means CHESSE Depository Nominees Pty Limited.

CDI means a CHESSE Depository Interest representing a unit of beneficial ownership in a Share registered in the name of CDN.

CHESSE means Clearing House Electronic Subregister System.

Closing Date means the closing date of the Offer, being 5:00pm (WST) on 23 October 2012 (unless extended).

Company or **Zeta** or **Zeta Petroleum** means Zeta Petroleum plc (ARBN 154 575 872), a company registered in England and Wales (Company Number 05560854).

Corporations Act means the *Corporations Act 2001* (Cth).

Directors means the directors of the Company at the date of this Prospectus unless the context indicates otherwise.

Dollar or "\$" means Australian dollars.

Eligible Shareholder means a Shareholder as at the Record Date resident in Australia or the United Kingdom and/or otherwise eligible to participate in the Offer.

Entitlement means the entitlement of an Eligible Shareholder.

Entitlement and Acceptance Form means the entitlement and acceptance form either attached to or accompanying this Prospectus.

GBP or £ means pounds sterling.

IPO Prospectus means the replacement prospectus issued by the Company in relation to its initial public offer dated 23 March 2012.

Issue means the issue of Loyalty Options offered by this Prospectus.

Listing Rules or **ASX Listing Rules** means the Listing Rules of the ASX.

Loyalty Option means the Options issued pursuant to this Prospectus on the terms and conditions set out in Section 6.1 of this Prospectus.

Loyalty Optionholder means the holder of a Loyalty Option.

Offer means the pro rata non-renounceable entitlement issue of approximately 33,340,560 Loyalty Options on the basis of one (1) Loyalty Option for every four (4) Shares or CDIs held by Eligible Shareholders on the Record Date at an issue price of \$0.01 per Loyalty Option to raise approximately \$333,406 exercisable at \$0.30 each on or before 15 July 2015.

Official List means the official list of ASX.

Option means an option to acquire a Share or CDI.

Prospectus means this prospectus.

Quotation and **Official Quotation** means official quotation on ASX.

Record Date means 5:00pm (WST) on 26 September 2012.

Related Corporation has the meaning given to that term in the Corporations Act.

Securities means Shares, CDIs and Options.

Share means a fully paid ordinary share in the capital of the Company.

Shareholder means a shareholder or, where relevant, holder of CDIs of the Company.

Share Registry means Computershare Investor Services Pty Limited (ABN 48 078 279 277).

Shortfall means those Loyalty Options under the Offer not applied for by Shareholders under their Entitlement.

Shortfall Application Form means the shortfall application form attached to or accompanying this Prospectus.

Takeover Code means the UK City Code on Takeovers and Mergers.

UK or **United Kingdom** means the United Kingdom of Great Britain and Northern Ireland.

UK Companies Act means the UK Companies Act 2006.

WST means Australian Western Standard Time.