



2018

ANNUAL REPORT



Zeta Resources Limited is a resource-focused investment holding company whose aim is to maximise total returns for shareholders by identifying and investing in resource assets and companies where the underlying value is not reflected in the market price.



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COMPANY INFORMATION

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ZETA RESOURCES LIMITED

NATURE OF THE COMPANY

Zeta Resources Limited ("Zeta") is a closed-end investment company, whose ordinary shares are listed on the Australian Stock Exchange ("ASX"). The business of the company consists of investing the pooled funds of its shareholders in accordance with its investment objective and policy, with the aim of generating a return for shareholders with an acceptable level of risk. The company has borrowings ("gearing"), the proceeds from which can also be invested with the aim of enhancing returns to shareholders. This gearing increases the potential risk to shareholders should the value of the investments fall.

The company has contracted with an external investment manager, ICM Limited (the "Investment Manager" or "ICM"), to manage its investments and undertake the company secretarial function. The company's general administration is undertaken by ICM Corporate Services (Pty) Ltd. The company has a board of non-executive directors who oversee and monitor the activities of the Investment Manager and the other service providers and ensure that the investment policy is adhered to.

FINANCIAL CALENDAR

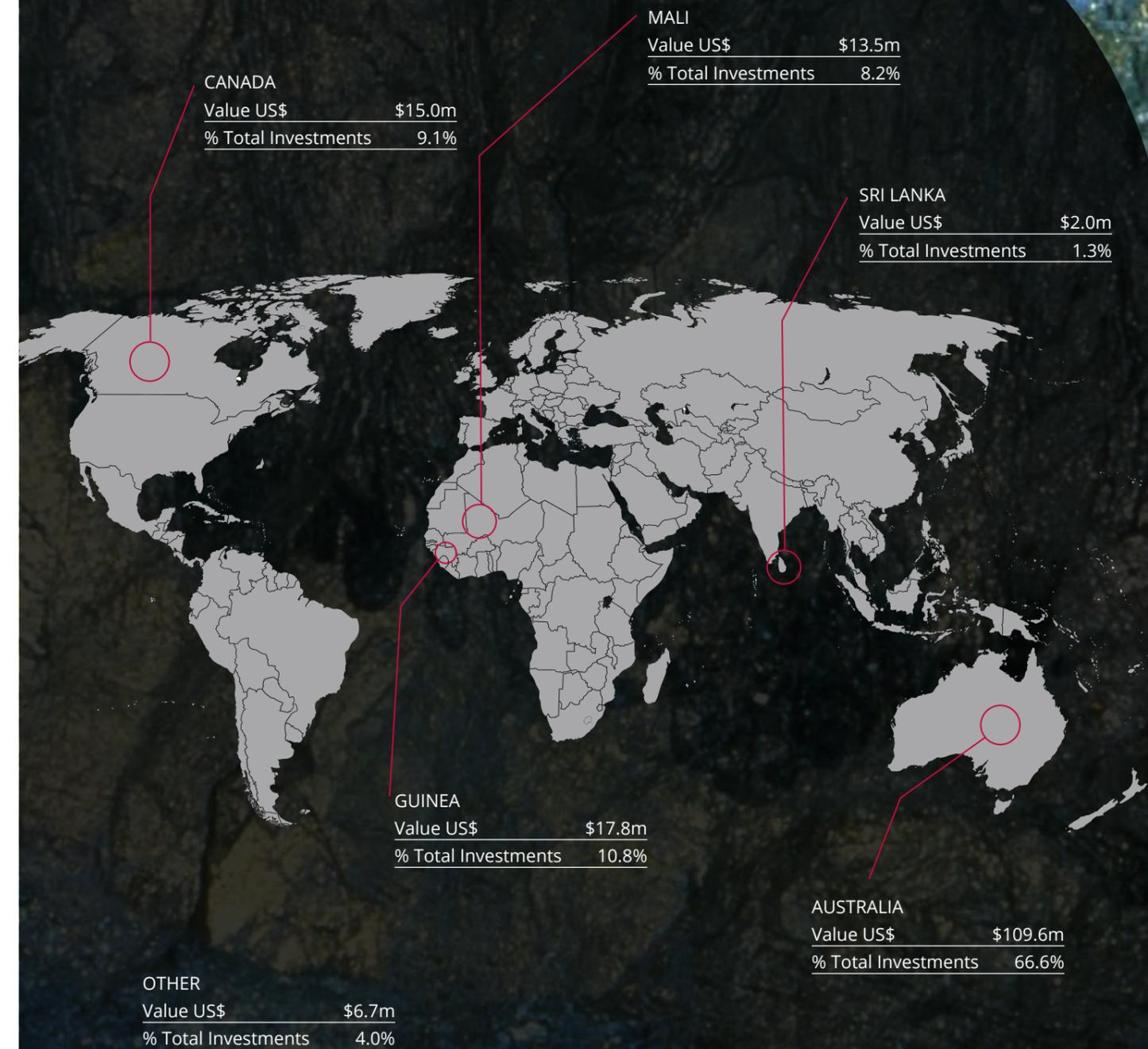
Year End	30 June
Annual General Meeting	5 November 2018
Half Year	31 December
Half Year December 2018 Announcement	February 2019

FORWARD-LOOKING STATEMENTS

This annual report may contain "forward-looking statements" with respect to the financial condition, results of operations and business of the company. Such statements involve risk and uncertainty because they relate to future events and circumstances that could cause actual results to differ materially from those expressed or implied by forward-looking statements. The forward-looking statements are based on the directors' current view and on information known to them at the date of this report. Nothing in this publication should be construed as a profit forecast.

Potential investors are reminded that the value of investments and the income from them may go down as well as up and investors may not receive back the full amount invested.

GEOGRAPHICAL INVESTMENT EXPOSURE



GROUP PERFORMANCE SUMMARY

	30 JUNE 2018	30 JUNE 2017	CHANGE % 2018/17
Total return ⁽¹⁾ (annual) (%)	56.9	19.8	187.4
Net tangible asset per ordinary share ⁽²⁾ (Australian cents)	57.9	36.9	56.9
Ordinary share price (Australian cents)	40.5	37.0	9.5
Premium/(Discount) (%)	(30.1)	0.3	10,133.3
Profit/(loss) per ordinary share ⁽³⁾ (US dollars)	0.15	0.06	150.0
Dividends per ordinary share	Nil	Nil	n/a
Equity holders' funds (US\$m)	123.9	53.0	133.8
Gross assets ⁽⁴⁾ (US\$m)	163.2	80.6	102.5
Cash (US\$m)	0.3	0.0	1,714.3
Other debt (US\$m)	(39.4)	(27.6)	42.8
Net debt (US\$m)	(39.1)	(27.6)	41.7
Net debt gearing on gross assets (%)	24.0	34.2	n/a

(1) Total return is calculated based on NTA per share return plus dividends reinvested from the payment date.

(2) The NTA is calculated based on 288,521,024 shares in issue.

(3) Earnings per share is based on the weighted average number of shares in issue during the year.

(4) Gross assets less liabilities excluding loans.

n/a = not applicable

SIGNIFICANT INVESTMENT HOLDINGS AS AT 30 JUNE 2018

Nickel/Cobalt		Gold	
			
Panoramic Resources Limited	GME Resources Limited	Resolute Mining Limited	Bligh Resources Limited
<i>Nickel</i>	<i>Nickel & Gold</i>	<i>Gold</i>	<i>Gold</i>
West Australian nickel company	ASX-listed junior nickel and gold explorer	ASX-listed mid-cost gold producer	ASX-listed junior gold explorer
Over 300,000 tonnes of nickel resources	Substantial nickel resources in Western Australia	Producing mines in Mali and Queensland, Australia	Substantial identified gold resource in Western Australia
			
Copper Mountain Mining Corporation	Seacrest L.P.	Margosa Graphite Limited	Alliance Mining Commodities Limited
<i>Copper</i>	<i>Oil & Gas</i>	<i>Graphite</i>	<i>Bauxite</i>
TSX/ASX-listed copper producer	Global exploration firm	Unlisted graphite explorer	Unlisted bauxite development company
Recently acquired Australian junior copper firm Altona Mining	Widely diversified portfolio of exploration interests	Focused on high grade vein graphite in Sri Lanka	World class bauxite asset in Guinea, West Africa

CHAIRMAN'S STATEMENT

I'm pleased to report that Zeta has had a very successful and active year, in the context of an upturn in commodity prices generally. Zeta has achieved a profit of US\$31.2 million, and the net asset value per share has grown by 57%.

The composition of Zeta's portfolio has changed significantly over the year, which requires some explanation.

The transaction in May 2018 to acquire Axelrock Limited, increased our portfolio size and equity base by nearly 50%. This acquisition significantly increased Zeta's holdings in GME Resources Limited, Seacrest L.P., and Alliance Mining Commodities Limited ("AMC") and increased Zeta's weightings in nickel and cobalt, oil and gas, and bauxite, respectively.

Our holding in AMC and its Tier 1 Koumbia Bauxite Project development has opened up a new commodity position connecting us to growth in the aluminium markets.

As I noted in last year's annual report, in April 2017 Zeta launched a takeover offer for Bligh Resources Limited ("Bligh"). This was completed in July 2017, resulting in Zeta owning an 86% stake in Bligh. Subsequent drilling at Bligh's Bundara Gold Project has delivered a material increase in the gold resource base.

Following the sale of its main assets, the scheme of arrangement to consolidate Pan Pacific Petroleum NL ("PPP") was completed in November, and I welcome PPP shareholders in Zeta who elected to receive new Zeta shares in exchange for their PPP shares.

In August 2017, Zeta launched a partial takeover offer pursuant to the New Zealand Takeovers Code, to acquire 50.01% of the shares in New Zealand Oil & Gas Limited ("NZOG"). Subsequently, a competing cash offer was launched at a significant premium to our offer by O.G. Oil & Gas (Singapore) Pte. Ltd. ("OGOG"), part of the Ofer Group, and Zeta sold the majority of its holding in NZOG to OGOG. As a result of this and asset sales associated with PPP, the weighting of oil and gas in Zeta's portfolio has declined.

Our holding in Toronto listed copper producer Copper Mountain Mining Corporation ("Copper Mountain") has increased to over 10% following Zeta's acceptance of Copper Mountain's scrip takeover bid for our substantial shareholding in Altona Resources Limited.

We have also become a substantial shareholder in private company Margosa Graphite Limited which is advancing high grade vein graphite resources in Sri Lanka.

The adoption of electric vehicles and a focus on batteries has continued to attract attention. Battery metals and related commodities make up the largest component in Zeta's portfolio with positions in nickel, cobalt, copper and graphite now making up 64% of gross assets. Recently, commodity prices have receded somewhat from their gains of the last two years, and risks to the health of the global economy are increasing. In particular, rising US interest rates and the threat of trade conflicts are the greatest risks to economic growth and demand for commodities. We believe Zeta is relatively well placed, but we will continue to be active in pursuing value both within our existing investments and elsewhere.

Peter Sullivan
Chairman
5 September 2018

INVESTMENTS

*Battery metals
and related
commodities
make up
the largest
component in
Zeta's portfolio*

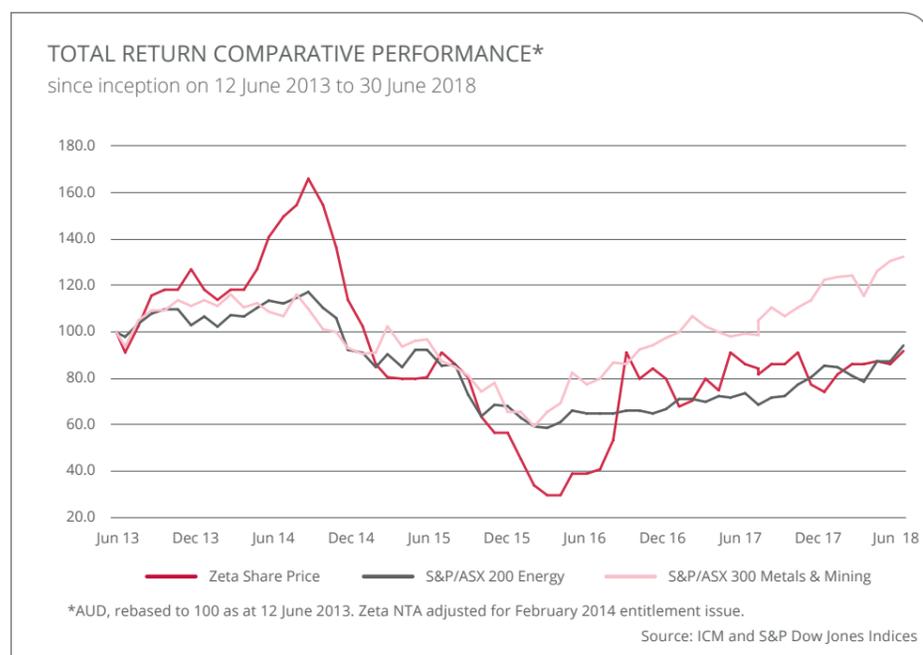
IN THIS SECTION:

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INVESTMENT MANAGER'S REPORT

For the two years prior to this year, commodity markets were in general up and down during the year, ending each year slightly higher than where they started. The year ended June 2018 is somewhat different, in that other than gold, the major commodities spent most of the year increasing in price. That bull run has paused in the wake of concerns over the global economy, which stems from three factors: firstly, interest rates are rising and expected to rise further as the US unwinds its quantitative easing; secondly, there are doubts about China's ability to keep growing at the same rate as it has; and thirdly, international trade is threatened by a more aggressive US administration. A secondary factor is a strong US dollar, which is bolstered by the expectation of interest rate rises. Another factor is the impact of higher energy prices, increasing the cost of production of many commodities.

While commodities in general rose in price, some rose more strongly than others, with big rises in nickel and oil prices, and more muted rises in copper and aluminium. Gold was basically flat. As a leveraged fund with a high weighting in nickel, Zeta outperformed the average increase in commodity price. During the year under review, Zeta's net assets per share rose from A\$0.369 to A\$0.579, a rise of 56.9%. For comparison, the S&P/ASX 200 Energy index rose 38.2% over the same period, and the S&P/ASX 300 Metals & Mining index, which includes gold mining stocks, rose 34.4%. Zeta's share price only rose 9.5% to A\$0.41. At the start of the period the share price was at a 0.3% premium to net assets; at the end of the period the share price was at a 30.1% discount to net assets.



COMMODITY MARKETS

As noted, the year under review saw significant increases in the prices of nickel and oil, and more modest rises in the prices of copper and aluminium; gold was flat.

Nickel

Nickel prices have enjoyed a steady uplift in prices during the year, with demand increasing for use in electric batteries, and global inventories decreasing. For the twelve months ended June 2018, the price of nickel rose 58.4% to US\$6.67 per pound. The price remains volatile, and since year end has shown weakness along with most major commodities.

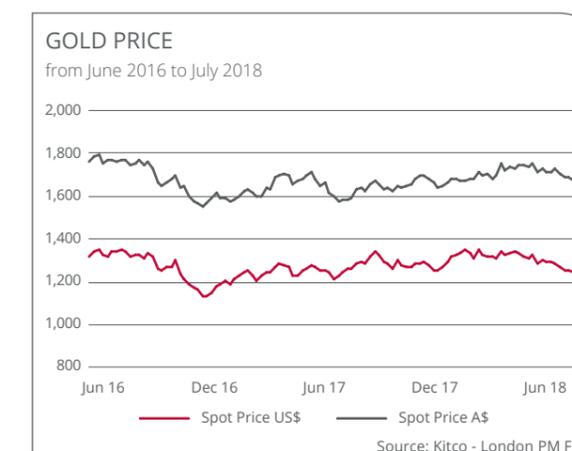
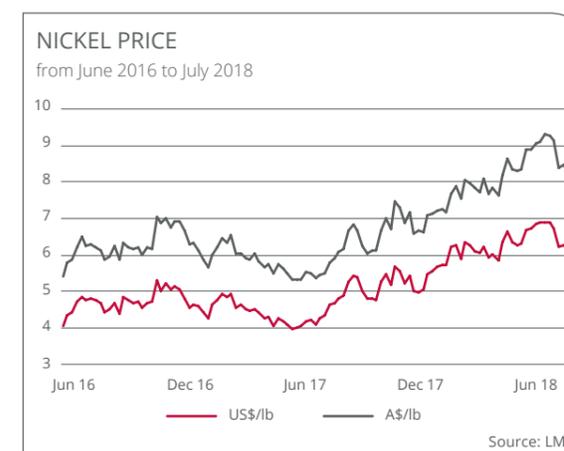
Zeta's chief investment in the nickel sector is Panoramic Resources Limited, and Zeta has a smaller, but still significant investment in GME Resources Limited ("GME"). During the year, Panoramic's two nickel mines in Western Australia, Savannah and Lanfranchi, remained on care and maintenance. However, Panoramic has subsequently announced the commencement of work to reopen Savannah, with production targeted to resume in Q1 2019. Behind this has been a sustained uplift in nickel prices, particularly in Australian dollar terms. Panoramic also recently announced the sale of Lanfranchi stating that it would use the sale proceeds to concentrate on the resumption of mining at Savannah.

Also after year end, GME released its preliminary feasibility study for the NiWest nickel-cobalt project. The company released its maiden reserves, and the study shows a significant nickel-cobalt asset, which when developed, would have an initial mine life of 27 years.

Gold

The price of gold did not change significantly over the course of the year, starting off well, but eventually drifting back to be almost where it started. At the end of June 2017, gold was US\$1,241 per ounce; at the end of June 2018 the gold price was US\$1,250 per ounce.

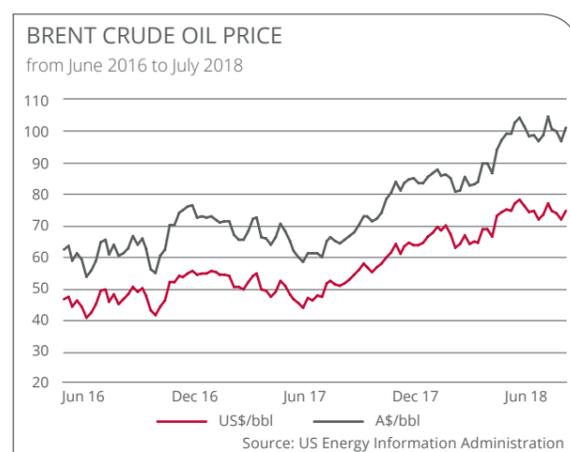
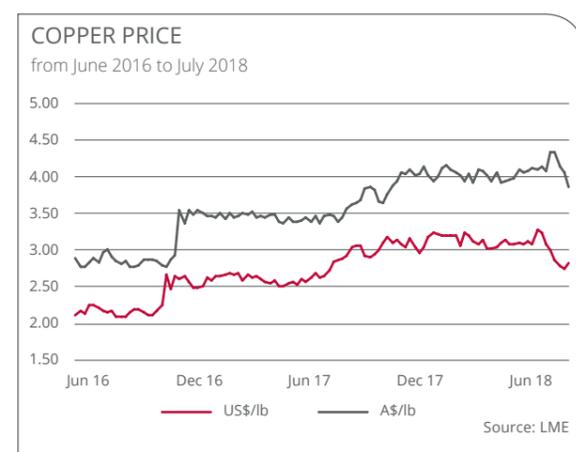
Leading up to the GFC, and especially thereafter, gold prices rose in response to a period of "cheap money". With the US Federal Reserve finally finding a way to unwind quantitative easing without causing undue volatility in bond and equity markets, the period of cheap money appears to be over, and the price of gold has declined. Another reason for recent weakness in the gold price has been the strong US dollar, which has tempered natural demand for the precious metal from non-US investors. Zeta's investment in Resolute Mining Limited started the year with a share price of A\$1.19, and finished the year with a share price of A\$1.275, up 7.1%.



INVESTMENT MANAGER'S REPORT (continued)

Copper

Last year's rise in copper prices was the first increase since seven years before then. This year showed another increase, albeit not as much as last year, and with a fall at the end. At the start of the year, copper was US\$2.68 per pound, and by the end of the year it was US\$3.02 per pound, an increase of 12.7%. Since year end, copper prices have declined in line with decreases in the prices of other industrial commodities, as investors have been concerned about industrial demand weakening in the wake of a slowing Chinese economy and trade wars. During the year under review, Zeta has increased its holding in copper from 3% of its portfolio to 11%. The largest holding is Canadian copper firm Copper Mountain Mining Corporation, which produces copper in British Columbia, and has recently bought a copper development project in Queensland, Australia.



Oil & Gas

At the start of the year under review, the Brent Crude Oil price was US\$48/bbl, having been relatively flat over the previous year. By the end of June 2018 the price of Brent was US\$78/bbl, a rise of 61.8%. Various factors have contributed to the rise, the most significant of which has been a sustained programme of production cuts by major oil-producing countries, led by Saudi Arabia and Russia. Other contributing factors have been President Trump's decision to withdraw the United States from its deal with Iran, and political and economic chaos in Venezuela.

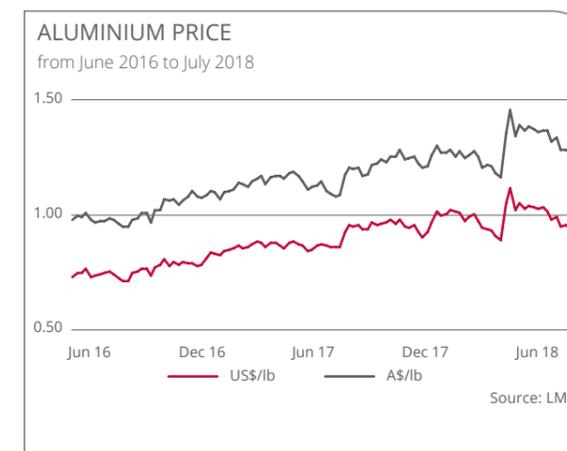
During the year, Zeta sold the majority of its largest investment in oil & gas, New Zealand Oil & Gas Limited, which was subject to a partial takeover offer by O.G. Oil & Gas (Singapore) Pte. Ltd, part of the Ofer Group. Subsequent to the takeover, the New Zealand government announced a ban on new offshore exploration permits being issued after this year, a reminder that even developed nations have political risk when it comes to mining, in this case due to concerns about global warming.

Zeta's largest remaining investment in oil & gas is in the seismic exploration firm Seacrest L.P., which is unlisted.

Aluminium

Aluminium prices rose for the second year in a row. At the start of the year, aluminium was US\$0.87 per pound; by the end of the year it was US\$0.99 per pound, a rise of 13.9%. Aluminium prices have been boosted by moves in 2017 by the Chinese government to reduce production during winter in large cities, and shut down refiners with poor environmental performance. Outside of China, increased costs of production and increasing demand, particularly in Europe, both contributed to increasing aluminium prices.

During the year, Zeta significantly increased its holding in unlisted bauxite developer Alliance Mining Commodities Limited. AMC owns a world-class bauxite asset in Guinea.

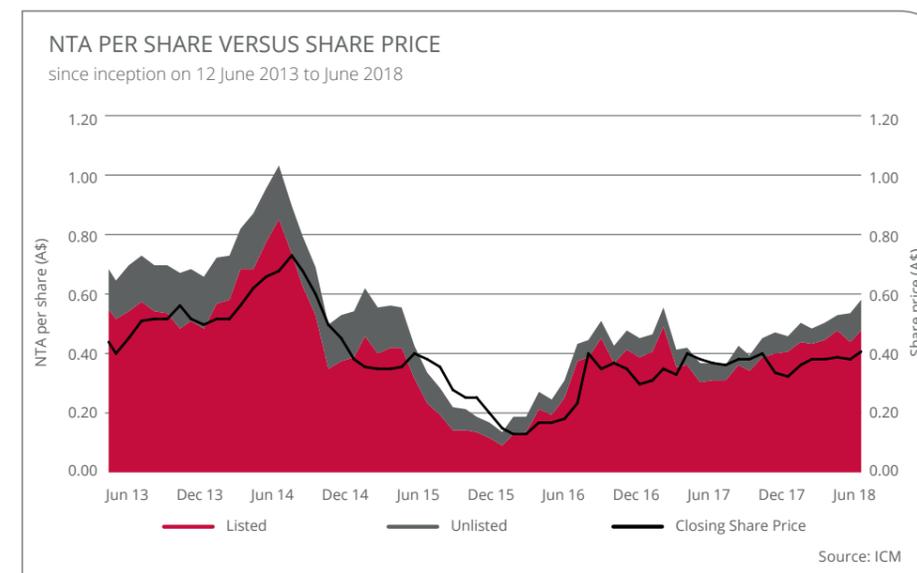


CAPITAL STRUCTURE

Zeta is a closed-end investment company, listed on the ASX, and incorporated in Bermuda.

During the year Zeta has had working capital support from its parent company, UIL Limited ("UIL"). As of 30 June 2018, Zeta had a loan from UIL totalling US\$30.2 million, drawn in Australian dollars and Canadian dollars.

As at 30 June 2018, Zeta had gross assets of US\$164.9 million (2017: US\$80.9 million). Of this figure, \$6.3 million (2017: \$30.4 million) was invested in the oil & gas sector; \$103.9 million (2017: \$24.1 million) was invested in the nickel and copper sectors; \$30.7 million (2017: \$26.4 million) was invested in the gold sector; and US\$17.8 million (2017: US\$0.41 million) was invested in the bauxite sector.



INVESTMENT MANAGER'S REPORT (continued)

FINANCIAL RESULTS

The net profit after tax for the year was US\$31,215,839 against a profit of US\$10,277,906 in the year ended June 2017. The majority of the net profit was comprised of unrealised gains from investments.

SIGNIFICANT INVESTMENTS

The five largest investments held by Zeta are considered in greater detail in their own section later in this annual report. The remaining significant investments are as follows.

Bligh

Bligh Resources is a small Australian gold explorer that owns the Bundarra Gold Project, which lies within the Norseman-Wiluna greenstone belt of the Archean Yilgarn Craton, approximately 60km north of Leonora in the Eastern Goldfields region of Western Australia. The company also has prospecting licenses for gold in Western Australia and manganese in the Northern Territory.

During the year, Bligh has worked to prove up the resource at Bundarra. Results of exploration drilling to date have been pleasing, and follow-up drilling is imminent.

Kumarina

Kumarina Resources Pty Limited ("Kumarina") is a 100%-owned subsidiary of Zeta. The company is focused on two prospective projects in Western Australia, being the Ilgarari copper project and the Murrin Murrin copper-gold project. The Ilgarari project contains a secondary copper oxide resource (JORC 2004) estimated to be 1,100,000 tonnes averaging 1.9% copper located around and below historical mine workings. The Murrin Murrin project is prospective for gold and base metals in the form VMS style copper zinc mineralisation.

Seacrest

Seacrest is a specialist oil & gas offshore seismic exploration company. Seacrest amassed a significant number of geographically diversified interests in joint venture licenses for offshore oil exploration, but suffered a loss in value in the wake of the significant fall in the price of oil and a number of disappointing drilling results. With the recent rise in oil prices, interest in Seacrest's areas of operation is increasing, and the chances of exploration success are rising with the likelihood of more drilling in the joint ventures that Seacrest is invested in.

Margosa Graphite

Margosa Graphite Limited is an unlisted junior explorer focused on Sri Lankan crystalline vein graphite, the purest naturally occurring graphite. Sri Lanka has historically been one of the world's largest suppliers of high quality graphite.

Margosa is utilising modern exploration technology in brownfield areas, with the aim of identifying a substantial resource ahead of development and eventual production.

JDF Morrison
ICM Limited
Investment Manager
5 September 2018

MACRO TRENDS AFFECTING RESOURCES

E-VEHICLES



- Nearing tipping point where all factors for growth in place
- EVs use more commodities such as nickel and copper than traditional vehicles
- Spike in demand for lithium and cobalt
- Increased demand for flake and vein graphite

RENEWABLES



- Consumer pull and government push for renewables
- Price of solar continues to reduce
- Tesla showing the way with trifecta of solar roof panels, home battery and EV, but yet to reach tipping point
- Low price of natural gas reducing carbon footprint and industrial demand for renewables

CHINA URBANISATION



- Central government spending on new cities helps manage GDP growth
- Smooths cycles and sustains demand for industrial commodities
- Long term growth in question as Chinese population ages
- Government committed to renewables and EVs
- Pollution reduction targets reducing obsolescent refineries and reducing production of certain commodities, e.g. aluminium

GLOBAL DEBT



- Unprecedented increase in global government debt on a relative basis
- The US leading the way with unwinding of Federal Reserve balance sheet
- Recent past has shown a readiness to retreat easily on market corrections
- Risk to global economy, and thus demand for industrial commodities

TRADE CONFLICTS



- Shift in policy by US administration from promoting stability through free trade to promoting self interest
- Old agreements such as NAFTA being renegotiated
- First shots of a potential trade war fired by the US, with retaliatory tariffs by targeted nations
- Tariffs can provide short term benefits to some commodity producers, while hurting others
- Overall impact of decreased trade is negative for demand and hence commodity prices

SECTOR SUMMARIES

GOLD



Overview

- Precious metal, prized for its rarity and relative lack of chemical reactivity
- Gold occurs naturally in only a single isotope
- Historic demand has been 50% jewellery; 40% investment; 10% industrial
- Diversified sources of production
- Largest producers China, Australia, Russia

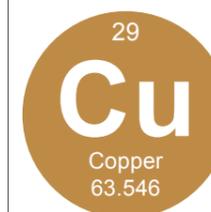
Macro trends

- Hedge to US dollar which has declined long term against gold
- The end of quantitative easing means a shift away from gold by investors who used it as a hedge against cheap currency
- Gold production has been in a long-term uptrend since record-keeping commenced
- Demand for jewellery dominated by China and India; US a distant third

Exposure

- 3% of Rolute Mining (ASX:RSG) – operating mines in Mali and Queensland, Australia
- 89% of Blich Resources (ASX:BGH) – development project in Western Australia
- 20% of Horizon Gold (ASX:HRN) – exploration and development in Western Australia
- 100% of Kumarina (unlisted) – exploration and development in Western Australia

COPPER



Overview

- Industrial metal used primarily in electrical wiring
- Other uses are roofing and plumbing; industrial machinery; and in alloys
- Occurs naturally in a form that requires relatively little refining
- Diversified production, but Chile by far the largest producer with China a distant second

Macro trends

- Annual production has been increasing for over fifty years, but sharp uptick in late 1990s
- Prices relatively volatile, generally tied to world economy, but also in a downtrend from mid-2011 through mid-2016
- Increasing demand from wiring for electric vehicles, but price still dominated by industrial demand or lack thereof

Exposure

- 11% of Copper Mountain Mining (TSX:CMMC, ASX:C6C) – producing copper in Canada, and developing a copper asset in Australia
- 100% of Kumarina (unlisted) – junior copper-gold exploration firm in Western Australia

NICKEL



Overview

- Industrial metal used primarily in stainless steel
- Other uses include electroplating, alloy steel, and in cathodes for electric batteries
- Diversified sources of production
- Largest producers Philippines, Russia, Canada, Australia, New Caledonia, Indonesia

Macro trends

- Prices moving up in anticipation of additional demand for nickel for lithium-ion
- Global nickel inventories at three-year lows and falling
- Industrial demand still influenced by strength of Chinese economy

Exposure

- 30% of Panoramic Resources (ASX:PAN) – restarting one of its two nickel mines in Western Australia
- 42% of GME Resources (ASX:GME) – owns development project in Western Australia

OIL & GAS



Overview

- Oil is a fossil petroleum liquid whose primary use is fuel; around 80% of oil is refined into gasoline, diesel, and jet fuel, with the remaining 20% supplying various products including lubricants, asphalt, and petrochemicals
- Natural gas is a petroleum gas whose primary uses are heating, electricity generation, and feedstock for petrochemicals
- Globally diverse sources of production and demand
- Largest producers of oil are Saudi Arabia, Russia and the US; largest producers of gas are the US and Russia, with Iran a distant third

Macro trends

- "Peak oil" has been discussed for decades, but long-term trend of annual growth in production is still intact
- Annual growth in demand has followed a linear trend in line with world population growth
- Lower prices has meant global expenditures on oil & gas exploration have been falling since 2014
- Fracking has moved the US into the number one position in gas production; fracking has had less success in other countries

Exposure

- 41% of Seacrest (unlisted) – globally diversified seismic oil & gas exploration

SECTOR SUMMARIES (continued)

BAUXITE



Overview

- Aluminium is the most widely used metal after iron; its primary usage is in alloys where its light weight is preferred
- Bauxite is the primary ore from which aluminium is extracted; the ore must first be chemically processed to produce alumina (aluminium oxide); alumina is then smelted using an electrolysis process to produce pure aluminium metal
- Diversified sources of production, albeit less than other commodities invested in by Zeta
- Largest bauxite producer Australia, almost twice that of the second producer China, with Brazil third
- Largest bauxite reserves are in Guinea and Australia; Brazil is a distant third

Macro trends

- Alumina production has been in increasing trend since early 1980s
- Australia a big producer of bauxite and alumina, but relatively little smelting done there
- Aluminium prices in decline from mid-2011 through mid-2016, but now in uptrend

Exposure

- 27% of Alliance Mining Commodities (unlisted) – owner and developer of a world-class bauxite resource in Guinea

GRAPHITE



Overview

- Graphite is the most stable form of carbon under standard conditions, and is a form of coal
- Found in three natural forms: amorphous; flake (or crystalline); and vein (or lump)
- Flake and vein graphite have application in anodes in lithium-ion batteries
- Graphite can be produced synthetically, although current production methods yield a purer graphite from natural ores
- With modern chemical purification processes and thermal treatment, natural graphite achieves a purity of 99.9 percent compared to 99.0 percent for the synthetic equivalent
- Largest producer of graphite is China; biggest graphite reserves are in Turkey

Macro trends

- Main uses of graphite are brake linings, foundry operations, lubricants, refractory applications, and steelmaking
- Growth of production of lithium-ion batteries is causing a rapid increase in demand for natural graphite
- At the end of 2016, natural graphite accounts for 60-65% of lithium-ion anode market share; synthetic is around 30%; and alternatives such as lithium titanate, silicon and tin is around 5%

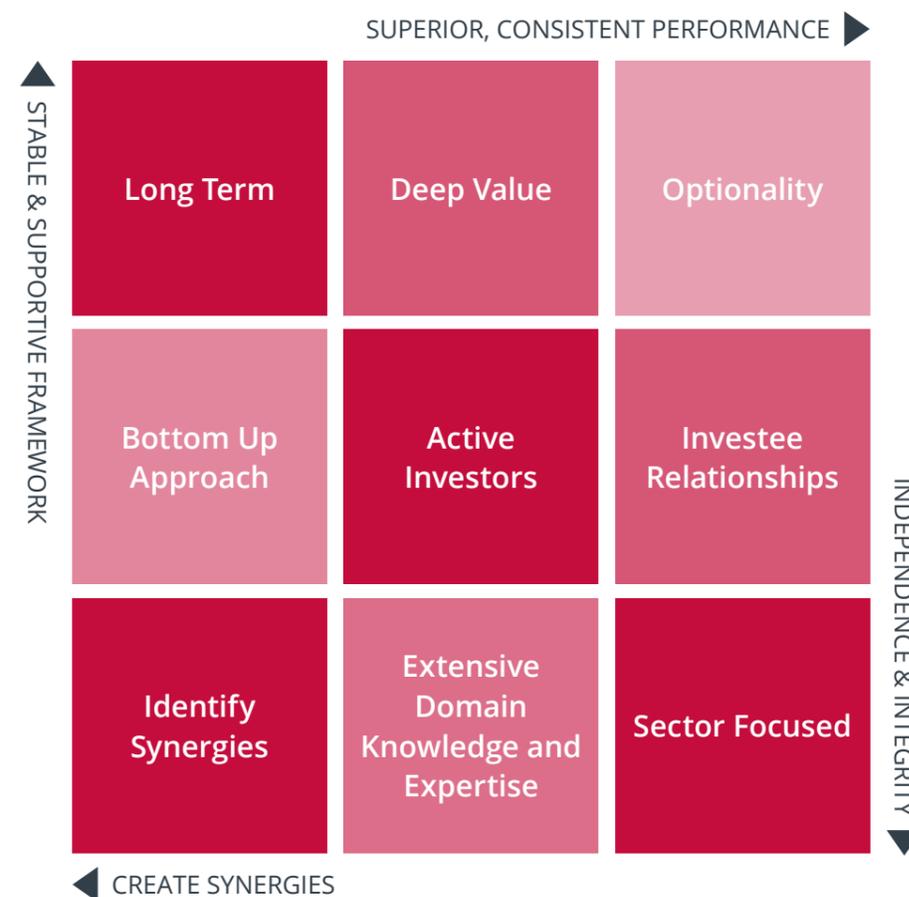
Exposure

- 35% of Margosa Graphite Limited (unlisted) – Sri Lankan brownfield explorer of vein graphite, the purest naturally occurring graphite

ICM INVESTMENT PHILOSOPHY

Zeta Resources Limited's investment aim is to maximise total returns for shareholders by identifying and investing in resource assets and companies where the underlying value is not reflected in the market price. The company invests in a range of resources entities, including those focused on nickel, gold, copper, oil & gas, bauxite, graphite and base metals exploration and production.

We seek out and make compelling investments



INVESTMENT MANAGER AND TEAM

The directors are responsible for Zeta's investment policy and have overall responsibility for the company's day-to-day activities. Zeta has, however, entered into an Investment Management Agreement with ICM Limited under which ICM provides investment management services to Zeta, including investment analysis, portfolio monitoring, research and corporate finance.

ICM is a Bermuda based global fund manager and corporate finance adviser.

ICM focuses on identifying investments at valuations that do not reflect their true long-term value. Their investment approach is to have a deep understanding of the business fundamentals of each investment and its environment versus its intrinsic value. ICM are long term, patient investors and see markets as a place to exchange assets.

ICM manages directly and indirectly approximately US\$20.0 billion in funds spanning a variety of countries, sectors, and products for leading institutions and retail investors. ICM has over 20 specialist ICM staff members, and 55 staff in total with offices located worldwide.

DUGALD MORRISON

Dugald Morrison has been involved with ICM and its predecessor companies since 1994 and is responsible for ICM NZ Limited, based in Wellington. Dugald is an experienced investment analyst, having worked in stockbroking, investment banking and investment management firms in New Zealand, the United Kingdom, and the United States since 1987. Dugald is focused on the Resources sector worldwide. Dugald is a director of RESIMAC Financial Services Limited and Brightwater Group Limited. Dugald graduated from Victoria University of Wellington in 1991 with BCA (Hons) and is a Member of the New Zealand Institute of Directors.

DUNCAN SAVILLE

Duncan Saville founded the ICM Group and its predecessor companies, and has been employed by the Group since 1988. Duncan Saville is a chartered accountant with experience in corporate finance and asset management. He is an experienced non-executive director having previously been a director in multiple companies in the utility, investment, mining, and technology sectors. Duncan is currently a non-executive director of Somers Limited, Homeloans Limited and West Hamilton Holdings Limited. His Fellowships include the Institute of Chartered Accountants Australia and New Zealand, the Australian Institute of Company Directors and the Financial Services Institute of Australasia, and he is a Member of the Singapore Institute of Directors.

ALASDAIR YOUNIE

Alasdair Younie is a director of ICM Limited and is based in Bermuda. Alasdair has extensive experience in financial markets and corporate finance, and he is responsible for the day to day running of the Somers Group. Alasdair qualified as a chartered accountant with PricewaterhouseCoopers and subsequently worked for six years in the corporate finance division of Arbuthnot Securities Limited in London. Alasdair is a director of Ascendant Group Limited, Bermuda Commercial Bank Limited, Somers Limited, Bermuda First Investment Company Limited, One Communications Limited and West Hamilton Holdings Limited. Alasdair graduated from Bristol University with a BSc in Economics and Economic History in 1998, and is a Member of the Institute of Chartered Accountants in England and Wales.

EDUARDO GRECA

Eduardo Greca joined ICM in 2010 as a Latam Investment Strategist, based in Colombia since 2018 (previously in Brazil from 2012). Eduardo has over ten years of investment research experience, and prior to joining ICM, he worked for the commodities risk management team at Kraft Foods. Eduardo supports the ICM team on Latin American equity and fixed income investments, and he is responsible for the Stock Exchange sector worldwide with an emphasis on Emerging Markets. Eduardo obtained a Bachelor's degree in Economics at the Federal University of Parana in 2009, is a CFA Charterholder, and a Member of the CFA Society in Brazil.

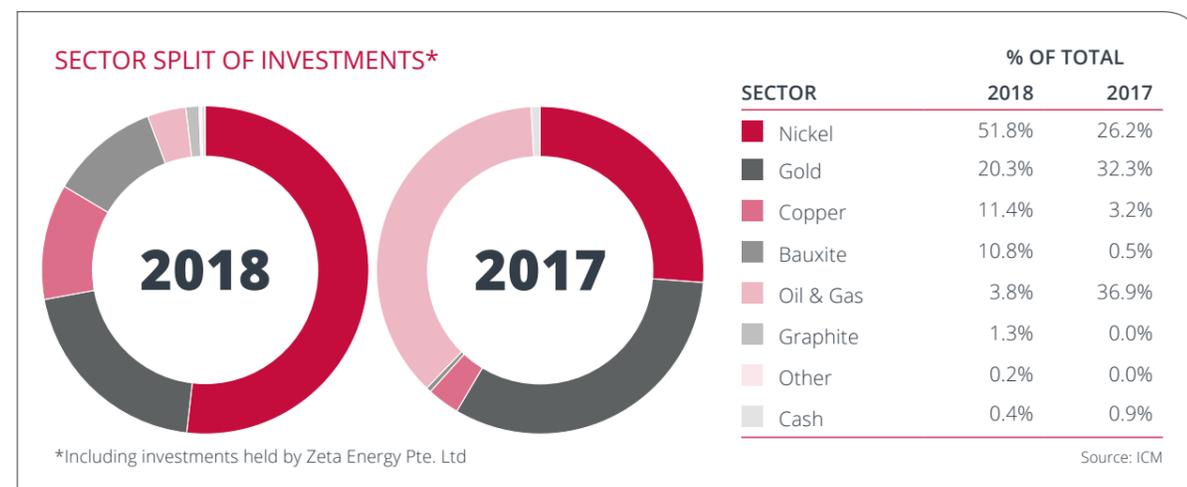
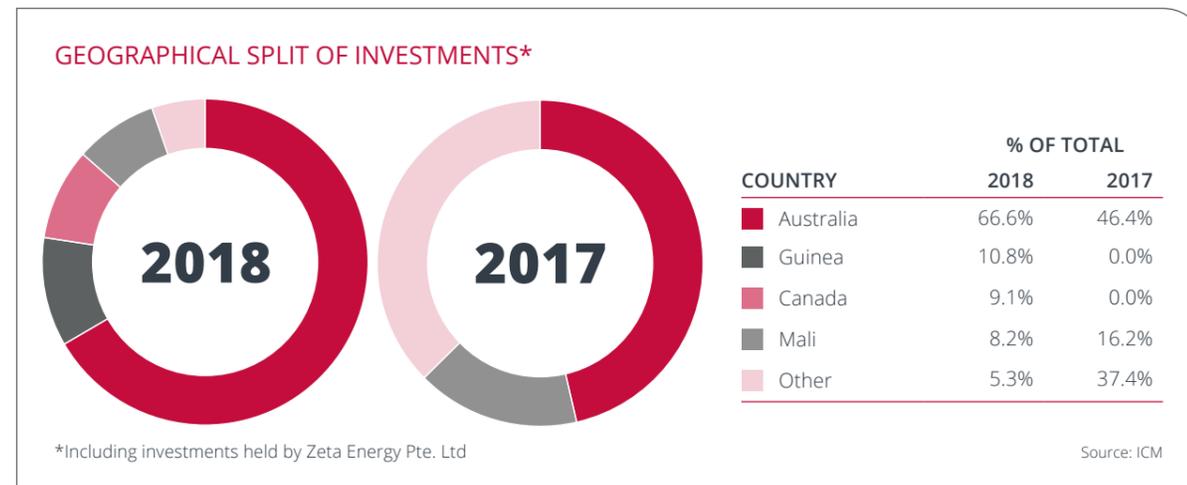
TRISTAN KINGCOTT

Tristan Kingcott joined ICM in 2018 as an Equity Analyst based in Wellington, New Zealand. Tristan has over seven years' experience in financial and commercial analysis, and prior to joining ICM, has performed various roles, including Manager of Corporate Development at Ferus Inc., an oil & gas services company based in Western Canada. Tristan is focused on the resources sector, with an emphasis on North America. He holds a Bachelor of Commerce degree in Finance from the University of Alberta, Canada, and is a CFA Charterholder.

ICM focuses on identifying investments where the underlying value is not reflected in the market price.

GEOGRAPHICAL AND SECTOR SPLIT OF INVESTMENTS

FIVE LARGEST HOLDINGS



2018	2017	COMPANY (Country of principal activity) Description	FAIR VALUE US\$000	% OF TOTAL INVESTMENTS
1	(1)	Panoramic Resources Limited (Australia) Nickel exploration and mining	67,999	41.3%
2	(2)	Resolute Mining Limited (Australia, Mali) Gold exploration and mining	19,593	11.9%
3	(-)	Copper Mountain Mining Corporation (Canada) Copper exploration and mining	18,400	11.2%
4	(-)	Alliance Mining Commodities Limited (Guinea) Bauxite developer	17,843	10.8%
5	(-)	GME Resources Limited (Australia) Nickel and gold exploration and mining	17,182	10.4%
Other investments			23,613	14.4%
Total Portfolio			164,630	100.0%

The value of the five largest holdings represents 85.6% (2017: 84.5%) of the group's total investments. The country shown is the location of the principal part of the company's business. The total number of companies included in the portfolio is 18 (2017: 18).

REVIEW OF THE FIVE LARGEST HOLDINGS



PANORAMIC RESOURCES LIMITED (AUSTRALIA)

www.panoramicresources.com
Market Cap: US\$223.5 million

Panoramic Resources Limited is a Western Australian mining company that owns 100% of the Savannah underground nickel sulphide mine, located in the East Kimberley in Western Australia. Savannah remained on care and maintenance throughout the year under review. Panoramic's value is leveraged to both the price of nickel, and the Australian dollar – the higher the price of nickel and the lower the Australian dollar, the higher the company's worth. During the year, Panoramic raised A\$21 million via an entitlement offer, which Zeta participated in. The funds were used to support preparations for the restart of mining at Savannah. Shortly after the year end, Panoramic formally announced the re-launch of Savannah, with production set to resume early in 2019. Panoramic also announced the sale of its other nickel mine, Lanfranchi, with the aim of redeploying resources to concentrate on Savannah.

COPPER MOUNTAIN MINING CORPORATION (CANADA)

www.cumtn.com
Market Cap: US\$174.4 million

Copper Mountain Mining Corporation is a Canadian copper mining company headquartered in Vancouver, British Columbia. Its chief asset is 75% of the Copper Mountain mine located about 20 km south of Princeton, British Columbia and 300 km east of the port of Vancouver, Canada. Mitsubishi Materials Corporation owns the remaining 25% of the Copper Mountain mine. The mine produces about 100 million pounds of copper equivalent production per year, including significant gold and silver credits, all of which are shipped to Japan for smelting in one of Mitsubishi's copper smelters. During the year, Copper Mountain acquired Australian copper firm Altona Mining Limited in exchange for the issue of new Copper Mountain shares. Zeta acquired a stake in Copper Mountain both directly and from owning Altona Mining shares prior to the takeover by Copper Mountain. Copper Mountain is working on plans to develop its new Australian copper assets, which comprise one of Australia's largest undeveloped copper resources containing 1.65 million tonnes of copper and 409,000 ounces of gold.



RESOLUTE MINING LIMITED (AUSTRALIA, MALI)

www.resolute-ltd.com.au
Market Cap: US\$699.0 million

Resolute Mining Limited is a gold producer listed on the ASX, with long life mines at Syama in Mali and at Ravenswood in Australia, and a development project at Bibiani in Ghana. In the year to June 2018, Resolute's various operations yielded 284,185 ounces of gold. Average cash costs of A\$1,238 per ounce were higher than the previous year's A\$995 per ounce. During the year, Resolute continued development work on underground mining at Syama, with production set to begin shortly. At Ravenswood, Resolute has worked on updating its Expansion Project, lowering costs and spreading capital expenditures over a longer period. Resolute has provided guidance for gold production of 300,000 oz at an All-In-Sustaining-Cost of A\$1,280/oz (US\$960/oz) for the year to 30 June 2019. Resolute has made a number of investments in junior African gold exploration companies, with the aim of gaining access to prospective gold resources. As at 30 June 2018, Resolute had A\$34.8m in listed investments.

ALLIANCE MINING COMMODITIES LIMITED (GUINEA)

www.amcbauxite.com
Market Cap: N/A - Unlisted

Alliance Mining Commodities Limited is an Australian private company that has been granted a Mining Concession by Presidential Decree for the development of the Koumbia Bauxite Project in the northwest of the Republic of Guinea. The Government of Guinea holds a 10% free-carried interest in AMC's Guinea subsidiary which holds the concession. The Koumbia Bauxite Project is a world class bauxite development, with a JORC (2012) resource in excess of 2 billion tonnes. The Koumbia ore, high in alumina and low in reactive silica and boehmite, makes it particularly attractive for use in a low temperature, low cost, refining process.





GME RESOURCES LIMITED (AUSTRALIA)

www.gmeresources.com.au
Market Cap: US\$41.1 million

GME Resources Limited is an ASX-listed exploration and development company with nickel, cobalt and gold interests in Western Australia. GME's principal asset is its 100%-owned NiWest Project situated adjacent to Glencore's Murrin Murrin Operations. The NiWest Project contains one of the largest undeveloped nickel-cobalt deposits in Australia. After the year end, GME released its preliminary feasibility study for the NiWest nickel-cobalt project. The company released its maiden reserves, and the study shows a significant nickel-cobalt asset, which when developed, would have an initial mine life of 27 years. GME is targeting production of premium nickel and cobalt sulphate products from the NiWest Project to directly supply the rapidly growing lithium-ion battery market.

GOVERNANCE

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- 32 Corporate Governance Statement
- 33 Additional ASX Information

DIRECTORS

PETER SULLIVAN



CHAIRMAN AND NON-EXECUTIVE DIRECTOR

Appointed 7 June 2013. Mr Sullivan is an engineer and has been involved in the management and strategic development of resource companies and projects for more than 25 years, including project engineering, corporate finance, investment banking, corporate and operational management, and public company directorships. He has specialised in providing strategic corporate, financial and investment advice to companies principally in the resource sector. He has served as a director for numerous listed and unlisted companies and been closely involved with their development. Mr Sullivan holds a Bachelor of Engineering and a Master of Business Administration.

Directorships of other listed companies in the last 3 years

Mr Sullivan is chairman of GME Resources Limited (ASX:GME) and Bligh Resources Limited (ASX:BGH) and non-executive director of Resolute Mining Limited (ASX:RSG) and Panoramic Resources Limited (ASX:PAN). Mr Sullivan is also Chair of Pan Pacific Petroleum NL (ASX:PPP) which was delisted on 13 November 2017.

MARTHINUS (MARTIN) BOTHA



NON-EXECUTIVE DIRECTOR

Appointed 7 June 2013. Mr Botha has over 30 years' experience in banking, with the last 26 years spent in leadership roles building Standard Bank Group's international operations. Mr Botha's primary responsibilities at Standard Bank Plc included establishing and leading the development of the core global natural resources trading and financing franchises, as well as various geographic strategies, including those in the Russian Commonwealth of Independent States, Turkey and the Middle East. Mr Botha is currently non-executive chairman of Sberbank CIB (UK) Ltd, a securities broker regulated by the UK Financial Services Authority. Mr Botha holds a Bachelor of Engineering degree in Survey.

Directorships of other listed companies in the last 3 years

Mr Botha is chairman of Resolute Mining Limited (ASX:RSG).

XI XI



NON-EXECUTIVE DIRECTOR

Appointed 7 June 2013. Ms Xi is a financial analyst with more than 15 years' experience in the mining, energy and natural resource industry, ranging from managing companies focused on international exploration and development of mining projects to restructuring and overseeing a portfolio of private and public companies. Ms Xi holds dual Bachelor of Science degrees in Chemical Engineering and Economics from the Colorado School of Mines and a Master of Arts in International Relations and China Studies from Johns Hopkins School of Advanced International Studies.

Directorships of other listed companies in the last 3 years

Ms Xi Xi is currently non-executive director of Mineral Resources Limited (ASX:MIN), and previously Galaxy Resources Limited (ASX:GXY).

REPORT OF THE DIRECTORS

Your directors present their report for Zeta Resources Limited, including its subsidiaries, Kumarina Resources Pty Limited, Zeta Energy Pte. Ltd, Axelrock Limited, Pan Pacific Petroleum Pty Limited, Pan Pacific Petroleum Vietnam Pty Limited, Pan Pacific Petroleum JPDA Pty Limited and Zeta Investments Limited, for the year ended 30 June 2018.

DIRECTORS

The names of directors in office at any time during or since the end of the year are:

Peter Ross Sullivan
Marthinus (Martin) Botha
Xi Xi

Directors have been in office since the start of the year to the date of this report.

PRINCIPAL ACTIVITIES

The principal activities of the company are investing in listed and unlisted resource focused investments.

No significant change in the nature of these activities occurred during the year.

OPERATING AND FINANCIAL REVIEW

Operating results

The net profit attributable to the company for the year to 30 June 2018 amounted to US\$31,215,839.

Overview of operating activity

The company listed on the ASX on 12 June 2013.

During the year the company has continued to build its portfolio of resource investments by investing a further US\$10,170,940. An increase in the fair value of the portfolio resulted in an unrealised profit recognised in profit or loss at year end of US\$35,166,648.

The activities of the company's subsidiary, Kumarina, related to further exploration and evaluation of the existing Australian mining tenements (the Murrin Murrin and Ilgarari projects) and a total of A\$123,194 was invested during the twelve months to 30 June 2018 in further drilling and analysis work.

Financial position

At the end of the year, the company had US\$287,172 in cash and cash equivalents. Investments at fair value totalled US\$161,187,270, loans to subsidiaries were valued at US\$379,690 and the investment in subsidiaries was valued at US\$3,063,504.

The company has a loan owing to UIL of \$30,151,190 at year end.

GOING CONCERN

The financial statements have been prepared on a going concern basis. The majority of the company's assets consist of equity shares in listed companies and in most circumstances are realisable within a short timescale. The use of the going concern basis of accounting is appropriate because there are no material uncertainties related to events or conditions that may cast significant doubt about the ability of the company to continue as a going concern. After

REPORT OF THE DIRECTORS (continued)

making enquiries, the directors have a reasonable expectation that the company has adequate resources to continue in operational existence for the foreseeable future. Accordingly, the directors continue to adopt the going concern basis in preparing the accounts.

As at the year end, the company had a US\$4m loan facility with Bermuda Commercial Bank expiring on 8 March 2019. The company is in negotiation with Bermuda Commercial Bank to extend the facility. If the terms on the loan cannot be renegotiated the company will repay the outstanding debt when due from the realisation of portfolio investments. Creditors and short-term payables as at year end have all been settled through cash flow generated from the realisation of portfolio investments.

DIVIDENDS

No dividends have been paid or declared since the start of the year. No recommendation is made as to dividends.

AFTER BALANCE DATE EVENTS

Zeta has subscribed to a further issue of shares in Alliance Mining Commodities Limited to take up 1,883,668 shares for a consideration of US\$2,542,951. The share issue notice was given on 6 July 2018. Zeta currently holds 26.7% of Alliance Mining.

LIKELY DEVELOPMENTS

The company intends to continue to seek to maximise total returns for shareholders by identifying and investing in assets and companies where the underlying value is not reflected in the market price.

INFORMATION ON COMPANY SECRETARY

On 12 September 2017 ICM Limited was appointed Company Secretary.

REMUNERATION REPORT

The remuneration report is set out in the following manner:

- Policies used to determine the nature and amount of remuneration
- Details of remuneration
- Share based compensation
- Directors and executives interests

Remuneration policy

The board of directors is responsible for remuneration policies and the packages applicable to the directors of the company. The broad remuneration policy is to ensure that packages offered properly reflect a person's duties and responsibilities and that remuneration is competitive and attracts, retains, and motivates people of the highest quality.

The directors are remunerated for the services they render to the company and such services are carried out under normal commercial terms and conditions. Engagement and payment for such services are approved by the other directors who have no interest in the engagement of services.

At the date of this report the company had not entered into any packages with directors or senior executives which include performance-based components.

Details of remuneration for Directors

The company paid a total of \$150,000 to directors for the year ended 30 June 2018.

The company had no employees as at 30 June 2018.

Share based compensation

There is currently no provision in the policies of the company for the provision of share-based compensation to directors. The interest of directors and executives in shares and options is set out elsewhere in this report.

Directors and Executives' interests

The relevant interests of directors and executives either directly or through entities controlled by the directors and executives in the share capital of the company and related body corporates as at the date of this report are:

DIRECTOR	ORDINARY SHARES OPENING BALANCE	NET CHANGE	ORDINARY SHARES CLOSING BALANCE
Peter R Sullivan	5,670,632	100,000	5,770,632
Martin Botha	279,565	200,000	479,565
Xi Xi	-	-	-

MEETINGS OF DIRECTORS

The board held six meetings during the year which were attended by all directors. The meetings were held on 4 July, 12 September, 13 and 24 November 2017 and 7 February and 18 June 2018.

In addition, throughout the course of the year there were a number of resolutions of directors which were made by unanimous written resolution.

There were no meetings of committees of directors that were required to be held during the year.

LOANS TO DIRECTORS AND EXECUTIVES

There were no loans entered into with directors or executives during the year under review.

UNLISTED OPTIONS

At the date of this report the company had no unlisted options on issue.

During the year 86,461,440 unlisted options were exercised at A\$0.001 resulting in the issue of 86,461,440 ordinary listed shares.

AUDIT COMMITTEE

The board reviews the performance of the external auditors on an annual basis and will meet with them during the year to review findings and assist with board recommendations.

REPORT OF THE DIRECTORS (continued)

The board does not have a separate audit committee with a composition as suggested in the best practice recommendations. The full board carries out the function of an audit committee.

The board believes that the company is not of a sufficient size to warrant a separate committee and that the full board is able to meet the objectives of the best practice recommendations and discharge its duties in this area.

INDEMNIFYING OFFICERS OR AUDITORS

The company has not, during or since the year ended, in respect of any person who is or has been an officer or the auditor of the company or of a related body corporate indemnified or made any relative agreement for indemnifying against a liability incurred as an officer or auditor, including costs and expenses in defending legal proceedings.

ENVIRONMENTAL REGULATION

Kumarina Resources Pty Limited's operations are subject to the Western Australian Mining Act 1978 and the Environmental Protection Act 1986.

The directors are not aware of any significant breaches and no actions were initiated for breaches under the Environmental Protection Act during the year covered by this report.

NON-AUDIT SERVICES

No non-audit services were performed by the auditors of the company during the year.

ON-MARKET BUY-BACK SCHEME

As part of its ongoing capital management strategy, Zeta has implemented an on-market buy-back for up to 10 million ordinary shares during the period 15 September 2018 to 14 September 2019. The buy-back will only be effective should the share price of the company be at a discount to NTA exceeding 10%. The timing and quantity of shares will depend on current market conditions and other future events. Pursuant to section 257B(4) of the Corporations Act 2001 (Cth), the share buy-back does not require shareholder approval as it falls under the 10/12 limit.

INVESTMENTS DISCLOSED BY THE COMPANY AT THE REPORTING DATE

During the year the company completed a total of 315 transactions in securities and paid a total of US\$52,269 in brokerage on those transactions.

	NUMBER OF SHARES	% OF ISSUED SHARES HELD
Listed		
Panoramic Resources Limited	149,543,439	30.420%
Bligh Resources Limited	253,742,974	88.749%
Resolute Mining Limited	20,784,000	2.803%
GME Resources Limited	193,655,109	41.772%
Oilex Limited	121,323,567	6.473%

	NUMBER OF SHARES	% OF ISSUED SHARES HELD
Unlisted		
Kumarina Resources Pty Limited	26,245,610	100%
Pan Pacific Petroleum Pty Limited	581,942,846	100%
Alliance Mining Commodities Limited	11,895,376	26.768%
Margosa Graphite Limited	13,950,000	35.316%
Zeta Energy Pte. Ltd	100	100%
Zeta Investments Limited	100	100%

INVESTMENT MANAGEMENT AGREEMENT

The company entered into an Investment Management Agreement with ICM Limited on 3 June 2018. Management fees are payable at a rate of 0.5% per annum, of funds managed on calculation date, payable quarterly in arrears and pro-rated for any period less than three months.

Performance fees, if applicable, are payable annually at year end at a rate of 15% of equity funds (adjusted for any dividends paid or accrued) on calculation date less adjusted base equity funds (high-water mark) previously used in the performance fee calculation. The adjusted base equity funds is the base equity fund used in the last performance fee calculation adjusted by the average percentage income yield on the S&P/ASX 300 Metals and Mining Index. No performance fee was payable for the year.

Either party may terminate the agreement with six months' notice.

The company paid US\$652,993 in management fees during the reporting year.

AUDITOR'S INDEPENDENCE DECLARATION

A copy of the auditor's independence declaration is included in the Independent Auditor's Report.

This report is signed in accordance with a resolution of directors.



Peter R Sullivan
Chairman
Perth, Western Australia
5 September 2018

CORPORATE GOVERNANCE STATEMENT

The company's directors and management are committed to conducting the group's business in an ethical manner and in accordance with the highest standards of corporate governance. The company has adopted and substantially complies with the ASX Corporate Governance Principles and Recommendations (Third Edition) ("Recommendations") to the extent appropriate to the size and nature of the group's operations. The company has prepared a statement ("Corporate Governance Statement") which sets out the corporate governance practices that were in operation throughout the financial year for the company, identifies any Recommendations that have not been followed, and provides reasons for not following such Recommendations. In accordance with ASX Listing Rules 4.10.3 and 4.7.4, the Corporate Governance Statement will be available for review on the company's website (www.zetaresources.limited), and will be lodged together with an Appendix 4G to the ASX at the same time that the Annual Report is lodged with ASX.

The Appendix 4G will particularise each Recommendation that needs to be reported against by the company and will provide shareholders with information as to where relevant governance disclosures can be found. The company's corporate governance policies and charters are all available on its website.

ADDITIONAL ASX INFORMATION

1. SUBSTANTIAL SHAREHOLDERS

As at 10 September 2018, the company had received notification of the following substantial shareholdings:
UIL Limited 263,496,139 (91.33%)

2. DISTRIBUTION SCHEDULE OF ORDINARY SHARES HELD AT 10 SEPTEMBER 2018

HOLDING RANGES	NO. OF SHARES	NO. OF ORDINARY SHAREHOLDERS	% OF ISSUED CAPITAL
1 – 1,000	3,339	19	0.00
1,001 – 5,000	2,840,236	1,048	0.98
5,001 – 10,000	1,388,667	179	0.48
10,001 – 100,000	5,196,572	198	1.80
100,001 – and over	279,092,210	29	96.73
Total	288,521,024	1,473	100.00

The number of shareholders holding less than a marketable parcel of ordinary shares at 10 September 2018 is 22 and they hold 7,039 securities.

3. TOP 20 HOLDINGS OF FULLY PAID ORDINARY SHARES AS AT 10 SEPTEMBER 2018

NAME	SHARES	% OF ISSUED CAPITAL
J P MORGAN NOM AUST LTD	172,376,417	59.74
SOMERS ISLES PRIVATE TRUS	90,144,895	31.24
HSBC CUSTODY NOM AUST LTD	9,079,766	3.15
SULLIVAN JAMES NOEL	1,308,595	0.45
HARDROCK CAP PL	600,000	0.21
CALIMO PL	576,510	0.20
BURNAL PL	450,000	0.16
CHERRYBURN PL	376,160	0.13
SELLERS GILLIAN CLARE	350,000	0.12
BLESSED INV PL	335,000	0.12
ACS NSW PL	295,000	0.10
SAVILLE STEPHANIE C	269,946	0.09
BROINOWSKI JOHN GILLIS	260,000	0.09
UURO PL	250,000	0.09
PERSAL & CO INV PL	250,000	0.09
SAVILLE ALEXANDRA MAREE	241,778	0.08
CUSTODIAL SVCS LTD	226,822	0.08
GREEN BRIAN	215,000	0.07
SULLIVAN JAMES NOEL + G	200,000	0.07
NALMOR PL JOHN CHAPPELL S	160,000	0.06
Total for top 20	277,965,889	96.34

ADDITIONAL ASX INFORMATION (continued)

4. VOTING RIGHTS

All ordinary shares carry one vote per share without restriction.

5. APPLICATION OF CHAPTERS 6, 6A, 6B AND 6C OF THE CORPORATIONS ACT 2001

The company is not subject to Chapters 6, 6A, 6B and 6C of the Corporations Act dealing with the acquisition of its shares. In addition, neither the Bermuda Companies Act nor the company's Bye Laws prescribe a regime for the conduct of takeovers or contain a general prohibition on acquisitions of interests in Bermuda companies beyond a certain threshold in the same way as the Australian Corporations Act 2001.

6. KUMARINA TENEMENT SCHEDULE

PROJECT AREA	TENEMENT ID	OWNERSHIP	COMMENTS
Ilgarari	E52/2274	100%	
Eulaminna	M39/0371	0%	Gold and Base Metals Rights
	M39/0372	0%	Gold and Base Metals Rights
Murrin Murrin	M39/0397	100%	
	M39/0398	100%	
	M39/0399	100%	
	M39/0400	100%	
	M39/1068	100%	
	P39/5230	100%	
	P39/5231	100%	
	P39/5232	100%	
	P39/5233	100%	
	P39/5234	100%	
	P39/5235	100%	
	P39/5236	100%	
	P39/5237	100%	
P39/5238	100%		

FINANCIAL STATEMENTS

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- 41 Statement of Financial Position
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- 43 Statement of Cash Flows
- 44 Statement of Changes in Equity
- 45 Notes to the Financial Statements

INDEPENDENT AUDITOR'S REPORT



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Independent Auditor's Report

To the Shareholders of Zeta Resources Limited

Opinion

We have audited the financial statements of Zeta Resources Limited (the "company") set out on pages 41 to 67, which comprise the statement of financial position at 30 June 2018, and the statement of profit or loss and other comprehensive income, the statement of changes in equity and the statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the financial statements present fairly, in all material respects, the financial position of Zeta Resources Limited at 30 June 2018, and its financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the company in accordance with the Independent Regulatory Board for Auditors *Code of Professional Conduct for Registered Auditors (IRBA Code)* and other independence requirements applicable to performing audits of financial statements in South Africa. We have fulfilled our other ethical responsibilities in accordance with the IRBA Code and in accordance with other ethical requirements applicable to performing audits in South Africa. The IRBA Code is consistent with the International Ethics Standards Board for Accountants *Code of Ethics for Professional Accountants (Parts A and B)*. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements for the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. The key audit matter for the financial statements is set out below.

Valuation of Unlisted Investments (\$25.7mil)

Refer to Note 3.6, 5 and 22.4 of the financial statements.

The key audit matter	How the matter was addressed in our audit
The Company's core business of investment holding is driven by the appreciation of value in the investments held. The Company's determination of the valuation of unlisted investments is considered a key audit matter due to:	Our audit procedures included: We critically assessed the valuation methodology applied to value the investments against accounting standards and industry practice.

KPMG Inc is a company incorporated under the South African Companies Act and a member firm of the KPMG network of independent member firms affiliated with KPMG International Cooperative ("KPMG International"), a Swiss entity.

KPMG Inc is a Registered Auditor, in public practice, in terms of the Auditing Profession Act, 26 of 2005.

Registration number 1999/021543/21

Chief Executive N Dlamini

Directors Full list on website

The company's principal place of business is at KPMG Crescent, 85 Empire Road, Parktown, where a list of the directors' names is available for inspection.



- The lack of readily available objective evidence such as quoted prices, which increases estimation uncertainty and audit effort for these unlisted investments;
- The valuation methods applied by the Company to determine the fair value of the unlisted investments are subject to a high degree of judgement and are complex, especially for investments where there were no additional share trades or new equity issued during the year. Areas of judgement include the future income expected from operations that are still in exploration phase, discount rates applied and other external risk factors.
- A relatively small percentage change in the valuations of individual investments, in aggregate, could result in a significant impact to the financial statements.

We considered the existing market conditions, estimates regarding future performance of the underlying investments within each investment, and recently traded prices in addressing this key audit matter.

For investments where the fair value was calculated using the market approach based on a limited number of share trades as well as the price of new equity issued, we obtained external confirmations of actual traded prices paid by the Company within the year or close to year-end.

External confirmations included items such as deeds of adherence and variations to shareholders agreements, showing recently traded prices. We further challenged the Company's key assumption adopted in the market approach, being the existence or lack of market conditions impacting the fair value of these investments since acquisition. We did this by obtaining market information regarding the performance of the underlying investment holdings within the investments and compared it to external source data such as:

- investors' reports issued to shareholders by the underlying investment companies, providing external valuations of underlying investments and status reports on related projects;
- relevant industry information regarding the sectors within which each entity operates for consistency to the Company's views;

For investments where the fair value was based on other valuation methods, such as discounted cash flows, we challenged the key assumptions such as discount rates and estimates regarding future performance of the underlying investments. We analysed the Company's discount rate against publicly available data of a group of comparable entities, adjusting these where necessary for the company's specific risk profile. We compared the results of future performance against the most recently available results of the underlying investments.

We performed a sensitivity analysis on the key assumptions applied in the valuations methods, to identify those assumptions at higher risk of bias or inconsistency in application and to focus our further procedures.

We compared the assumptions used in the Company's valuation methods to previous periods for consistency and to consider management bias.

We assessed the Company's disclosures (including the assumptions used as inputs to the valuations) using our understanding obtained from our testing and against the requirements of the accounting standards

INDEPENDENT AUDITOR'S REPORT (continued)



Other Information

The directors are responsible for the other information. The other information comprises the Report of the Directors', the Corporate Governance Statement, and the Annual Report. Other information does not include the financial statements and our auditor's report thereon.

The Other Information we obtained prior to the date of this Auditor's Report was the Report of the Directors'. The Corporate Governance Statement and the Annual Report are expected to be made available to us after the date of the Auditor's Report.

Our opinion on the financial statements does not cover the other information and, accordingly, we do not and will not express an audit opinion or any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed on the other information obtained prior to the date of this auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Directors for the Financial Statements

The company's directors are responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibilities for the Audit of the Financial Statement

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or



conditions that may cast significant doubt on the company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the company to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the directors, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

KPMG Inc.

Per: P Conradie
Chartered Accountant (SA)
Registered Auditor
Director

Date: 5 September 2018

AUDITOR'S INDEPENDENCE DECLARATION



KPMG Inc.
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Independent Auditor's Declaration to the directors of Zeta Resources Limited

In relation to our audit of the financial report of Zeta Resources Limited for the financial year ended 30 June 2018, to the best of my knowledge and belief, there have been no contraventions of the auditor independence requirements of the International Standards on Auditing or any applicable code of professional conduct.

KPMG Inc.

Per P Conradie
Chartered Accountant (SA)
Registered Auditor
Director
Date: 5 September 2018

KPMG Inc is a company incorporated under the South African Companies Act and a member firm of the KPMG network of independent member firms affiliated with KPMG International Cooperative ("KPMG International"), a Swiss entity.

KPMG Inc is a Registered Auditor, in public practice, in terms of the Auditing Profession Act, 26 of 2005.

Registration number 1999/021543/21

Chief Executive N Dloru

Directors Full list on website

The company's principal place of business is at KPMG Crescent, 95 Empire Road, Parktown, where a list of the director's names is available for inspection.

STATEMENT OF FINANCIAL POSITION

Notes	at 30 June 2018	June 2018 US\$	June 2017 US\$
Non-current assets			
4	Investment in subsidiaries	3,063,504	3,181,102
5	Investments	161,187,270	47,685,376
6	Loans to subsidiaries	379,690	30,027,206
Current assets			
7	Cash and cash equivalents	287,172	15,828
Total assets		164,917,636	80,909,512
Non-current liabilities			
8	Loan from subsidiary	(5,235,527)	(5,351,022)
9	Loan from parent	(30,151,190)	(22,257,029)
Current Liabilities			
10	Loan from third party	(4,000,000)	-
11	Trade and other payables	(1,674,024)	(260,421)
Total liabilities		(41,060,741)	(27,868,472)
NET ASSETS		123,856,895	53,041,040
Equity			
12	Share capital	2,785	900
12	Share premium	123,096,492	66,233,041
12	Options	-	17,265,320
Accumulated profit/(loss)		757,618	(30,458,221)
TOTAL EQUITY		123,856,895	53,041,040

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

Notes	for the year ended 30 June 2018		June 2018 US\$	June 2017 US\$
	Revenue			
13	Investment income		35,581,956	14,246,441
14	Other losses		(682,799)	(213,826)
	Expenses			
	Directors fees		(150,000)	(150,000)
	Interest expense		(2,179,015)	(2,627,116)
15	Management and consulting fees		(925,443)	(662,662)
16	Operating and administration expenses		(428,860)	(314,931)
	Profit before income tax		31,215,839	10,277,906
17	Income tax		-	-
	Profit for the year		31,215,839	10,277,906
	Other comprehensive income		-	-
	TOTAL COMPREHENSIVE INCOME FOR THE YEAR		31,215,839	10,277,906
	Profit per share			
18	Basic and diluted profit per share (cents per share)		0.15	0.06

STATEMENT OF CASH FLOWS

Notes	for the year ended 30 June 2018		June 2018 US\$	June 2017 US\$
	Cash flows from operating activities			
19.1	Cash generated/(utilised) by operations		235,803	(703,080)
	Interest received		102	14
	Interest expense		(2,179,015)	(2,627,116)
	Net cash flows from operating activities		(1,943,110)	(3,330,182)
	Cash flows from investing activities			
5	Investments purchased		(41,223,177)	(11,453,601)
5	Investments sold		331,047	26,190,010
6	Increase in loan to subsidiaries from additional funding		(764,728)	-
6	Decrease in loan to subsidiaries from repayment		31,816,964	937,850
	Net cash flows from investing activities		(9,839,894)	15,674,259
	Cash flows from financing activities			
19.2	Proceeds from issue of shares		66,368	-
19.3	Increase in loan from third party		4,000,000	-
19.3	Decrease in loan from parent from repayment		(24,581,881)	(18,859,148)
19.3	Increase in loan from parent from additional funding		32,476,042	4,950,881
19.3	(Decrease)/increase in loan from subsidiaries		(115,495)	1,596,355
	Net cash flows from financing activities		11,845,034	(12,311,912)
	Net movement in cash and cash equivalents		62,030	32,165
	Cash and cash equivalents at the beginning of the year		15,828	238,893
	Effect of exchange rate fluctuations on cash held		209,314	(255,230)
7	Cash and cash equivalents at end of the year		287,172	15,828

STATEMENT OF CHANGES IN EQUITY

Notes for the year ended 30 June 2018	Share capital US\$	Share premium US\$	Options US\$	Accumulated profit/(loss) US\$	Total US\$
Balance at 1 July 2016	900	66,233,041	17,265,320	(40,736,127)	42,763,134
Total comprehensive income for the year	-	-	-	10,277,906	10,277,906
Balance at 30 June 2017	900	66,233,041	17,265,320	(30,458,221)	53,041,040
12 Issue of shares	1,020	39,532,628	-	-	39,533,648
12 Issue of options	865	17,330,823	(17,265,320)	-	66,368
Total comprehensive income for the year	-	-	-	31,215,839	31,215,839
Balance at 30 June 2018	2,785	123,096,492	-	757,618	123,856,895

NOTES TO THE FINANCIAL STATEMENTS

1. BASIS OF PREPARATION

1.1 Corporate information

Zeta Resources Limited ("Zeta Resources" or "the company") is an investment company incorporated on 13 August 2012, listed on the Australian Stock Exchange and domiciled in Bermuda. The financial statements of the company as at and for the year ended 30 June 2018 comprise the company only.

1.2 Basis of preparation

The financial statements for the period ended 30 June 2018 have been prepared in accordance with International Financial Reporting Standards (IFRSs). The following accounting policies have, in all material respects, been applied consistently. The company carries on the business of an investment holding company, in accordance with IFRS 10. The purpose of the company is to earn returns through capital appreciation or investment income. The company is accordingly applying the consolidation exemption for investments in subsidiaries and they will be recognised at fair value through profit and loss.

The financial statements were authorised for issue by the board of directors on 5 September 2018.

1.3 Basis of measurement

The financial statements provide information about the financial position, results of operations and changes in financial position of the company. They have been prepared on the historic cost basis except for financial instruments at fair value through profit or loss, which are measured at fair value.

1.4 Functional and presentation currency

The company's functional and presentation currency is United States dollars.

1.5 Use of estimates and judgements

The preparation of financial statements in conformity with IFRS requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expense. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an on-going basis. Revisions are recognised in the period in which the estimate is revised and in any future periods affected.

Information about assumptions and estimation uncertainties that have a significant risk of resulting in a material adjustment within the next financial year, as well as critical judgements in applying accounting policies that have the most significant effect on the amounts recognised in the financial statements are included in note 22.

2. ADOPTION OF NEW AND REVISED STANDARDS

Future amendments not early adopted in the 2018 year ended financial statements

At the date of these financial statements the following standards, amendments to standards, and interpretations, which are relevant to the company, have been issued by the International Accounting Standards Board, but have not yet been adopted by the company.

IFRS 9 Financial Instruments - sets out requirements for recognising and measuring financial assets, financial liabilities and some contracts to buy or sell non-financial items. This standard replaces IAS 39 Financial Instruments: Recognition and Measurement.

IFRS 9 contains a new classification and measurement approach for financial assets that reflects the business model in which assets are managed and their cash flow characteristics. IFRS 9 contains three principal classification categories for financial assets: measured at amortised cost, fair value through other comprehensive income and fair value through profit and loss. The standard eliminates the existing IAS 39 categories of held to maturity, loans and receivables and available for sale.

Based on its assessment, Zeta Resources Limited does not believe that the new classification requirements will have a material impact on its accounting for loans and investments in equity securities that are managed on a fair value basis. At 30 June 2018, Zeta Resources Limited had no equity investments classified as available-for-sale or at fair value through other comprehensive income. Therefore, all gains and losses are recognised in profit and loss.

NOTES TO THE FINANCIAL STATEMENTS (continued)

2. ADOPTION OF NEW AND REVISED STANDARDS (continued)

IFRS 9 replaces the 'incurred loss' model in IAS 39 with a forward-looking 'expected credit loss' (ECL) model. This will require considerable judgement about how changes in economic factors affect ECLs, which will be determined on a probability-weighted basis. In Zeta Resources Limited the new impairment model will only be applicable to loans receivable measured at amortised cost. As at 30 June 2018, the total loans measured at amortised cost are US\$379,690. As Zeta Resources Limited impairment considerations are in line with IFRS 9, Zeta Resources estimates that no additional impairments would be necessary under IFRS 9.

IFRS 9 will be adopted for the first time for the year ending 30 June 2019, subject to certain transitional provisions. The impact on the financial statements will be negligible.

IFRS 15 Revenue - the standard contains a single model that applies to contracts with customers and two approaches to recognising revenue: at a point in time or over time. The model features a contract-based five-step analysis of transactions to determine whether, how much and when revenue is recognised. The standard is effective for annual periods beginning on or after 1 January 2018, with early adoption permitted under IFRS. This new standard will have no significant impact on the company as the main revenue streams consists of dividend income and realised and unrealised gains.

IFRS 16 Leases - as Zeta Resources is an investment entity, its main operations are to invest in securities. All other business operations are outsourced and therefore no leases are held by Zeta Resources. This indicates that IFRS 16 will have no impact on Zeta Resources.

Amendments to IAS 7 - the amendments provide for disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flow and non-cash changes. This includes providing a reconciliation between the opening and closing balances for liabilities arising from financing activities.

3. SIGNIFICANT ACCOUNTING POLICIES

The accounting policies detailed below have been consistently applied by the company.

3.1 Revenue

Dividends receivable are recognised as income on the ex-dividend date.

Gains or losses on the sale of investments are recorded on the trade date.

Investment income also comprises gains on changes in the fair value of financial assets at fair value through profit or loss.

Interest income is accrued on a time basis by reference to the principal outstanding and at the interest rate applicable.

3.2 Borrowing costs

Borrowing costs are recognised as an expense when incurred.

3.3 Income tax

Current tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted by the balance sheet date.

3.4 Foreign currency

Foreign currency transactions and balances

Transactions in foreign currencies are translated into the respective functional currencies of the company at exchange rates at the dates of the transaction. Monetary assets and liabilities denominated in foreign currencies at the reporting date are retranslated to the functional currency at the exchange rate at that date. The foreign currency gain or loss on monetary items is the difference between amortised cost in the functional currency at the beginning of the period, adjusted for effective interest and payments during the period, and the amortised cost in foreign currency translated at the exchange rate at the end of the period. The foreign currency gains or losses are recognised in profit or loss.

Foreign currency differences arising on retranslation are recognised in other comprehensive income.

3.5 Earnings per share ("EPS")

Basic EPS is calculated as net result attributable to members, adjusted to exclude costs of servicing equity (other than dividends) and preference share dividends, divided by the weighted average number of ordinary shares, adjusted for any bonus element.

Diluted EPS is calculated as net result attributable to members, adjusted for:

- costs of servicing equity (other than dividends) and preference share dividends;
- the after tax effect of dividends and interest associated with potential dilutive ordinary shares that have been recognised as expenses; and
- other non-discretionary changes in revenues or expenses during the period that would result from the dilution of potential ordinary shares divided by the weighted average number of ordinary shares and potential dilutive ordinary shares, adjusted for any bonus element.

3.6 Financial instruments

Non-derivative financial instruments

Non-derivative financial instruments comprise investments in listed and unlisted securities, investment loans, trade and other receivables, cash and cash equivalents, trade and other payables and amounts due to/from brokers.

Non-derivative financial instruments are recognised initially at fair value plus, for instruments not at fair value through profit or loss, any directly attributable transaction costs. Subsequent to initial recognition non-derivative financial instruments are measured as described below.

Recognition and derecognition of financial instruments

Financial instruments are recognised when, and only when, the company becomes a party to the contractual provisions of the particular instrument. The company derecognises a financial asset when the contractual rights to the cash flows arising from the financial asset have expired or when it transfers the rights to receive the contractual cash flows on the financial asset in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred.

A financial liability is derecognised when the liability is extinguished, that being, when the obligation specified in the contract is discharged, cancelled or has expired. The difference between the carrying amount of a financial liability assumed (or part thereof) extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognised in profit or loss.

Financial assets at fair value through profit or loss

Investment purchases and sales are accounted for on the trade date, exclusive of transaction costs. Investments used for efficient portfolio management are classified as being at fair value through profit or loss. As the company's business is investing in financial assets with a view to profiting from their total return in the form of dividends, interest or increases in fair value, its investments are designated as being at fair value through profit or loss on initial recognition.

Gains and losses on investments are analysed within the statement of comprehensive income as capital return. Quoted investments are shown at fair value using market bid prices. The fair value of unquoted investments is determined by the board. In exercising its judgement over the value of these investments, the board uses valuation techniques which take into account, where appropriate, latest dealing prices, valuations from reliable sources, asset values, earnings and other relevant factors.

Cash and Cash Equivalents

Cash and cash equivalents are measured at amortised cost at the reporting date. Cash and cash equivalents comprise operating cash balances, call deposits and short-term deposits with a maturity of three months or less.

Non-derivative financial liabilities

The company has the following non-derivative financial liabilities: loans and borrowings, trade and other receivables, trade and other payables and amounts due to/from brokers.

All other financial liabilities (including liabilities designated at fair value through profit or loss) are recognised initially on the trade date at which the company becomes a party to the contractual provisions of the instrument. The company derecognises a financial liability when its contractual obligations are discharged or cancelled or expire. The difference between the carrying amount of a financial liability assumed (or part thereof), extinguished or transferred to another party and consideration paid, including any non-cash assets transferred or liabilities assumed, is recognised in profit or loss.

NOTES TO THE FINANCIAL STATEMENTS (continued)

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

3.6 Financial instruments (continued)

Trade and other payables

Trade and other payables are initially recognised at original invoice amount and are subsequently stated at amortised cost by applying the effective interest method. Trade and other payables are not discounted where the effects of discounting is considered immaterial. Trade and other payables are settled within 30 to 90 days and are interest free. Any gains on derecognition are recognised in profit or loss.

3.7 Impairment of assets

Financial assets

A financial asset is assessed at each reporting date to determine whether there is any objective evidence that it is impaired. A financial asset is considered to be impaired if objective evidence indicates that one or more events have had a negative effect on the estimated future cash flows of that asset.

An impairment loss in respect of a financial asset is calculated as the difference between its carrying amount, and the present value of the estimated future cash flows discounted at the original effective interest rate. An impairment loss in respect of an available-for-sale financial asset is calculated by reference to its fair value.

Significant financial assets are tested for impairment on an individual basis. The remaining financial assets are assessed collectively in groups that share similar credit risk characteristics. All impairment losses are recognised in profit or loss. Any cumulative loss in respect of an available-for-sale financial asset recognised previously in equity is transferred to profit or loss.

Financial assets related to subsidiaries are measured at fair value under IAS 39, in line with the requirements for investment entities under IFRS 10.

Non-financial assets

The carrying amounts of the non-financial assets, other than deferred tax assets, are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. An impairment loss is recognised if the carrying amount of an asset exceeds its estimated recoverable amount. Impairment losses are recognised in profit or loss.

The recoverable amount of an asset is the greater of its value in use and its fair value less cost to sell. The fair value less cost to sell is the amount obtainable from the sale of an asset in an arm's length transaction less the cost of disposal. While assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects the current market assessments of the time value of money and the risks specific to the asset.

In respect of other assets, impairment losses recognised in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

3.8 Share capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of ordinary shares and share options are recognised as a deduction from equity.

3.9 Provisions and accruals

Provisions are recognised when the company has a present legal or constructive obligation as a result of past events, for which it is probable that an outflow of economic benefits will occur, and where a reliable estimate can be made of the amount of the obligation. The expense relating to any provision is presented in the statement of comprehensive income net of any reimbursement. If the effect of discounting is material, provisions are discounted. The discount rate used is a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability.

4. INVESTMENT IN SUBSIDIARIES

	June 2018 US\$	June 2017 US\$
At fair value		
Investment in Kumarina Resources Pty Limited ("Kumarina")	3,063,498	3,181,100
Investment in Zeta Energy Pte. Ltd. ("Zeta Energy")	1	1
Investment in Axelrock Limited ("Axelrock")	1	-
Investment in Pan Pacific Petroleum Pty Limited ("PPP")	1	-
Investment in Pan Pacific Petroleum Vietnam Pty Limited ("PPP Vietnam")	1	-
Investment in Pan Pacific Petroleum JPDA Pty Limited ("PPP JPDA")	1	-
Investment in Zeta Investments Limited ("Zeta Investments")	1	1
	3,063,504	3,181,102

Investments in subsidiaries are held as part of the investment portfolio and consequently, in accordance with IFRS 10 are not consolidated but rather shown at fair value through profit and loss. The directors' fair valuation of Kumarina is still considered to be its 2013 cost value as there have been no significant changes in the entity and its prospects. The company had the following subsidiaries as at 30 June 2018:

	Number of ordinary shares	Percentage of ordinary shares held
30 June 2017		
Kumarina incorporated in Australia	26,245,210	100%
Zeta Investments incorporated in Bermuda	1,000	100%
Zeta Energy incorporated in Singapore	1	100%

	Number of ordinary shares	Percentage of ordinary shares held
30 June 2018		
Kumarina incorporated in Australia	26,245,210	100%
Zeta Investments incorporated in Bermuda	1,000	100%
Zeta Energy incorporated in Singapore	1	100%
PPP Vietnam incorporated in Australia	2	100%
PPP JPDA incorporated in Australia	2	100%
PPP incorporated in Australia	581,942,846	100%
Axelrock incorporated in Bermuda	100	100%

NOTES TO THE FINANCIAL STATEMENTS (continued)

5. INVESTMENTS

	June 2018 US\$	June 2017 US\$
Financial assets at fair value through profit or loss	161,187,270	47,685,376
Equity securities at fair value		
Ordinary shares – listed	135,475,520	47,276,793
Subscription and other rights – unlisted	25,711,750	408,583
	161,187,270	47,685,376
Equity securities at cost		
Ordinary shares – listed	101,986,368	45,142,335
Subscription and other rights – unlisted	33,830,307	706,040
	135,816,675	45,848,375

Investments held by the company at the reporting date	Number of shares
Listed	
Bligh Resources Limited	253,742,974
GME Resources Limited	193,655,109
Panoramic Resources Limited	149,543,439
Oilex Limited	121,323,567
Resolute Mining Limited	20,784,000
Other Investments	49,433,602
Unlisted	
Other investments	625,281,622
Other rights	1,038,331

During the reporting period the company completed a total of 315 transactions (2017: 256 transactions) in securities and paid a total of US\$52,269 (2017: US\$54,634) in brokerage on those transactions.

During the current year US\$41.2 million of investments were acquired for cash, US\$13.5 million of investments were acquired through the repayment of its subsidiary Zeta Energy's loan and US\$36.1 million of investments were acquired through the issue of share capital. For further information please see Statement of cash flows and note 12.

During the reporting period the company also received loans from its subsidiary Zeta Energy. To secure the loans Zeta Resources has pledged certain quantities of its shares held in listed entities.

The shares pledged include: Resolute Mining Limited (15,000,000) and Panoramic Resources Limited (5,000,000).

6. LOANS TO SUBSIDIARIES

	June 2018 US\$	June 2017 US\$
Loan to Zeta Energy	27,010	29,735,459
Loan to Kumarina	352,680	291,747
	379,690	30,027,206

The loan to Zeta Energy is denominated in Australian dollars to the value of A\$(190,652) (2017: A\$20.669 million), British pounds to the value of UK£11,100 (2017: UK£1.0 million), New Zealand dollars to the value of NZ\$6.2 million (2017: NZ\$26.340 million), South African rands to the value of R4,000 (2017: Nil), Singapore dollars to the value of SG\$5,100 (2017: Nil) and United States dollars to the value of US\$(149,788) (2017: Nil). There are no fixed repayment terms and no interest is charged. During the period ended 30 June 2018, the loan to Zeta Energy, which was utilised for the purchase of listed investments, was impaired, through profit and loss, to the fair value of the company as determined by the directors. In determining the fair value of Zeta Energy, the directors have valued the listed investment held by the company at market value of the exchange it is listed on. As at 30 June 2018 the impairment to the loan totalled US\$3.898 million which resulted in a recovery of impairments raised in prior years of US\$12.875 million. Please see note 13. The loan to Kumarina is denominated in Australian dollars and is interest free. There are no fixed repayment terms except that no repayment is due before 30 June 2019.

7. CASH AND CASH EQUIVALENTS

	June 2018 US\$	June 2017 US\$
Cash balance comprises:		
Cash at bank	287,172	15,828

Cash at bank earns interest at floating rates based on daily bank deposit rates. Short term deposits are made for varying periods between three to six months depending on the immediate cash requirements of the company, and earn interest at the respective short-term deposit rates.

8. LOAN FROM SUBSIDIARY

	June 2018 US\$	June 2017 US\$
Loan from Zeta Energy	5,235,527	5,351,022

The loan from Zeta Energy is denominated in Australian dollars to the value of A\$6.235 million (30 June 2017: A\$6.01 million) and New Zealand dollars to the value of NZ\$924,000 (30 June 2017: NZ\$1.01 million) and currently attracts interest at rates between 4.35% and 6.85% per annum (30 June 2017: 4.35% and 6.85%) on the Australian dollar loan and at 6.00% per annum (30 June 2017: 6.00%) on the New Zealand dollar loan. There are no fixed repayment terms except that no repayment is due before 30 June 2019. Zeta Energy has in turn borrowed these funds on the same interest and repayment terms. In order to secure the loans Zeta Resources has pledged certain of its investments. The shares pledged include: Resolute Mining Limited (15,000,000) and Panoramic Resources Limited (5,000,000).

NOTES TO THE FINANCIAL STATEMENTS (continued)

9. LOAN FROM PARENT

	June 2018 US\$	June 2017 US\$
Loan from UIL Limited ("UIL")	30,151,190	22,257,029

The loan is denominated in Australian dollars to the value of A\$18.615 million (30 June 2017: A\$28.99 million) and in Canadian dollars to the value of CA\$21.542 million (30 June 2017: CA\$0), and currently attracts interest at 7.5% per annum (30 June 2017: 7.5%) on the Australian dollar loan and 7.25% on the Canadian dollar loan. There are no repayment terms and no repayment is due before 30 June 2019. During the year the company converted A\$20.7 million of loans into CA\$20 million. During the year the company received A\$39.661 million and CA\$1.333 million of funding for the purchase of investments, capitalised interest of A\$2.142 million and CA\$209,014 and made further repayments of A\$31.453 million.

10. LOAN FROM THIRD PARTY

	June 2018 US\$	June 2017 US\$
Loan from Bermuda Commercial Bank Limited	4,000,000	-

The loan denominated in United States dollars currently attracts interest at US\$ 3-month LIBOR + 4.25% per annum. The loan matures within the following 12 months. Please see note 21.

11. TRADE AND OTHER PAYABLES

	June 2018 US\$	June 2017 US\$
Payable to ICM Limited	459,890	-
Rehabilitation provision	900,000	-
Accruals	314,134	260,421
	1,674,024	260,421

The accruals are for audit, management, directors and administration fees payable. The rehabilitation provision is raised for the restoration and rehabilitation obligation resulting from operations previously undertaken by PPP JPDA. The timing and amount of this liability is uncertain.

12. SHARE CAPITAL AND SHARE PREMIUM

Authorised

5,000,000,000 ordinary shares of par value US\$0.00001

Issued	Number of shares	Share capital	Share premium
Ordinary shares			
Balance as at incorporation		-	-
Issued at incorporation as US\$1 par shares	100	-	-
Shares split into 10,000,000 shares of US\$0.00001 each	9,999,900	-	-
Issued in consideration for purchase of investments from UIL	22,835,042	228	32,221,936
Issued in consideration for purchase of 100% of Kumarina Resources Limited	17,775,514	178	13,406,337
Issued under initial public offering	4,000	-	3,795
Issued under public rights issue dated 10 February 2014	42,616,164	426	19,249,296
Following shareholder approval, issued under ASX listing rule 10.11 dated 7 December 2015	6,769,280	68	1,351,677
Balance as at 30 June 2017	100,000,000	900	66,233,041
Issued under a scheme of arrangement pursuant to acquiring all the ordinary share capital of Pan Pacific Petroleum NL	11,914,689	119	3,467,556
Issued pursuant to an exercise of options on 10 November 2017	86,461,440	865	17,330,823
Issued in consideration for purchase of investments from Somers Isles Private Trust Company Limited	90,144,895	901	36,065,072
Balance as at 30 June 2018	288,521,024	2,785	123,096,492

For further details related to the cash flows arising from the share issue transactions please see note 19.2.

	Options	June 2018 US\$	June 2017 US\$
Options			
Balance at the beginning of the year (Note (a))	86,461,440	17,265,320	17,265,320
Exercised during the year	(86,461,440)	(17,265,320)	-
Balance at the end of the year	-	-	17,265,320

Note (a) – The options were exercisable at an exercise price of A\$0.001 into one ordinary share until 7 December 2019.

NOTES TO THE FINANCIAL STATEMENTS (continued)

13. INVESTMENT INCOME

	June 2018 US\$	June 2017 US\$
Interest income	102	14
Dividend income	318,616	380,939
Realised gains	96,590	8,361,485
Unrealised fair value gains:	35,166,648	5,504,003
Financial assets at fair value through profit or loss	22,291,678	4,342,269
Recovery of prior impairments of loan to subsidiary at fair value through profit or loss	12,874,970	1,161,734
	35,581,956	14,246,441

14. OTHER LOSSES

	June 2018 US\$	June 2017 US\$
Foreign exchange (losses)/gains	209,314	(255,230)
Other (losses)/income	(892,113)	41,404
	(682,799)	(213,826)

15. MANAGEMENT AND CONSULTING FEES

	June 2018 US\$	June 2017 US\$
Management and consulting fees	925,443	662,662

The company entered into an investment management agreement with ICM Limited (Bermuda registered) on 3 June 2018. Management fees are payable at a rate of 0.5% per annum, of funds managed on calculation date, payable quarterly in arrears and pro-rated for any period less than three months.

Performance fees are payable annually at year end on the difference between adjusted equity funds (adjusted for any dividends paid or accrued) on calculation date less adjusted base equity funds (high-water mark) previously used in the performance fee calculation multiplied by 15%. The adjusted base equity funds is the base equity fund used in the last performance fee calculation adjusted by the average percentage income yield on the S&P/ASX 300 Metals and Mining Index. No performance fee was payable in the current period (2017: US\$ Nil).

Either party may terminate the agreement with six months' notice.

16. OPERATING AND ADMINISTRATION EXPENSES

	June 2018 US\$	June 2017 US\$
Operating and administration expenses consist of:		
Accounting fees	139,262	115,645
Audit fees	22,040	20,838
Australian Stock Exchange listing fees and regulation costs	86,656	55,620
Insurance costs	13,444	14,153
Other expenses	167,458	108,675
	428,860	314,931

17. INCOME TAX

The company has elected to be tax exempt in terms of local Bermudian legislation. As such no tax is payable.

18. EARNINGS PER SHARE

	June 2018 US\$	June 2017 US\$
Earnings per share	0.15	0.06

Profit used in calculation of basic and diluted earnings per share	31,215,839	10,277,906
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Weighted average number of ordinary shares outstanding during the year used in calculation of basic and diluted earnings per share	201,443,782	186,461,440
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The weighted average number of ordinary shares calculation is based on the year beginning 1 July 2017. For details of cash flows arising from the shares issued during the year refer to note 19.2.

In the prior year an adjustment was made for the 86,461,440 options as they were considered to be in substance issued shares. These were exercised on 10 November 2017 and have been included in the weighted average calculation.

19. NOTES TO THE CASH FLOW STATEMENT

	June 2018 US\$	June 2017 US\$
19.1 Cash generated/(utilised) by operations		
Income before income tax benefit	31,215,839	10,277,906
Adjustments for:		
Realised gains on investments	(96,590)	(8,361,485)
Fair value profit on revaluation of investments	(35,166,648)	(5,504,003)
Rehabilitation Provision	900,000	-
Foreign exchange gain/(losses)	(209,314)	255,230
Interest income	(102)	(14)
Interest expense	2,179,015	2,627,116
Operating profit/(loss) before working capital change	(1,177,800)	(705,250)
Decrease in trade and other receivables	-	12,109
Increase in trade and other payables	1,413,603	68,201
Decrease in balance due to brokers	-	(78,140)
	235,803	(703,080)

NOTES TO THE FINANCIAL STATEMENTS (continued)

19. NOTES TO THE CASH FLOW STATEMENT (continued)

	June 2018 US\$	June 2017 US\$
19.2 Issue of shares		
Shares issued for consideration		
During the year ended 30 June 2016, following shareholder approval, the company issued 86,461,440 options at a cost of A\$0.2817 per option, to UIL Limited, raising the equivalent of US\$17.27 million. In the current year, the options were exercised on 10 November 2017 at an exercise price of A\$0.001 per option.	66,368	-
	Loan from third party US\$	Share capital US\$
	Share premium US\$	
19.3 Reconciliation of movements of liabilities to cash flows arising from financing activities		
Balance at 1 July 2017	-	5,351,022
Proceeds from loans and borrowings	4,000,000	7,574,807
Repayment of borrowings	-	(7,690,302)
Balance as at 30 June 2018	4,000,000	5,235,527

20. AUDITOR REMUNERATION

	June 2018 US\$	June 2017 US\$
Amounts received or due and receivable by the auditors for audit of financial statements	22,040	20,838

21. GOING CONCERN

The financial statements have been prepared on a going concern basis. The majority of the company's assets consist of equity shares in listed companies and in most circumstances are realisable within a short timescale. The use of the going concern basis of accounting is appropriate because there are no material uncertainties related to events or conditions that may cast significant doubt about the ability of the company to continue as a going concern. After making enquiries, the directors have a reasonable expectation that the company has adequate resources to continue in operational existence for the foreseeable future. Accordingly, the directors continue to adopt the going concern basis in preparing the accounts.

As at the year end, the company had a US\$4 million loan facility with Bermuda Commercial Bank expiring on 8 March 2019. The company is in negotiation with Bermuda Commercial Bank to extend the facility. If the terms on the loan cannot be renegotiated the company will repay the outstanding debt when due from the realisation of portfolio investments. Creditors and short term payables as at year end have all been settled through cash flow generated from the realisation of portfolio investments.

22. FINANCIAL RISK MANAGEMENT

The board of directors, together with the Investment Manager, is responsible for the company's risk management. The directors' policies and processes for managing the financial risks are set out below. These financial risks are principally related to the market (currency movements, interest rate changes and security price movements), liquidity and credit and counterparty risk.

The accounting policies which govern the reported statement of financial position carrying values of the underlying financial assets and liabilities, as well as the related income and expenditure, are set out in note 3 to the financial statements. The policies are in compliance with IFRS and best practice, and include the valuation of certain financial assets and liabilities at fair value through profit and loss.

Categories of financial instruments

The analysis of assets into their categories as defined in IAS 39 "Financial Instruments: Recognition and Measurement" (IAS 39) is set out in the following table. For completeness, assets and liabilities of a non-financial nature, or financial assets and liabilities that are specifically excluded from the scope of IAS 39, are reflected in the non-financial assets and liabilities category.

The table below sets out the company classification of each class of financial assets and liabilities. All assets and liabilities approximate their fair values:

	Designated at fair value through profit and loss US\$	Loans and receivables at fair value through profit and loss US\$	Total carrying value US\$
30 June 2018			
Assets			
Investments in subsidiaries	3,063,504	-	3,063,504
Investments	161,187,270	-	161,187,270
Loans to subsidiaries	-	379,690	379,690
Cash and cash equivalents	-	287,172	287,172
	164,250,774	666,862	164,917,636
Liabilities			
Loans from subsidiaries	-	5,235,527	5,235,527
Trade and other payables	-	1,674,024	1,674,024
Loan from parent	-	30,151,190	30,151,190
Loan from third party	-	4,000,000	4,000,000
	-	41,060,741	41,060,741
30 June 2017			
Assets			
Investments in subsidiaries	3,181,102	-	3,181,102
Investments	47,685,376	-	47,685,376
Loans to subsidiaries	-	30,027,206	30,027,206
Cash and cash equivalents	-	15,828	15,828
	50,866,478	30,043,034	80,909,512
Liabilities			
Loans from subsidiaries	-	5,351,022	5,351,022
Trade and other payables	-	260,421	260,421
Loan from parent	-	22,257,029	22,257,029
	-	27,868,472	27,868,472

NOTES TO THE FINANCIAL STATEMENTS (continued)

22. FINANCIAL RISK MANAGEMENT (continued)

22.1 Market risks

The fair value of equity and other financial securities held in the company's portfolio fluctuates with changes in market prices. Prices are themselves affected by movements in currencies and interest rates and by other financial issues, including the market perception of future risks. The board sets policies for managing these risks within the company's objective and meets regularly to review full, timely and relevant information on investment performance and financial results. The Investment Manager assesses exposure to market risks when making each investment decision and monitors on-going market risk within the portfolio.

The company's other assets and liabilities may be denominated in currencies other than United States dollars and may also be exposed to interest rate risks. The Investment Manager and the board regularly monitor these risks. The company does not normally hold significant cash balances. Borrowings are limited to amounts and currencies commensurate with the portfolio's exposure to those currencies, thereby limiting the company's exposure to future changes to amounts and currencies commensurate with the portfolio's exposure to those currencies, thereby limiting the company's exposure to future changes in exchange rates.

Gearing may be short- or long-term, in United States dollars and foreign currencies, and enables the company to take a long-term view of the countries and markets in which it is invested without having to be concerned about short-term volatility. Income earned in foreign currencies is converted to United States dollars on receipt. The board regularly monitors the effects on net revenue of interest earned on deposits and paid on gearing.

Currency exposure

The principal currencies to which the company was exposed were the Australian dollar, Sterling and New Zealand dollar. The exchange rates applying against the United States dollar at 30 June 2018 and the average rates for the year were as follows:

	June 2018	Average
AUD – Australian dollar	0.7394	0.7752
CAD – Canadian dollar	0.7607	0.7872
NZD – New Zealand dollar	0.6770	0.7147

The company's monetary assets and liabilities at 30 June 2018 (shown at fair value), by currency based on the country of primary operations, are shown below:

30 June 2018	USD	AUD	CAD	NZD
Cash and cash equivalents	192	107,291	272,941	21
Loans to subsidiaries	–	467,000	–	–
Loans from subsidiaries	–	6,235,050	–	923,984
Loan from parent	–	18,615,260	21,541,670	–
Loan from third party	4,000,000	–	–	–
Trade and other payables	1,194,766	630,497	–	–
Net monetary assets	5,194,958	26,055,098	21,814,611	924,005

30 June 2017	USD	AUD	CAD	NZD
Cash and cash equivalents	1,656	14,089	–	83
Loans to subsidiaries	7,679,016	10,040,059	–	12,308,131
Loans from subsidiaries	–	(4,613,964)	–	(737,058)
Loan from parent	–	(22,257,029)	–	–
Trade and other payables	(164,815)	(81,739)	–	(75)
Net monetary (liabilities)/assets	7,515,857	(16,898,584)	–	11,571,081

Based on the financial assets and liabilities held, and exchange rates applying, at the reporting date, a weakening or strengthening of the United States dollar against each of these currencies by 10% would have had the following approximate effect on annualised income after tax and on net asset value (NAV) per share:

	AUD	CAD	NZD	Total
Strengthening of the United States Dollar				
Increase/(decrease) in total comprehensive profit for the year ended 30 June 2018	(10,663,959)	77,871	62,549	(10,523,539)
Decrease in total comprehensive loss for the year ended 30 June 2017	(3,826,679)	(161,552)	(1,849,220)	(5,837,451)
Weakening of the United States Dollar				
Increase/(decrease) in total comprehensive profit for the year ended 30 June 2018	10,663,959	(77,871)	(62,549)	10,523,539
Increase in total comprehensive loss for the year ended 30 June 2017	3,826,679	161,552	1,849,220	5,837,451

These analyses are broadly representative of the company's activities during the current year as a whole, although the level of the company's exposure to currencies fluctuates in accordance with the investment and risk management processes.

Interest rate exposure

The exposure of the financial assets and liabilities to interest rate risks at 30 June 2018 is shown below:

	Within one year US\$	Greater than one year US\$	Total US\$
30 June 2018			
Exposure to floating rates:			
Cash	287,172	–	287,172
Loan from third party	(4,000,000)	–	(4,000,000)
Exposure to fixed rates:			
Loan from subsidiaries	–	(5,235,527)	(5,235,527)
Loan from parent	–	(30,151,190)	(30,151,190)
30 June 2017			
Exposure to floating rates:			
Cash	15,828	–	15,828
Exposure to fixed rates:			
Loan from subsidiaries	–	(5,351,022)	(5,351,022)
Loan from parent	–	(22,257,029)	(22,257,029)

Exposures vary throughout the year as a consequence of changes in the make-up of the net assets of the company arising out of the investment and risk management processes. The company tends to limit its cash reserves and interest earned is insignificant and therefore not sensitive to interest rate changes. Borrowings are at a fixed rate and not sensitive to interest rate risk.

Other market risk exposures

The portfolio of investments, valued at US\$161,187,270 at 30 June 2018 (30 June 2017: US\$47,685,376) is exposed to market price changes. The Investment Manager assesses these exposures at the time of making each investment decision. An analysis of the portfolio by country is set out on note 24.

Price sensitivity risk analysis

A 10% decline in the market price of the listed investment held by the company would result in an unrealised loss of US\$16,118,727. A 10% appreciation in the market price would have the opposite effect.

NOTES TO THE FINANCIAL STATEMENTS (continued)

22. FINANCIAL RISK MANAGEMENT (continued)

22.2 Liquidity risk exposure

Liquidity risk is the risk that the company will not be able to meet its financial obligations as they fall due. The company's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the company's reputation. The Investment Manager reviews liquidity at the time of making each investment decision. The contractual maturities of the financial liabilities, based on the earliest date on which payment can be required, were as follows:

	Twelve months or less US\$	More than a year US\$	Total US\$
30 June 2018			
Loan from subsidiaries	–	5,235,527	5,235,527
Trade and other payables	1,674,024	–	1,674,024
Loans from parent	–	30,151,190	30,151,190
Loan from third party	4,000,000	–	4,000,000
	5,674,024	35,386,717	41,060,741
30 June 2017			
Loan from subsidiaries	–	5,351,022	5,351,022
Trade and other payables	260,421	–	260,421
Loans from parent	–	22,257,029	22,257,029
	260,421	27,608,051	27,868,472

22.3 Credit risk and counterparty exposure

The company is exposed to potential failure by counterparties to deliver securities for which the company has paid, or to pay for securities which the company has delivered. To mitigate against credit and counterparty risk broker counterparties are selected based on a combination of criteria, including credit rating, balance sheet strength and membership of a relevant regulatory body.

Cash and deposits are held with reputable banks. The company has an on-going contract with its Custodians for the provision of custody services. The contracts are reviewed regularly. Details of securities held in custody on behalf of the company are received and reconciled monthly.

Maximum exposure to credit risk

The company has loan assets totalling US\$379,690 (2017: US\$30,027,206) that is exposed to credit risk.

None of the company's financial assets are past due, but the loan asset to Zeta Energy has been impaired as per note 6. The company's principal banker is Bermuda Commercial Bank (rated by Fitch as BBB-) and the company's principal custodian is JP Morgan Chase Bank (rated by Fitch as AA-). The subsidiary Kumarina holds a bank account with National Australia Bank (rated by Fitch as AA-).

22.4 Fair values of financial assets and liabilities

The assets and liabilities of the company are, in the opinion of the directors, reflected in the statement of financial position at fair value. Borrowings under loan facilities do not have a value materially different from their capital repayment amount. Borrowings in foreign currencies are converted into United States dollars at exchanges rates ruling at each valuation date.

Unquoted investments are valued based on professional assumptions and advice that is not wholly supported by prices from current market transactions or by observable market data.

Valuation of financial instruments

The table below analyses financial assets measured at fair value at the end of the year by the level in the fair value hierarchy into which the fair value measurement is categorised:

Level 1	The fair values are measured using quoted prices in active markets.
Level 2	The fair values are measured using inputs, other than quoted prices, that are included within level 1, that are observable for the asset.
Level 3	The fair values are measured using inputs for the asset or liability that are not based on observable market data. The directors make use of recognised valuation techniques and may take account of recent arms' length transactions in the same or similar investments.

The directors regularly review the principles applied by the Investment Manager to those valuations to ensure they comply with the company's accounting policies and with fair value principles.

Level 3 financial instruments

Valuation methodology

The directors have satisfied themselves as to the methodology used, the discount rates and key assumptions applied, and the valuation. The level 3 assets have each been assessed based on its industry, location and business cycle. Where sensible, the directors have taken into account observable data and events to underpin the valuations.

The level 3 investments are split between (a) unlisted companies and (b) investments and loans in subsidiaries.

(a) Unlisted companies

Seacrest L.P. ("Seacrest") - Bermuda incorporated

Valuation inputs: The unlisted investment comprises an equity interest in Seacrest. The company's sole asset is its holding in Azimuth Limited ("Azimuth"), a joint venture between Seacrest and PGS (the listed Norwegian seismic data service company). Azimuth owns a number of operating subsidiaries.

The valuation of Azimuth is based on fair value GAAP accounting. Using the General Partner's valuation of the Seacrest portfolio a discount is applied to each Azimuth subsidiary. The extent of the discount depends on whether the assets are in a mature or frontier basin. In addition, following the fall in the oil price a further discount was applied thereby calculating a fair value for Azimuth. On this basis Azimuth was valued as at 30 June 2017 at US\$63.62 million. The director's deem this valuation method to be appropriate.

Valuation methodology: Zeta Resources has used a fair value valuation of Seacrest of US\$0.33 per share based on the value of Azimuth, described above. At year end the fair value of the investment was US\$5,727,339.

Sensitivities: Given Azimuth is an exploration company its risks are significant in both directions. Should commercially recoverable oil not be discovered then the value will fall to nil. Should substantial commercially recoverable oil be discovered the valuation uplifts are significant.

Margosa Graphite Limited ("Margosa") - Australia incorporated

Valuation inputs: The unlisted investment comprises an equity interest in Margosa, a mineral exploration and development company focused on high grade graphite vein opportunities in Sri Lanka with rights to a package of highly prospective tenements. Margosa is an early stage exploration company with drilling commenced on positive geophysical targets at the end of the period.

Valuation methodology: Based on Margosa being an early stage exploration company with no explorations results, the directors view the fair value of the company currently to be the cost of the investment made of A\$0.20 per share. At year end the fair value of the investment was US\$2,062,847.

Sensitivities: Given Margosa is an exploration company its risks are significant in both directions dependant on the grade of the graphite veins to be brought into operation. Should substantial premium vein graphite be discovered and successfully brought into operation, the valuation uplifts are significant.

NOTES TO THE FINANCIAL STATEMENTS (continued)

22. FINANCIAL RISK MANAGEMENT (continued)

22.4 Fair values of financial assets and liabilities (continued)

Alliance Mining Commodities Limited ("AMC") - Australia incorporated

Valuation inputs: The unlisted investment comprises an equity interest in a privately-owned company that has been granted a mining concession for the development of the Koumbia Bauxite Project in the Republic of Guinea. The simple, low cost, long life development will initially produce 5.5Mwtpa as a standalone project. Due to the size of the current mineral resource base there is strong potential to expand the operation significantly during the early years to a capacity well in excess of the initial targeted production.

Valuation methodology: AMC is a private company in the process of raising funds for the development of its bauxite mining project. As such, the directors have chosen to use the latest information provided by AMC regarding current equity capital raisings, as the most appropriate valuation method for Zeta Resources holding. At year end the fair value of the investment was US\$17,843,064.

Sensitivities: The company has a world class bauxite project with initial production capacity of 10Mtpa. Production is expected to ramp up in 2019 with scope for further expansion over the following five years.

(b) Investments and loans in subsidiaries

Zeta Energy - Singapore incorporated

Valuation inputs: The key asset is the investment loan to Zeta Energy which was utilised for the purchase of listed investments, and which was impaired, through profit and loss, to the fair value of the company as determined by the directors based on the valuation of the investments held by Zeta Energy as at 30 June 2018.

Valuation methodology: Zeta Resources has used a fair value valuation of investments held by Zeta Energy on its investments by which to impair the loan value in the accounts as at 30 June 2018. At year end the fair value of the loan was US\$27,010.

Sensitivities: Given Zeta Energy's assets comprise listed investments its risks are significant in both directions. Increases in share prices will increase the value of the loan and decreases in share prices will further decrease the value of the loan.

Kumarina Resources Pty Limited

This comprises the privately-owned 100% equity interest in a mineral exploration company with two highly prospective copper/gold projects located in Western Australia. The company is in the process of doing further research and exploration around the development of its Ilgarari Copper Project and its Murrin Murrin Gold Project. As this is still early stage exploration with no quantifiable results as yet, the directors view the fair value of the company currently to be its cost value as there have been no significant changes to the entity and its prospects. At year end the fair value of the investment was US\$3,063,498.

Other investments

Zeta Resources has further investments at fair value totalling US\$78,505 (2017: US\$3.2million). During the year the company acquired the 100% shareholding in Axelrock Limited, Pan Pacific Petroleum Pty Limited, Pan Pacific Petroleum JPDA Pty Limited and Pan Pacific Petroleum Vietnam Pty Limited. The directors are of the view that as these subsidiaries currently hold no assets, the fair value of the companies is nominal.

30 June 2018	Level 1 US\$	Level 2 US\$	Level 3 US\$
Financial assets			
Investments	135,475,520	–	25,711,750
Investment in subsidiaries	–	–	3,063,504
Loan to subsidiary	–	–	379,690

There have been no movements between the level 1 and level 3 categories.

The following table shows a reconciliation from opening balances to closing balances for fair value measurements in level 3 investments of the fair value hierarchy:

	Level 3 investments US\$	Level 3 investments in subsidiary US\$	Level 3 loan to subsidiary US\$
Balance at 1 July 2017	408,583	3,181,102	30,027,206
Acquisitions at cost	33,045,767	4	1,013,278
Disposals during the year	–	–	(44,417,518)
Total gains/(losses) recognised in:			
Fair value through profit or loss	(7,742,600)	(117,602)	13,756,724
Balance at 30 June 2018	25,711,750	3,063,504	379,690

30 June 2017	Level 1 US\$	Level 2 US\$	Level 3 US\$
Financial assets			
Investments	47,276,793	–	408,583
Investment in subsidiaries	–	–	3,181,102
Loan to subsidiary	–	–	30,027,206

The following table shows a reconciliation from opening balances to closing balances for fair value measurements in level 3 investments of the fair value hierarchy:

	Level 3 investments US\$	Level 3 investments in subsidiary US\$	Level 3 loan to subsidiary US\$
Balance at 1 July 2016	9,036,636	3,086,091	29,803,322
Acquisitions at cost	332,920	–	11,200,000
Disposals during the year	(11,200,000)	–	(12,137,850)
Total gains recognised in:			
Fair value through profit or loss	2,239,027	95,011	1,161,734
Balance at 30 June 2017	408,583	3,181,102	30,027,206

NOTES TO THE FINANCIAL STATEMENTS (continued)

22. FINANCIAL RISK MANAGEMENT (continued)

22.5 Capital risk management

The objective of the company is stated as being to maximise shareholder returns by identifying and investing in investments where the underlying value is not reflected in the market price. In pursuing this long term objective, the board has a responsibility for ensuring the company's ability to continue as a going concern. It must therefore maintain an optimal capital structure through varying market conditions. This involves the ability to issue and buy back share capital within limits set by the shareholders in general meeting; borrow monies in the short and long term; and pay dividends to shareholders out of current year earnings as well as out of brought forward reserves.

23. RELATED PARTIES

23.1 Material related parties

Holding company

The company's holding company is UIL which held 59.7% of the company's issued share capital on 30 June 2018. UIL is in turn held 62.6% by General Provincial Life Pension Fund Limited.

Subsidiary companies

The company's subsidiaries are Kumarina, Zeta Energy, Axelrock, PPP, PPP Vietnam, PPP JPDA and Zeta Investments, all 100% held subsidiaries.

Key management personnel

Key management personnel and their close family members and entities which they control, jointly or over which they exercise significant influence are considered related parties of the company. The company's directors, as listed in the director's report are considered to be key management personnel of the company.

Investment Manager

ICM Limited is an Investment Manager of the company, its subsidiaries and UIL.

23.2 Material related parties transactions

	June 2018 US\$	June 2017 US\$
Nature of transactions		
Investments in related parties:		
Kumarina	3,063,498	3,181,100
Zeta Investments	1	1
Zeta Energy	1	1
Pan Pacific Petroleum	1	-
Axelrock	1	-
PPP Vietnam	1	-
PPP JPDA	1	-
Loans to related parties:		
Kumarina	352,680	291,747
Zeta Energy	27,010	29,735,459
Loans from related parties:		
UIL Limited	30,151,190	22,257,029
Zeta Energy	5,235,527	5,351,022

	June 2018 US\$	June 2017 US\$
Trade and other payables:		
ICM Limited	459,890	162,057
Directors	37,500	37,500
Interest charged by the subsidiaries	295,428	380,552
Interest charged by the parent company	1,808,717	2,246,555
Fees paid to the Investment Manager	652,993	481,772
Fees paid to the directors:	150,000	150,000
X Xi	50,000	50,000
M Botha	50,000	50,000
P Sullivan	50,000	50,000

24. SEGMENTAL REPORTING

The company has four reportable segments, as described below, which are considered to be the company's strategic investment areas. For each investment area, the company's chief operating decision maker ("CODM") (ICM Limited - investment manager) reviews internal management reports on at least a monthly basis. The following summary describes each of the company's reportable segments:

Gold: investments in companies which explore or mine for gold

Nickel: investments in companies which explore or mine for nickel

Mineral exploration: investments in companies which explore or mine for copper and other minerals

Other segments: activities which do not fit into one of the above segments

Information regarding the results of each reportable segment is included below. Performance is measured based on segment profit before tax, as included in the internal management reports that are reviewed by the company's CODM. Segment profit is used to measure performance as management believes that such information is the most relevant in evaluating the performance of certain segments relative to other entities that operate within these industries.

Information about reportable segments

	Gold US\$	Nickel US\$	Mineral exploration US\$	Other segments US\$	Total US\$
30 June 2018					
External revenues	767,222	36,020,009	(1,200,977)	(4,298)	35,581,956
Reportable segment revenue	767,222	36,020,009	(1,200,977)	(4,298)	35,581,956
Interest revenue	-	-	-	102	102
Interest expense	-	-	-	(2,179,015)	(2,179,015)
Reportable segment profit/(loss) before tax	766,606	36,023,701	(2,129,260)	(3,445,218)	31,215,839
Reportable segment assets	30,716,732	85,181,389	48,732,343	287,172	164,917,636
Reportable segment liabilities	-	-	-	(41,060,741)	(41,060,741)

NOTES TO THE FINANCIAL STATEMENTS (continued)

24. SEGMENTAL REPORTING (continued)

30 June 2017	Gold US\$	Oil & Gas US\$	Mineral exploration US\$	Other segments US\$	Total US\$
External revenues	3,354,866	3,560,753	7,337,443	(6,621)	14,246,441
Reportable segment revenue	3,354,866	3,560,753	7,337,443	(6,621)	14,246,441
Interest revenue	-	-	-	14	14
Interest expense	-	-	-	(2,627,116)	(2,627,116)
Reportable segment profit/(loss) before tax	3,396,270	3,560,753	7,337,443	(4,016,560)	10,277,906
Reportable segment assets	26,371,713	30,392,342	24,129,627	15,830	80,909,512
Reportable segment liabilities	-	-	-	(27,868,472)	(27,868,472)

During the year there were no transactions between segments which resulted in income or expenditure.

Reconciliations of reportable segment revenues, profit or loss, assets and liabilities, and other material items	June 2018 US\$	June 2017 US\$
Revenues		
Total revenue for reportable segments	35,586,254	14,253,062
Revenue for other segments	(4,298)	(6,621)
Revenue	35,581,956	14,246,441
Profit or loss		
Total profit for reportable segments	34,661,057	14,294,466
Loss for other segments	(3,442,218)	(4,016,560)
Profit before tax	31,215,839	10,277,906
Assets		
Total assets for reportable segments	164,630,464	80,893,682
Assets for other segments	287,172	15,830
Total assets	164,917,636	80,909,512
Liabilities		
Total liabilities for reportable segments	-	-
Liabilities for other segments	(41,060,741)	(27,868,472)
Total liabilities	(41,060,741)	(27,868,472)

Geographic information

In presenting information on the basis of geography, segment revenue and segment assets are based on the geographical location of the operating assets of the investment held by the company.

	June 2018 US\$	June 2017 US\$
Revenue		
Australia	33,763,689	8,274,800
Canada	(1,197,462)	-
Guinea	257,915	-
Mali	636,752	2,341,802
Namibia	(1,511,710)	846,520
Norway	(3,693,688)	911,400
Singapore	12,611,090	1,161,734
United Kingdom	(1,639,132)	303,800
Other Countries	(3,641,200)	413,006
Revenue	35,586,254	14,253,062
Assets		
Australia	109,623,707	37,282,206
Canada	15,011,839	-
Guinea	17,843,064	-
Mali	13,466,126	13,102,297
Norway	2,657,485	-
Singapore	27,010	29,735,459
Other Countries	6,001,233	773,720
Assets	164,630,464	80,893,682

25. EVENTS AFTER THE REPORTING DATE

25.1 Alliance Mining Commodities Limited

Zeta Resources Limited has subscribed to a further issue of shares in AMC to take up 1,883,668 shares for a consideration of US\$2,542,951. The share issue notice was given on 6 July 2018. Zeta currently holds 26.7% of AMC.

COMPANY INFORMATION

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Peter Sullivan (Chairman)
Marthinus (Martin) Botha
Xi Xi

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STOCK EXCHANGE LISTING

The company's shares are quoted on the Official List of the Australian Securities Exchange. Ticker code: ZER

