

Zoltav Resources Inc.
Consolidated Interim Financial Statements
For the six month period ended 30 June 2013

Zoltav Resources Inc.

Corporate information

Board of Directors

Symon Drake-Brockman - Executive Chairman

Stephen Lowden - Non Executive Director

David Francis - Non Executive Director (resigned 7 June 2013)

Oliver Donagher - Non Executive Director (appointed 7 June 2013)

John Grimshaw - Non Executive Director (appointed 19 March 2013)

Michael Lombardi - Non Executive Director (appointed 19 March 2013)

Audit Committee

Michael Lombardi (Chairman), Stephen Lowden and John Grimshaw

Remuneration Committee

Stephen Lowden (Chairman), Michael Lombardi and John Grimshaw

Nomination Committee

Stephen Lowden (Chairman) and Michael Lombardi

Company Secretary

Ogier Corporate Services (Jersey) Limited

Ogier House, The Esplanade, St Helier,
Jersey, JE4 9WG, Channel Islands

Corporate Administrator

Ogier Corporate Services (Jersey) Limited

Ogier House, The Esplanade, St Helier,
Jersey, JE4 9WG, Channel Islands

Bankers

Barclays Private Clients International Limited

39-41 Broad Street, St Helier, Jersey, JE4
8PU, Channel Islands

Deutsche Bank International Limited

St Paul's Gate, New Street, St Helier,
Jersey, JE4 8ZB, Channel Islands

Nominated Adviser

Shore Capital & Corporate Limited

Bond Street House, 14 Clifford Street, London,
W1S 4JU, United Kingdom

Broker

Shore Capital Stockbrokers Limited

Bond Street House, 14 Clifford Street, London,
W1S 4JU, United Kingdom

Solicitors

Pinsent Mason

30 Crown Place, Earl Street, London,
EC2A 4ES, United Kingdom

Independent Auditor

Deloitte LLP

Lord Coutanche House, 66-68 The
Esplanade, St Helier, Jersey, JE4 8WA,
Channel Islands

Registrar

Computershare Investor Services (Cayman) Limited

R&H Trust Co. Ltd, Windward 1, Regatta
Office Park, West Bay Road, Grand Cayman
KY1-1103, Cayman Islands

Registered Office

89 Nexus Way, Camana Bay, Grand Cayman
KY1-9007, Cayman Islands

Zoltav Resources Inc.

Chairman's report for the six month period ended 30 June 2013

Post balance sheet events

- Completion by Zoltav Resources Inc. (**Zoltav** or **Company**) of its first major oil and gas asset acquisition - the Koltogorsky Licences
- Further investment by ARA Capital Limited (**ARA Capital**) of US\$20 million by way of a subscription for new Zoltav ordinary shares (**Subscription**)
- 20 for 1 share consolidation
- Award of contract for 3D seismic survey covering the Koltogorsky Licences
- Launch of new corporate website marking transition from investing company to operational oil and gas company.

Highlights – six months ended 30 June 2013

- Advancement of acquisition strategy culminating in the announcement of the proposed acquisition of CenGeo Holdings Limited (**Cengeo Holdings**), which holds the Koltogorsky Licences in the Khantiy-Mansisk Autonomous Okrug of Western Siberia (**Acquisition**) (completed post Period-end)
- Announcement of proposed further investment by ARA Capital
- Publication of Competent Person's Report on Koltogorsky Licences attributing Proved plus Probable oil reserves of over 75 million barrels
- Significant strengthening of the board, with the addition of three new non-executive directors and the addition of full-time senior management.

Summary financials

- Loss from operations for the six month period to 30 June 2013: US\$2,298,000 (for the six month period to 30 June 2012: US\$788,000; for the year to 31 December 2012: US\$3,527,000)
- Loss attributable to shareholders for the Period: US\$2,302,000 (for the six months to 30 June 2012: US\$788,000; for the year to 31 December 2012: US\$3,528,000)
- Shareholders' equity as at 30 June 2013: US\$(1,453,000) (as at 30 June 2012: US\$637,000; as at 31 December 2012: US\$130,000)
- Basic loss per share for the Period: US Cents 0.58 (for the six month period to 30 June 2012: US Cents 0.21; for the year to 31 December 2012: US Cents 0.94)

Chairman's statement

I am pleased to present Zoltav's financial results for its last period as an investing company which immediately preceded its readmission to AIM as an operational oil and gas exploration and development company.

Zoltav Resources Inc.

Chairman's report for the six month period ended 30 June 2013 (continued)

Chairman's statement (continued)

The process of evaluating asset acquisition opportunities culminated in the Company's announcement of its first major acquisition. CenGeo Holdings, which was acquired by Zoltav on 4 July 2013, holds the Koltogorsky Licences in Western Siberia. The Koltogorsky Licences comprise six legacy exploration licences and a new production licence which was issued by the Russian Agency for Subsoil Use on 21 February 2013 and is valid until 15 February 2033 and cover the undeveloped Koltogorsky oil field.

The Koltogorsky oil field is situated in the Khantiy-Mansisk Autonomous Okrug, Russia's most prolific oil producing region, responsible for approximately half of the country's annual oil production. Koltogorsky is favourably located in close proximity to production-associated infrastructure, making its development highly compelling.

Operational developments

During the Period, Zoltav commissioned an independent review of the estimated reserves and resources contained within the areas covered by the Koltogorsky Licences to be carried out by DeGolyer and MacNaughton, a leading international petroleum industry consulting firm. The report was delivered in June 2013 and attributed Proved plus Probable oil reserves of over 75 million barrels to the area covered by the Koltogorsky Licences. The full report and analysis of the Company's reserves and resources is available through Zoltav's website (www.zoltav.com).

Following completion of the Acquisition, on 15 August, Zoltav engaged Russia's largest geophysical company, GEOTECH Holding CJSC (**GEOTECH**), to carry out a 3D seismic survey of the Koltogorsky Licences, totalling 500 square kilometres. This is a substantial undertaking and an important step towards our target schedule of drilling up to four appraisal wells in the winter season 2015/2016. The objective of the 3D seismic programme is to better understand the extent and characteristics of the field and to identify optimal locations for the drilling of those appraisal wells.

GEOTECH will mobilise its equipment at Koltogorsky in November 2013 ready to commence the survey at the outset of this year's operational season, when reduced temperatures have established firmer terrain. The survey is expected to take until spring to complete, after which processing and interpretation by a separate contractor will commence. The interpreted data will then be analysed by Zoltav's geological team under the leadership of Alexander Sokolov (Director Exploration), whose knowledge of Koltogorsky dates back well over a decade.

The directors estimate that completion of the interpretation and analysis by the end of 2014 will enable the Company to apply for the relevant permissions so that drilling may commence during the winter season 2015/2016.

In addition to the 3D seismic survey, Zoltav is working towards the reopening of the 141 well, in the southernmost part of the reservoir, in order to conduct an extended test production programme. The well is expected to come on stream during 2014. Oil produced from testing (which is not expected to be meaningful in volume terms) will be sold either at the well head or trucked to a nearby TNK-BP custody transfer station. The all-weather road providing direct access to the 141 well will facilitate production even during the summer months.

Zoltav Resources Inc.

Chairman's report for the six month period ended 30 June 2013 (continued)

Financial developments

The Acquisition received the support of Zoltav's largest shareholder, ARA Capital (38.6 per cent.), which agreed to invest \$20 million by way of a subscription for Zoltav ordinary shares, thus providing the Company with the financial resources to progress the appraisal strategy at Koltogorsky. The first tranche of the Subscription, totalling US\$13 million, was received by the Company 4 July 2013, with the balance to be received by 1 April 2014.

The convertible loan note provided to the Company by ARA Capital during 2012 (**Loan Note**), totalling £500,000, was converted (together with accrued interest) into Zoltav shares in June 2013, prior to completion of the Acquisition.

Following completion of the Acquisition, on 18 July 2013, the Company repaid in cash an unsecured loan of £250,000, with interest, which ARA Capital had advanced to the Company to provide the working capital it required to conclude the Acquisition (**Additional Loan Note**).

Zoltav was still operating as an investing company throughout the first half of 2013 and its principal activities were those associated with the Acquisition. Consequently, the Company continued to make an operating loss. The loss for the period is set out in the consolidated condensed statement of comprehensive income on page 6.

The directors do not recommend a dividend for the period ended 30 June 2013 (period ended 30 June 2012: Nil).

The directors confirm that this condensed set of financial statements has been prepared in accordance with IAS 34 (Interim Financial Reporting) as adopted by the European Union.

Corporate and managerial developments

Zoltav strengthened its board with the appointment of three new directors during the first half of 2013. Michael Lombardi, John Grimshaw and Oliver Donagher were all appointed as non-executive directors. Each of them brings relevant expertise to the board and will contribute to ensuring the Company adheres to the highest standards of corporate governance.

David Francis stepped down from the board in June 2013. The board is grateful for the extensive contribution made by David towards the steering of Zoltav through its first major asset acquisition.

A number of other experienced individuals are now working within the Zoltav group. They include Alexander Sokolov (Director Exploration) and Dmitry Kamyshev (Director Russia), both of whom have extensive knowledge of the Koltogorsky Licences acquired by Zoltav; and Alistair Stobie (Group Director of Finance) who brings over seventeen years of experience in oil and gas. I expect to continue to build out the executive team as Zoltav's portfolio of assets develops.

Zoltav Resources Inc.

Chairman's report for the six month period ended 30 June 2013 (continued)

Corporate and managerial developments (continued)

In line with Zoltav's transition into an operational oil and gas exploration and development company, Zoltav has undertaken an extensive redesign of the company's website (www.zoltav.com) which aims to reflect both the Company's commitment to corporate governance and to communicating effectively with our stakeholders. I hope shareholders will take advantage of the Company's news alert service, accessible through the website, to keep abreast of Zoltav developments as and when they occur.

Outlook

With the winter season approaching in Khantiy-Mansisk, our operational focus is on the commencement of the substantial 3D seismic survey, and on the re-opening of the 141 well for test production. The Koltogorsky Licences are an attractive asset and the board is of the opinion that the Acquisition represented good value for shareholders, with the potential for commercial production in a relatively short timeframe.

At the same time, the Board is examining a number of other oil and gas asset acquisition opportunities within Russia and I look forward to reporting to you both on operational developments at Koltogorsky and on the wider corporate strategy.

Symon Drake-Brockman
Chairman

A handwritten signature in black ink, appearing to read 'S Drake-Brockman', with a long horizontal line extending to the right.

18 September 2013

Zoltav Resources Inc.

Consolidated condensed statement of comprehensive income for the six month period ended 30 June 2013

	Notes	Unaudited Six month period ended 30 June 2013 US\$'000	Unaudited Six month period ended 30 June 2012 US\$'000	Audited Year ended 31 December 2012 US\$'000
Continuing operations				
Unrealised loss on financial assets at fair value through profit or loss	5	(73)	(163)	(100)
Realised gain on disposal of financial assets at fair value through profit or loss	5	73	35	35
Other income		1	-	-
Administrative expenses		(2,299)	(660)	(3,462)
Loss from operations		(2,298)	(788)	(3,527)
Finance costs		(4)	-	(1)
Loss before taxation		(2,302)	(788)	(3,528)
Taxation		-	-	-
Loss for the period / year		(2,302)	(788)	(3,528)
Attributable to:				
Owners of the Company				
Loss for the period/year		(2,302)	(788)	(3,528)
Loss per share attributable to owners of the Company during the period/year				
		US cents	US cents	US cents
Basic - continuing operations		(0.58)	(0.21)	(0.94)
Diluted - continuing operations		(0.49)	(0.20)	(0.87)

All the items dealt with in arriving at the result for the period/year relate to continuing activities.

There were no components of 'other comprehensive income' which are required to be separately disclosed during the current and preceding period.

The accompanying notes form an integral part of these interim financial statements.

Zoltav Resources Inc.

Consolidated condensed statement of financial position as at 30 June 2013

	Notes	Unaudited 30 June 2013 US\$'000	Audited 31 December 2012 US\$'000
ASSETS			
Current assets			
Trade and other receivables		44	44
Financial assets at fair value through profit or loss	5	277	404
Cash and cash equivalents		38	108
		<u>359</u>	<u>556</u>
Total assets		<u>359</u>	<u>556</u>
LIABILITIES			
Current liabilities			
Trade and other payables	6	<u>1,445</u>	<u>81</u>
Non-current liabilities			
Borrowings	7	<u>367</u>	<u>345</u>
Total liabilities		<u>1,812</u>	<u>426</u>
EQUITY			
Share capital		4,515	3,752
Share premium		8,892	8,892
Other reserves		44,367	44,411
Accumulated deficit		<u>(59,227)</u>	<u>(56,925)</u>
Total (deficit)/equity attributable to owners of the Company		<u>(1,453)</u>	<u>130</u>
Total equity and liabilities		<u>359</u>	<u>556</u>

The statement of changes in equity on page 8 provides detailed information about the reserves.

The accompanying notes form an integral part of these interim financial statements.

The consolidated interim financial statements on pages 6 to 19 were approved by the Board of Directors and authorised for issue on 18 September 2013.



Symon Drake- Brockman
Chairman

Zoltav Resources Inc.

Consolidated condensed statement of changes in equity for the six month period ended 30 June 2013

	Share capital US\$'000	Share premium US\$'000	Capital reserve US\$'000	Employee share-based compensation reserve US\$'000	Convertible loan note US\$'000	Accumulated deficit US\$'000	Total equity US\$'000
At 1 January 2012 (audited)	3,752	8,892	40,444	1,734	-	(53397)	1,425
Loss for the period	-	-	-	-	-	(788)	(788)
At 30 June 2012 (unaudited)	3,752	8,892	40,444	1,734	-	(54,185)	637
Convertible loan note-equity component	-	-	-	-	61	-	61
Employee share-based compensation	-	-	-	2,172	-	-	2,172
Transactions with owners	-	-	-	2,172	61	-	2,233
Loss for the period	-	-	-	-	-	(2,740)	(2,740)
At 31 December 2012	3,752	8,892	40,444	3,906	61	(56,925)	130
Issue of shares on conversion	763	-	-	-	-	-	763
Convertible loan note-equity component	-	-	-	-	(44)	-	(44)
Transactions with owners	763	-	-	-	(44)	-	849
Loss for the period	-	-	-	-	-	(2,302)	(2,302)
At 30 June 2013 (unaudited)	4,515	8,892	40,444	3,906	17	(59,227)	(1,453)

The accompanying notes form an integral part of these financial statements.

Zoltav Resources Inc.

Consolidated condensed statement of cash flows for the six month period ended 30 June 2013

	Unaudited Six month period ended 30 June 2013 US\$'000	Unaudited Six month period ended 30 June 2012 US\$'000	Audited Year ended 31 December 2012 US\$'000
Operating activities			
Loss before taxation	(2,302)	(788)	(3,528)
Adjustments for:			
Finance costs	4	-	1
Employee share-based compensation	-	-	2,172
Unrealised loss on financial assets at fair value through profit or loss	73	163	100
Realised gain on disposal of financial assets at fair value through profit or loss	(73)	(35)	(35)
Operating cash outflow before working capital changes	(2,298)	(660)	(1,290)
Decrease in trade and other receivables	-	20	6
Increase in trade and other payables	1,366	58	(49)
Net cash outflow used in operating activities	(932)	(582)	(1,333)
Investing activities			
Disposal of investment securities	127	697	697
Net cash generated from investing activities	127	697	697
Financing activities			
Issue of convertible Loan Note	735	-	405
Net cash inflow generated from financing activities	735	-	405
Net (decrease)/increase in cash and cash equivalents	(70)	115	(231)
Cash and cash equivalents at beginning of the period/year	108	339	339
Cash and cash equivalents at end of the period/year	38	454	108

The accompanying notes form an integral part of these interim financial statements.

Zoltav Resources Inc.

Notes to the consolidated condensed interim financial statements for the six month period ended 30 June 2013

1 General information

The Zoltav Group (**Group**) comprises Zoltav Resources Inc. (**Company**), together with its subsidiaries Zoltav Resources Holdings (Jersey) Limited and ZRI Services (UK) Limited.

The Company was incorporated in the Cayman Islands, which does not prescribe the adoption of any particular accounting framework. The Board has therefore adopted International Financial Reporting Standards (**IFRS**) issued by the International Accounting Standards Board and as adopted by the European Union. The Company's shares are listed on the AIM of London Stock Exchange. The financial statements are prepared in United States Dollars.

Zoltav Resources Holdings (Jersey) Limited was incorporated in Jersey as a private limited company on 9 January 2013.

ZRI Services (UK) Limited was incorporated in the United Kingdom as a private limited company on 29 January 2013.

2 Basis of preparation

These consolidated condensed interim financial statements of the Group for the six month period ended 30 June 2013 (**Period**) have been prepared using accounting policies consistent with IFRS as adopted by the European Union. The same accounting policies, presentation and methods of computation are followed in the condensed consolidated set of financial statements as applied in the Company's latest audited financial statements for the year ended 31 December 2012. These consolidated condensed interim financial statements have not been audited, do not include all of the information required for full annual financial statements and should be read in conjunction with the Company's annual financial statements for the year ended 31 December 2012. The Group's operations are not subject to seasonality or cyclicity.

The financial statements are prepared in United States Dollars under the historical cost convention and in accordance with IAS 34 (Interim Financial Reporting) as adopted by the European Union.

2.1 Amendments of new and revised Standards:

The Directors have considered the new and revised Standards and Interpretations that became effective during the period and concluded that they have no material impact on these condensed interim financial statements.

Except for IFRS 9 and IFRS 13, the Directors do not expect that the adoption of these accounting standards and interpretations in future periods will have a material impact on the operations of the Group.

Zoltav Resources Inc.

Notes to the consolidated condensed interim financial statements for the six month period ended 30 June 2013 (continued)

2 Basis of preparation (continued)

2.2 Segment reporting

The Group operated in one single segment during the period, investment in equity instruments of mining operations based in the former Soviet Union. The management information received by the Board is prepared on this basis.

3 Critical accounting estimates and judgements

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

3.1 Critical accounting estimates and assumptions

The Group makes estimates and assumptions when preparing financial statements. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next accounting period are:

3.2 Going concern

The financial statements have been prepared on a going concern basis.

3.3 Valuations of share options or warrants granted

The fair value of share options or warrants granted was calculated using the Black-Scholes Pricing Model which requires the input of highly subjective assumptions, including the volatility of the share price. Because changes in subjective input assumptions can materially affect the fair value estimate, in the opinion of the Directors of the Company, the existing model will not always necessarily provide a reliable single measure of the fair value of the share options.

3.4 Valuation of financial assets categorised as at fair-value through profit or loss:

The fair value of listed investments classified as at fair-value through profit or loss is based on the listed share prices of the respective investments and translated to United States Dollars using the exchange rate ruling at the balance sheet date.

3.5 Valuation of liability and equity components of convertible debt:

The fair value of the liability component, included in non-current borrowings, was calculated using a market interest rate for an equivalent non-convertible loan note. The residual amount, representing the value of the equity conversion option, is included in shareholders' equity in other reserves.

Zoltav Resources Inc.

Notes to the consolidated condensed interim financial statements for the six month period ended 30 June 2013 (continued)

4 Loss per share attributable to owners of the Company

Basic loss per share is calculated by dividing the loss attributable to owners of the Company by the weighted average number of ordinary shares in issue during the period.

Diluted loss per share is calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion of all dilutive potential ordinary shares. The Company has two categories of dilutive potential ordinary shares: convertible loans and share options/warrants.

	Unaudited Six month period ended 30 June 2013 US\$'000	Unaudited Six month period ended 30 June 2012 US\$'000	Audited Year ended 31 December 2012 US\$'000
Loss attributable to owners of the Company - Basic	(2,302)	(788)	(3,528)
Loss attributable to owners of the Company - Diluted	(2,298)	(788)	(3,527)
	Number of Shares	Number of Shares	Number of Shares
Weighted average number of shares for calculating basic loss per share	397,090,979	375,244,344	375,244,344
Effect of dilutive potential ordinary shares			
Warrants	10,550,000	10,550,000	10,550,000
Share options	47,350,000	-	14,016,667
Convertible loan	38,081,161	-	3,623,188
Weighted average number of shares for calculating diluted loss per share	493,072,140	385,794,344	403,434,199
	US cents	US cents	US cents
Basic loss per share	(0.58)	(0.21)	(0.94)
Diluted loss per share	(0.47)	(0.20)	(0.87)

The diluted loss per share for six month period ended 30 June 2013 is US Cents 0.47 taking into account the existing warrants, share options and the convertible Loan Notes (six month period ended 30 June 2012: US Cents 0.20; year ended 31 December 2012: US Cents 0.87).

Zoltav Resources Inc.

Notes to the consolidated condensed interim financial statements for the six month period ended 30 June 2013 (continued)

5 Financial assets at fair value through profit or loss

	Unaudited 30 June 2013 US\$'000	Audited 31 December 2012 US\$'000
Listed securities:		
Equity securities -USA	1	1
Equity securities -United Kingdom	276	403
Fair value of listed securities	<u>277</u>	<u>404</u>

The movement in financial assets at fair value through profit or loss during the period is as follows:

	Unaudited 30 June 2013 US\$'000	Unaudited 30 June 2012 US\$'000	Audited 31 December 2012 US\$'000
At 1 January	404	1,166	1,166
Disposals during the period/year	(127)	(697)	(697)
Unrealised loss on financial assets at fair value through profit or loss	(73)	(163)	(100)
Realised gain on disposal of financial assets at fair value through profit or loss	73	35	35
At 30 June / 31 December	<u>277</u>	<u>341</u>	<u>404</u>

Fair value measurements recognised in the statement of financial position

The following table provides an analysis of financial instruments that are measured subsequent to initial recognition at fair value, grouped into level 1 to 3 based on the degree to which the fair value is observable:

- level 1 fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets and liabilities;
- level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and
- level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

Zoltav Resources Inc.

Notes to the consolidated condensed interim financial statements for the six month period ended 30 June 2013 (continued)

5 Financial assets at fair value through profit or loss (continued)

30 June 2013 (unaudited)	Level 1 US\$'000	Level 2 US\$'000	Level 3 US\$'000	Total US\$'000
Financial assets at FVPL				
Investments (FVTPL)	277	-	-	277
<hr/>				
31 December 2012 (audited)	Level 1 US\$'000	Level 2 US\$'000	Level 3 US\$'000	Total US\$'000
Financial assets at FVPL				
Investments (FVTPL)	404	-	-	404
<hr/>				

There were no transfers between level 1, 2 and 3 during the period (year ended 31 December 2012: none).

Zoltav Resources Inc.

Notes to the consolidated condensed interim financial statements for the six month period ended 30 June 2013 (continued)

5 Financial assets at fair value through profit or loss (continued)

Particulars and valuation basis of principal financial assets held at fair value through profit or loss are as follows:

	Unaudited Number of shares 30 June 2013	Unaudited Percentage held 30 June 2013	Audited Number of shares 31 December 2012	Audited Percentage held 31 December 2012	Unaudited Fair value 30 June 2013 US\$'000	Audited Fair value 31 December 2012 US\$'000	Valuation basis
Evergreen Energy Inc.	57,692	0.21	57,692	0.21	1	1	Quoted market price at 30 June 2013 of US\$0.0071 per share, listed on NYSE Arca USA
ordinary shares							
Paternoster Resources Plc	31,500,000	5.45	44,000,000	7.61	150	221	Quoted market price at 30 June 2013 of £0.00314, listed on London AIM UK
ordinary shares							
Aurum Mining Plc	3,333,333	2.82	3,333,333	2.82	126	182	Quoted market price at 30 June 2013 of £0.02499, listed on London AIM UK
ordinary shares							
					277	404	

Zoltav Resources Inc.

Notes to the consolidated condensed interim financial statements for the six month period ended 30 June 2013 (continued)

6 Trade and other payable

	Unaudited 30 June 2013 US\$'000	Audited 31 December 2012 US\$'000
Accrued expenses	1,444	81
Accrued interest on loan notes	1	-
	<hr/> 1,445	<hr/> 81

7 Borrowings

	Unaudited 30 June 2013 US\$'000	Audited 31 December 2012 US\$'000
Convertible Loan Notes	<hr/> 367	<hr/> 345

The Company issued an unsecured 1.0% interest bearing convertible loan note (**Loan Note**), at the par amount of £500,000 on 15 September 2012 (**Issue Date**) to be drawn down in two tranches of £250,000 each. The Loan Note matures three years from the issue date at the nominal value of £500,000 or at any time during the life of the Loan Note, can be converted into shares at the holder's option at the rate of 1 share per £0.023. The values of the liability component and the equity conversion component were determined at the issuance of the Loan Note.

The first tranche of £250,000 was drawn down during the year ended 31 December 2012, and the second tranche of £250,000 was drawn down in the six month period ended 30 June 2013. The Loan Note together with accrued of £502,473 (\$763,127) was converted into 21,846,635 ordinary shares on 7 June 2013.

On 9 April 2013, the Company entered into an unsecured loan agreement in the amount of £250,000 with ARA Capital Limited (**Additional Loan Note**) to provide additional working capital to the Company prior to the proposed acquisition of CenGeo Holdings Limited. The Additional Loan Note bears interest at an annual rate of 50 basis points over LIBOR. The Additional Loan Note can be repaid by the Company at any time in cash or in shares at the borrower's option at the rate of 1 share per \$0.01. The Additional Loan Note was drawn down in full on 12 April 2013 and was fully repaid with accrued interest in cash on 18 July 2013.

The fair value of the liability component, included in non-current borrowings, was calculated using a market interest rate for an equivalent non-convertible loan note. The residual amount, representing the value of the equity conversion option, is included in shareholders' equity in other reserves.

Zoltav Resources Inc.

Notes to the consolidated condensed interim financial statements for the six month period ended 30 June 2013 (continued)

7 Borrowings (continued)

The Loan Notes are recognised in the statement of financial position as follows:

	Unaudited 30 June 2013 US\$'000	Audited 31 December 2012 US\$'000
Face value of Loan Notes	384	405
Equity component	(17)	(61)
Liability component on initial recognition	367	344
Interest expense	1	1
Liability component	368	345

The fair value of the liability component of the Loan Notes at 30 June 2013 amounted to US\$384,261 (31 December 2012: US\$345,583). The fair value was calculated using cash flows discounted at a rate based on the borrowings rate of 6.64%.

8 Material related party transactions

Transactions between the Company and its subsidiaries are not disclosed in this note as they do not qualify as related parties of the Group as a whole. Details of the significant transactions between the Group and other related parties during the six month period ended 30 June 2013 are as follows:

	Unaudited 30 June 2013 US\$'000	Audited 31 December 2012 US\$'000
Fees paid to related parties	241	179

9 Post-balance sheet events

On 4 July 2013, the Company acquired the entire issued share capital of CenGeo Holdings for a consideration of US\$26 million to be satisfied by the issue of the new ordinary shares of the Company. CenGeo Holdings, through its wholly-owned subsidiary ZAO Sibirsky Geologicheskaya Kompaniya (**SibGeCo**), holds six legacy Koltogorsky Exploration Licences and the recently issued Koltogorsky Production Licence which came into effect upon its registration by the Russian Agency for Subsoil Use on 21 February 2013, and is valid until 15 February 2033 (the **Koltogorsky Licences**). The Koltogorsky Licences cover the undeveloped Koltogorsky oil discovery, which is located in the Khantiy-Mansisk Autonomous Okrug, an autonomous region in Western Siberia.

Notes to the consolidated condensed interim financial statements for the six month period ended 30 June 2013 (continued)

9 Post-balance sheet events (continued)

In order to meet the conditions of the Acquisition Agreement, the Company entered into a conditional agreement with ARA Capital, the Company's largest shareholder, obliging ARA Capital to subscribe for US\$20 million of new ordinary shares of the Company at £0.70 per share to provide working capital to finance the work programme on the Koltogorsky Production Licence. The initial tranche of US\$13 million was subscribed on 4 July 2013 and two further tranches of US\$2 million and US\$5 million will be subscribed on the last working day of 2013 and on 1 April 2014, respectively.

The Acquisition resulted in a fundamental change in the business of the Company. Due to the size of the acquisition relative to the size of the Company, the Acquisition constituted a reverse takeover under the AIM Rules. The Acquisition also resulted in the Company transitioning from being classified as an AIM investing company to an operational oil and gas exploration and development company.

Concurrent with the Acquisition and Subscription, the Company undertook a share consolidation whereby each holding of 20 existing ordinary shares, whether issued or unissued, was consolidated into one New Ordinary Share (**Share Consolidation**). As a result, the authorised and issued share capital of Company (before the effects of the Acquisition and the Subscription) were consolidated, respectively, from 5,000,000,000 and 397,090,979 (inclusive of the shares issued on conversion of the Loan Note referred to in Note 7) existing ordinary shares, with a par value of US\$0.01, to 250,000,000 and 19,854,497 New Ordinary Shares, respectively, with a par value of US\$0.20. 23,657,870 and 11,828,935 New Ordinary Shares were issued in respect of the Acquisition and the initial tranche of the Subscription, respectively.

Finally, the Company took the opportunity to update its Articles of Association. A full summary of the new Articles of Association is available on the Company's website, www.zoltav.com. The Acquisition, the Subscription, the Share Consolidation and the updated Articles of Association, inter alia, were approved by shareholders at the Company's Annual General Meeting which was held on 3 July 2013.

The re-admission of the Company to AIM became effective and commenced on AIM on 4 July 2013.

On 18 July 2013, the Company repaid the Additional Loan Note, together with interest thereon, originally advanced by ARA Capital Limited on 12 April 2013.

On 15 August 2013, following a competitive tender process, Sibgeco entered into a contract with GEOTECH Holding CJSC for the acquisition of 500 square kilometres of 3D seismic across the Company's Koltogorsky Exploration and Production Licence in the Khantiy-Mansisk Autonomous Okrug, Western Siberia.

10 Date of approval of interim financial statements

The consolidated interim financial statements for the six month period ended 30 June 2013 were approved by the Board of Directors on 18 September 2013.

Zoltav Resources Inc.

Notes to the consolidated condensed interim financial statements for the six month period ended 30 June 2013 (continued)

11 Availability of interim financial statements

Copies of the Group's interim financial statements will be sent to Registered Shareholders but will not be sent to holders of Depository Interests. The interim financial statements will be available for inspection at the Company's registered office and may also be viewed at the Company's website at: www.zoltav.com.