Notice of Extraordinary General Meeting

Notice is hereby given that a general meeting (**Meeting**) of Zeta Resources Limited ARBN 162 902 481 (the **Company** or **Zeta**) will be held at 10.00am on 29 May 2018 at DLA Piper, Level 31, 152-158 St Georges Terrace, Perth WA 6000.

Ordinary Business

1. **Confirmation of Notice and Quorum**

2. **Resolution 1 – Approval of Axelrock Acquisition**
   To consider, and if thought fit, to pass, with or without amendment, the following resolution as an ordinary resolution:

   "That pursuant to and in accordance with Listing Rules 10.1 and 10.11 and for all other purposes, Shareholders approve the acquisition of Axelrock Limited on the terms and conditions in the Explanatory Statement."

   The Independent Expert has determined that this transaction is fair and reasonable to non-associated Shareholders.

   Voting Exclusion
   The Company will disregard any votes cast in favour of Resolution 1 by Somers Isle Private Trust Company Limited or its associates.

   The Company will not disregard a vote if:

   (a) it is cast by a person as proxy for a person who is entitled to vote, in accordance with the directions on the Proxy Form; or

   (b) it is cast by the Chairman as proxy for a person who is entitled to vote, in accordance with a direction on the Proxy Form to vote as the proxy decides.

   Independent Expert's Report

   Shareholders are urged to carefully consider the Independent Expert's report contained in schedule 1. **The Independent Expert has concluded that the terms of the acquisition are fair and reasonable to non-associated Shareholders.**

3. **Resolution 2 – Approval of Investment Management Agreement**
   To consider, and if thought fit, to pass, with or without amendment, the following resolution as an ordinary resolution:

   "That the Company's execution and performance of obligations under an investment management agreement and power of attorney between the Company and ICM Limited on the terms and conditions in the Explanatory Statement is approved."

   Voting Exclusion
   The Company will disregard any votes cast on Resolution 2 by ICM Limited and any of its associates.

   The Company will not disregard a vote if:

   (a) it is cast by a person as proxy for a person who is entitled to vote, in accordance with the directions on the Proxy Form; or

   (b) it is cast by the Chairman as proxy for a person who is entitled to vote, in accordance with a direction on the Proxy Form to vote as the proxy decides.

By order of the Board

Peter Sullivan
Chairman
26 April 2018

Zeta Resources Limited

Registered Office: 34 Bermudiana Road, Hamilton HM 11, Bermuda I Tel: + 1 441 295 5678 I www.zetaresources.limited | Registration No. 46795
Australian Registered Office: Level 2, 220 George Street I PO Box 785, Avalon, NSW 2107, Australia I Tel: +61 414224494

Explanatory Statement to Shareholders

This Explanatory Statement has been prepared for the information of the members of the Company in relation to the business to be conducted at the Meeting to be held at 10.00am on 29 May 2018 at DLA Piper, Level 31, 152-158 St Georges Terrace, Perth WA 6000.

This Explanatory Statement should be read in conjunction with the Notice of Meeting.

Details of the Resolutions to be considered at the Meeting are detailed below.

Information about Voting

The Board has determined that for the purposes of the Meeting, all shares in the Company shall be taken to be held by the person who held the shares pursuant to the Company's register of members on 10.00am at 27 May 2018 (**Record Time**).

All registered holders of shares in the Company as at the Record Time are entitled to attend and vote at the Meeting in person or otherwise may appoint a proxy to attend the Meeting on the terms of the enclosed proxy form and vote in their place.

A proxy need not be a member of the Company.

Proxies for the Meeting must be appointed using the proxy form sent with this Notice, or otherwise in accordance with the Companies Act 1981 of Bermuda.

To vote by proxy, the proxy form must be received by the Share Registry of the Company in accordance with the terms of the proxy form no later than 10.00am on 25 May 2018, being two business days before the Meeting. Proxy appointments received after that time will be invalid.

This Notice should be read in its entirety. If Shareholders are in doubt as to how they should vote, they should seek advice from their accountant, solicitor or other professional adviser prior to voting.

1. Background to Resolution 1

1.1 General

On 16 November 2017 the Company announced that it had executed a binding terms sheet to acquire investment holding company Axelrock Limited (**Axelrock**) from Somers Isle Private Trust Company Limited (**Somers**) (**Acquisition**).

Axelrock has three investment positions:

- GME Resources Limited, a company listed on the ASX (ASX: GME);
- Alliance Commodities Limited, an unlisted company; and
- Seacrest LP, an unlisted company.

<u>GME Resources Limited (ASX:GME)</u>

GME Resources Limited (**GME**) owns 100% of the NiWest Nickel-Cobalt project one of the largest and highest quality undeveloped nickel and cobalt resources in Australia. The project is located in the West Australian nickel belt, adjacent to Glencore's Murrin Murrin nickel refinery. The region is recognised by its nick/cobalt production and is well serviced with infrastructure such as public rail linked to ports, gas pipelines, arterial roads, optic fibre communications, and long-established mining towns.

Since recommencing the details metallurgical test work, GME has made a number of significant break throughs that support the de-risking of critical aspects of the flow sheet to produce high quality nickel and cobalt products that can be directly supplied to the rapidly transforming global lithium-ion battery sector, but also support reduced future capital and operating costs.

The Acquisition will result in Zeta increasing its interest in GME by 157,624,769 GME shares from approximately 10% to approximately 44%.

<u>Alliance Mining Commodities Limited (unlisted)</u>

Alliance Mining Commodities Limited (**AMC**) is an unlisted company with a 90% ownership of the world-class Koumbia bauxite project located in Guinea. AMC has spent over US$40 million to date on exploration and resources delineation, feasibility studies and environmental and social impact studies. It has been granted a mining concession from the government of Guinea and has an agreed mining convention for the development and operation of the mine.

AMC has completed a definitive feasibility study for a 5Mtpa Stage 1 mine, transport and shipping operation, and has committed funding in place to develop the project, with first production targeted in 2019.

The Acquisition will result in Zeta increasing its interest in AMC by 10,204,756 AMC shares from approximately 4% to approximately 27%.

<u>Seacrest LP (unlisted)</u>

Seacrest LP (**Seacrest**) is an unlisted private seismic specialist oil and gas explorer. The company has access to one of the world's largest seismic databases, and a large team of petroleum geologists. The company seeks to create value by offering a better understanding of regional seismic patterns in oil and gas exploration basins globally. Seacrest's commercial approach is to join with operation exploration firms, and acquire interests in joint ventures through farm-ins. Seacrest has established a number of subsidiaries with regional focuses. Having established a large, geographically diversified portfolio of interests in joint venture oil and gas exploration permits, the company has reassessed its approach to drilling, and is proceeding with significantly more caution.

The Acquisition will result in Zeta increasing its interest in Seacrest by 6,381,100 Seacrest shares from approximately 25% to approximately 41%.

1.2 Material terms of the Acquisition

Zeta will acquire 100% of the shares in Axelrock for its "see-through" security value of approximately AU$50.1m by the issue of up to 110,835,752 new Zeta shares.

Completion of the Acquisition must occur by 30 June 2018 and is subject to the following outstanding conditions precedent:

- Shareholders approving the Acquisition;
- GME's shareholders approving the increase in Zeta's interest in GME pursuant to item 7 section 611 of the Corporations Act; and
- AMC shareholders approving the Acquisition.

2. Resolution 1 – Approval of Axelrock Acquisition

Resolution 1 seeks shareholder approval in respect of the Acquisition.

2.1 Listing Rule 10.1

Listing Rule 10.1 provides than an entity must ensure that neither it, nor any of its child entities, acquires a substantial asset from, or disposes of a substantial asset to a related party or an associate of a related party, among others.

Under Listing Rule 10.2, an asset is substantial if the value of the asset, or the value of the consideration being paid for it is, or is in ASX's opinion, 5% or more of the Company's equity interests as set out in the latest accounts lodged with ASX.

Based on the most recent accounts lodged with ASX, the Company's equity interests (as shown in the interim financial statements of the Company as at 31 December 2017) are US$71,786,295. Accordingly, an asset will be considered substantial if the value of the asset is at least 5% of the Company's equity interests, i.e. US$3,586,314.75 (**Threshold**).

Zeta will issue Somers with up to 110,835,752 new Zeta shares with a deemed value of approximately AU$50.1 million. The consideration payable in respect of the Acquisition will exceed the Threshold.

Accordingly, Shareholder approval is being sought in respect of the Acquisition for the purpose of Listing Rule 10.1.

2.2 Independent Expert's Report

Zeta has appointed BDO Corporate Finance (WA) Pty Ltd (**Independent Expert**) to prepare a report, for the purpose of Listing Rule 10.10.2, on whether the Acquisition is fair and reasonable. **The Independent Expert has concluded that the terms of the Acquisition are fair and reasonable to non-associated Shareholders.**

Shareholders are urged to consider the Independent Expert's report contained in schedule 1 in detail and if in doubt seek advice from their professional advisers prior to voting.

2.3 Listing Rule 10.7

Listing Rule 10.7 provides that as the Acquisition is of a classified asset, the consideration must be restricted securities.

ASX has determined that Axelrock is a classified asset. Accordingly, all of the new Zeta shares will be restricted for 12 months commencing on the later of:

- all restriction agreements being entered into; or
- the date the new Zeta shares are issued.

2.4 Listing Rule 10.11

Listing Rule 10.11, prohibits the issue of securities to a:

- related party; or
- person whose relationship with the entity is, in ASX's opinion, such that approval should be obtained,

unless an exception in Listing Rule 10.12 applies.

Following consultation with ASX, Zeta is seeking Shareholder approval pursuant to Listing Rule 10.11 because Somers is, in ASX's opinion a person whose relationship is such that Shareholder approval should be obtained.

2.5 Application of Listing Rule 7.1

Listing Rule 7.1 provides that Zeta must not, subject to specified exceptions, issue or agree to issue more securities during any 12 month period than that amount which represents 15% of the number of fully paid ordinary securities on issue at the commencement of that 12 month period.

Pursuant to Listing Rule 7.2, exception 14, the effect of passing Resolution 1 will be to allow Zeta to issue up to 110,835,752 new Zeta shares to Somers without using up Zeta's 15% placement capacity under Listing Rule 7.1.

2.6 Specific information required by Listing Rule 10.13

Information must be provided to Shareholders for the purposes of obtaining Shareholder approval as follows:

- the new Zeta shares will be issued to Somers (or its nominee);
- the maximum number of new Zeta shares to be issued to Somers (or its nominee) is 110,835,752 new Zeta shares;
- the new Zeta shares will be issued no later than one month after the date of the Meeting (or such longer period of time as ASX may in its discretion allow);
- Somers is considered a related party on the basis that ASX considers it to be a person whose relationship with the Company is such that shareholder approval should be obtained in accordance with Listing Rule 10.11;
- the new Zeta shares will be as consideration for the Acquisition;
- the new Zeta shares will rank equally in all respects with the existing shares on issue;
- no funds will be raised from the issue of the new Zeta shares as they are being issued for nil cash consideration but as part of the consideration for the Acquisition; and
- a voting exclusion statement is included in the Notice for Resolution 1.

Other than the information above and otherwise set out in the Notice, Zeta believes that there is no other information that would be reasonably required by shareholders to pass the Resolution 1.

2.7 Directors' recommendation

The Directors recommend that Shareholders vote in favour of Resolution 1.

3. Resolution 2 – Approval of Investment Management Agreement

3.1 General

The Company's portfolio is currently managed by ICM Limited (**ICM**). On 3 June 2013, ICM and the Company entered into an investment management agreement (**IMA**), pursuant to which ICM was appointed as Zeta's investment manager.

ICM is a Bermuda based fund manager and corporate adviser. It is licensed to carry on business as an exempted company pursuant to section 129A of the Bermuda Companies Act. ICM specialises in managing and advising on investments in relation to mining and resources, utilities and infrastructure, financial services, fixed interest products and agriculture. ICM is also investment adviser to Bermuda Commercial Bank Limited, one of Bermuda's four licenced banks and UIL Limited, the Company's major shareholder. Further information regarding ICM can be found on ICM's website (www.icm.limited).

The term of ICM's appointment under the IMA is due to expire on 3 June 2018. The Company proposes to enter into a new investment management agreement (**New IMA**) and power of attorney (**POA**) which, together will be on substantially the same terms as the IMA.

3.2 Material terms of the New IMA

The key terms of the New IMA are as follows:

<u>Investment mandate</u>

The investment services provided by ICM shall be restricted to the following classes of assets:

- securities (being shares options or warrants) in listed and unlisted mining and resource companies;
- units in listed and unlisted mining and resource funds;
- bonds and convertible notes in listed or unlisted mining and resource companies;
- direct investment in mining commodities and resource projects; and
- such other assets or investments, as may be approved in writing by the Zeta Directors from time to time,

(each a **Permitted Asset Class**).

<u>Services</u>

ICM shall provide such investment management and advisory services to the Company, as the Directors require from time to time, in connection with the management and investment of the Company's assets and shall manage the investment, disposal and re-investment of the Company's assets in accordance with the Company's investment strategy and with a view to achieving the Company's investment objectives.

<u>Term</u>

The New IMA has an ongoing term which will commence on 4 June 2018, unless terminated earlier by the Company or ICM.

<u>Termination</u>

The New IMA may be terminated in the following circumstances:

- by the Company giving 6 months' notice in writing to ICM (or such lesser period as the Company and ICM agree in writing);
- by ICM giving 6 months' notice in writing to the Company (or such lesser period as the Company and ICM agree in writing);
- by the Company giving notice in writing, if:
  - ICM commits a material breach of the New IMA and fails to rectify such breach within 30 days of being requested to do so;
  - ICM enters into liquidation, whether voluntarily or compulsorily, or enters into any composition or compromise with its creditors, or suffers any similar action relating to a default in its obligations in respect of indebtedness;
  - ICM has a receiver or administrator appointed in respect of any of its assets or undertaking; or
  - ICM fails to obtain, or ceases to hold or comply with, any licence, permission, authorisation or consent required under any applicable law to permit it to carry out its obligations under the New IMA;
- by ICM giving notice in writing to the Company, if the Company:
  - commits a material breach of the New IMA and fails to rectify such breach within 30 days of being requested to do so;
  - enters into liquidation, whether voluntarily or compulsorily, or enters into any composition or compromise with its creditors, or suffers any similar action relating to a default in its obligations in respect of indebtedness; or
  - has a receiver or administrator appointed in respect of any of its assets or undertaking; or
- forthwith by the Company, if the Company goes into voluntary liquidation pursuant to its Bye-laws.

Termination of the New IMA is without prejudice to any claim by the Company or ICM against the other for any breach of the New IMA, prior to such termination, or any other rights which have accrued up to that point.

<u>Fees</u>

ICM is entitled to a management fee and a performance fee as follows:

- **Management Fee**

  On 31 March, 30 June, 30 September and 31 December each year during the term of the New IMA (each a **Calculation Date**), the gross assets of the Company less all holdings in funds or companies of which ICM or one of its subsidiaries is manager and/or adviser, shall be calculated, with the amount resulting being the Funds Managed. Within 10 Business Days after each Calculation Date, the Company shall pay to ICM an amount equal to 0.125% of the Funds Managed on that Calculation Date (**Management Fee**). If any such period is less than three months, the Management Fee shall be reduced on a pro-rated time basis.

- **Performance Fee**

  On each Calculation Date, the Company shall pay ICM a fee (**Performance Fee**) determined as at each Calculation Date as follows:

  PF = (A-B) x 15%

  Where:

  PF is the Performance Fee (excluding VAT), if any, payable to ICM;

  A is Adjusted Equity Funds as at that Calculation Date;

  B is the Base Equity Funds, being the higher of:

  - the Equity Funds of the Company on the date of signing of the New IMA by both parties (**Implementation Date**);
  - the Equity Funds on the last day of the Calculation Period in respect of which a Performance Fee was last paid; and
  - the Equity Funds on the last day of the previous Calculation Period, increased by the Real Percentage Yield of the Reference Index during that Calculation Period,

  for the purpose of the above calculation:

  Adjusted Equity Funds means Equity Funds adjusted by adding back any dividends paid or accrued relating to that Calculation Period, plus any accrual for unpaid performance fees arising for that Calculation Period;

Calculation Date means the last day of each Calculation Period;

Calculation Period means each successive period starting on the first day of an accounting reference period of the Company and ending on the earlier of (i) the last day of that accounting reference period (ii) the termination of ICM's appointment for any reason and (iii) the commencement of the winding up of the Company, provided that in respect of the first Calculation Period under the New IMA, such period shall be deemed to have commenced on the Implementation Date;

Equity Funds means the net asset value (including revenue items) attributable to the Company's Shares;

Inflation means the rate of Australian inflation in annual percentage terms calculated by reference to the year on year change in the Consumer Price Index excluding mortgage interest payments as issued by the Australian Bureau of Statistics, calculated as monthly average;

Real Percentage Yield means the average percentage income yield on the Reference Index for the relevant Calculation Period, calculated on a monthly basis, reduced by the percentage rate of UK corporation tax, plus Inflation; and

Reference Index means the S&P/ASX 300 Metals and Mining Index.

Exclusivity

Under the New IMA, the Company is precluded from appointing another entity as a manager or as an adviser to act jointly with ICM, or otherwise, during the term of the New IMA.

The New IMA does not preclude ICM from providing investment management services to other entities and ICM does, currently, provide investment management services to other entities.

Discretions

The New IMA vests the following power and discretions in ICM:

- subject to ICM's duties, all rights and powers of whatsoever nature as shall be necessary for ICM properly and efficiently to perform its services under the New IMA; and
- subject to ICM's duties, ICM shall have discretion in providing the investment services to advise and make recommendations to the Company to buy, sell, retain, convert, exchange or otherwise deal in the assets as and when ICM thinks fit and otherwise as ICM deems appropriate.

The New IMA does not give ICM any powers or rights that would give rise to a relevant interest, within the meaning of the *Corporations Act 2001* (Cth).

Related party protocols

Subject to the requirement to obtain the prior written approval of the Directors, the New IMA does not contain any protocols relating to transactions with related parties of ICM. The New IMA provides that ICM may affect or advise on transactions which may involve a potential conflict of interest with its duty to the Company, subject to the requirements to obtain the prior written approval of the Directors to act in the best interests of the Company and without prejudice to its obligation to comply with the objectives, policies and restrictions of the Company.

Change of control provisions

The New IMA does not provide ICM or the Company with any right to terminate the New IMA if there is a change in control of the other. Further, the New IMA does not provide either party with any pre-emptive rights over the Company's portfolio or over ICM, upon a change of control of the other.

3.3 Material terms of the POA

The POA appoints ICM as Zeta's lawful attorney, whereby ICM can, on behalf of Zeta, in its sole discretion:

- exercise any and all voting rights attaching to the assets of Zeta including, without limitation, shares, stocks, bonds, convertibles, warrants, derivatives, and other securities held by Zeta (**Asset**);
- dispose of any Asset;
- exercise control over, or otherwise deal with any Asset; or
- do all other acts, deeds and things whatsoever that may be necessary or appropriate in connection with the foregoing;

provided that:

- if any such exercise of voting rights, disposal, exercise of control, dealing or otherwise occurs in connection with a transaction that has a value in excess of the higher of US$5 million or 10% of Zeta's gross assets, ICM has obtained the approval of the Chairman of the Board of Zeta;
- if any such exercise of voting rights, disposal, exercise of control, dealing or otherwise occurs in connection with a transaction that has a value in excess of 15% of Zeta's gross assets, ICM has obtained the approval of the Board of Zeta; and
- the exercise of voting rights, disposal, exercise of control, dealing or otherwise shall at all times be subject to any specific instructions given by Zeta to ICM.

3.3 Directors' recommendation

The Directors recommend that Shareholders vote in favour of Resolution 2.

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Schedule 1 – Independent Expert's Report

ZETA RESOURCES LIMITED
Independent Expert's Report

OPINION: Fair and Reasonable

24 April 2018

Financial Services Guide

24 April 2018

BDO Corporate Finance (WA) Pty Ltd ABN 27 124 031 045 ('**we**' or '**us**' or '**ours**' as appropriate) has been engaged by Zeta Resources Limited ('**Zeta**') to provide an independent expert's report on the proposal to acquire investment holding company Axelrock Limited. You will be provided with a copy of our report as a retail client because you are a shareholder of Zeta.

Financial Services Guide
In the above circumstances we are required to issue to you, as a retail client, a Financial Services Guide ('**FSG**'). This FSG is designed to help retail clients make a decision as to their use of the general financial product advice and to ensure that we comply with our obligations as financial services licensees.

This FSG includes information about:

- Who we are and how we can be contacted;
- The services we are authorised to provide under our Australian Financial Services Licence, Licence No. 316158;
- Remuneration that we and/or our staff and any associates receive in connection with the general financial product advice;
- Any relevant associations or relationships we have; and
- Our internal and external complaints handling procedures and how you may access them.

Information about us
BDO Corporate Finance (WA) Pty Ltd is a member firm of the BDO network in Australia, a national association of separate entities (each of which has appointed BDO (Australia) Limited ACN 050 110 275 to represent it in BDO International). The financial product advice in our report is provided by BDO Corporate Finance (WA) Pty Ltd and not by BDO or its related entities. BDO and its related entities provide services primarily in the areas of audit, tax, consulting and financial advisory services.

We do not have any formal associations or relationships with any entities that are issuers of financial products. However, you should notes that we and BDO (and its related entities) might from time to time provide professional services to financial product issuers in the ordinary course of business.

Financial services we are licensed to provide
We hold an Australian Financial Services Licence that authorises us to provide general financial product advice for securities to retail and wholesale clients.

When we provide the authorised financial services we are engaged to provide expert reports in connection with the financial product of another person. Our reports indicate who has engaged us and the nature of the report we have been engaged to provide. When we provide the authorised services we are not acting for you.

General Financial Product Advice
We only provide general financial product advice, not personal financial product advice. Our report does not take into account your personal objectives, financial situation or needs. You should consider the appropriateness of this general advice having regard to your own objectives, financial situation and needs before you act on the advice.

Fees, commissions and other benefits that we may receive
We charge fees for providing reports, including this report. These fees are negotiated and agreed with the person who engages us to provide the report. Fees are agreed on an hourly basis or as a fixed amount depending on the terms of the agreement. The fee payable to BDO Corporate Finance (WA) Pty Ltd for this engagement is approximately $36,000.

Except for the fees referred to above, neither BDO, nor any of its directors, employees or related entities, receive any pecuniary benefit or other benefit, directly or indirectly, for or in connection with the provision of the report.

Other Assignments - In August 2017, BDO Corporate Finance (WA) Pty Ltd was engaged to prepare an Independent Expert's Report for Pan Pacific Petroleum NL as part of the Scheme of Arrangement under which Zeta acquired all of the issued capital in Pan Pacific Petroleum NL that Zeta did not already own. BDO Corporate Finance (WA) Pty Ltd received fees of approximately $30,000 as part of the engagement with Pan Pacific Petroleum NL.

Remuneration or other benefits received by our employees
All our employees receive a salary. Our employees are eligible for bonuses based on overall productivity but not directly in connection with any engagement for the provision of a report. We have received a fee from Zeta for our professional services in providing this report. That fee is not linked in any way with our opinion as expressed in this report.

Referrals
We do not pay commissions or provide any other benefits to any person for referring customers to us in connection with the reports that we are licensed to provide.

Complaints resolution
Internal complaints resolution process
As the holder of an Australian Financial Services Licence, we are required to have a system for handling complaints from persons to whom we provide financial product advice. All complaints must be in writing addressed to The Complaints Officer, BDO Corporate Finance (WA) Pty Ltd, PO Box 700 West Perth WA 6872.

When we receive a written complaint we will record the complaint, acknowledge receipt of the complaint within 15 days and investigate the issues raised. As soon as practical, and not more than **45 days** after receiving the written complaint, we will advise the complainant in writing of our determination.

Referral to External Dispute Resolution Scheme
A complainant not satisfied with the outcome of the above process, or our determination, has the right to refer the matter to the Financial Ombudsman Service ('**FOS**'). FOS is an independent organisation that has been established to provide free advice and assistance to consumers to help in resolving complaints relating to the financial service industry. FOS will be able to advise you as to whether or not they can be of assistance in this matter. Our FOS Membership Number is 12561. Further details about FOS are available at the FOS website www.fos.org.au or by contacting them directly via the details set out below.

Financial Ombudsman Service
GPO Box 3
Melbourne VIC 3001
Free call: 1800 367 287
Facsimile: (03) 9613 6399
Email: info@fos.org.au

Contact details
You may contact us using the details set out on page 1 of the accompanying report.

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Subiaco, WA 6008
PO Box 700 West Perth WA 6872
Australia

24 April 2018

The Directors
Zeta Resources Limited
Level 9, 45 Clarence Street
Sydney NSW 2000

Dear Directors

INDEPENDENT EXPERT'S REPORT

1. Introduction

On 16 November 2017, Zeta Resources Limited (‘**Zeta**’ or ‘**the Company**’) announced that it had executed a binding term sheet to acquire 100% of the issued capital of investment holding company, Axelrock Limited (‘**Axelrock**’), from Somers Isle Private Company Limited (‘**SIPCL**’) through the issue of up to 110,835,752 shares in the combined entity of Zeta and Axelrock (‘**Proposed Transaction**’).

Zeta's investment manager is ICM Limited (‘**ICM**’). ICM's director, Mr Duncan Saville, holds all of the issued ordinary shares in SIPCL.

Mr Peter Sullivan, the chairman of Zeta, is also the existing chairman of both GME Resources Limited (‘**GME**’) and Alliance Mining Commodities Limited (‘**AMC**’), and a shareholder of Zeta, GME and AMC. Axelrock holds shares in GME and AMC.

An IER is required under ASX Listing Rule 10.1 and ASX Listing Rule 10.2 when the Proposed Transaction represents the acquisition of a substantial asset from a related party.

2. Summary and Opinion

2.1 Purpose of the report

The directors of Zeta have requested that BDO Corporate Finance (WA) Pty Ltd (‘**BDO**’) prepare an independent expert's report (‘**our Report**’) to express an opinion as to whether or not the Proposed Transaction to acquire 100% of the issued capital of Axelrock from SIPCL is fair and reasonable to the non-associated shareholders of Zeta (‘**Shareholders**’).

Our Report is prepared pursuant to ASX Listing Rule 10.1 and ASX Listing Rule 10.2 and is to be included in the Explanatory Memorandum for Zeta in order to assist the Shareholders in their decision whether to approve the Proposed Transaction.

2.2 Approach

Our Report has been prepared having regard to Australian Securities and Investments Commission ('**ASIC**') Regulatory Guide 111 'Content of Expert's Reports' ('**RG 111**') and Regulatory Guide 112 'Independence of Experts' ('**RG 112**').

In arriving at our opinion, we have assessed the terms of the Proposed Transaction as outlined in the body of this report. We have considered:

- how the value of the assets being acquired compares to the value of the financial benefit to be paid for the assets;
- other factors which we consider to be relevant to the Shareholders in their assessment of the Proposed Transaction; and
- the position of Shareholders should the Proposed Transaction not proceed.

2.3 Opinion

We have considered the terms of the Proposed Transaction as outlined in the body of this report and have concluded that, in the absence of an alternate offer, the Proposed Transaction is fair and reasonable to Shareholders.

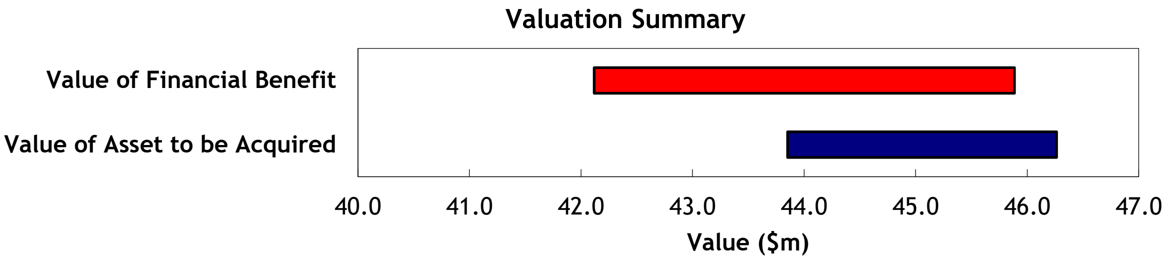
2.4 Fairness

In section 12 we determined how the financial benefit for the Proposed Transaction compares to the value of the asset to be acquired, as detailed below.

	Ref	Low $000s	Preferred $000s	High $000s
Financial Benefit (shares in Proposed Merged Entity)	11.3	42,118	44,002	45,886
Asset to be acquired (Axelrock)	10.1	43,852	45,066	46,264

Source: BDO analysis

The above valuation ranges are graphically presented below:



Source: BDO analysis

We note from the above analysis that the value of the financial benefit, being shares in the Proposed Merged Entity of Zeta and Axelrock, on a minority interest basis, is less than the asset to be acquired, being the value of Axelrock on a control basis. Therefore, in the absence of any other relevant information, we consider that the Proposed Transaction is fair for Shareholders.

2.5 Reasonableness

We have considered the analysis in section 13 of this report, in terms of both

- advantages and disadvantages of the Proposed Transaction; and
- other considerations, including the position of Shareholders if the Proposed Transaction does not proceed and the consequences of not approving the Proposed Transaction.

In our opinion, the position of Shareholders if the Proposed Transaction is approved is more advantageous than the position if the Proposed Transaction is not approved. Accordingly, in the absence of any other relevant information and/or an alternate proposal, we believe that the Proposed Transaction is reasonable for Shareholders.

The respective advantages and disadvantages considered are summarised below:

ADVANTAGES AND DISADVANTAGES			
Section	**Advantages**	**Section**	**Disadvantages**
13.1.1	The Proposed Transaction is fair	13.2.1.	Dilution of existing Shareholders' interests
13.1.2.	The Proposed Transaction will strengthen Zeta's balance sheet	13.2.2.	Potential Inability to divest the Proposed Merged Entity's large shareholdings in the short term
13.1.3.	Increased exposure and control of quality investments		
13.1.4.	The Proposed Transaction provides Zeta with ability to invest in companies not available publicly		
13.1.5	The Proposed Transaction will result in Zeta diversifying risk within the current portfolio or investment assets		

Other key matters we have considered include:

Section	Description
13.3.	Alternative proposals
13.4.	Practical level of control
13.5.	Consequences of not approving the Proposed Transaction

3. Scope of the Report

3.1 Purpose of the Report

ASX Listing Rule 10.1 provides that an entity must ensure that neither it, nor any of its child entities, acquires a substantial asset from, or disposes of a substantial asset to, a related party or an associate of a related party, among others.

Listing Rule 10.1 applies where the vendor (or acquirer) of the relevant assets is a related party of the listed entity.

Mr Duncan Saville, as the vendor of Axelrock (through his ownership of SIPCL), is a related party of Zeta by virtue of his capacity as director of ICM, Zeta's investment manager.

Mr Peter Sullivan, as chairman of GME and AMC, is a related party of Zeta by virtue of his capacity as chairman of Zeta.

Under ASX Listing Rule 10.2, an asset is substantial if the value of the asset, or the value of the consideration being paid for it constitutes 5% or more of the company's equity interest as set out in the latest published accounts of that company. Based on the reviewed accounts of Zeta as at 31 December 2017, the Company's equity interests were US$71.8 million, with the 5% threshold being US$3.6 million. Under the Proposed Transaction, Zeta will issue SIPCL with up to 110,835,752 new Zeta shares with a deemed value of approximately $50 million. Therefore, the consideration payable in respect of the Proposed Transaction will exceed the threshold.

Listing Rule 10.7 provides that if a transaction involves the acquisition of a classified asset, the consideration must be restricted securities. ASX have determined that Axelrock is a classified asset, and as such, all new Zeta shares issued under the Proposed Transaction will be restricted for 12 months commencing on the later of all restriction agreements being entered into, or the date the new Zeta shares are issued.

Listing Rule 10.10.2 requires the Notice of Meeting for shareholder approval to be accompanied by a report by an independent expert expressing their opinion as to whether the transaction is fair and reasonable to the shareholders whose votes are not to be disregarded.

Accordingly, an independent expert's report is required for the Proposed Transaction. The report should provide an opinion by the expert stating whether or not the terms and conditions in relation thereto are fair and reasonable to non-associated shareholders of Zeta.

3.2 Regulatory guidance

Neither the Listing Rules nor the Corporations Act defines the meaning of 'fair and reasonable'. In determining whether the Proposed Transaction is fair and reasonable, we have had regard to the views expressed by ASIC in RG 111. This regulatory guide provides guidance as to what matters an independent expert should consider to assist security holders to make informed decisions about transactions.

This regulatory guide suggests that, where an expert assesses whether a related party transaction is 'fair and reasonable' for the purposes of ASX Listing Rule 10.1, this should not be applied as a composite test — that is, there should be a separate assessment of whether the transaction is 'fair' and 'reasonable', as in a control transaction. An expert should not assess whether the transaction is 'fair and reasonable' based simply on a consideration of the advantages and disadvantages of the proposal.

If Zeta had been a company incorporated in Australia, we would have considered the Proposed Transaction to be a control transaction as SIPCL, and therefore the related party, will hold more than 20% of the issued capital in Zeta following the Proposed Transaction. However, Zeta, Axelrock and SIPCL are Bermudan incorporated entities, not Australian incorporated, therefore, item 7 section 611 of the Corporations Act 2001 (Cth) does not apply.

In addition to the above, we note that from the view of a Shareholder, no additional control is lost under the Proposed Transaction as they will remain as minority shareholders following the Proposed Transaction. As such, we have used RG 111 as a guide for our analysis but have considered the Proposed Transaction as if it were not a control transaction.

3.3 Adopted basis of evaluation

RG 111.57 states that a related party transaction is fair if the value of the financial benefit to be provided by the entity to the related party is equal to or less than the value of the consideration being provided to the entity. This comparison should be made assuming a knowledgeable and willing, but not anxious, buyer and a knowledgeable and willing, but not anxious, seller acting at arm's length.

In the case of the Proposed Transaction, the financial benefit to be provided by Zeta to SIPCL takes the form of up to 110,835,752 new shares in Zeta. The consideration being provided to Zeta by SIPCL is 100% of the issued capital of Axelrock.

RG 111 states that when considering the value of the securities subject of the offer in a control transaction the expert should consider this value inclusive of a control premium. As stated in section 3.2, we are addressing the Proposed Transaction as if it is not a control transaction.

Further to this, RG 111 states that a transaction is reasonable if it is fair. It might also be reasonable if despite being 'not fair' the expert believes that there are sufficient reasons for security holders to accept the offer in the absence of any alternate options.

Having regard to the above, BDO has completed this comparison in two parts:

- a comparison between the value of the financial benefit being provided by Zeta to SIPCL, being up to 110,835,752 new shares in Zeta, and the value of the consideration being provided to Zeta by SIPCL, being 100% of the issued capital of Axelrock (fairness – see Section 12 'Is the Proposed Transaction Fair?'); and
- an investigation into other significant factors to which Shareholders might give consideration, prior to approving the Proposed Transaction, after reference to the value derived above (reasonableness – see Section 13 'Is the Proposed Transaction Reasonable?').

This assignment is a Valuation Engagement as defined by Accounting Professional & Ethical Standards Board professional standard APES 225 'Valuation Services' ('**APES 225**').

A Valuation Engagement is defined by APES 225 as follows:

'an Engagement or Assignment to perform a Valuation and provide a Valuation Report where the Valuer is free to employ the Valuation Approaches, Valuation Methods, and Valuation Procedures that a reasonable and informed third party would perform taking into consideration all the specific facts and circumstances of the Engagement or Assignment available to the Valuer at that time.'

This Valuation Engagement has been undertaken in accordance with the requirements set out in APES 225.

4. Outline of the Proposed Transaction

On 16 November 2017, Zeta announced that it had executed a binding term sheet to purchase 100% of the shares in Axelrock from SIPCL through the issue of up to 110,835,752 ordinary shares in Zeta.

Under the terms of the Proposed Transaction, completion of the Proposed Transaction is subject to the satisfaction or waiver (in writing and agreed by all parties) of the following conditions precedent on or before 30 June 2018:

- approval from Zeta shareholders for the Proposed Transaction;
- the Australian Federal Treasurer ('**the Treasurer**') (or the Treasurer's delegate) having provided a written no objection notification to the Proposed Transaction either without conditions or with conditions acceptable to Zeta;
- approval from GME shareholders pursuant to item 7 section 611 of the Corporations Act 2001 (Cth);
- approval of AMC shareholders;
- approval of Seacrest partners; and
- any other regulatory approvals that may become necessary to effect the Proposed Transaction.

Further details of the conditions precedent may be found in the Notice of Meeting.

We note that according to the binding term sheet, either party may request a good faith review of the consideration if there has been an adverse movement of at least 10% in the Axelrock portfolio value or the Zeta net tangible assets, prior to despatch of any notice of meeting to be issued under the conditions precedent.

4.1 Shareholding in Zeta following the Proposed Transaction

As at the date of this Report, Zeta had 198,376,129 shares on issue. Following the Proposed Transaction, Zeta will issue up to 110,835,752 new Zeta shares to SIPCL. We note, prior to the Proposed Transaction, Duncan Saville's holdings in Zeta consist of a direct holding of 1,261,587 through his 100% ownership of Permanent Mutual Limited ('**PML**').

A summary of the share structure following the Proposed Transaction is set out below.

Share structure following the Proposed Transaction	Duncan Saville	Peter Sullivan	Other	Total
Existing shareholding				
Issued shares (16 April 2018)	1,261,587[1]	5,670,632	191,443,881	198,376,100
Shareholding (%)	*0.64%*	*2.86%*	*96.51%*	*100.00%*
Following the Proposed Transaction				
Issue of shares under the Proposed Transaction	110,835,752	-	-	110,835,752
Total number of shares on issue following the Proposed Transaction	112,097,339	5,670,632	191,443,881	309,211,852
Shareholding (%)	*36.25%*	*1.83%*	*61.91%*	*100.00%*

Source: BDO analysis

Notes

1. We note that Duncan Saville's holdings in Zeta include both direct and indirect holdings through PML and UIL, respectively. However, we note Duncan Saville's indirect holding through his 7.0% stake in UIL is representative of an economic interest, rather than a relevant interest. Therefore, we have excluded this holding from the share structure of Zeta following the Proposed Transaction.

As a result of the Proposed Transaction, Shareholders' interest in Zeta will be diluted from 96.51% to 61.91%.

5. Profile of Zeta

5.1 History

Zeta is a closed-end investment company, with its ordinary shares listed on the Australian Securities Exchange ('**ASX**') and Australian registered office located in Sydney, New South Wales. Zeta, incorporated in Bermuda, was spun out of UIL Limited ('**UIL**') and is an active, resources focussed holding and development company which invests in a range of resources entities, including those focussed on oil and gas, gold and base metals exploration and production. Zeta has contracted with an external investment manager, ICM, to manage its investments and perform the company secretarial function for the Company.

The Company's current board members and senior management are as follows:

- Mr Peter Sullivan – Non-Executive Chairman;
- Mr Marthinus Botha – Non-Executive Director; and
- Ms Xi Xi– Non-Executive Director.

The Company's holding company is UIL which held 86.4% of the Company's issued share capital at 15 September 2017. UIL is in turn held 62.09% by General Provincial Life Pension Fund Limited. Zeta has four wholly-owned subsidiaries, Kumarina Resources Pty Ltd ('**Kumarina**'), Zeta Energy Pty Ltd ('**Zeta Energy**'), Zeta Investments Limited and Pan Pacific Petroleum NL ('**PPP**').

On 13 June 2017, PPP announced that it had entered into a Scheme Implementation Agreement with the Company under which Zeta or its nominee would acquire all of the issued share capital in PPP that it did not already own by way of a scheme of arrangement under the Act. The scheme of arrangement was successfully implemented on 10 November 2017, under which 11,914,689 new Zeta shares were issued to PPP shareholders.

On 10 August 2017, the Company announced that it proposed to make a partial takeover offer pursuant to New Zealand Takeovers Code to acquire not less than 41.955% of all shares of New Zealand Oil & Gas Limited ('**NZO**') that it did not already hold or control for NZ$0.72 per fully paid share in NZO. On 19 October 2017, Zeta announced that the minimum acceptance condition was not met in relation to the offer, and accordingly the offer lapsed.

5.2 Share portfolio

As at 31 March 2018, the Company had the following portfolio of investments contributing to its gross assets:

Investments	% of Gross Assets
Panoramic Resources Limited	47.22%
Resolute Mining Limited	18.12%
Copper Mountain Mining Corporation	10.54%
Bligh Resources Limited	6.14%
Other	17.98%
Total	**100.00%**

Source: Zeta's portfolio of investments at 31 March 2018

A summary of Zeta's major investments is set out below.

Panoramic Resources Limited

As at 31 March 2018, Zeta's largest holding was in Panoramic Resources Limited ('**Panoramic**') which accounted for approximately 47.22% of Zeta's gross assets. Panoramic is an ASX listed base metal exploration and development company, and is primarily focussed on the development of its Savannah and Lanfranchi nickel assets.

Resolute Mining Limited

As at 31 March 2018, Zeta's interest in Resolute Mining Limited (**'Resolute'**) accounted for approximately 18.12% of the Company's gross assets. Resolute is an ASX listed gold exploration, development and production company with operations in Africa and Australia. Resolute holds the Syama Gold Mine located in Mali, and the Ravenswood Gold Mine located in Queensland, Australia. It also holds the Bibiani Gold Project in Ghana, and has exploration operations in the Cote d'Ivoire.

Copper Mountain Mining Corporation

As at 31 March 2018, Zeta's interest in Copper Mountain Mining Corporation ('**CMMC**') accounted for approximately 10.54% of the Company's gross assets. CMMC is a Canadian based mining company, whose flagship asset is the Copper Mountain mine located in southern British Columbia. CMMC is listed on both the Toronto Stock Exchange and its CHESS Depository Interests listed on the ASX.

CMMC was admitted to the Official List of ASX Limited on 5 April 2018 following its acquisition of Altona Mining.

Bligh Resources Limited

As at 31 March 2018, Zeta's interest in Bligh Resources Limited ('**Bligh**') accounted for approximately 6.14% of the Company's gross assets. Bligh owns the Bundarra Gold Project which lies within the Archean Yilgarn Craton, WA, and is focussed on the exploration and evaluation of gold projects in the Leonora area of WA.

Other

Other investments comprising 17.98% of Zeta's gross assets at 31 March 2018 comprised investments in oil and gas companies (5.92%), another gold company (1.59%), nickel companies (2.88%), another copper company (0.33%), a bauxite company (2.08%), a graphite company (1.40%) and a uranium company (0.22%). Other investments also comprised other assets constituting 3.56% of Zeta's gross assets at 31 March 2018.

5.3 Historical Financial Information

Historical Statement of Financial Position	Reviewed as at 31-Dec-17 US$000s	Audited as at 30-Jun-17 US$000s	Audited as at 30-Jun-16 US$000s
CURRENT ASSETS			
Cash and cash equivalents	216	16	239
Trade and other receivables	-	-	12
Balance due from brokers	-	-	-
TOTAL CURRENT ASSETS	**216**	**16**	**251**
NON-CURRENT ASSETS			
Investments in subsidiaries	4,359	3,181	3,086
Investments	77,877	47,685	49,813
Loans to subsidiaries	14,169	30,027	29,803
TOTAL NON-CURRENT ASSETS	**96,406**	**80,894**	**82,702**
TOTAL ASSETS	**96,622**	**80,910**	**82,953**
CURRENT LIABILITIES			
Trade and other payables	347	260	192
Balance due to brokers	-	-	78
TOTAL CURRENT LIABILITIES	**347**	**260**	**270**
NON-CURRENT LIABILITIES			
Loan from subsidiary	5,338	5,351	3,755
Loan from parent	19,150	22,257	36,165
TOTAL NON-CURRENT LIABILITIES	**24,488**	**27,608**	**39,920**
TOTAL LIABILITIES	**24,835**	**27,868**	**40,190**
NET ASSETS	**71,786**	**53,041**	**42,763**
EQUITY			
Share capital	2	1	1
Share premium	87,031	66,233	66,233
Options	-	17,265	17,265
Accumulated losses	(15,247)	(30,458)	(40,736)
TOTAL EQUITY	**71,786**	**53,041**	**42,763**

Source: Zeta's audited financial statements for the years ended 30 June 2016 and 30 June 2017, and reviewed financial statements for the six months 31 December 2017

Statement of Profit or Loss and other Comprehensive Income	Reviewed for the six months ended 31-Dec-17 US$000s	Audited for the year ended 30-Jun-17 US$000s	Audited for the year ended 30-Jun-16 US$000s
Revenue			
Investment income/(losses)	16,245	14,246	(4,037)
Other income/(losses)	805	(214)	1,438
Expenses			
Directors fees	(75)	(150)	(150)
Interest expense	(1,113)	(2,627)	(3,371)
Management and consulting fees	(466)	(663)	(561)
Operating and administration expenses	(186)	(315)	(293)
Profit(loss) before income tax	**15,211**	**10,278**	**(6,974)**
Income tax	-	-	-
Total comprehensive profit/(loss) for the period	**15,211**	**10,278**	**(6,974)**

Source: Zeta's audited financial statements for the years ended 30 June 2016 and 30 June 2017, and reviewed financial statements for the six months ended 31 December 2017

Commentary on Historical Financial Information

We note the following in relation to Zeta's Historical Financial Information:

- Investments in subsidiaries of US$4.4 million at 31 December 2017 largely related to Zeta's US$3.2 million investment in Kumarina, the Company's wholly owned subsidiary, in addition to an investment in PPP valued at US$1.1 million. We note investments in subsidiaries are held as part of Zeta's investment portfolio and consequently, in accordance with IFRS 10 are not consolidated but rather shown at fair value through profit and loss. At 31 December 2017, the directors' fair valuation of Kumarina was still considered to be its 2013 cost value as there had been no significant changes in the entity and its prospects.
- Investments totalling US$77.9 million at 31 December 2017 predominantly comprised investments in listed companies, Bligh Resources Limited, Oilex Limited, Panoramic, Altona Mining Limited, Resolute, GME and other investments. Listed investments held by subsidiaries of Zeta also included 27,831,122 shares in NZO.
- Loans to subsidiaries totalling US$14.2 million at 31 December 2017 comprised a loan to Zeta Energy of US$13.8 million and a loan to Kumarina of US$0.3 million.
  - The loan to Zeta Energy was utilised for the purchase of listed investments, and at each reporting date the loan is assessed for impairment by the directors based on the market value of the listed investments held by Zeta Energy. During the period ended 31 December 2017, an increase in the prices of shares still held by Zeta Energy caused the loan to Zeta Energy to be impaired through profit and loss to the fair value of the company as determined by the directors. Over the period ended 31 December 2017, the impairment was reduced by an amount of US$12.5 million, from US$16.7 million at 30 June 2017 to US$4.2 million at 31 December 2017.
  - 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 31 December 2018.
- Loan from subsidiary of US$5.4 million at 31 December 2017 related to a loan from Zeta Energy. There are no fixed repayment terms except that no repayment is due before 31 December 2018. Zeta Energy has in turn borrowed these funds from Leveraged Equities Finance Limited and Bell Potter Capital Limited Australia on the same interest and repayment terms. In order to secure the loans, Zeta has pledged 11 million shares in Resolute and 6.67 million shares in Panoramic.
- Loan from parent of US$19.2 million at 30 June 2017 represented a loan from UIL. The loan is denominated in Australian dollars, carries interest at 7.5% per annum and no repayment is due before 31 December 2018.
- Investment income for the six months ended 31 December 2017 of US$16.3 million largely comprised the reduction in the impairment of the loan to Zeta Energy at fair value through profit or loss of US$12.5 million, as well as unrealised fair value gains on financial assets of US$3.4 million.
- On 10 April 2013, Zeta entered into an investment manager agreement with ICM. 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 also payable at year end. The fees payable to ICM are recorded as management and consulting fees.

5.4 Capital Structure

The share structure of Zeta as at 16 April 2018 is outlined below:

	Number
Total ordinary shares on issue	198,376,129
Top 20 shareholders	187,352,554
Top 20 shareholders - % of shares on issue	94.44%

Source: Zeta's share registry

The range of shares held in Zeta as at 16 April 2018 is as follows:

Range of Shares Held	Number of Ordinary Shareholders	Number of Ordinary Shares	Percentage of Issued Shares (%)
1 - 1,000	18	3,383	0.00%
1,001 - 5,000	1,077	2,937,210	1.48%
5,001 - 10,000	190	1,482,700	0.75%
10,001 - 100,000	208	5,542,861	2.79%
100,001 - and over	29	188,409,975	94.98%
TOTAL	**1,522**	**198,376,129**	**100.00%**

Source: Zeta's share registry

The ordinary shares held by the most significant shareholders as at 16 April 2018 are detailed below:

Name	Number of Ordinary Shares Held	Percentage of Issued Shares (%)
J P Morgan Nom Aust Ltd	172,181,358	86.80%
HSBC Custody Nom Aust Ltd	8,623,385	4.35%
Sullivan James Noel	1,308,595	0.66%
Hardrock Cap PL	625,000	0.32%
Subtotal	182,738,338	92.12%
Others	15,637,791	7.88%
Total ordinary shares on Issue	**198,376,129**	**100.00%**

Source: Zeta's share registry

6. Profile of Axelrock

6.1 History

Axelrock was incorporated in Bermuda in 2013 and is an investment holding company headquartered in Hamilton, Bermuda. Axelrock has three investment positions, these being GME, AMC and Seacrest. A summary of each of these entities is set out below.

GME

GME is an ASX listed emerging Australian nickel company which owns 100% of the NiWest Nickel-Cobalt project in the North Eastern Goldfields of Western Australia. In addition, GME and its subsidiary Golden Cliffs NL own a number of prospective gold projects in the Leonora-Laverton region. As at the date of our Report, Axelrock held an interest in GME of 34%.

AMC

AMC is an unlisted company with a 90% ownership of the Koumbia Bauxite Project located in Guinea. To date, AMC has spent in excess of US$40 million on exploration and resource delineation, feasibility studies and environmental and social impact studies. The company has also been granted a Mining Concession by Presidential Decree from the Government of Guinea and has an agreed Mining Convention for the development and operation of the mine. As at the date of our Report, Axelrock held a 27% interest in AMC.

As publicised in August 2017, AMC secured a total of approximately US$40 million in equity funding from AMED Limited (‘**AMED**’) and Resource Capital Funds (‘**RCF**’) to fund construction of AMC’s Koumbia Bauxite Project.

Seacrest

Seacrest is an unlisted, international private equity manager that invests in the global offshore oil and gas exploration and production industry. Seacrest was established in 2010 and is focussed on building and growing upstream energy businesses that focus on exploration, appraisal, development and production in offshore basins around the world. As at the date of our Report, Axelrock held an interest in Seacrest of approximately 16%.

6.2 Historical Financial Information

We have been provided with management accounts of Axelrock as at 31 March 2018, as set out below.

Historical Statement of Financial Position	Mgmt accts as at 31-Mar-18 US$000s
NON-CURRENT ASSETS	
Investments - listed	9,546
Investments - unlisted	21,914
TOTAL NON-CURRENT ASSETS	**31,460**
TOTAL ASSETS	**31,460**
NON-CURRENT LIABILITIES	
Group loan accounts - PIL	31,485
TOTAL NON-CURRENT LIABILITIES	**31,485**
TOTAL LIABILITIES	**31,485**
NET ASSETS	**(25)**
EQUITY	
Share capital	-
Retained earnings	(25)
TOTAL EQUITY	**(25)**

Source: Information provided by management

We have not undertaken a review of Axelrock's unaudited management accounts in accordance with Australian Auditing and Assurance Standard 2405 'Review of Historical Financial Information' and do not express an opinion on this financial information. However, nothing has come to our attention as a result of our procedures that would suggest the financial information within the management accounts has not been prepared on a reasonable basis.

We note the following in relation to Axelrock's statement of financial position at 31 March 2018:

- Investments – listed related to Axelrock's investment in GME.
- Investments – unlisted related to contributions and carried interest in relation to Axelrock's investment in Seacrest, as well as Axelrock's investment in AMC.
- Group loan accounts - PIL amounting to US$31.5 million at 31 March 2018 represented a related party loan from Permanent Investment Limited ('**PIL**'), an investment company controlled by Duncan Saville. The related party loan arose when the investment holdings were transferred into Axelrock. We note this loan will be forgiven by PIL before completion of the Proposed Transaction, which has been confirmed by Axelrock.

Based on the procedures performed, we consider that we have reasonable grounds to rely on the financial information provided by Axelrock in our valuation.

7. Economic analysis

7.1 Global

Conditions in the global economy improved over 2017, with available information suggesting this strength has continued into 2018. The major advanced economies have continued to grow at an above-trend rate, and unemployment rates are generally low.

In China, gross domestic product ('**GDP**') growth remained robust in 2017, supported by fiscal spending and continued rapid growth in aggregate financing. China's National Bureau of Statistics reported China's GDP rising 6.8% from a year earlier in the first quarter of 2018, holding steady from the 6.8% growth in the fourth quarter of 2017.

According to the United States' Bureau of Economic Analysis, more recent preliminary estimates indicate the United States' output increased at an annual rate of 2.9% in the final quarter of 2017. This is reflective of positive contributions from personal consumption expenditures, non-residential fixed investment, exports, and residential fixed investment, amongst other influencing factors.

Long-term bond yields have risen over the past number of months, however still remain low. Volatility in equity markets has increased on the back of factors such as looming fears of potential trade wars and geopolitical events, inflation concerns and overall investor uncertainty.

7.2 Australia

Domestic growth

The Australian economy expanded by 0.4% in the December 2017 quarter, lower than what was initially anticipated. This represented the weakest growth rate since a contraction in the 2016 September quarter, largely due to downwards effect of non-dwelling construction and net trade more than offsetting the positive contributions such as final consumption expenditure. However, the economy is expected to strengthen over the coming years, and according to the Reserve Bank of Australia ('**RBA**'), growth is expected to average a little over 3% per annum over the next number of years.

Inflation in the country remains below the RBA's target of 2% to 3%, with headline inflation of 1.9% recorded over the year ended 31 December 2017. Inflation is likely to remain low for some time, due to factors such as low growth in labour costs and strong competition in retailing. However, a gradual pick-up of inflation is expected as the economy strengthens.

Currency movements

On a trade-weighted basis, the Australian dollar has remained within a relatively narrow range for the past number of years. An appreciating exchange rate would be expected to hinder domestic growth and inflation compared to what is currently forecast.

Outlook

The outlook for the Australian economy based on the RBA's February Statement on Monetary Policy is little changed from that of the November Statement on Monetary Policy. Low levels of interest rates are continuing to support the Australian economy, and gradual changes in reducing unemployment and inflation returning to target are expected.

According to the RBA, it will be some time before the economy reaches current estimates of full employment and inflation returns to the 2.5% midpoint of the target. As mentioned above, growth is forecast by the RBA to average approximately 3% over the next few years.

Source: www.rba.gov.au *Statement by Philip Lowe, Governor: Monetary Policy Decision 3 April 2018, Statement on Monetary Policy – February 2018,* World Bank

8. Industry analysis

As an investment company, Zeta holds interests in a number of different resource companies involved in industries such as oil and gas, gold, nickel and others such as bauxite. We note Zeta's largest investments are in companies with nickel and gold operations. In addition, the companies Zeta will acquire under the Proposed Transaction, being GME, AMC and Seacrest hold nickel, bauxite, and oil and gas operations, respectively. Therefore, we have provided an industry analysis on nickel, gold, oil and gas and bauxite as set out below.

8.1 Nickel

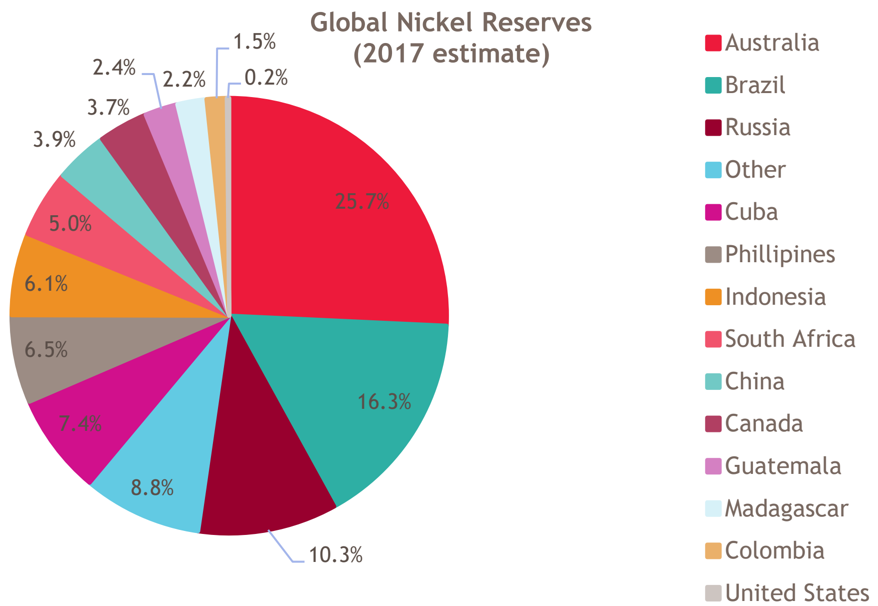
Nickel is a transition element, has both ferrous and non-ferrous properties, and is both siderophile (i.e. associates with iron) and chalcophile (i.e. associates with sulphur). The majority of the nickel mined originates from two types of ore deposits being laterites and magmatic sulphide deposits.

Nickel is primarily sold for first use as a refined metal, or ferronickel. According to the United States Geological Survey ('**USGS**'), approximately 48% of the primary nickel consumed in 2017 went into stainless and alloy steel products, 40% went into nonferrous alloys and superalloys, 8% into electroplating, and 4% into other uses.

According to IBIS World, nickel output in Australia is expected to grow over the five years through 2022-23. This will largely come from Glencore plc increasing output through its Minara Resources Pty Ltd subsidiary, and production from BHP Billiton Limited's Nickel West mines projected to increase. A number of other new and mothballed mines may also commence operations if the nickel price moves favourably over the next few years.

As shown in the figure below, Australia accounts for the largest percentage of global nickel ore reserves, followed by Brazil and Russia.

Global Nickel Reserves (2017 estimate)



Source: United States Geological Survey

Nickel prices

The nickel price peaked at US$33,185 per metric tonne (**'Mt'**) on 5 March 2008 before plummeting approximately 73% to US$8,934 per Mt on 5 December 2008 as a result of the global financial crisis. From mid-2009 to mid-2011, the nickel price strengthened along with the overall improvement in the global economy, albeit exhibiting some price drops along the way.

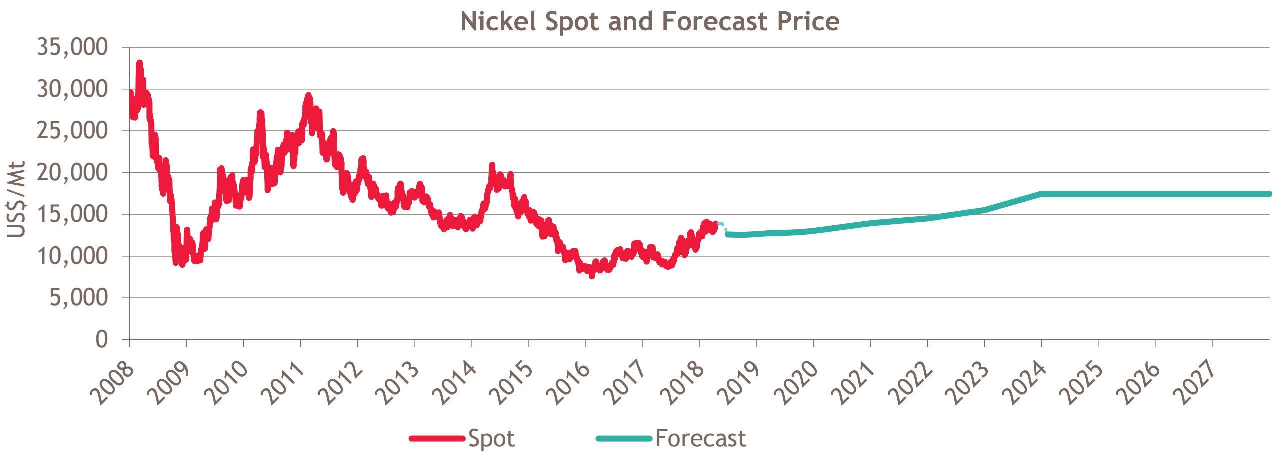
Nickel prices deteriorated over 2013, despite the global economy slowly recovering from the global financial crisis. This was largely a result of increased production of nickel pig iron in China, therefore weakening demand for imported ferronickel. Furthermore, manufacturing cutbacks in Europe and the existence of economic issues were also contributing factors to the price decline. By November 2013, nickel stocks in LME warehouses were at record-high levels. Despite low price levels, a number of mining companies continued to bring on new nickel projects, reflective of positive sentiment surrounding a possible turnaround in the global economy.

During 2015, the price of nickel declined significantly. This decline can be primarily attributed to declining growth rates for global production of stainless steel, in addition to the commissioning of nickel refineries in Canada and Madagascar. The ramp up of nickel production in Brazil and New Caledonia was also a factor which impacted the decline in price over 2015.

Following the price plunge of around 42% over 2015, global mined nickel supply declined by 9.3% through May 2016. According to Bloomberg Intelligence, this decline was mainly due to the approximate 43% decline in Philippines mine output as five mines within the country were closed to enforce environmental standards, and an unforeseen build-up in Chinese nickel inventories.

Nickel lagged the upturn in other base metals in 2017, however has seen an improvement in price performance thus far in 2018. It is expected that stainless and alloy steel products will continue to dominate nickel demand to 2050. A particular focus over the next few years will be nickel used in the electric-vehicles market, given the substantial amount of nickel used in batteries for the sector. According to Bloomberg Intelligence, metals such as nickel used in electrical-vehicle production may gain from China which is the world's top metals buyer and is responsible for the largest global car market plans to phase out the production and sale of fossil-fuel powered vehicles.

A summary of the nickel spot price from 2 January 2008 to 13 April 2018 and Consensus Economics' long-term forecast to December 2027 is set out below.



Source: Bloomberg, Consensus Economics

According to Consensus Economics, nickel prices are forecast to increase in the long term, with a long term nominal price forecast of approximately US$17,460 per Mt.

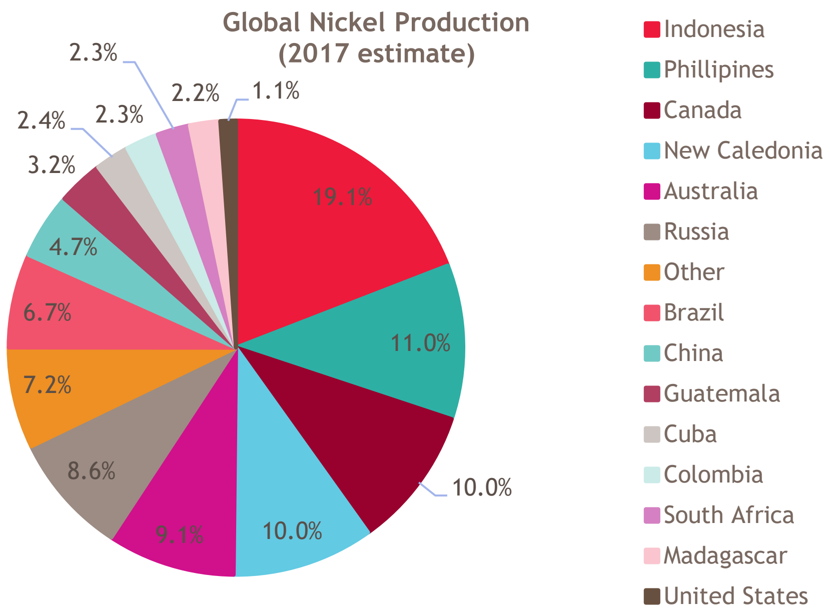
Production and Usage

According to IBIS World, global nickel output is expected to grow over the next five years, with China expected to account for almost half of global nickel consumption by 2022-23. Factors such as government efforts to improve infrastructure such as road and rail networks, and increased spending on consumer durable goods which underpins strengthening demand for steel-intensive products such as televisions, are expected to be significant contributors to the growth in nickel demand over the next five years.

Nickel can be found in two different geological states, being nickel sulphide and nickel laterite. The latter is associated with more complex mining processes and is therefore generally mined at newer mining sites. According to Geoscience Australia, approximately 80% of Australia's nickel production is derived from komatiite deposits in the Yilgarn Craton of Western Australia.

According to the USGS 2017 estimate, total global production for nickel increased from 2.09 million tonnes in 2016 to approximately 2.10 million expected tonnes in 2017. As such, global production was essentially unchanged in 2017. Decreases in production were most prominent in leading producing companies including Australia, Brazil, Canada and the Philippines. The largest decrease in production took place in the Philippines, due to the continued suspension of as many as one-half of the country's mining operations for failing to meet environmental standards. These decreases were slightly outweighed by increased production in Indonesia, due to the easing of export bans on direct-shipping ore for companies intending to construct nickel-processing facilities.

The estimated global nickel production by country for 2017 is reflected in the figure below.



Source: USGS

8.2 Gold

Gold is a soft malleable metal which is highly desirable due to its rarity and unique mineral properties. Gold has been used in jewellery and as a form of currency for thousands of years, however in more recent history there has been increasing demand for its use in the manufacture of electronics, dentistry, medicine and aerospace technology.

In addition to its practical applications, gold also serves as an international store of monetary value. Gold is widely regarded as a monetary asset as it is considered less volatile than world currencies and therefore provides a safe haven investment during periods of economic uncertainty.

Once mined, gold continues to exist indefinitely and is often melted down and recycled to produce alternative or replacement products. Consequently, demand for gold is supported by both gold ore mining and gold recycling. A summary of the supply of gold for the eight years to 2017 is provided in the table below:

Gold supply (tonnes)	2010	2011	2012	2013	2014	2015	2016	2017
Mine production	2,744	2,846	2,911	3,073	3,150	3,223	3,263	3,269
Net producer hedging	(109)	23	(45)	(28)	105	13	33	(30)
Recycled gold	1,683	1,668	1,691	1,263	1,189	1,120	1,295	1,160
Total supply	**4,318**	**4,537**	**4,557**	**4,308**	**4,444**	**4,356**	**4,591**	**4,399**

Source: World Gold Council

The gold ore mining industry has performed steadily in recent years, with growth driven by price increases and gold's status as a counter cyclical commodity. In Australia, gold ore mining is a well-established industry and has undergone robust growth over the past decade.

Key external drivers

Global gold prices have a significant impact on the revenue generated by industry operators. When gold prices are low, gold miners are less likely to commit to projects with lower gold grades and higher production costs. Ultimately, a decline in gold prices reduces the viability of new and existing projects, which hinders industry growth and conversely, higher gold prices encourage operators to re-examine techniques used to access lower grade ore.

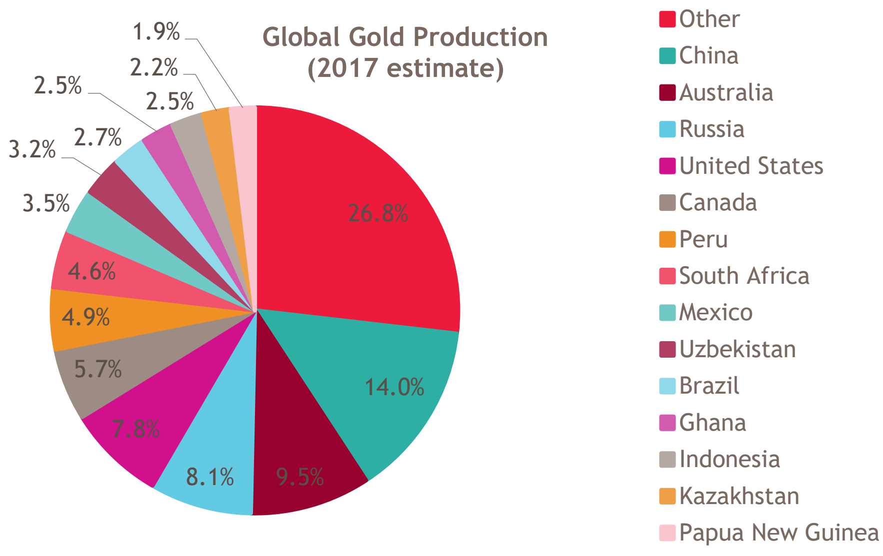
The global gold price is denominated in US dollars. Therefore, the exchange rate directly affects the returns received by local industry operators. A weaker domestic currency benefits the local industry by reducing prices in export markets and providing opportunities for expansion.

Global demand for gold is also influenced by global economic performance, which is inversely related due to the counter cyclical nature of gold. Stronger global GDP growth can therefore negatively impact gold demand and the gold industry. According to IBIS World, global economic performance is expected to strongly improve, which may place downward pressure on demand for gold.

Gold ore mining trends

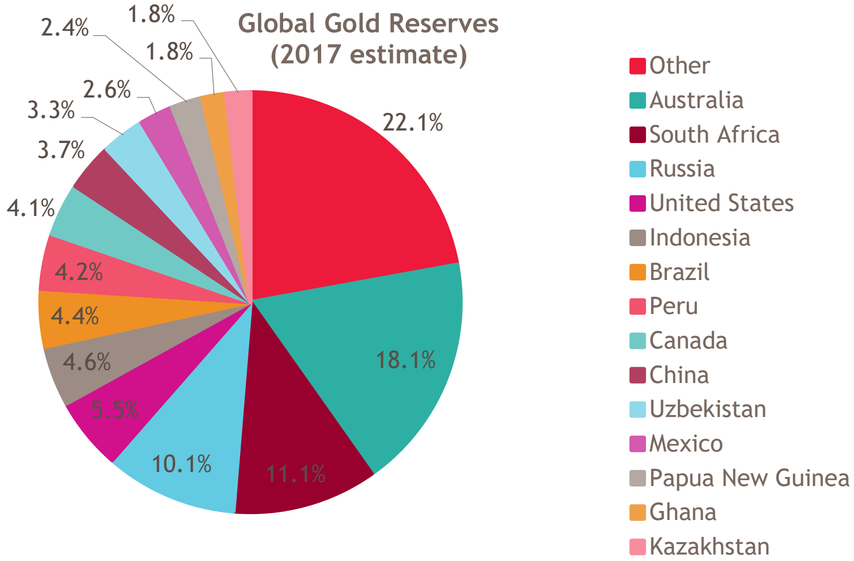
Gold ore mining is a capital intensive and high cost process, which is becoming increasingly difficult and more expensive as the quality of ore diminishes. The industry also incurs many indirect costs related to exploration, royalties, overheads, marketing and native title law. Typically, many of these costs are fixed in the short term as a result of industry operators' inability to significantly alter cost structures once a mine commences operation.

Until the late 1980s, South Africa produced approximately half of the total gold ore mined globally. More recently however, the industry has diversified geographically, with China and Australia dominating global gold production. According to the USGS, total estimated global gold ore mined for 2017 was approximately 3,150 Mt. The chart below illustrates the estimated global gold production by country for the USGS 2017 estimate.



Source: USGS

Despite China and Australia accounting for approximately 24% of global gold production, Australia and South Africa are endowed with the largest known gold mine reserves globally. As depicted below, Australia and South Africa collectively account for approximately 29% of global gold reserves.



Source: USGS

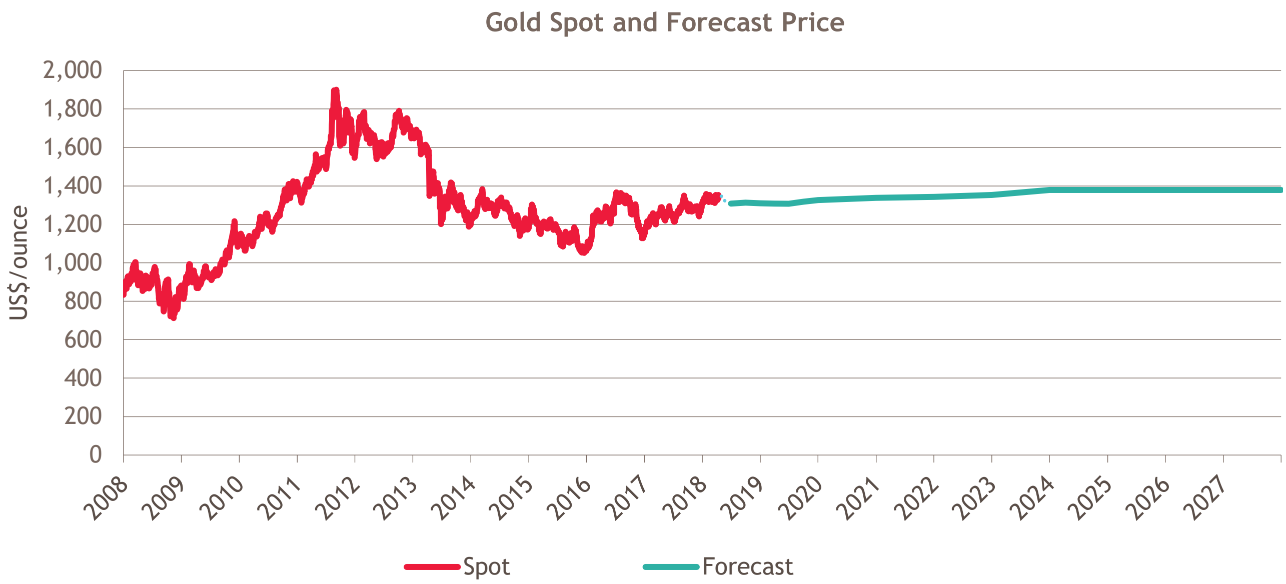
Gold prices

The price of gold peaked at US$1,900 per ounce on 5 September 2011, due largely to the debt market crisis in Europe and the Standard and Poor's downgrade of the US credit rating. Global stock markets subsequently went into turmoil, which saw a flood of investors flock towards safer havens such as gold.

The price of gold fluctuated around US$1,700 per ounce during 2012 before entering a steep decline in 2013. The downturn represented the beginning of a correction in the price of gold, which had almost tripled in the two-year period prior to the European crisis in 2011. Improved market sentiment and increased risk appetite from investors saw gold prices continue to decline throughout 2014 and 2015 to US$1,051 per ounce in December 2015. During 2016, gold prices strengthened, likely as a result of heightened uncertainty surrounding the US Presidential election and the United Kingdom's exit from the European Union. The price of gold reached US$1,363 per ounce in late 2016 before stabilising around US$1,200 per ounce for the first half of 2017.

More recently, factors such as a build-up in inflation expectations and risk aversion caused by volatility in cryptocurrencies have worked to support gold prices.

A summary of the gold spot price from 1 January 2008 to 13 April 2018 and Consensus Economics' long-term forecast to December 2027 is set out below.



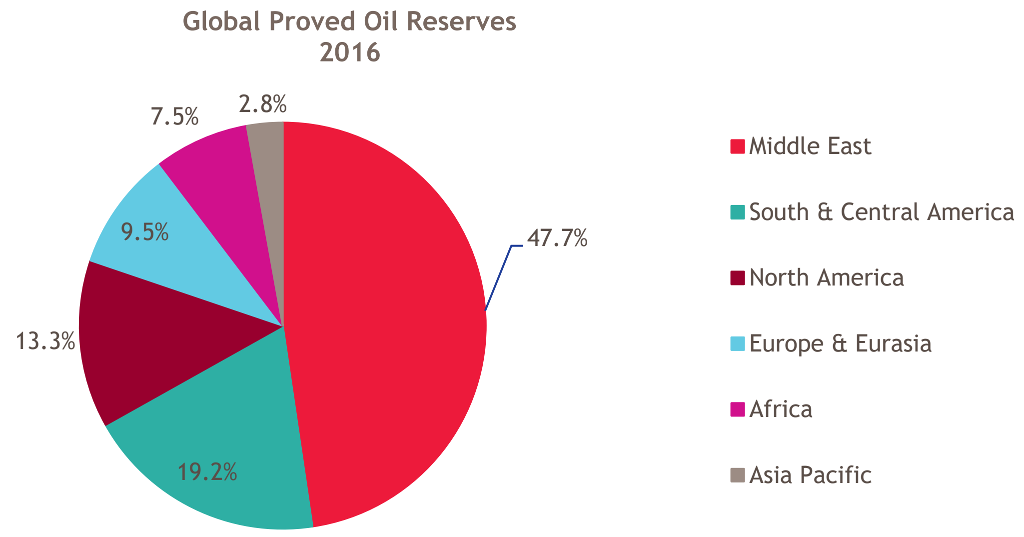
Source: Bloomberg, Consensus Economics and BDO analysis

According to Consensus Economics, gold prices are forecast to increase to a long term nominal price forecast of approximately US$1,379 per ounce.

8.3 Oil and gas

The global oil and gas industry is one of the largest in the world and, as is inherent to large markets, is dominated by large highly integrated companies. The scale of operations by such companies, spanning exploration to marketing, and the requirement for considerable initial investment represent very high barriers to entry.

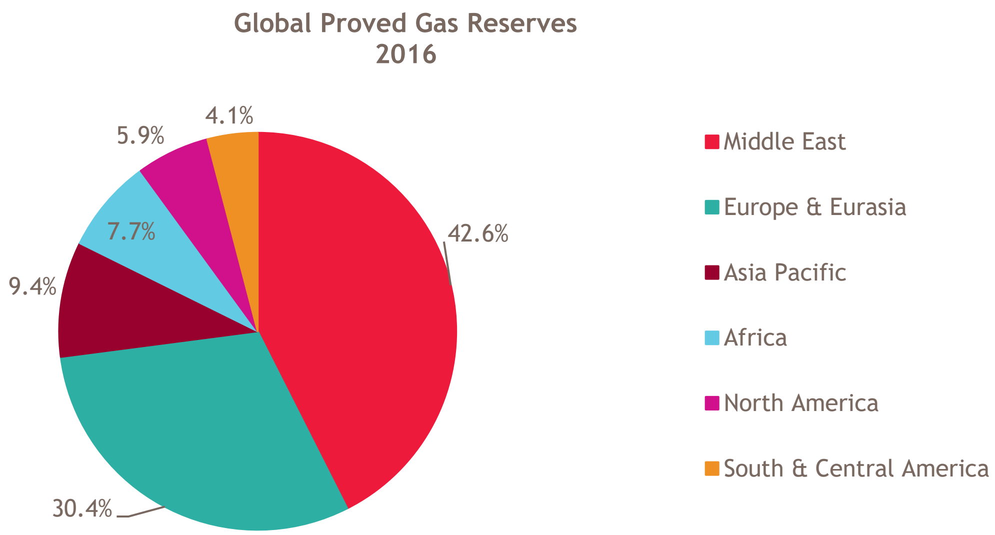
At the end of 2016, total proved global oil reserves stood at approximately 1,707 billion barrels, or approximately 241 billion tonnes. This compares to a reserve of approximately 1,388 billion barrels at the end of 2006, representing 22.98% increase over the decade. The geographic distribution of these reserves is set out in the graph below.



Source: BP Statistical Review of World Energy June 2017, BDO analysis

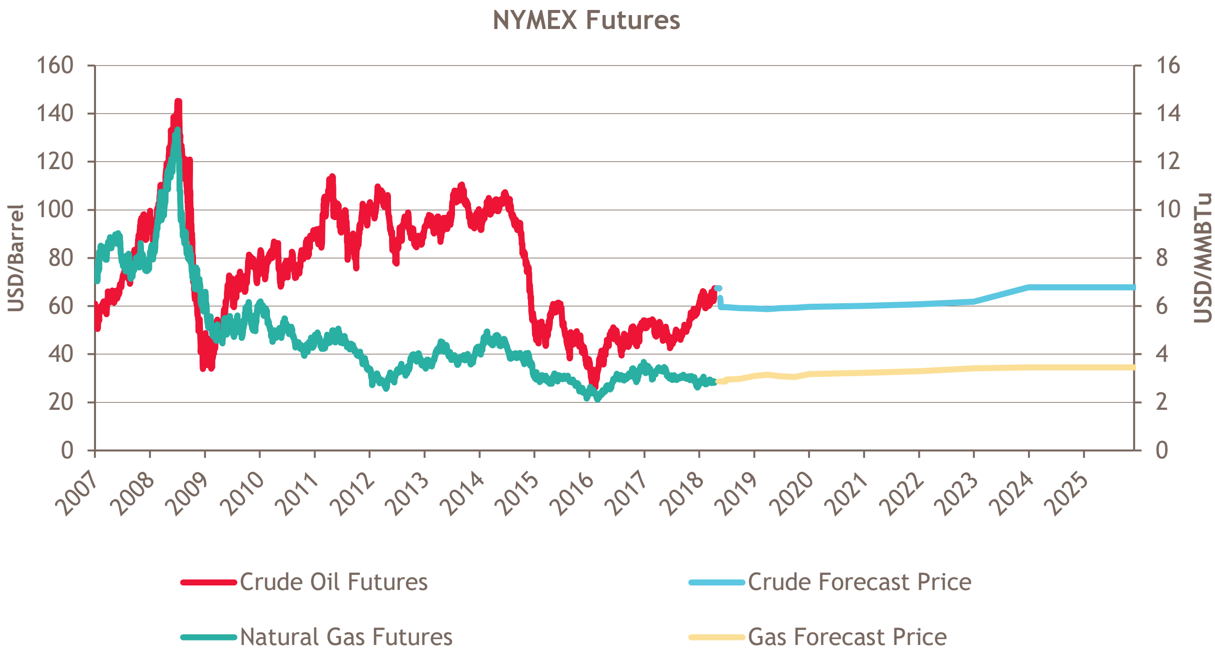
The majority of oil reserves are centred in the Middle East, with South & Central America also accounting for a material proportion. Proven oil reserves have increased considerably in South & Central America, from 110.8 billion barrels at the end of 2006 to 327.9 billion barrels at the end of 2016.

The proved global reserve of natural gas at the end of 2016 was measured at 186.6 trillion cubic metres, which is a 17.95% increase from 158.2 trillion cubic metres at the end of 2006. The Middle East and Europe & Eurasia are the biggest players collectively representing approximately 73% of total proved gas reserves in 2016. Iran is endowed with the largest global proved reserves of natural gas, representing approximately 18.0% of global reserves. This is followed by Russia with 17.3% and Qatar with 13.0%. The geographic distribution of these reserves is set out in the graph below.



Source: BP Statistical Review of World Energy June 2017, BDO analysis

Supply and demand factors are most influential in driving fluctuations in oil and gas prices. For example, meetings held by the Organisation of Petroleum Exporting Countries (**'OPEC'**) to determine short term oil supply are often followed by volatile price movements. The figure below describes the fluctuations in Crude Oil and Natural Gas spot prices from January 2007 through 13 April 2018. It also shows Consensus forecasts for Crude Oil and Natural Gas prices through to December 2027.



Source: Bloomberg, Consensus Economics, BDO analysis

Due to difficulties in ramping up gas supply in the short term, gas prices remained high until 2014. World oil and gas prices decreased significantly in 2014 through to 2016, leading to a significant drop in industry revenue. During the second half of 2017 oil prices increased, primarily due to a rebalancing of supply from OPEC as well as increased tension in the Middle East. OPEC and other major suppliers, such as Russia, came to an agreement in November 2016 to reduce production, in an effort to support oil prices. This rebalance in the supply of oil has aided an oil price recovery, following the oil price collapse in 2014.

More recently, crude oil prices have been increasing, largely supported by concerns surrounding the possibility of Western military action in Syria and reports of declining global oil inventories. Although not a significant oil producer itself, Syria forms part of the wider Middle East which is the world's most important crude exporter. As such, any tension in the region often leads to a high level of uncertainty and concern.

Oil and gas prices are expected to steadily increase in the long run through 2027 with crude oil forecast around approximately US$67.85/barrel and natural gas around approximately per US$3.45/million British thermal units (**'MMBtu'**), both quoted on a nominal basis.

8.4 Bauxite

Bauxite is a naturally occurring material, largely made up of aluminium hydroxide minerals gibbsite, diaspore or boehmite, plus various mixtures of silica, iron oxide, titania, aluminosilicate and other impurities. It is the primary raw material used in the commercial production of alumina and aluminium metal. Bauxite mined in Australia is classified as either high-grade (comprising on average between 49%

and 53% alumina), or low-grade (comprising on average between 27% to 30% alumina) according to Geoscience Australia.

Bauxite is typically strip-mined, and is found mainly near the surface in tropical and sub-tropical areas including Australia, South America, Africa, and the West Indies. The primary industrial means to extract alumina is the Bayer process, in which bauxite is put through a wet chemical caustic leach process. Alumina is then processed into aluminium metal, which is an integral part of building construction, electricity production, industrial production, and transportation infrastructure.

Key external drivers

The most influential external drivers influencing demand for bauxite include alumina production, the world price of aluminium, GDP growth in China, and the USD exchange rate with the Australian dollar.

Alumina production is a major demand determinant for bauxite, which is essentially an aluminium-bearing mineral. Although bauxite mined in Australia is predominantly processed into alumina domestically, a significant proportion is exported for processing in other countries. Consequently, the demand for bauxite is heavily dependent on the demand for alumina-related products.

Aluminium prices have a positive correlation with bauxite prices, thus lower aluminium prices contribute to lower bauxite prices. Bauxite does not have a clearly defined benchmark price like other materials, rather prices are determined through negotiations between individual buyers and sellers and are often inferred from shifts in the prices of aluminium. According to Consensus Economics, the price of aluminium is forecast to soften in the coming years, which may also see the contracted price of bauxite decline.

Chinese GDP growth also has the potential to influence bauxite demand from Australian mines as the majority of Australian bauxite exports are destined for processing in China. As a result, China's growth is an important factor in determining demand for aluminium, which then flows through to demand for alumina and bauxite.

Exchange rate fluctuations have a direct effect on the revenue generated from bauxite exports, as prices are typically negotiated in USD. The price received by the local seller therefore depends not only on the agreed USD price, but also on the exchange rate.

Australia

Australia is the world's largest producer of bauxite, accounting for approximately one third of global output. There are currently six producing Australian bauxite mines located in Boddington (Western Australia), Gove (Northern Territory), Huntly (Western Australia), Willowdale (Western Australia) and Weipa (Queensland). In addition, there are six refineries and a number of exploration and expansion projects underway.

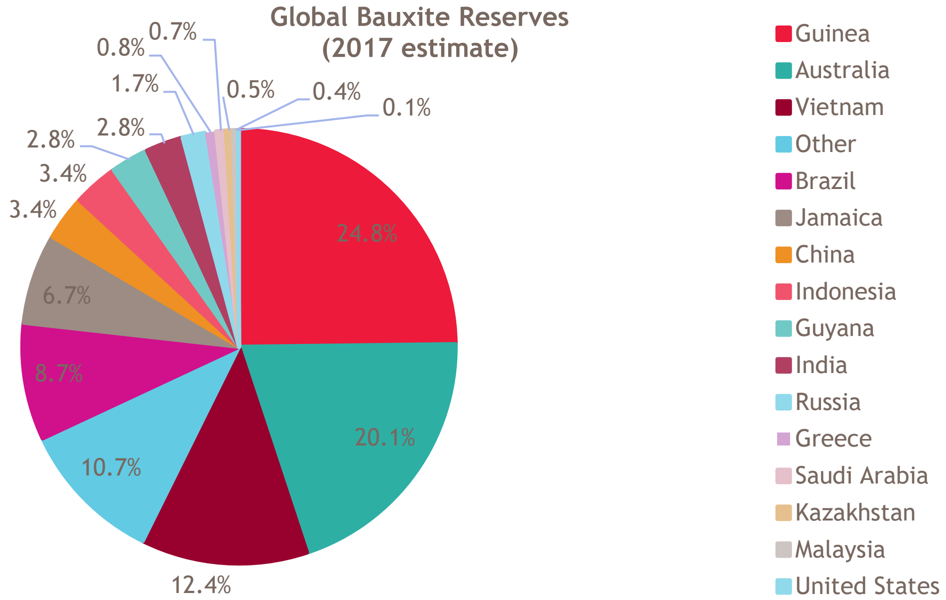
Future industry growth in Australia is likely to be driven by strong export demand, albeit at a slower rate compared to the last five years. China in particular is predicted to account for a substantial portion of growth in world aluminium and therefore bauxite demand, due to ongoing infrastructural investment and manufacturing output. Domestic demand in Australia is also predicted to increase, largely due to expansion at the Yarwun and Worsley alumina refineries, although this is expected to be at a slower rate than global demand.

Global

Globally, a small number of large mines dominate bauxite production, producing approximately 12 to 20 million tonnes per year. These mines include Weipa in Australia, Jiakou in China, Trombetas in Brazil, Kendawangan in Indonesia and Boke in Guinea, which dominate the bauxite export trade.

The USGS estimates that approximately 80% of the world's proven bauxite reserves are located in five countries, being Guinea, Australia, Brazil, Vietnam and Jamaica.

A breakdown of global reserves is illustrated below:



Source: USGS

According to USGS, bauxite resources are estimated to be 55 billion to 75 billion tonnes, in Africa (32%), Oceania (23%), South America and the Carribean (21%), Asia (18%), and others (6%).

Price

There is no single internationally traded price for bauxite as it is often mined and then refined into alumina by the same enterprise and prices are determined by contract. Demand for bauxite is primarily driven by domestic and global demand for alumina and aluminium, which are used in products ranging from aircraft to packaging materials.

According to the Australian Resources and Energy March 2018 quarter report, the average FOB Kamsar Guinea bauxite price is forecast to fall from its current level of US$38 a tonne, largely due to supply from Australia and Guinea. This is in addition to the return of Malaysia to the global bauxite export markets, following its extended bauxite mining ban until the end of June 2018.

Outlook

Over the five years through 2022-23, Australian bauxite production is forecast to increase as global demand for aluminium and alumina continues to grow, underpinned by stable economic growth. To meet export demand, Rio Tinto is expected to finish the construction of its Amrun bauxite project near Weipa, Queensland, in the first half of 2019.

The growth rate in exports is forecasted to be slower compared to previous years as a result of global regulatory changes, particularly in Indonesia and China. The Malaysian Government's decision to extend its bauxite mining ban to the end of June 2018 may create opportunities for Australian bauxite exporters to capitalise on the opportunity to export increased volumes to China.

Success of firms operating in the bauxite mining industry continues to depend largely on low costs, which will play a large part in the future of bauxite operators. Those who take advantage of opportunities to capitalise on economies of scale and reduce costs are likely to benefit over those who do not.

9. Valuation approach adopted

There are a number of methodologies which can be used to value a business or the shares in a company. The principal methodologies which can be used are as follows:

- Capitalisation of future maintainable earnings ('**FME**')
- Discounted cash flow ('**DCF**')
- Quoted market price basis ('**QMP**')
- Net asset value ('**NAV**')

A summary of each of these methodologies is outlined in Appendix 2.

Different methodologies are appropriate in valuing particular companies, based on the individual circumstances of that company and available information.

It is possible for a combination of different methodologies to be used together to determine an overall value where separate assets and liabilities are valued using different methodologies. When such a combination of methodologies is used, it is referred to as 'sum-of-parts' valuation ('**Sum-of-Parts**').

The approach of using the Sum-of-Parts involves separately valuing each asset and liability of the company. The value of each asset may be determined using different methods as described above. The component parts are then valued using the NAV methodology, which involves aggregating the estimated fair market value of the company's individual assets and liabilities.

9.1 Valuation of the Consideration (Asset to be Acquired)

Under the terms of the Proposed Transaction, the asset to be acquired is Axelrock, which holds investments in GME, AMC and Seacrest ('**Asset to be Acquired**').

In our assessment of the value of Axelrock, we have chosen to employ the NAV methodology which estimates the market value of a company by aggregating the assessed realisable value of its identifiable assets and liabilities.

We have chosen this methodology for the following reasons:

- we consider the NAV methodology to be the most appropriate to value Axelrock. This is because its core value lies in the assets it holds, being investments in GME, AMC and Seacrest. These investments are also the primary assets which Zeta is seeking to acquire under the Proposed Transaction;
- Axelrock is a private company, and as such its shares are not listed on any exchange. This means there is an absence of a regulated and observable market where Axelrock's shares can be traded, meaning we are unable to use the QMP methodology for the valuation of Axelrock;

- the FME approach is most commonly applicable to profitable businesses with relatively stable growth histories and forecasts. However, we are unable to use this approach with regards to a share in Axelrock, given that we do not have substantial historical information for Axelrock that would allow us to infer a sustainable level of earnings for Axelrock over the future; and
- pursuant to RG 111, we do not consider that we would have reasonable grounds to rely on forecast cash flows for Axelrock and therefore we do not consider the application of the DCF methodology to be appropriate.

Based on the procedures we have performed; we consider that we have reasonable grounds to rely on the financial information provided by Axelrock in our valuation.

9.2 Valuation of the Financial Benefit to be provided to related party

Under the terms of the Proposed Transaction, the financial benefit comprises up to 110,835,752 new shares in the Proposed Merged Entity ('**Financial Benefit**').

We note that we have considered the Financial Benefit on a post-transaction basis, assuming the Proposed Transaction is approved and Zeta acquires 100% of the issued share capital of Axelrock ('**Proposed Merged Entity**'). We note that this is representative of the value that Zeta Shareholders are giving up, on a diluted basis, and illustrates the maximum impact the Proposed Transaction will have on Shareholders' existing interest in the Company.

We note we have considered the value of the Financial Benefit on a minority basis. This is because Shareholders will remain as minority holders following the Proposed Transaction, and therefore the Financial Benefit given up by Shareholders constitutes minority shares in the Proposed Merged Entity.

In our assessment of the value of the Financial Benefit, we have chosen to employ the following methodologies:

- Sum-of-Parts as our primary methodology, which estimates the market value of a company by separately valuing each asset and liability of the company. The value of each asset may be determined using different methods and the component parts are then aggregated using the NAV methodology; and
- QMP as our secondary methodology, as this represents the value that a Shareholder may receive for a share if it were sold on the market.

We have chosen these methodologies for the following reasons:

- we consider the Sum-of-Parts methodology to be the most appropriate to value the shares in the Proposed Merged Entity. This is because Zeta, a closed-end investment company, derives its value from the investments that it holds. In addition, Axelrock's core value also lies in the investments it holds, being GMC, AMC and Seacrest, and are the assets Zeta is seeking to acquire under the Proposed Transaction. We note the Sum-of-Parts methodology assumes 100% ownership of the Proposed Merged Entity, and is therefore representative of a controlling interest. As such, we have applied a minority discount to the value derived from the Sum-of-Parts methodology;
- we consider the QMP methodology to be relevant as Zeta's shares are listed on the ASX, which means there is a regulated and observable market where Zeta's shares can be traded. However, in order for the QMP methodology to be considered appropriate for the purposes of a valuation, the Company's shares should be liquid and active. Our analysis in section 10.1 indicates that there is an absence of a

liquid and active market for Zeta's shares, therefore the QMP methodology should only be used as a cross check. We note we have considered post-announcement pricing in our QMP analysis (i.e. following the Proposed Transaction), as post-announcement pricing may reflect some perceived benefits of the Proposed Merged Entity, depending on whether the market has confidence that the Proposed Transaction will proceed. We note the QMP represents a minority parcel, and is therefore on a minority interest basis and directly comparable to our Sum-of-Parts value;

- the FME approach is most commonly applicable to profitable businesses with relatively stable growth histories and forecasts. However, we are unable to use this approach with regards to a share in the Proposed Merged Entity given that Zeta's earnings have exhibited a volatile trend due to the nature of being an investment company. Further, we note we do not have substantial historical information for Axelrock that would allow us to infer a sustainable level of earnings for Axelrock over the future. This implies we do not currently have a reasonable basis to assess future maintainable earnings of Zeta and Axelrock at this time; and
- pursuant to RG 111, we do not consider that we would have reasonable grounds to rely on forecast cash flows for either Zeta or Axelrock and therefore we do not consider the application of the DCF methodology to be appropriate.

Based on the procedures we have performed; we consider that we have reasonable grounds to rely on the financial information provided by Zeta and Axelrock in our valuation.

10. Valuation of the Asset to be Acquired

10.1 Net Asset Valuation of Axelrock

Under the terms of the Proposed Transaction, Zeta is seeking to acquire 100% of Axelrock from SIPCL. Therefore, the Asset to be Acquired is Axelrock, which holds investments in GME, AMC and Seacrest.

We have considered the NAV method to value Axelrock, with the value of Axelrock's assets on a going concern basis reflected in our valuation below:

	Note	Mgmt accts as at 31-Mar-18 US$	Low value US$000s	Preferred value US$000s	High value US$000s
NON-CURRENT ASSETS					
Investments - listed	1	9,546	17,599	18,533	19,456
Investments - unlisted	1	21,914	16,167	16,167	16,167
TOTAL NON-CURRENT ASSETS		**31,460**	**33,766**	**34,701**	**35,623**
TOTAL ASSETS		**31,460**	**33,766**	**34,701**	**35,623**
NON-CURRENT LIABILITIES					
Group loan accounts - PIL	2	31,485	-	-	-
TOTAL NON-CURRENT LIABILITIES		**31,485**	**-**	**-**	**-**
TOTAL LIABILITIES		**31,485**	**-**	**-**	**-**
NET ASSETS		**(25)**	**33,766**	**34,701**	**35,623**
AUDUSD exchange rate		0.770	0.770	0.770	0.770
NET ASSETS (A$)		**(32)**	**43,852**	**45,066**	**46,264**

Source: BDO analysis

The table above indicates the net asset value of Axelrock is between $43.85 million and $46.26 million, with a preferred value of $45.07 million.

The following adjustments were made to the net assets of Axelrock as at 31 March 2018 in arriving at our valuation.

Note 1) Valuation of Axelrock's investments

Axelrock's investments comprise holdings in listed and unlisted companies. We consider it appropriate to revalue these investments based on an assessed current market value. The adjustment to investments is set out in the table below.

Investments	31-Mar-18 US$000s	Low value US$000s	Preferred value US$000s	High value US$000s
GME	9,546	17,599	18,533	19,456
AMC	15,086	13,776	13,776	13,776
Seacrest	6,828	2,391	2,391	2,391
Total	**31,460**	**33,766**	**34,701**	**35,623**

Source: Bloomberg, BDO analysis

1. As at the date of our Report, Axelrock holds 157,624,769 shares in GME. The adjusted values for GME are based on a range of the closing price on 12 April 2018 of $0.145 and the 30 day VWAP as at 12 April 2018 of $0.160, converted to USD using the average closing AUDUSD exchange rate over the 30 days ending 12 April 2018 of 0.770.

Share Price per unit	12-Apr-18	10 Days	30 Days	60 Days	90 Days
Closing price	$0.145				
Volume weighted average price (VWAP)		$0.150	$0.160	$0.152	$0.144

Source: Bloomberg, BDO analysis

GME		Low value	Preferred value	High value
Shares held	157,624,769			
Value per share (AUD)		0.1450	0.1527	0.1603
Total investment value (AUD000s)		22,856	24,069	25,267
Total investment value (USD000s)		17,599	18,533	19,456

Source: BDO analysis

2. As at the date of our Report, Axelrock holds 10,204,756 shares in AMC. AMC is a private company with limited publicly available information regarding the operations and financial performance of the business. Without access to financial information for AMC we are unable to value Axelrock's investment in AMC on an income or an asset basis.

   Management have advised the most recent price at which Zeta subscribed for AMC shares was US$1.35 per share in March 2018.

   Therefore, we consider a share price of US$1.35 to be the most appropriate assessment of fair value given the limited information available publicly.

AMC		Low value	Preferred value	High value
Shares held	10,204,756			
Value per share (USD)		1.3500	1.3500	1.3500
Total investment value (USD000s)		13,776	13,776	13,776

Source: BDO analysis

Note that we conducted a sensitivity analysis around the AMC share price and consider a change in the AMC share price of +10% would not materially alter the assessed difference in value between Axelrock and the consideration payable to the vendors of Axelrock, and therefore would not alter our assessed opinion regarding the fairness and reasonableness of the Proposed Transaction.

3. Seacrest is an unlisted company and its sole asset is its holding in Azimuth, a joint venture between Seacrest and PGS (a listed Norwegian seismic data service company). In order to value Axelrock's investment in Seacrest, a valuation of Azimuth is performed based on US Generally Accepted Accounting Principles ('**GAAP**') accounting whereby a discount is applied to each Azimuth subsidiary based on whether the assets are in a mature or frontier basin. The oil price is also taken into account when calculating the fair value of Azimuth. We have updated the value to reflect management's assigned value per share as at 31 March 2018 of US$0.35. Management have advised that the updated value as at 31 March 2018 is in accordance with US GAAP accounting.

Seacrest		Low value	Preferred value	High value
Shares held	6,831,100			
Value per share (USD)		0.3500	0.3500	0.3500
Total investment value (USD000s)		2,391	2,391	2,391

Source: BDO analysis

We note that we conducted a sensitivity analysis around the Seacrest share price and consider a change in the Seacrest share price of +/- 10% would not materially alter the assessed difference in value between Axelrock and the consideration payable to the vendors of Axelrock, and therefore would not alter our assessed opinion regarding the fairness and reasonableness of the Proposed Transaction.

Axelrock has a mid to long term investment horizon and does not expect to be trading its positions on a regular basis. Based on the nature of the business and Axelrock's investment strategy we have not applied a liquidity discount to the value of any of its holdings.

Note 2) Related party loan

Axelrock has advised the related party loan will be forgiven upon completion of the Proposed Transaction and we have been provided with a signed confirmation stating this. Therefore, we consider it appropriate to assign a value of nil to the related party loan.

11. Valuation of the Consideration

The value of a Zeta share following the Proposed Transaction reflects the combined value of the net assets of Zeta and the net assets of Axelrock, calculated over the increased number of shares in Zeta following the Proposed Transaction.

11.1 Sum-of-Parts

We have considered the Sum-of-Parts method to value a share in the Proposed Merged Entity, which entails the net asset values of Zeta and Axelrock on a going concern basis reflected in our valuation below:

	Note	Low value US$000s	Preferred value US$000s	High value US$000s
Value of Zeta prior to the Transaction	11.1.1.	79,531	81,176	82,788
Add: Asset to be Acquired	11.1.2.	33,766	34,701	35,623
Deduct: Costs of the Proposed Transaction	11.1.3.	(54)	(54)	(54)
Value of Proposed Merged Entity		**113,243**	**115,823**	**118,358**
Number of shares outstanding (000s)	11.1.4.	309,212	309,212	309,212
Value per share (US$)		**0.366**	**0.375**	**0.383**
AUDUSD exchange rate	11.1.5.	0.770	0.770	0.770
Value per share (A$)		**0.476**	**0.486**	**0.497**
Minority discount	11.1.6.	20.00%	18.37%	16.67%
Value per share (A$)		**0.380**	**0.397**	**0.414**

Source: BDO analysis

We note that we have relied on management accounts as at 31 March 2018 as a basis for the net asset valuation of Zeta and Axelrock. We have been advised that there has not been a significant change in the net assets of Zeta and Axelrock since 31 March 2018.

The table above indicates that the value of a share in the Proposed Merged Entity following the Proposed Transaction on a minority interest basis is between rounded values of $0.380 and $0.414, with a preferred value of $0.398.

11.1.1. Net asset value of Zeta prior to the Proposed Transaction

We have considered the NAV method to value Zeta prior to the Proposed Transaction, with the value of Zeta's assets on a going concern basis reflected in our valuation below:

	Note	31-Mar-18 US$000s	Low value US$000s	Preferred value US$000s	High value US$000s
NON-CURRENT ASSETS					
Investments	1	108,869	112,411	114,056	115,668
TOTAL NON-CURRENT ASSETS		**108,869**	**112,411**	**114,056**	**115,668**
TOTAL ASSETS		**108,869**	**112,411**	**114,056**	**115,668**
CURRENT LIABILITIES					
Trade and other payables	2	224	224	224	224
Balance due to brokers	2	390	390	390	390
TOTAL CURRENT LIABILITIES		**613**	**613**	**613**	**613**
NON-CURRENT LIABILITIES					
Loans from subsidiaries	2	3,175	3,175	3,175	3,175
Loan from parent	2	24,192	24,192	24,192	24,192
Other loans		4,000	4,000	4,000	4,000
TOTAL NON-CURRENT LIABILITIES		**31,367**	**27,367**	**27,367**	**27,367**
TOTAL LIABILITIES		**31,980**	**27,980**	**27,980**	**27,980**
NET ASSETS		**76,889**	**84,431**	**86,076**	**87,688**
AUDUSD exchange rate		0.77	0.77	0.77	0.77
NET ASSETS (A$'000)		**99,856**	**109,650**	**111,787**	**113,881**

Source: BDO analysis

We have not undertaken a review of Zeta's unaudited accounts in accordance with Australian Auditing and Assurance Standard 2405 'Review of Historical Financial Information' and do not express an opinion on this financial information. However, nothing has come to our attention as a result of our procedures that would suggest the financial information within the management accounts has not been prepared on a reasonable basis.

The table above indicates the net asset value of Zeta is between $109.65 million and $113.88 million, with a preferred value of $117.78 million.

The following adjustments were made to the net assets of Zeta as at 31 March 2018 arriving at our valuation.

Investments	31-Mar-18 US$000s	Low value US$000s	Preferred value US$000s	High value US$000s
Seacrest	5,775	3,733	3,733	3,733
Resolute	19,889	19,795	20,221	20,645
Horizon Gold Limited	1,749	2,453	2,480	2,507
Bligh Resources Limited	6,735	7,306	7,344	7,363
GME	3,157	3,163	3,330	3,496
Panoramic	51,836	53,069	54,004	54,940
Copper Mountain Mining Corporation	11,572	11,572	11,897	11,911
AMC	2,282	2,282	2,282	2,282
Margosa Graphite	1,537	1,540	1,540	1,540
Other	4,336	7,174	7,211	7,238
Total (US$000s)	**108,869**	**112,411**	**114,056**	**115,668**
Exchange rate AUDUSD	0.77	0.77	0.77	0.77
Total (AUD000s)	**141,388**	**145,988**	**148,125**	**150,219**

Source: Bloomberg, BDO analysis

Note 1) Valuation of Zeta's investments

1. As at the date of our Report, Zeta holds 10,665,300 shares in Seacrest. We have adopted the same value assessed in the Axelrock valuation of US$0.35 per share found in Section 10.1 of this Report.

Seacrest		Low value	Preferred value	High value
Shares held	10,665,300			
Value per share (USD)		0.3500	0.3500	0.3500
Total investment value (USD000s)		3,733	3,733	3,733

Source: BDO analysis

2. As at the date of our Report, Zeta holds 20,784,000 shares in Resolute. The adjusted values for Resolute are based on a range of the 30 day VWAP as at 12 April 2018 of $1.237 and the closing price on 12 April 2018 of $1.290, converted to USD using the average closing AUDUSD exchange rate over the 30 days ended 12 April 2018 of 0.77.

Share Price per unit	12-Apr-18	10 Days	30 Days	60 Days	90 Days
Closing price	$1.290				
Volume weighted average price (VWAP)		$1.282	$1.237	$1.169	$1.147

Source: Bloomberg, BDO analysis

Resolute		Low value	Preferred value	High value
Shares held	20,784,000			
Value per share (AUD)		1.2369	1.2635	1.2900
Total investment value (AUD000s)		25,708	26,261	26,811
Total investment value (USD000s)		19,795	20,221	20,645

Source: BDO analysis

3. As at the date of our Report, Zeta holds 15,169,269 shares in Horizon Gold Limited. The adjusted values for Horizon Gold Limited are based on a range of the closing price on 12 April 2018 of $0.210 and the 30 day VWAP as at 12 April 2018 of $0.215, converted to USD using the average closing AUDUSD exchange rate over the 30 days ended 12 April 2018 of 0.77.

Share Price per unit	12-Apr-18	10 Days	30 Days	60 Days	90 Days
Closing price	$0.210				
Volume weighted average price (VWAP)		$0.210	$0.215	$0.215	$0.215

Source: Bloomberg, BDO analysis

Horizon Gold Limited		Low value	Preferred value	High value
Shares held	15,169,269			
Value per share (AUD)		0.2100	0.2123	0.2146
Total investment value (AUD000s)		3,186	3,220	3,255
Total investment value (USD000s)		2,453	2,480	2,507

Source: BDO analysis

4. As at the date of our Report, Zeta holds 245,173,850 shares in Bligh Resources Limited. The adjusted values for Bligh Resources Limited are based on a range of the 30 day VWAP as at 12 April 2018 of $0.0387 and the closing price on 12 April 2018 of $0.0390, converted to USD using the average closing AUDUSD exchange rate over the 30 days ended 12 April 2018 of 0.77.

Share Price per unit	12-Apr-18	10 Days	30 Days	60 Days	90 Days
Closing price	$0.0390				
Volume weighted average price (VWAP)		$0.0390	$0.0387	$0.0365	$0.032

Source: Bloomberg, BDO analysis

Bligh Resources Limited		Low value	Preferred value	High value
Shares held	245,173,850			
Value per share (AUD)		0.0387	0.0389	0.0390
Total investment value (AUD000s)		9,488	9,537	9,562
Total investment value (USD000s)		7,306	7,344	7,363

Source: BDO analysis

5. As at the date of our Report, Zeta holds 28,325,174 shares in GME. We have adopted the same value range assessed in the Axelrock valuation found in Section 10.1 of this Report, the closing price on 12 April 2018 of $0.145 and the 30 day VWAP as at 12 April 2018 of $0.160, converted to USD using the average closing AUDUSD exchange rate over the 30 days ended 12 April 2018 of 0.77.

GME		Low value	Preferred value	High value
Shares held	28,325,174			
Value per share (AUD)		0.1450	0.1527	0.1603
Total investment value (AUD000s)		4,107	4,325	4,541
Total investment value (USD000s)		3,163	3,330	3,496

Source: BDO analysis

6. As at the date of our Report, Zeta holds 148,215,414 shares in Panoramic. The adjusted values for Panoramic are based on a range of the closing price on 12 April 2018 of $0.465 and the 30 day VWAP as at 12 April 2018 of $0.481, converted to USD using the average closing AUDUSD exchange rate over the 30 days ended 12 April 2018 of 0.77.

Share Price per unit	12-Apr-18	10 Days	30 Days	60 Days	90 Days
Closing price	$0.465				
Volume weighted average price (VWAP)		$0.438	$0.481	$0.458	$0.440

Source: Bloomberg, BDO analysis

Panoramic		Low value	Preferred value	High value
Shares held	148,215,414			
Value per share (AUD)		0.4650	0.4732	0.4814
Total investment value (AUD000s)		68,920	70,136	71,351
Total investment value (USD000s)		53,069	54,004	54,940

Source: Bloomberg, BDO analysis

7. As at the date of our Report, Zeta holds 12,531,449 shares in CMMC. The adjusted values are based on a range of the 30 day VWAP as at 12 April 2018 of C$1.217 and the closing price on 12 April 2018 of C$1.220, converted to USD using the average closing CADUSD exchange rate over the 30 days ended 12 April 2018 of 0.77.

Share Price per unit	12-Apr-18	10 Days	30 Days	60 Days	90 Days
Closing price	C$1.220				
Volume weighted average price (VWAP)		C$1.200	C$1.217	C$1.215	C$1.215

Source: Bloomberg, BDO analysis

Copper Mountain Mining Corporation		Low value	Preferred value	High value
Shares held	12,531,449			
Value per share (C$)		1.2171	1.2186	1.2200
Total investment value (C$000s)		15,252	15,271	15,288
Total investment value (USD000s)		11,897	11,911	11,925

Source: Bloomberg, BDO analysis

8. As at the date of our Report, Zeta holds 1,690,620 shares in AMC. We have adopted the same value assessed in the Axelrock valuation of US$1.35 found in Section 10.1 of this Report.

AMC		Low value	Preferred value	High value
Shares held	1,690,620			
Value per share (USD)		1.3500	1.3500	1.3500
Total investment value (USD000s)		2,282	2,282	2,282

Source: BDO analysis

9. Zeta has entered into a subscription agreement to subscribe for 15 million shares in Margosa Graphite Limited (‘**Margosa**’), to be issued over a 12-month period, for a cost of $3 million ($0.20 per share). The first tranche of the subscription was completed on 21 July 2017. Zeta is holding Margosa shares at $0.20, which we consider to be reasonable to adopt as fair market value. We have converted to USD using the average closing AUDUSD exchange rate over the 30 days ended 12 April 2018 of 0.77.

Margosa Graphite		Low value	Preferred value	High value
Shares held	10,000,000			
Value per share (NZD)		0.2000	0.2000	0.2000
Total investment value (NZD000s)		2,000	2,000	2,000
Total investment value (USD000s)		1,540	1,540	1,540

Source: BDO analysis

10. Other investments comprise loans receivable from Kumarina, the Kumarina gold tenements and other small investments. The directors’ fair market valuation of Kumarina is still considered to be its 2013 cost value as there have been no significant changes in the entity or its prospects. We have adopted this valuation of Kumarina and converted to USD using the average closing AUDUSD exchange rate over the 30 days ended 12 April 2018 of 0.77.

Zeta has a mid to long term investment horizon and does not expect to be trading its positions on a regular basis. Based on the nature of the business and Zeta’s investment strategy, we have not applied a liquidity discount to value of any of its holdings.

Note 2) Valuation of other assets and liabilities

Other assets and liabilities of Zeta represent the assets and liabilities that have not been specifically adjusted. From our review of these other assets and liabilities, we do not believe that there is a material difference between their book value and their fair value. Therefore, we have made no adjustment to these balances.

11.1.2. Net asset value of Asset to be Acquired

We have assessed the value of the Asset to be Acquired as the net assets of Axelrock. Our valuation of Axelrock is outlined in section 10.1.

11.1.3. Costs of implementing the Proposed Transaction

We note that costs associated with the implementation of the Proposed Transaction amounted to approximately A$70,000. This consists of both fees for the preparation of this Report and the Notice of Meeting. We have exchanged this at the rate of 0.77 AUDUSD, which equates to approximately US$53,900.

11.1.4. Number of shares outstanding

Under the terms of the Proposed Transaction, Zeta will issue up to 110,835,752 new shares to SIPCL in the Proposed Merged Entity as consideration for the acquisition of Axelrock. As at the date of our Report, Zeta had 198,376,129 shares on issue. Therefore, following the issue of Consideration shares, the Proposed Merged Entity will have 309,211,881 shares on issue.

11.1.5. Control premium

The minority discount is calculated based on the inverse of the control premium, with our assessment of a control premium set out below.

We have reviewed the control premiums, on completed transactions, paid by acquirers of general mining companies listed on the ASX. In assessing the appropriate sample of transactions from which to determine an appropriate control premium, we have excluded transactions where the acquirer obtained a controlling interest (20% and above) at a discount (i.e. less than a 0% premium). We have summarised our findings below.

Year	Number of Control Transactions	Average Deal Value (A$m)	Average Control Premium (%)
2018	2	35.14	79.63
2017	3	20.76	32.90
2016	13	59.54	74.92
2015	9	340.82	57.86
2014	15	118.46	47.88
2013	17	117.99	63.99
2012	18	207.01	52.45
2011	21	811.55	37.42
2010	21	555.11	50.61
2009	20	121.99	50.44
2008	18	631.60	33.19
	Mean	**347.41**	**50.69**
	Median	**44.74**	**39.66**

Source: Bloomberg, BDO analysis

In arriving at an appropriate control premium to apply we note that observed control premiums can vary due to the:

- nature and magnitude of non-operating assets;
- nature and magnitude of discretionary expenses;
- perceived quality of existing management;
- nature and magnitude of business opportunities not currently being exploited;
- ability to integrate the acquiree into the acquirer's business;
- level of pre-announcement speculation of the transaction;
- level of liquidity in the trade of the acquiree's securities.

The table above indicates that the long term average and median control premium paid by acquirers of general mining companies listed on the ASX is approximately 50.69%. This figure is based on the mean of the entire data set comprising control transactions from 2008 onwards. However, in our assessing the sample of transactions included in the table, we noted transactions that appeared to be outliers. These outliers included 16 transactions in which the announced premium was in excess of 100%, with two of those transactions having an announced premium in excess of 200%. In a sample where there are extreme outliers, the median often represents a superior measure of central tendency compared to the mean. We note the median control premium based on completed transactions over the period was 39.66%.

In the case of the Proposed Merged Entity, we have considered the level of liquidity of the Proposed Merged Entity based on post-announcement activity. As we have noted in section 11.2, over the 90 trading days following the announcement of the Proposed Transaction, approximately 0.72% (7.23% free float) of the Company's shares were traded. This indicates that there is an absence of a liquid and active market for the Company's, and therefore effectively the Proposed Merged Entity's, shares. This presents a risk that an investor may not be able to sell a Proposed Merged Entity share on the market when required.

Based on the above analysis, we consider an appropriate premium for control to be between 20% and 25%, with a midpoint of 22.5%. This therefore implies a minority discount in the range of 16.67% and 20.0%, with a midpoint of 18.37%.

11.1.6. AUDUSD exchange rate

We have converted all investments which are denominated in other currencies in section 11.1.1 to USD using the average closing exchange rate over the 30 days ended 12 April 2018. In our Sum-of-Parts valuation, we have converted USD values to AUD using the AUDUSD exchange rate of 0.77.

11.2 Quoted Market Prices for Zeta Securities

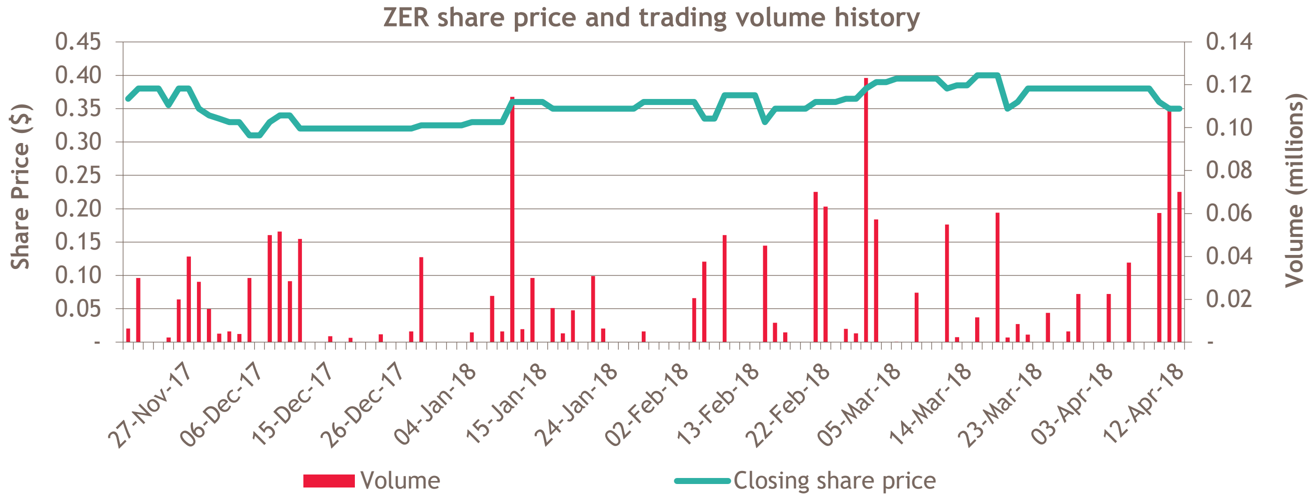
To provide a comparison to the valuation of Zeta in section 11.1 we have also assessed the quoted market price for a Zeta share over the period following the announcement of the Proposed Transaction, as post-announcement pricing may reflect some perceived benefits of the Proposed Merged Entity.

The quoted market value of a company's shares is reflective of a minority interest. A minority interest is an interest in a company that is not significant enough for the holder to have an individual influence in the operations and value of that company.

Minority interest value

Information on the Proposed Transaction was announced to the market on 16 November 2017. We have assessed the quoted market price for a Zeta share following the announcement of the Proposed Transaction, as the value of a Zeta share following the announcement is likely to include the effects of any change in value as a result of the Proposed Transaction. Effectively, the post-announcement pricing therefore reflects that of the Proposed Merged Entity.

Therefore, the following chart provides a summary of the share price movement over the period 17 November to 12 April 2018.



Source: Bloomberg

The daily closing price of Zeta shares from 17 November 2017 to 12 April 2018 has ranged from a low of $0.31 on 5 December 2017 to a high of $0.40 on 15 March 2018. Over the assessed period, the share price trended downwards, closing at a low of $0.31 on 5 December 2017 before slightly recovering and reaching a high of $0.40 on 15 March 2018. The highest single date of trading over the assessed period was on 28 February 2018 where 123,172 shares were traded.

During the period from 17 November 2017 to 12 April 2018, two price sensitive announcements were made to the market. These announcements are set out below:

Date	Announcement	Closing Share Price Following Announcement $ (movement)			Closing Share Price Three Days After Announcement $ (movement)		
09/02/2018	31 December 2017 Half Yearly Report and Accounts	0.370	►	0.0%	0.330	▼	10.8%
24/01/2018	December 2017 Quarterly Activities Report	0.350	►	0.0%	0.360	▲	2.9%

Source: Bloomberg, BDO analysis

On 9 February 2018, the Company released its interim financial report for the six months ended 31 December 2017. On the date of the announcement, the share price remained unchanged. However, the share price increased by 2.9% over the subsequent three trading days to close at $0.360. No other announcements were released by Zeta over the subsequent three trading days.

On 24 January 2018, the Company released its quarterly report for the quarter ended 31 December 2017. The report provided an update on the Ilgarari Copper Project and the Murrin Murrin Gold Project. On the date of the announcement, the share price remained unchanged. However, over the subsequent three trading days, the share price decreased by 10.8% to close at $0.330. No other announcements were released by Zeta over the subsequent three trading days.

To provide further analysis of the market prices for a Zeta share, we have considered the weighted average market price for 10, 30, 60 and 90 trading day periods to 12 April 2018. We note this effectively represents the market price for a share in the Proposed Merged Entity.

Share Price per unit	12-Apr-18	10 Days	30 Days	60 Days	90 Days
Closing price	$0.350				
Volume weighted average price (VWAP)		$0.362	$0.374	$0.370	$0.361

Source: Bloomberg, BDO analysis

An analysis of the volume of trading in Zeta shares for the 90 trading days to 12 April 2018 is set out below.

Trading days	Share price low	Share price high	Cumulative volume traded	As a % of Issued capital
1 Day	$0.350	$0.360	70,000	0.04%
10 Days	$0.350	$0.380	298,230	0.15%
30 Days	$0.350	$0.425	505,572	0.25%
60 Days	$0.330	$0.425	1,038,346	0.52%
90 Days	$0.320	$0.425	1,436,051	0.72%

Source: Bloomberg, BDO analysis

This table indicates that Zeta's shares display a low level of liquidity, with 0.72% of the Company's current issued capital being traded in a 90-day period. RG 111.69 states that for the quoted market price methodology to be an appropriate methodology there needs to be a 'liquid and active' market in the shares and allowing for the fact that the quoted price may not reflect their value should 100% of the securities not be available for sale.

We have also conducted analysis of the volume of trading in Zeta shares for the 90 trading days to 12 April 2018, excluding the major shareholders, UIL and Peter Sullivan, who make up approximately 90% of total Zeta shareholding. We consider this to provide trading analysis of 'free float' shares outstanding. Our analysis is set out below:

Trading days	Share price low	Share price high	Cumulative volume traded	As a % of Issued capital
1 Day	$0.350	$0.360	70,000	0.35%
10 Days	$0.350	$0.380	298,230	1.50%
30 Days	$0.350	$0.425	505,572	2.55%
60 Days	$0.330	$0.425	1,038,346	5.23%
90 Days	$0.320	$0.425	1,436,051	7.23%

Source: Bloomberg, BDO analysis

This table indicates that Zeta's shares display a low level of liquidity, with 7.23% of the Company's current free float issued capital being traded in a 90-day period.

We consider the following characteristics to be representative of a liquid and active market:

- regular trading in a company's securities;
- approximately 1% of a company's securities are traded on a weekly basis;
- the spread of a company's shares must not be so great that a single minority trade can significantly affect the market capitalisation of a company; and
- there are no significant but unexplained movements in share price.

A company's shares should meet all of the above criteria to be considered 'liquid and active', however, failure of a company's securities to exhibit all of the above characteristics does not necessarily mean that the value of its shares cannot be considered relevant.

In the case of Zeta, there is an absence of a liquid and active market due to 0.72% of the Company's issued capital being traded on the ASX over a 90-day period, and 7.23% of the Company's free float issued capital being traded on the ASX over a 90-day period. Additionally, we note that there are a number of significant unexplained price movements and fluctuations in trade volumes. This further supports that there is an absence of a liquid and active market for Zeta's shares.

Our assessment is that a range of values for Zeta shares based on market pricing, is between $0.350 and $0.374.

Quoted market price

Set out below is the assessed quoted market price value on a minority interest basis:

	Low A$	Midpoint A$	High A$
Quoted market price value	0.350	0.362	0.374

Source: BDO analysis

Therefore, our valuation of a share in the Proposed Merged Entity based on the quoted market price method is between $0.350 and $0.374 with a midpoint of $0.362.

11.3 Assessment of Proposed Merged Entity Value

The results of the valuations performed are summarised in the table below:

	Low A$	Preferred A$	High A$
Sum-of-Parts (section 11.1)	0.380	0.397	0.414
Quoted market price (section 11.2)	0.350	0.362	0.374

Source: BDO analysis

We note the valuation range for a share in the Proposed Merged Entity share on a minority interest basis derived from our Sum-of-Parts valuation is greater than the valuation range derived from our QMP analysis. The difference between our Sum-of-Parts and QMP valuation may be explained by the following:

- we note that an investment company, Zeta's lies in the market value of its underlying investments, which can be sold and the value distributed to shareholders in an orderly manner. Therefore, our sum-or-parts valuation gives an accurate reflection of the underlying value of Zeta's assets.
- under RG 111.69, the QMP methodology is considered appropriate when a liquid and active market exists for a company's securities. From our analysis of the QMP of the Proposed Merged Entity, based on post-announcement pricing, we note that only 0.18% (1.83% of free float) of the Company's shares were traded over the 90 trading days following the announcement of the Proposed Transaction. Hence, the QMP methodology is unlikely to reflect the true value of a share in the Proposed Merged Entity;
- we note some of the investments held by Zeta display a low level of liquidity for their shares. Therefore, the QMP value for a share in the Proposed Merged Entity may reflect an inherent

'liquidity discount' priced in by market participants which reflects a level of illiquidity specific to some investments, whereas in our Sum-of-Parts valuation we have valued each of Zeta's investments without any illiquidity discount given Zeta's mid to long term investment strategy; and

- we note Peter Sullivan and UIL, as major shareholders of Zeta, collectively hold approximately 91% of the issued share capital in Zeta. Therefore, the QMP value for a share in the Proposed Merged Entity may reflect an inherent 'liquidity discount' priced in by market participants due to a low level of 'free float' of Zeta shares. This is likely to reflect the difficulty of buying and selling a share in the Proposed Merged Entity.

Based on the results above we consider the value of a share in the Proposed Merged Entity to be between $0.380 and $0.414 with a preferred value of $0.397.

Given that SIPCL will receive up to 110,835,752 Proposed Merged Entity shares as consideration for the sale of its 100% holding in Axelrock, we consider the Financial Benefit to be in the range of $42.12 million and $45.89 million, with a preferred value of $44.00 million as set out below.

	Note	Low value A$	Preferred value A$	High value A$
Value per share (A$)	11.1.1	0.380	0.397	0.414
Number of shares issued to Somers	11.1.4	110,835,752	110,835,752	110,835,752
Total value of the Financial Benefit		**42,117,586**	**44,001,794**	**45,886,001**

Source: BDO analysis

12. Is the Proposed Transaction fair?

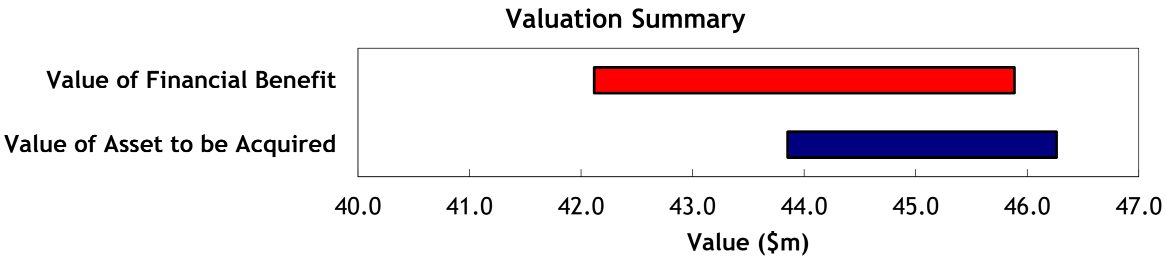
According to RG 111.57, a related party transaction is fair under Listing Rule 10.1 if the value of the Financial Benefit is equal to or less than the Asset to be Acquired. Further, a related party transaction is not fair if the value of the Financial Benefit is greater than the Asset to be Acquired.

The value of the Financial Benefit and the Asset to be Acquired is compared below:

	Ref	Low A$000s	Preferred A$000s	High A$000s
Value of the Financial Benefit	11.3	42,118	44,002	45,886
Value of the Asset to be Acquired	10.1	43,852	45,066	46,264

Source: BDO analysis

The above valuation ranges are graphically presented below:



Source: BDO analysis

We note from the table above that the value of the Financial Benefit is less than the Asset to be Acquired. Therefore, we consider that the Proposed Transaction is fair for Shareholders.

13. Is the Proposed Transaction reasonable?

13.1 Advantages of Approving the Proposed Transaction

We have considered the following advantages when assessing whether the Proposed Transaction is reasonable.

13.1.1. The Proposed Transaction is fair

As set out in section 12, the Proposed Transaction is fair, therefore it is reasonable.

13.1.2. The Proposed Transaction will strengthen Zeta's balance sheet

If the Proposed Transaction is approved, Zeta will strengthen its balance sheet through the acquisition of additional investments in GME, AMC and Seacrest. On a net asset basis, Zeta will increase in size and scale by approximately 50%. This increase in size and scale is important for investment companies, such as Zeta, as it can attract additional investors and analyst coverage and permit diversification which may increase public awareness of Zeta's operations. Potential investor and analyst awareness will aid to increase liquidity of Zeta shares on the ASX.

We note that the nature of the Financial Benefit to the related party, being shares, ensures that Zeta maintains its strong net asset position and limits the risk of default compared to the use of debt as an option to fund the Proposed Transaction.

We also note that if Zeta were to raise funds, via a share placement, with which to acquire further investments, the funds would most likely be raised at a discount to current market price, therefore diluting existing Shareholders' holdings, potentially further than the Proposed Transaction's dilution of existing Shareholders.

13.1.3. Increased exposure and control of quality investments

If the Proposed Transaction is approved, Zeta will increase its shareholding in the following investments:

- Zeta will increase its holding in GME by 157,624,769 shares from approximately 6% to 42% of GME ordinary shares outstanding;
- Zeta will increase its holding in AMC by 10,204,756 shares from approximately 1% to 28% of AMC ordinary shares outstanding; and
- Zeta will increase its holding in Seacrest by 6,831,100 shares from approximately 25% to 41% of GME ordinary shares outstanding.

Zeta's Investment Manager, ICM, has advised that the increase in each of the investment holdings is in line with the current investment strategy of Zeta, in that;

- Zeta's stated objective is to hold substantial shareholdings in their portfolio and to increase the control over the investment company, therefore increasing Zeta's ability to influence the strategic direction and operations of each investment company; and
- Zeta management consider the Assets to be Acquired to have underlying value that is not currently reflected in the market price.

We note that the increase in shareholding is each of GME, AMC and Seacrest will give Zeta the ability to block special resolutions (by holding more than 25% but less than 50% of ordinary shares) which require 75% shareholder approval. As stated above, the increased holding in each of GME, AMC and Seacrest will increase Zeta's ability to influence the strategic direction and operations of each investment company.

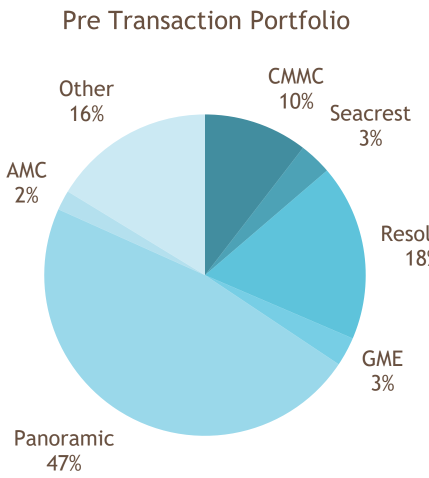
13.1.4. The Proposed Transaction provides Zeta with ability to invest in companies not available publicly

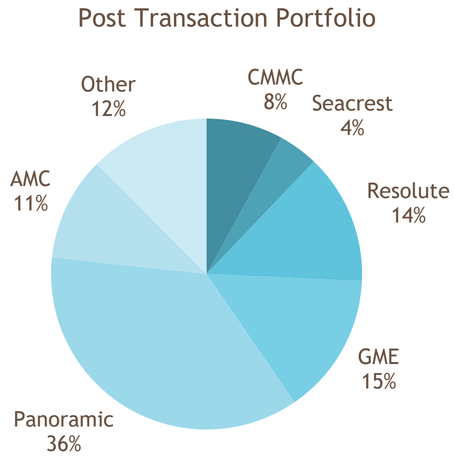
The Proposed Transaction provides Zeta with an opportunity to invest in a further 157,624,769 GME shares that would not be available on-market due to the requirement to obtain approval from current GME shareholders not associated with the Proposed Transaction.

Both AMC and Seacrest are unlisted entities, and therefore, retail investors would not typically be able to invest in either entity outside of the Proposed Transaction. We consider unlisted investments will typically carry an inherent discount to fair value for the illiquidity of the shares. We consider Zeta's investment timeframe to hold over the medium to long term would provide opportunity to exit the unlisted investment with value accretion, through a liquid divestment strategy such as an initial public offering.

13.1.5. The Proposed Transaction will result in Zeta diversifying risk within the current portfolio of investment assets

If the Proposed Transaction is approved by Shareholders, Zeta will be broadening exposure to investment assets that it is already exposed to. This will increase diversification across Zeta's investment, spreading risk more evenly within the current portfolio of investment assets. We have portrayed this increase in diversification in the charts below, based on our assessed preferred values for each investment:





Source: BDO analysis

13.2 Disadvantages of Approving the Proposed Transaction

If the Proposed Transaction is approved, in our opinion, the potential disadvantages to Shareholders include those listed below:

13.2.1. Dilution of existing Shareholders' interests

If Shareholders approve the Proposed Transaction, Zeta will issue an additional 110.84 million fully paid ordinary shares in Zeta. As set out in section 4.1, the issue of the Consideration will dilute Shareholders' interest in Zeta from 96.51% to 61.91% as per the shareholding structure in section 4.1. As a result of the above, approval of the Proposed Transaction will result in a dilution of the existing Shareholders' interest in Zeta.

13.2.2. Potential Inability to divest the Proposed Merged Entity's large shareholdings in the short term

If the Proposed Transaction is approved by Shareholders, Zeta will increase its holding in GME to 42% of outstanding GME ordinary shares, a relatively illiquid listed share, and AMC and Seacrest, two unlisted entities with very low levels of liquidity.

In the circumstance where Zeta is forced to sell an entire parcel of any of the above mentioned investments in the short term, it could be reasonably foreseen that Zeta would have to sell the investment at a discount to market price.

13.3 Alternative Proposals

Management have advised that there are currently no alternative proposals that might offer the Shareholders of Zeta a premium over the value ascribed to, resulting from the Proposed Transaction.

13.4 Practical Level of Control

If the Proposed Transaction is approved then Mr Duncan Saville, directly through SIPCL and PML, will hold an interest of approximately 36.25% in Zeta. Zeta does not have any Board members nominated by Mr Saville. Mr Saville is a Director of ICM, the Investment Manager for Zeta's investments.

When shareholders are required to approve an issue that relates to a company there are two types of approval levels. These are general resolutions and special resolutions. A general resolution requires 50% of shares to be voted in favour to approve a matter and a special resolution required 75% of shares on issue to be voted in favour to approve a matter. If the Proposed Transaction is approved then Mr Saville will be able to block special resolutions.

Zeta's Board currently comprises three directors. Mr Saville will not nominate any additional directors as part of the Proposed Transaction. This means that Mr Saville will not have any nominated directors on the Board of Zeta.

Mr Saville's control of Zeta following the Proposed Transaction will be significant when compared to all non-associated shareholders. However, when compared to UIL's level of control, Mr Saville's holding will not be significant enough to achieve control. As such, UIL will maintain a holding in excess of 50%, and therefore, will maintain control of Zeta. Therefore, in our opinion, while Mr Saville will be able to influence the activities of Zeta, through his ability to block special resolutions, Mr Saville will not be able to exercise a similar level of control as if he held 100% of Zeta. As such, Mr Saville should not be expected to pay a similar premium for control as if he were acquiring 100% of Zeta. Other Shareholders will not be losing control as part of the Proposed Transaction as UIL already has control.

13.5 Consequences of not approving the Proposed Transaction

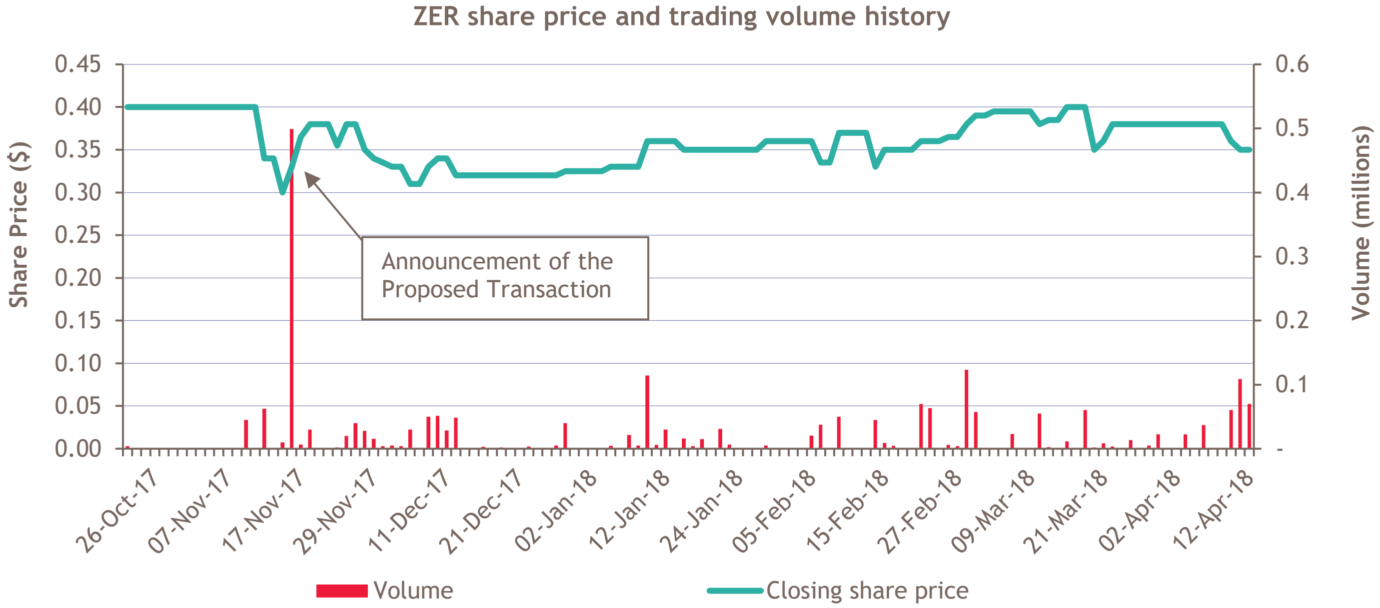
Consequences

Prior to entering into the Proposed Transaction with SIPCL, Zeta had made extensive investment acquisitions during the previous 12 to 18 months to identify and invest in resource assets and companies where the underlying value is not reflected in the market price.

Consequently, if the Proposed Transaction is not approved, Zeta will have to reassess its options and recommence, or continue, the investment identification process.

Potential increase in share price

We have analysed movements in Zeta's share price since the Proposed Transaction was announced. A graph of Zeta's share price since the announcement is set out below.



Source: Bloomberg

We note that as illustrated above, Zeta's share price levels following the announcement of the Proposed Transaction have largely trended at lower levels compared to prior to the announcement of the Proposed Transaction. On the date of the announcement of the Proposed Transaction, the Zeta share price increased by 10% to close at $0.330. Following this, the share price continued to increase to $0.380 before plateauing to levels around $0.310. However, the share price began increasing in March 2018, reaching a close of $0.40 on 15 March 2018.

Given the above analysis, it is uncertain if Zeta's share price may decline further if the Proposed Transaction is not approved.

13.6 Reasonableness conclusion

Taking into the account the above mentioned analysis of reasonableness, we consider the Proposed Transaction to be reasonable, because;

- The Proposed Transaction is fair to non-associated Shareholders; and
- The advantages of the Proposed Transaction outweigh the disadvantages of the Proposed Transaction.

14. Opinion

We have considered the terms of the Proposed Transaction as outlined in the body of this report and have concluded that the Proposed Transaction is fair and reasonable to the Shareholders of Zeta.

15. Sources of information

This report has based on the following information:

- draft Notice of General Meeting and Explanatory Statement on or about the date of this report;
- audited financial statements of Zeta for the years ended 30 June 2015, 30 June 2016 and 30 June 2017;
- reviewed financial statements of Zeta for the half year ended 31 December 2017;
- unaudited management accounts of Zeta and Axelrock for the period ended 31 March 2018;
- Zeta's portfolio of investments at 31 March 2018;
- binding term sheet;
- share registry information; and
- discussions with Directors and management of Zeta and Axelrock.

16. Independence

BDO Corporate Finance (WA) Pty Ltd is entitled to receive a fee of $36,000 (excluding GST and reimbursement of out of pocket expenses). The fee is not contingent on the conclusion, content or future use of this Report. Except for this fee, BDO Corporate Finance (WA) Pty Ltd has not received and will not receive any pecuniary or other benefit whether direct or indirect in connection with the preparation of this report.

BDO Corporate Finance (WA) Pty Ltd has been indemnified by Zeta in respect of any claim arising from BDO Corporate Finance (WA) Pty Ltd's reliance on information provided by the Zeta, including the non-provision of material information, in relation to the preparation of this report.

Prior to accepting this engagement BDO Corporate Finance (WA) Pty Ltd has considered its independence with respect to Axelrock and Zeta and any of their respective associates with reference to ASIC Regulatory Guide 112 'Independence of Experts'. In BDO Corporate Finance (WA) Pty Ltd's opinion it is independent of Axelrock and Zeta and their respective associates.

A draft of this report was provided to Zeta and its advisors for confirmation of the factual accuracy of its contents. No significant changes were made to this report as a result of this review.

BDO is the brand name for the BDO International network and for each of the BDO Member firms.

BDO (Australia) Ltd, an Australian company limited by guarantee, is a member of BDO International Limited, a UK company limited by guarantee, and forms part of the international BDO network of Independent Member Firms. BDO in Australia, is a national association of separate entities (each of which has appointed BDO (Australia) Limited ACN 050 110 275 to represent it in BDO International).

17. Qualifications

BDO Corporate Finance (WA) Pty Ltd has extensive experience in the provision of corporate finance advice, particularly in respect of takeovers, mergers and acquisitions.

BDO Corporate Finance (WA) Pty Ltd holds an Australian Financial Services Licence issued by the Australian Securities and Investment Commission for giving expert reports pursuant to the Listing rules of the ASX and the Corporations Act.

The persons specifically involved in preparing and reviewing this report were Sherif Andrawes and Adam Myers of BDO Corporate Finance (WA) Pty Ltd. They have significant experience in the preparation of independent expert reports, valuations and mergers and acquisitions advice across a wide range of industries in Australia and were supported by other BDO staff.

Sherif Andrawes is a Fellow of the Institute of Chartered Accountants in England & Wales and a Fellow of Chartered Accountants Australia & New Zealand. He has over 30 years' experience working in the audit and corporate finance fields with BDO and its predecessor firms in London and Perth. He has been responsible for over 300 public company independent expert's reports under the Corporations Act or ASX Listing Rules and is a CA BV Specialist. These experts' reports cover a wide range of industries in Australia with a focus on companies in the natural resources sector. Sherif Andrawes is the Chairman of BDO in Western Australia, Corporate Finance Practice Group Leader of BDO in Western Australia and the Natural Resources Leader for BDO in Australia.

Adam Myers is a member of the Australian Institute of Chartered Accountants. Adam's career spans 19 years in the Audit and Assurance and Corporate Finance areas. Adam is a CA BV Specialist and has considerable experience in the preparation of independent expert reports and valuations in general for companies in a wide number of industry sectors.

18. Disclaimers and consents

This report has been prepared at the request of Zeta for inclusion in the Explanatory Memorandum which will be sent to all Zeta Shareholders. Zeta engaged BDO Corporate Finance (WA) Pty Ltd to prepare an independent expert's report to consider if the Proposed Transaction to acquire 100% of issued capital in Axelrock from SIPCL is fair and reasonable to non-associated shareholders of Zeta.

BDO Corporate Finance (WA) Pty Ltd hereby consents to this report accompanying the above Explanatory Memorandum. Apart from such use, neither the whole nor any part of this report, nor any reference thereto may be included in or with, or attached to any document, circular resolution, statement or letter without the prior written consent of BDO Corporate Finance (WA) Pty Ltd.

BDO Corporate Finance (WA) Pty Ltd takes no responsibility for the contents of the Explanatory Memorandum other than this report.

We have no reason to believe that any of the information or explanations supplied to us are false or that material information has been withheld. It is not the role of BDO Corporate Finance (WA) Pty Ltd acting as an independent expert to perform any due diligence procedures on behalf of the Company. The Directors of the Company are responsible for conducting appropriate due diligence in relation to Zeta. BDO Corporate Finance (WA) Pty Ltd provides no warranty as to the adequacy, effectiveness or completeness of the due diligence process.

The opinion of BDO Corporate Finance (WA) Pty Ltd is based on the market, economic and other conditions prevailing at the date of this report. Such conditions can change significantly over short periods of time.

With respect to taxation implications it is recommended that individual Shareholders obtain their own taxation advice, in respect of the Proposed Transaction, tailored to their own particular circumstances. Furthermore, the advice provided in this report does not constitute legal or taxation advice to the Shareholders of Zeta, or any other party.

The statements and opinions included in this report are given in good faith and in the belief that they are not false, misleading or incomplete.

The terms of this engagement are such that BDO Corporate Finance (WA) Pty Ltd is required to provide a supplementary report if we become aware of a significant change affecting the information in this report arising between the date of this report and prior to the date of the meeting or during the offer period.

Yours faithfully

BDO CORPORATE FINANCE (WA) PTY LTD

Sherif Andrawes	**Adam Myers**
Director	Director

Appendix 1 – Glossary of Terms

Reference	Definition
The Act	The Corporations Act 2001 Cth
AMC	Alliance Mining Commodities Limited
AMED	AMED Limited
APES 225	Accounting Professional & Ethical Standards Board professional standard APES 225 'Valuation Services'
ASIC	Australian Securities and Investments Commission
Asset to be Acquired	Axelrock, which holds investments in GME, AMC and Seacrest
ASX	Australian Securities Exchange
Axelrock	Axelrock Limited
BDO	BDO Corporate Finance (WA) Pty Ltd
Bligh	Bligh Resources Limited
CMMC	Copper Mountain Mining Corporation
The Company	Zeta Resources Limited
Corporations Act	The Corporations Act 2001 Cth
DCF	Discounted Future Cash Flows
EBIT	Earnings before interest and tax
EBITDA	Earnings before interest, tax, depreciation and amortisation
Financial Benefit	Up to 110,835,752 new shares in the Proposed Merged Entity
FME	Future Maintainable Earnings
FOS	Financial Ombudsman Service
GAAP	Generally Accepted Accounting Principles
GDP	Gross domestic product

Reference	Definition
GME	GME Resources Limited
ICM	ICM Limited
Kumarina	Kumarina Resources Pty Ltd
LME	London Metals Exchange
Margosa	Margosa Graphite Limited
MMBtu	British thermal units
Mt	Metric tonne
NAV	Net Asset Value
NZO	New Zealand Oil & Gas Limited
NZX	New Zealand Stock Exchange
OPEC	Organisation of Petroleum Exporting Countries
PPP	Pan Pacific Petroleum NL
Panoramic	Panoramic Resources Limited
PIL	Permanent Investment Limited
PML	Permanent Mutual Limited
The Proposed Merged Entity	The combined entity of Zeta and Axelrock following the Proposed Transaction
The Proposed Transaction	The proposal for Zeta to acquire 100% of the issued capital of Axelrock from SIPCL
QMP	Quoted market price
RBA	Reserve Bank of Australia
RCF	Resource Capital Funds
Regulations	Corporations Act Regulations 2001 (Cth)
Resolute	Resolute Mining Limited
Our Report	This Independent Expert's Report prepared by BDO
RG 111	Content of expert reports (March 2011)

Reference	Definition
RG 112	Independence of experts (March 2011)
Seacrest	Seacrest LP
Section 611	Section 611 of the Corporations Act
Shareholders	Shareholders of Zeta not associated with Axelrock and its vendors
SIPCL	Somers Isle Private Company Limited
Sum-of-Parts	A combination of different methodologies used together to determine an overall value where separate assets and liabilities are valued using different methodologies
Treasurer	The Australian Federal Treasurer
US	United States
USGS	United States Geological Survey
Valuation Engagement	An Engagement or Assignment to perform a Valuation and provide a Valuation Report where the Valuer is free to employ the Valuation Approaches, Valuation Methods, and Valuation Procedures that a reasonable and informed third party would perform taking into consideration all the specific facts and circumstances of the Engagement or Assignment available to the Valuer at that time.
VWAP	Volume Weighted Average Price
WACC	Weighted Average Cost of Capital
Zeta	Zeta Resources Limited
Zeta Energy	Zeta Energy Pty Ltd

The Directors

BDO Corporate Finance (WA) Pty Ltd

38 Station Street

SUBIACO, WA 6008

Australia

Appendix 2 – Valuation Methodologies

Methodologies commonly used for valuing assets and businesses are as follows:

1 *Net asset value ('NAV')*

Asset based methods estimate the market value of an entity's securities based on the realisable value of its identifiable net assets. Asset based methods include:

- Orderly realisation of assets method
- Liquidation of assets method
- Net assets on a going concern method

The orderly realisation of assets method estimates fair market value by determining the amount that would be distributed to entity holders, after payment of all liabilities including realisation costs and taxation charges that arise, assuming the entity is wound up in an orderly manner.

The liquidation method is similar to the orderly realisation of assets method except the liquidation method assumes the assets are sold in a shorter time frame. Since wind up or liquidation of the entity may not be contemplated, these methods in their strictest form may not be appropriate. The net assets on a going concern method estimates the market values of the net assets of an entity but does not take into account any realisation costs.

Net assets on a going concern basis are usually appropriate where the majority of assets consist of cash, passive investments or projects with a limited life. All assets and liabilities of the entity are valued at market value under this alternative and this combined market value forms the basis for the entity's valuation.

Often the FME and DCF methodologies are used in valuing assets forming part of the overall Net assets on a going concern basis. This is particularly so for exploration and mining companies where investments are in finite life producing assets or prospective exploration areas.

These asset based methods ignore the possibility that the entity's value could exceed the realisable value of its assets as they do not recognise the value of intangible assets such as management, intellectual property and goodwill. Asset based methods are appropriate when an entity is not making an adequate return on its assets, a significant proportion of the entity's assets are liquid or for asset holding companies.

2 *Quoted Market Price Basis ('QMP')*

A valuation approach that can be used in conjunction with (or as a replacement for) other valuation methods is the quoted market price of listed securities. Where there is a ready market for securities such as the ASX, through which shares are traded, recent prices at which shares are bought and sold can be taken as the market value per share. Such market value includes all factors and influences that impact upon the ASX. The use of ASX pricing is more relevant where a security displays regular high volume trading, creating a liquid and active market in that security.

3 *Capitalisation of future maintainable earnings ('FME')*

This method places a value on the business by estimating the likely FME, capitalised at an appropriate rate which reflects business outlook, business risk, investor expectations, future growth prospects and other entity specific factors. This approach relies on the availability and analysis of comparable market data.

The FME approach is the most commonly applied valuation technique and is particularly applicable to profitable businesses with relatively steady growth histories and forecasts, regular capital expenditure requirements and non-finite lives.

The FME used in the valuation can be based on net profit after tax or alternatives to this such as earnings before interest and tax ('**EBIT**') or earnings before interest, tax, depreciation and amortisation ('**EBITDA**'). The capitalisation rate or 'earnings multiple' is adjusted to reflect which base is being used for FME.

4 *Discounted future cash flows ('DCF')*

The DCF methodology is based on the generally accepted theory that the value of an asset or business depends on its future net cash flows, discounted to their present value at an appropriate discount rate (often called the weighted average cost of capital). This discount rate represents an opportunity cost of capital reflecting the expected rate of return which investors can obtain from investments having equivalent risks.

Considerable judgement is required to estimate the future cash flows which must be able to be reliably estimated for a sufficiently long period to make this valuation methodology appropriate.

A terminal value for the asset or business is calculated at the end of the future cash flow period and this is also discounted to its present value using the appropriate discount rate.

DCF valuations are particularly applicable to businesses with limited lives, experiencing growth, that are in a start-up phase, or experience irregular cash flows.

5 *Market Based Assessment*

The market based approach seeks to arrive at a value for a business by reference to comparable transactions involving the sale of similar businesses. This is based on the premise that companies with similar characteristics, such as operating in similar industries, command similar values. In performing this analysis it is important to acknowledge the differences between the comparable companies being analysed and the company that is being valued and then to reflect these differences in the valuation.