



Audited Financial Report

For the year ended 30 June 2018

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Corporate directory

Zeta Resources Limited
Company ARBN: 162 902 481
www.zetaresources.limited

DIRECTORS (NON-EXECUTIVE)

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

REGISTERED OFFICE

34 Bermudiana Road
Hamilton HM 11
Bermuda
Company Registration Number: 46795

AUSTRALIAN REGISTERED OFFICE

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INVESTMENT MANAGER

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SECRETARY

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GENERAL ADMINISTRATION

ICM Corporate Services (Pty) Ltd
1 Knutsford Road
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Cape Town
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AUDITOR

KPMG Inc
MSC House
1 Mediterranean Street, Foreshore
8001, Cape Town
South Africa

DEPOSITORY

JP Morgan Chase Bank NA
London Branch
25 Bank Street
Canary Wharf
London E14 5JP
United Kingdom

REGISTRAR

Security Transfer Registrars Pty Limited
770 Canning Highway
Applecross WA 6153
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Telephone: +61 8 9315 2333

STOCK EXCHANGE LISTING

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

Report of the directors

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

Directors

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

Peter Ross Sullivan
Marthinus (Martin) Botha
Xi Xi

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

Principal activities

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

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

Operating and financial review

Operating results

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

Overview of operating activity

The company listed on the ASX on 12 June 2013.

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

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

Financial position

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

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

Going concern

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

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

Dividends

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

After balance date events

Zeta has subscribed to a further issue of shares in Alliance Mining Commodities Limited to take up 1,883,668 shares for a consideration of USD2,542,951. The share issue notice was given on the 6th July 2018. Zeta currently holds 26.7% of Alliance Mining.

Likely developments

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

Information on Company Secretary

On 12 September 2017 ICM Limited was appointed Company Secretary.

Report of the directors (continued)

Remuneration report

The remuneration report is set out in the following manner:

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

Remuneration policy

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

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

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

Details of remuneration for directors

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

The company had no employees as at 30 June 2018.

Share based compensation

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

Directors and executives' interests

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

Director	Ordinary shares opening balance	Net change	Ordinary shares closing balance
Peter R Sullivan	5,670,632	100,000	5,770,632
Martin Botha	279,565	200,000	479,565
Xi Xi	—	—	—

Meetings of directors

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

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

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

Loans to directors and executives

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

Unlisted options

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

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

Audit committee

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

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

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

Indemnifying officers or auditors

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

Environmental regulation

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

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

Non-audit services

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

On-market buy back scheme

As part of its ongoing capital management strategy, Zeta has implemented an on-market buy-back for up to 10 million ordinary shares during the period 15th

Report of the directors (continued)

September 2018 to 14th September 2019. The buy-back will only be effective should the share price of the company be at a discount to NTA exceeding 10%. The timing and quantity of shares will depend on current market conditions and other future events. Pursuant to section 257B(4) of the Corporations Act 2001 (Cth), the share buy-back does not require shareholder approval as it falls under the 10/12 limit..

Investments disclosed by the company at the reporting date

Listed	Number of shares	% of issued shares held
Panoramic Resources Limited	149,543,439	30.420%
Bligh Resources Limited	253,742,974	88.749%
Resolute Mining Limited	20,784,000	2.803%
GME Resources Limited	193,655,109	41.772%
Oilex Limited	121,323,567	6.473%

Unlisted	Number of shares	% of issued shares held
Kumarina Resources Pty Limited	26,245,610	100%
Pan Pacific Petroleum Pty Limited	581,942,846	100%
Alliance Mining Commodities Limited	11,895,376	26.768%
Margosa Graphite Limited	13,950,000	35.316%
Zeta Energy Pte. Ltd	100	100%
Zeta Investments Limited	100	100%

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

Investment management agreement

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

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

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

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

Auditor's independence declaration

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

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



Peter R Sullivan
Chairman
Perth, Western Australia
5 September 2018

Independent auditor's report



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Independent Auditor's Report

To the Shareholders of Zeta Resources Limited

Opinion

We have audited the financial statements of Zeta Resources Limited (the "company") set out on pages 10 to 35, which comprise the statement of financial position at 30 June 2018, and the statement of profit or loss and other comprehensive income, the statement of changes in equity and the statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

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

Basis for Opinion

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

Key Audit Matters

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

Valuation of Unlisted Investments (\$25.7mil)

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

The key audit matter

The Company's core business of investment holding is driven by the appreciation of value in the investments held. The Company's determination of the valuation of unlisted investments is considered a key audit matter due to:

How the matter was addressed in our audit

Our audit procedures included:

We critically assessed the valuation methodology applied to value the investments against accounting standards and industry practice.

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

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

Registration number 1999/021543/21

Chief Executive N Dlamu

Directors Full list on website

The company's principal place of business is at KPMG Crescent, 86 Empire Road, Parktown, where a list of the directors' names is available for inspection



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

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

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

External confirmations included items such as deeds of adherence and variations to shareholders agreements, showing recently traded prices.

We further challenged the Company's key assumption adopted in the market approach, being the existence or lack of market conditions impacting the fair value of these investments since acquisition. We did this by obtaining market information regarding the performance of the underlying investment holdings within the investments and compared it to external source data such as:

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

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

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

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

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



Other Information

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

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

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

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

Responsibilities of the Directors for the Financial Statements

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

Auditor's Responsibilities for the Audit of the Financial Statement

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

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

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

Independent auditor's report (continued)



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

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

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

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

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

KPMG Inc.

A handwritten signature in blue ink, appearing to read 'P. Conradie', written over a light blue grid background.

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

Auditor's independence declaration



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

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

KPMG Inc.

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

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Registration number 1999/021543/21

Chief Executive N Dlamini

Directors Full list on website

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

Statement of financial position

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

Statement of profit or loss and other comprehensive income

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

Statement of cash flows

for the year ended 30 June 2018

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

Statement of changes in equity

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

Notes to the financial statements

for the year ended 30 June 2018

1. BASIS OF PREPARATION

1.1 Corporate information

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

1.2 Basis of preparation

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

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

1.3 Basis of measurement

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

1.4 Functional and presentation currency

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

1.5 Use of estimates and judgements

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

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

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

2. ADOPTION OF NEW AND REVISED STANDARDS

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

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

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

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

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

IFRS 9 replaces the 'incurred loss' model in IAS 39 with a forward-looking 'expected credit loss' (ECL) model. This will require considerable judgement about how changes in economic factors affect ECLs, which will be determined on a probability-weighted basis. In Zeta Resources Limited the new impairment model will only be applicable to loans receivable measured at amortised cost. As at 30 June 2018, the total loans measured at amortised cost are

Notes to the financial statements (continued)

for the year ended 30 June 2018

US\$379,690. As Zeta Resources Limited impairment considerations are in line with IFRS 9, Zeta Resources Limited estimates that no additional impairments would be necessary under IFRS 9.

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

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

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

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

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

3.1 Revenue

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

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

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

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

3.2 Borrowing costs

Borrowing costs are recognised as an expense when incurred.

3.3 Income tax

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

3.4 Foreign currency

Foreign currency transactions and balances

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

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

Notes to the financial statements (continued)

for the year ended 30 June 2018

3.5 Earnings per share ("EPS")

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

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

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

3.6 Financial instruments

Non-derivative financial instruments

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

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

Recognition and derecognition of financial instruments

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

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

Financial assets at fair value through profit or loss

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

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

Cash and Cash Equivalents

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

Non-derivative financial liabilities

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

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

Notes to the financial statements (continued)

for the year ended 30 June 2018

Trade and other payables

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

3.7 Impairment of assets

Financial assets

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

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

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

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

Non-financial assets

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

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

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

3.8 Share capital

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

3.9 Provisions and accruals

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

Notes to the financial statements (continued)

for the year ended 30 June 2018

4. INVESTMENT IN SUBSIDIARIES

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

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

	Number of ordinary shares	Percentage of ordinary shares held
30 June 2017		
Kumarina incorporated in Australia	26,245,210	100%
Zeta Investments incorporated in Bermuda	1,000	100%
Zeta Energy incorporated in Singapore	1	100%
30 June 2018		
Kumarina incorporated in Australia	26,245,210	100%
Zeta Investments incorporated in Bermuda	1,000	100%
Zeta Energy incorporated in Singapore	1	100%
PPP Vietnam incorporated in Australia	2	100%
PPP JPDA incorporated in Australia	2	100%
PPP incorporated in Australia	581,942,846	100%
Axelrock incorporated in Bermuda	100	100%

5. INVESTMENTS

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

Notes to the financial statements (continued)

for the year ended 30 June 2018

5. INVESTMENTS (continued)

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

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

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

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

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

6. LOAN TO SUBSIDIARIES

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

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

Notes to the financial statements (continued)

for the year ended 30 June 2018

7. CASH AND CASH EQUIVALENTS

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

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

8. LOAN FROM SUBSIDIARY

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

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

9. LOAN FROM PARENT

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

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

10. LOAN FROM THIRD PARTY

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

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

11. TRADE AND OTHER PAYABLES

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

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

Notes to the financial statements (continued)
for the year ended 30 June 2018

12. SHARE CAPITAL AND SHARE PREMIUM

Authorised

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

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

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

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

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

13. INVESTMENT INCOME

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

Notes to the financial statements (continued)

for the year ended 30 June 2018

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

15. MANAGEMENT AND CONSULTING FEES	June 2018 US\$	June 2017 US\$
Management and consulting fees	925,443	662,662

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

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

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

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

17. INCOME TAX

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

18. EARNINGS PER SHARE	June 2018 US\$	June 2017 US\$
Earnings per share	0.15	0.06
Profit used in calculation of basic and diluted earnings per share	31,215,839	10,277,906
Weighted average number of ordinary shares outstanding during the year used in calculation of basic and diluted earnings per share	201,443,782	186,461,440

The weighted average number of ordinary shares calculation is based on the year beginning 1 July 2017. For details of cash flows arising from the shares issued during the year refer to note 19.2.

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

Notes to the financial statements (continued)
for the year ended 30 June 2018

19. NOTES TO THE CASH FLOW STATEMENT

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

	June 2018 US\$	June 2017 US\$
19.2 Issue of shares		
Shares issued for consideration	66,368	–

During the year ended 30 June 2016, following shareholder approval, the company issued 86,461,440 options at a cost of A\$0.2817 per option, to UIL Limited, raising the equivalent of US\$17.27 million. In the current year, the options were exercised on 10 November 2017 at an exercise price of A\$0.001 per option.

	Loan from third party US\$	Loan from subsidiary US\$	Loan from parent US\$
19.3 Reconciliation of movements of liabilities to cash flows arising from financing activities			
Balance at 1 July 2017	–	5,351,022	22,257,029
Proceeds from loans and borrowings	4,000,000	7,574,807	32,476,042
Repayment of borrowings	–	(7,690,302)	(24,581,881)
Balance as at 30 June 2018	4,000,000	5,235,527	30,151,190

20. AUDITOR REMUNERATION

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

Notes to the financial statements (continued)

for the year ended 30 June 2018

21. GOING CONCERN

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

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

22. FINANCIAL RISK MANAGEMENT

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

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

Categories of financial instruments

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

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

	Designated at fair value through profit and loss US\$	Loans and receivables at fair value through profit and loss US\$	Total carrying value US\$
30 June 2018			
Assets			
Investments in subsidiaries	3,063,504	–	3,063,504
Investments	161,187,270	–	161,187,270
Loans to subsidiaries	–	379,690	379,690
Cash and cash equivalents	–	287,172	287,172
	164,250,774	666,862	164,917,636
Liabilities			
Loans from subsidiaries	–	5,235,527	5,235,527
Trade and other payables	–	1,674,024	1,674,024
Loan from parent	–	30,151,190	30,151,190
Loan from third party	–	4,000,000	4,000,000
	–	41,060,741	41,060,741

Notes to the financial statements (continued)

for the year ended 30 June 2018

22. FINANCIAL RISK MANAGEMENT (continued)

30 June 2017	Designated at fair value through profit and loss US\$	Loans and receivables at fair value through profit and loss US\$	Total carrying value US\$
Assets			
Investments in subsidiaries	3,181,102	—	3,181,102
Investments	47,685,376	—	47,685,376
Loans to subsidiaries	—	30,027,206	30,027,206
Cash and cash equivalents	—	15,828	15,828
	<u>50,866,478</u>	<u>30,043,034</u>	<u>80,909,512</u>
Liabilities			
Loans from subsidiaries	—	5,351,022	5,351,022
Trade and other payables	—	260,421	260,421
Loan from parent	—	22,257,029	22,257,029
	<u>—</u>	<u>27,868,472</u>	<u>27,868,472</u>

22.1 Market risks

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

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

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

Currency exposure

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

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

Notes to the financial statements (continued)

for the year ended 30 June 2018

22. FINANCIAL RISK MANAGEMENT (continued)

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

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

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

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

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

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

Notes to the financial statements (continued)

for the year ended 30 June 2018

22. FINANCIAL RISK MANAGEMENT (continued)

Interest rate exposure

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

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

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

Other market risk exposures

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

Price sensitivity risk analysis

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

22.2 Liquidity risk exposure

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

	Twelve months or less US\$	More than a year US\$	Total US\$
30 June 2018			
Loan from subsidiaries	–	5,235,527	5,235,527
Trade and other payables	1,674,024	–	1,674,024
Loans from parent	–	30,151,190	30,151,190
Loan from third party	4,000,000	–	4,000,000
	5,674,024	35,386,717	41,060,741

Notes to the financial statements (continued)

for the year ended 30 June 2018

22. FINANCIAL RISK MANAGEMENT (continued)

	Twelve months or less US\$	More than a year US\$	Total US\$
30 June 2017			
Loan from subsidiaries	–	5,351,022	5,351,022
Trade and other payables	260,421	–	260,421
Loans from parent	–	22,257,029	22,257,029
	260,421	27,608,051	27,868,472

22.3 Credit risk and counterparty exposure

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

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

Maximum exposure to credit risk

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

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

22.4 Fair values of financial assets and liabilities

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

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

Valuation of financial instruments

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

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

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

Level 3 financial instruments

Valuation methodology

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

Notes to the financial statements (continued)

for the year ended 30 June 2018

22. FINANCIAL RISK MANAGEMENT (continued)

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

(a) Unlisted companies

Seacrest Limited ("Seacrest") Bermuda incorporated

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

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

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

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

Margosa Graphite - Australia incorporated

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

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

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

Alliance Mining Commodities Limited - Australia incorporated

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

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

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

(b) Investments and loans in subsidiaries

Zeta Energy Singapore incorporated

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

Notes to the financial statements (continued)

for the year ended 30 June 2018

22. FINANCIAL RISK MANAGEMENT (continued)

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

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

Kumarina Resources Pty Limited

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

Other investments

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

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

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

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

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

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

Notes to the financial statements (continued)

for the year ended 30 June 2018

22. FINANCIAL RISK MANAGEMENT (continued)

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

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

22.5 Capital risk management

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

23. RELATED PARTIES

23.1 Material related parties

Holding company

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

Subsidiary companies

The company's subsidiaries are Kumarina, Zeta Energy, Axelrock Limited, Pan Pacific Petroleum (Pty) Ltd, Pan Pacific Petroleum Vietnam (Pty) Ltd, Pan Pacific Petroleum JPDA (Pty) Ltd and Zeta Investments, all 100% held subsidiaries.

Key management personnel

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

Investment Manager

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

Notes to the financial statements (continued)
for the year ended 30 June 2018

23. RELATED PARTIES (continued)

	June 2018 US\$	June 2017 US\$
23.2 Material related party transactions		
Nature of transactions		
Investments in related parties:		
Kumarina	3,063,498	3,181,100
Zeta Investments	1	1
Zeta Energy	1	1
Pan Pacific Petroleum	1	–
Axelrock	1	–
PPP Vietnam	1	–
PPP JPDA	1	–
Loans to related parties:		
Kumarina	352,680	291,747
Zeta Energy	27,010	29,735,459
Loans from related parties:		
UIL Limited	30,151,190	22,257,029
Zeta Energy	5,235,527	5,351,022
Trade and other payables:		
ICM Limited	459,890	162,057
Directors	37,500	37,500
Interest charged by the subsidiaries	295,428	380,552
Interest charged by the parent company	1,808,717	2,246,555
Fees paid to the Investment Manager	652,993	481,772
Fees paid to the directors	150,000	150,000
X Xi – fees paid	50,000	50,000
M Botha – fees paid	50,000	50,000
P Sullivan – fees paid	50,000	50,000

24. SEGMENTAL REPORTING

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

Gold: investments in companies which explore or mine for gold

Nickel: investments in companies which explore or mine for nickel

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

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

Notes to the financial statements (continued)
for the year ended 30 June 2018

24. SEGMENTAL REPORTING (continued)

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

Information about reportable segments

	Gold US\$	Nickel US\$	Mineral exploration US\$	Other segments US\$	Total US\$
30 June 2018					
External revenues	767,222	36,020,009	(1,200,977)	(4,298)	35,581,956
Reportable segment revenue	767,222	36,020,009	(1,200,977)	(4,298)	35,581,956
Interest revenue				102	102
Interest expense	–	–	–	(2,179,015)	(2,179,015)
Reportable segment profit/(loss) before tax	766,606	36,023,701	(2,129,260)	(3,445,218)	31,215,839
Reportable segment assets	30,716,732	85,181,389	48,732,343	287,172	164,917,636
Reportable segment liabilities	–	–	–	(41,060,741)	(41,060,741)
30 June 2017					
External revenues	3,354,866	3,560,753	7,337,443	(6,621)	14,246,441
Reportable segment revenue	3,354,866	3,560,753	7,337,443	(6,621)	14,246,441
Interest revenue	–	–	–	14	14
Interest expense	–	–	–	(2,627,116)	(2,627,116)
Reportable segment profit/(loss) before tax	3,396,270	3,560,753	7,337,443	(4,016,560)	10,277,906
Reportable segment assets	26,371,713	30,392,342	24,129,627	15,830	80,909,512
Reportable segment liabilities	–	–	–	(27,868,472)	(27,868,472)

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

Notes to the financial statements (continued)

for the year ended 30 June 2018

24. SEGMENTAL REPORTING (continued)

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

Geographic information

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

	June 2018 US\$	June 2017 US\$
Revenue		
Australia	33,763,689	8,274,800
Canada	(1,197,462)	–
Guinea	257,915	–
Mali	636,752	2,341,802
Namibia	(1,511,710)	846,520
Norway	(3,693,688)	911,400
Singapore	12,611,090	1,161,734
United Kingdom	(1,639,132)	303,800
Other Countries	(3,641,200)	413,006
Revenue	35,586,254	14,253,062

Notes to the financial statements (continued)

for the year ended 30 June 2018

24. SEGMENTAL REPORTING (continued)

	June 2018 US\$	June 2017 US\$
Assets		
Australia	109,623,707	37,282,206
Canada	15,011,839	–
Guinea	17,843,064	–
Mali	13,466,126	13,102,297
Norway	2,657,485	–
Singapore	27,010	29,735,459
Other Countries	6,001,233	773,720
Assets	164,630,464	80,893,682

25. EVENTS AFTER THE REPORTING DATE

25.1 Alliance Mining Commodities Limited

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