



# 2020

ANNUAL REPORT

## SIGNIFICANT STAKES IN A SELECT RANGE OF KEY COMMODITY COMPANIES



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

### NATURE OF THE COMPANY

Zeta Resources Limited (“Zeta”, “Zeta Resources”, or the “Company”) is a closed-end investment company, whose ordinary shares are listed on the Australian Securities Exchange (“ASX”). The business of Zeta consists of investing the pooled funds of its shareholders in accordance with its investment objective and policy, with the aim of generating a return for shareholders with an acceptable level of risk.

The Company has contracted with an external investment manager, ICM Limited (the “Investment Manager” or “ICM”), to manage its investments and undertake the company secretarial function.

## WHY ZETA RESOURCES LIMITED?



## Zeta is a patient, long term investor, seeking and finding compelling value in the resources sector.

Zeta's investment aim is to maximise total returns for shareholders by identifying and investing in resource assets and companies in diverse commodity sectors where the underlying value is not reflected in the market price.

Zeta has a select range of concentrated investments, where the Company has a meaningful influence on its investment. Rather than take a passive approach, Zeta is an active manager of its investments, working alongside investee management teams to ensure rational decision making, particularly in respect of capital allocation.

In addition, Zeta often participates at a corporate governance level, and assists investee companies with its network of contacts and experience.

Zeta utilises ICM as its Investment Manager. ICM has a global network of offices, including a specialist team devoted to research and analysis of resource companies.

## CONTENTS

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2 Why Zeta Resources Limited?

### PERFORMANCE

3 Chairman's Statement  
4 Group Performance Summary  
5 Current Year Performance  
6 Geographical Investment Exposure  
7 Associates of Zeta Resources

### INVESTMENTS

8 Investment Manager's Report  
16 Macro Trends Affecting Resources  
17 Sector Summaries  
21 Our Investment Approach  
22 Five Largest Holdings  
25 Investment Manager and Team

### GOVERNANCE

27 Directors  
28 Report of the Directors  
32 Corporate Governance Statement

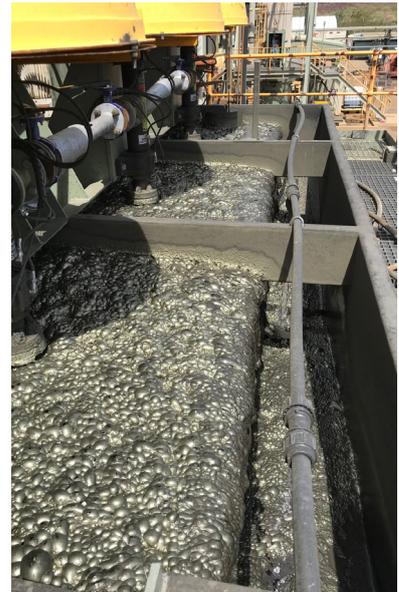
### FINANCIAL STATEMENTS

34 Independent Auditor's Report  
40 Auditor's Independence Declaration  
41 Financial Statements  
45 Notes to the Financial Statements

67 **SHAREHOLDER INFORMATION**

69 **COMPANY INFORMATION**

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### FINANCIAL CALENDAR

#### Year End

30 June

#### Annual General Meeting

25 November 2020

#### Half Year

31 December

#### Half Year Announcement

February 2020

## FORWARD-LOOKING STATEMENTS

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

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

## CHAIRMAN'S STATEMENT

# The biggest change in Zeta's portfolio during the year was the acquisition of a majority stake in Horizon Gold



**PETER SULLIVAN**  
Chairman

Much ink has been spilled, and will be spilled, about Covid-19 and its impact. For perspective, I would start by noting that this is the eighth annual report produced by Zeta since the Company was listed on ASX. The world continues to demand commodities, and come what may, commodities by their very nature, will always be demanded. However,

we can't look back on the year under review without acknowledging that every commodity was, in turn, impacted by Covid-19, albeit in different ways.

As a leveraged fund, Zeta felt the impact of swings in the commodity markets in a heightened way. Zeta's loss for the year was US\$22.4m, and the net asset value per share fell by 28.8%.

The reason for the loss was not purely due to Covid-19, but also due to a reversal of fortune at one of Zeta's largest investments – Panoramic Resources. During the year under review, Panoramic encountered significant difficulties in ramping up production at its Savannah nickel mine in Western Australia. When the Covid-19 crisis hit, the company decided to place Savannah back on to care and maintenance while Panoramic raised significant new equity to fund work to de-risk the mine. While the company's outlook has stabilised, this outcome was disappointing.

Following the successful sale of Zeta's majority stake in Bligh Resources in July 2019, the biggest change in Zeta's portfolio during the year was the increased shareholding in Horizon Gold by the acquisition from Panoramic of its holding. Like Bligh, Horizon Gold is a Western Australian gold junior, albeit Horizon Gold's resource base and tenements are much larger, in a mining area that has produced over one million

ounces historically. Zeta is pleased to have majority ownership of Horizon Gold, and since acquiring the stake has renewed management and supported the company with working capital and new equity to fund development. Horizon Gold's share price has appreciated materially since the acquisition of the majority stake by Zeta.

Beyond the above, Zeta has continued to invest modestly in the bauxite, copper and graphite sectors. The investment in bauxite has been in support of Zeta's investment in Alliance Mining Commodities, owner of a Tier-1 bauxite asset in Guinea, West Africa. The investments in copper and graphite are in two commodities that in the long run will benefit from a shift to greater use of electric power and its storage, particularly in transportation.

Looking forward, the near-term picture is uncertain as long as Covid-19 continues to constrain the movement of people, and to a lesser extent goods and services. Supply interruptions may temporarily boost certain commodity prices if mines are shut due to Covid-19, or prices may fall if demand in certain commodities is reduced by increased unemployment or economic recession. The longer-term outlook remains positive, as the world will continue to demand commodities.

Finally, you will have seen that Zeta has recently launched a bonus issue of options. The bonus issue provides Zeta shareholders and the Company with added capital management flexibility and rewards shareholders' support of Zeta. As a fellow shareholder in Zeta, I welcome this bonus issue, and add my personal thanks for your continued support of Zeta.

**Peter Sullivan**  
Chairman

25 September 2020

## GROUP PERFORMANCE SUMMARY

	30 June 2020	30 June 2019	% change 2020/19
Total return <sup>(1)</sup> (annual) (%)	(28.8)	(36.5)	21.1
Net tangible asset per ordinary share <sup>(2)</sup> (Australian cents)	26.0	36.6	(28.8)
Ordinary share price (Australian cents)	18.0	35.5	(49.3)
Discount (%)	(30.8)	(3.0)	927.0
Loss per ordinary share <sup>(3)</sup> (US dollars)	(0.08)	(0.17)	52.94
Dividends per ordinary share	Nil	Nil	n/a
Equity holders' funds (US\$m)	51.6	74.0	(30.3)
Gross assets <sup>(4)</sup> (US\$m)	127.5	133.3	(4.4)
Cash (US\$m)	0.0	0.1	(100.0)
Other debt (US\$m)	(75.9)	(59.3)	28.0
Net debt (US\$m)	(75.9)	(59.2)	28.2
Net debt gearing on gross assets (%)	59.5	44.4	n/a

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

(2) The NTA is calculated based on 287,643,076 shares on issue as at 30 June 2020, and 287,763,076 shares on issue as at 30 June 2019.

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

(4) Gross assets less liabilities excluding loans.

n/a = not applicable



## CURRENT YEAR PERFORMANCE

NAV TOTAL RETURN  
PER ORDINARY SHARE

↓ 28.8%

SHARE PRICE RETURN  
PER SHARE

↓ 49.3%

NAV DISCOUNT  
AS AT 30 JUNE 2020

30.8%

GEARING

59.5%

EARNINGS PER SHARE

(US\$0.08)

ORDINARY SHARES  
BOUGHT BACK

70,000

AVERAGE PRICE OF  
ORDINARY SHARE  
BOUGHT BACK

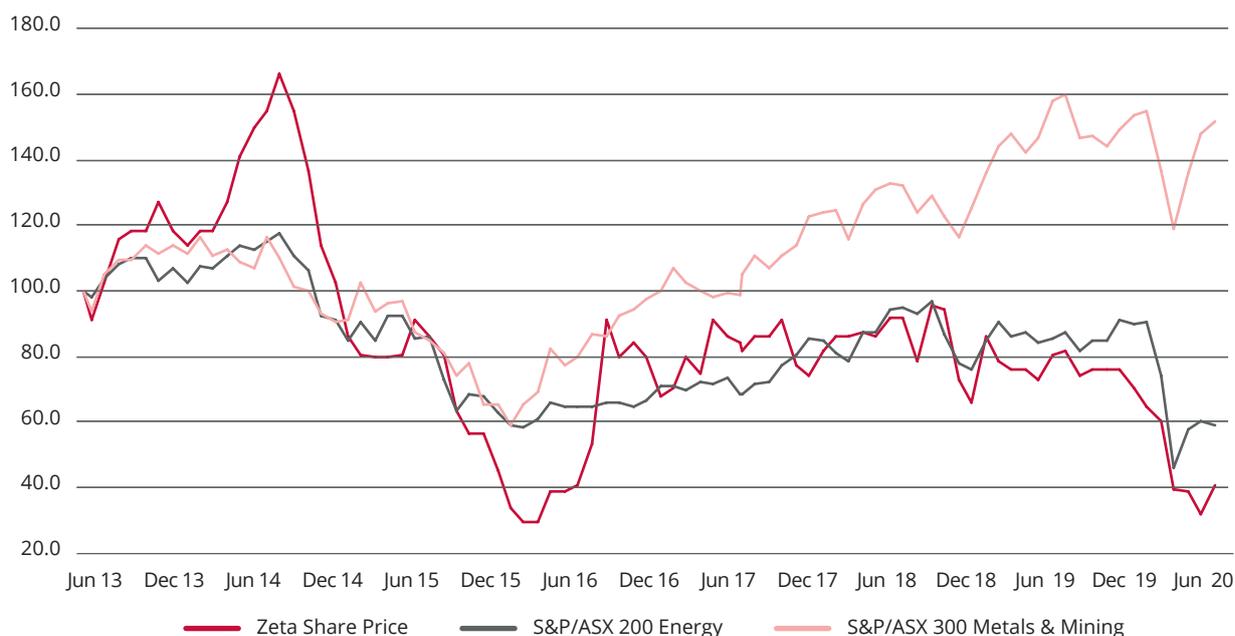
A\$0.24

ONGOING CHARGES

2.2%

### TOTAL RETURN COMPARATIVE PERFORMANCE\*

Since inception on 12 June 2013 to 30 June 2020



\*AUD, rebased to 100 as at 12 June 2013. Zeta NTA adjusted for February 2014 entitlement issue.

Source: ICM and S&P Dow Jones Indices

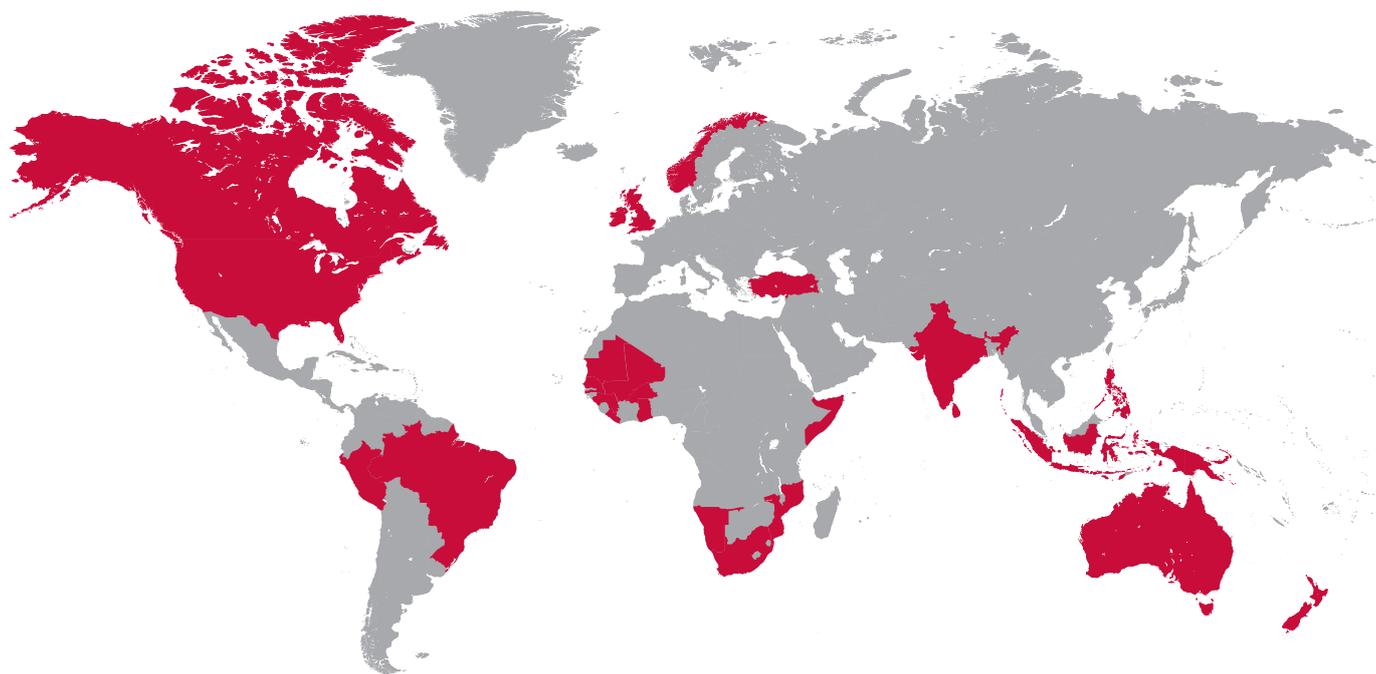
# GEOGRAPHICAL INVESTMENT EXPOSURE

(% OF TOTAL INVESTMENTS)

GUINEA	
June 2020	43.4%
June 2019	25.1%

AUSTRALIA	
June 2020	33.8%
June 2019	53.4%

CANADA	
June 2020	12.5%
June 2019	10.3%



SRI LANKA	
June 2020	4.7%
June 2019	2.2%

MALI	
June 2020	2.4%
June 2019	3.4%

SENEGAL	
June 2020	1.4%

OTHER	
June 2020	1.8%
June 2019	5.6%

Source: ICM

## ASSOCIATES OF ZETA RESOURCES AS AT 30 JUNE 2020



GME Resources Limited

*Nickel & Gold*

ASX-listed junior nickel  
and gold explorer

Substantial nickel  
resources in Western  
Australia

40.2%



Seacrest L.P.

*Oil & Gas*

Global exploration firm

Widely diversified  
portfolio of exploration  
interests

38.7%



Alliance Mining  
Commodities Limited

*Bauxite*

Unlisted bauxite  
development company

World class bauxite  
asset in Guinea,  
West Africa

35.6%



Margosa Graphite  
Limited

*Graphite*

Unlisted graphite  
explorer

Focused on high grade  
vein graphite in  
Sri Lanka

34.3%

## INVESTMENT MANAGER'S REPORT



**DUGALD MORRISON**

For the second year in a row, most commodities Zeta is invested in either decreased in price or were up slightly, with the exception of gold, which performed particularly well. The second half of the financial year was dominated by the worldwide impact of Covid-19, but it affected different commodities in different ways. Each of those commodities will be discussed below.

At the start of the year, Zeta's largest commodity exposures were fairly evenly balanced, with 25% of gross assets in bauxite, 24% in nickel, and 23% in gold. By the end of the year, the split was 43% bauxite, 18% gold, 14% nickel and 14% copper with investment during the year increasing graphite to 5%. Zeta's current portfolio is well placed to benefit from any

increasing demand from the use of batteries such as for electric vehicles.

As a leveraged investment company with small company exposure, the overall decline in commodity prices was exacerbated in Zeta's NAV performance. During the year under review, Zeta's net assets per share fell from A\$0.366 to A\$0.26, a fall of 28.8%. For comparison, the S&P/ASX 200 Energy index fell 31.2% over the same period, and the S&P/ASX 300 Metals & Mining index which includes gold mining stocks, declined only 4.0%. Zeta's share price fell 49.3% to A\$0.18. At the start of the period the share price was at a 3.0% discount to net assets; at the end of the period the share price was at a 30.8% discount to net assets.

Since year end, Zeta has added to its gold investments by participating in entitlement issues in support of exploration and development programmes. The entitlement issues have been attractively priced by the issuers.

IN THE YEAR TO 30 JUNE 2020

GUINEA IS ZETA'S LARGEST  
COUNTRY EXPOSURE  
AT 43.4%

↑ 18.0%

AUSTRALIA IS ZETA'S SECOND  
LARGEST COUNTRY EXPOSURE  
AT 33.8%

↓ 19.6%

CANADA REMAINS ZETA'S THIRD  
LARGEST COUNTRY EXPOSURE  
AT 12.5%

↑ 2.2%

SRI LANKA IS ZETA'S FOURTH  
LARGEST COUNTRY EXPOSURE  
AT 4.7%

↑ 2.5%

MALI IS ZETA'S FIFTH LARGEST  
COUNTRY EXPOSURE  
AT 2.4%

↓ 1.0%

SENEGAL IS ZETA'S SIXTH LARGEST  
COUNTRY EXPOSURE  
AT 1.4%

↑ 1.4%

Note: decreases/increases refer to the movement in the portfolio percentage of the relevant country

## SECTOR SPLIT OF INVESTMENTS



# INVESTMENT MANAGER'S REPORT (continued)

## COMMODITY MARKETS

As noted, during the year under review the price of gold increased while the prices of oil and aluminium fell, and nickel and copper both increased slightly. The US dollar gained in strength, which benefited Australian and Canadian miners. Zeta's largest geographical exposure is to Guinea, where at year end, 43.4% of the portfolio was invested. Australia is second, with just over a third of portfolio; and Canada third, with about a seventh of the portfolio.

### Aluminium

Aluminium prices fell for the second year in a row. At the start of the year, aluminium was US\$0.80 per pound; by the end of the year it was US\$0.73 per pound, a decrease of 9.6%. Aluminium prices weakened in the wake of the Covid-19 pandemic, and unlike commodities such as copper which have seen significant interruptions in supply as mines have been closed to prevent the spread of the disease, supply of aluminium has not reduced as much as demand has fallen. Demand in Japan and Korea has been significantly weaker, although since year end China has become a net exporter of aluminium for the first time in 11 years.

During the year, Zeta increased its holding in unlisted bauxite developer Alliance Mining Commodities Limited ("AMC") through support of a capital raising. AMC owns a world-class bauxite deposit in Guinea.

#### ALUMINIUM PRICE

from June 2018 to June 2020



Source: LME

### Nickel

At the start of the year under review, nickel prices performed strongly. This was due largely to low available stocks, coupled with supply disruptions in Indonesia. However, the second half of the year under review was dominated by the impact of Covid-19. Overall, for the twelve months ended June 2020, the price of nickel increased 1.0% to US\$5.80 per pound. In the long term, nickel demand will be sustained in part by increasing demand for electric vehicles ("EVs"). EVs' lithium-ion batteries, despite their name, require a much larger amount of nickel than lithium. In the near term, however, Covid-19 and its impact on global economies will have the biggest impact on nickel prices, either muting demand, or conversely being boosted by fiscal stimuli.

Zeta's chief investment in the nickel sector remains Panoramic Resources Limited ("Panoramic"), while Zeta has a smaller, but still significant investment in GME Resources Limited ("GME Resources"). Unfortunately, Panoramic encountered significant problems as it attempted to ramp up production at its Savannah mine in Western Australia. The Covid-19 pandemic was the final straw, pushing the company to place Savannah back onto care and maintenance while it raised significant new capital to be used to de-risk the mine. Zeta participated in Panoramic's capital raising, but the significant amount of capital raised diluted Zeta's stake in Panoramic, although as at 30 June 2020 Panoramic remained Zeta's second largest investment.

#### NICKEL PRICE

from June 2018 to June 2020



Source: LME

## Deflation continues to be a major cause of concern for central banks.



## Gold

The price of gold rose significantly during the year under review. At the end of June 2019 the price of gold was US\$1,409 per ounce; at the end of June 2020 the gold price was US\$1,768 per ounce, a rise of 25.5%. In Australian dollars, the rise was more pronounced, from A\$2,012 per ounce to A\$2,573, a rise of 27.9%.

The biggest increase in gold prices came during the second half of Zeta's financial year, as the Covid-19 crisis hit, and as central banks, particularly the US Federal Reserve, demonstrated a commitment to greatly increasing liquidity in the markets. Historically, gold has performed well in US dollar terms when the Fed has employed quantitative easing.

Market commentators have observed that whereas in decades past a significant increase in the money supply would ordinarily lead to an increase in consumer prices, now we see large increases in the money supply without any apparent increase in consumer prices. In fact, deflation continues to be a major cause of concern for central banks. A reasonable conclusion would be that central banks have decided that increasing the money supply only increases asset prices. While this raises concerns over a widening of the gap between rich (those with assets) and poor (those without), central bankers have observed that increased unemployment would be most keenly felt by the relatively poorer members of society. Thus the current policy looks set to continue, which bolsters the near term outlook for gold.

During the year Zeta made another significant investment in gold, by increasing its stake in Western Australia based Horizon Gold Limited ("Horizon Gold") from Panoramic. Since acquiring a majority holding, Zeta has supported Horizon Gold through a recent entitlement issue to raise capital for development and exploration.

Zeta's other significant gold investment is in Resolute Mining Limited ("Resolute"). Resolute started the year with a share price of A\$1.33, and finished the year with a share price of A\$1.25, down 6.0%. Resolute ran into operational difficulties in the first half of Zeta's financial year. However, it has worked largely to resolve these problems, and is producing well from its two operating mines in Mali and Senegal. Once its hedges – a requirement of its recently renegotiated debt facility – expire, the company should generate strong cash flows should gold prices remain at current levels or higher.

### GOLD PRICE

from June 2018 to June 2020



Source: Kitco - London PM Fix

# INVESTMENT MANAGER'S REPORT (continued)

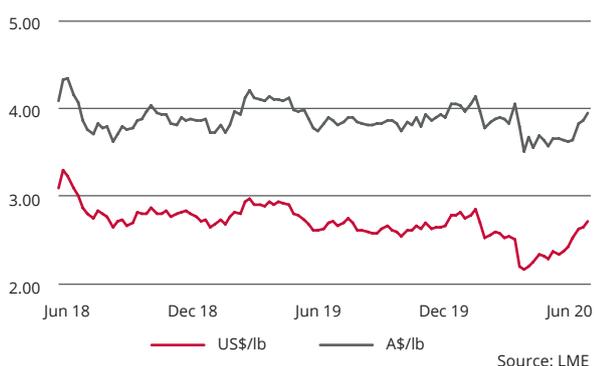
## Copper

For the first half of the year under review, the price of copper performed poorly, as investors were concerned with industrial demand in the wake of a slowing Chinese economy and trade wars. After a brief uptick in early January, the copper price fell sharply later in the month, followed by a more drastic decline in March amidst the Covid-19 pandemic. As fears of a deep recession have subsided and investor concerns shifted to shrinking inventory levels and increased demand from China, the copper price has rebounded sharply. At the end of June 2020, the copper price was US\$2.71, identical to the price at the end of June 2019. Since year end, the copper price has continued to rise, climbing above US\$3.00 per pound for the first time since June 2018.

Zeta's largest investment in the copper sector is Canadian copper firm Copper Mountain Mining Corporation ("Copper Mountain"), which produces copper in British Columbia, and has a copper development project in Queensland, Australia. During the year under review, Zeta increased its holding in Copper Mountain from 12.8% to 19.99%.

### COPPER PRICE

from June 2018 to June 2020



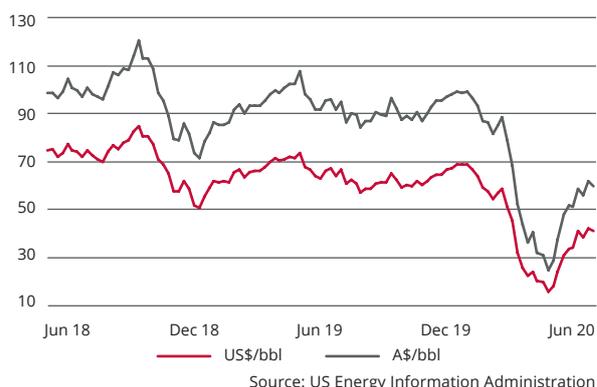
## Oil & Gas

At the start of the year under review, the Brent Crude Oil price was US\$65/bbl; by the end of June 2020 the price of Brent was US\$42/bbl, a decline of 35.5%. Oil prices were hit hardest by the Covid-19 pandemic, as economic activity slowed, but air travel and tourism were two of the hardest hit sectors. While prices have recovered, they remain below the key level of US\$50/bbl, which is the estimated breakeven production price for US unconventional (fracking) production.

Zeta's largest investment in this sector is in the exploration firm Seacrest L.P., which is unlisted.

### BRENT CRUDE OIL PRICE

from June 2018 to June 2020



The second half of the year under review was dominated by the impact of Covid-19.

## CAPITAL STRUCTURE

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

During the year Zeta has had working capital support from its parent company, UIL Limited ("UIL"). As of 30 June 2020, Zeta had a loan from UIL totalling US\$68.3 million, drawn in Australian dollars and Canadian dollars.

As at 30 June 2020, Zeta had total assets of US\$132.9 million (2019: US\$133.7 million). Of this figure, US\$57 million (2019: US\$32.8 million) was invested in the bauxite sector; US\$20.6 million (2019: US\$30.1 million) was invested in the gold sector; US\$36.2 million (2019: US\$57.9 million) was invested in the nickel and copper sectors; and US\$1.78 million (2019: US\$5.03 million) was invested in the oil & gas sector.

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### NTA PER SHARE VERSUS SHARE PRICE

Since inception on 12 June 2013 to 30 June 2020



Source: ICM

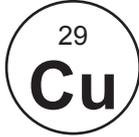
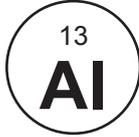
## FINANCIAL RESULTS

The net loss after tax for the year was US\$22,367,826 against a loss of US\$48,687,361 in the year ended June 2019. The net loss was comprised largely of unrealised losses from investments, taxation provided for and interest expense.

## INVESTMENT MANAGER'S REPORT (continued)

### LOOK-THROUGH RESERVES & RESOURCES

Zeta's investment portfolio includes exposure to the following commodities, weighted by the percentage ownership of investee declared Reserves and Resources as follows as at the end of June 2020:

	RESERVES Proved & Probable	RESOURCES Measured & Indicated
Gold 	0.51 m oz	1.12 m oz
Silver 	2.22 m oz	2.81 m oz
Copper 	0.40 m t	0.61 m t
Nickel 	0.28 m t	0.35 m t
Cobalt 	0.02 m t	0.02 m t
Alumina 	14.02 m t	136.44 m t

## SIGNIFICANT INVESTMENTS

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

### **Resolute Mining**

Resolute is an Australian-headquartered gold company with two operating mines, Syama in southern Mali, and Mako in Senegal. Resolute has been transitioning Syama from surface operations to a significant new underground operation, which is making use of innovative automated technology. During the first half of the year under review, Syama encountered significant operating difficulties, including a crack in the roaster, and metallurgical problems. Resolute has worked assiduously to correct these problems, and the latter half of the year has seen much improved volumes. Provided neither of its mines are shut due to Covid-19, the company should enjoy significant cash flows, particularly as old hedges at lower gold prices expire.

### **GME Resources**

GME is a Perth-based nickel exploration company focused on the development of its 100%-owned NiWest Nickel-Cobalt Project, located in the Laverton district of Western Australia (adjacent to Minara Resources). GME and its subsidiary Golden Cliffs NL also own a number of prospective gold projects in the Leonora – Laverton region. Subsequent to year end, Zeta participated in an equity raising by GME to fund infill drilling programmes and exploration work at the company's Fairfield and Homeward Bound / Federation gold prospects located in close proximity to the NiWest Nickel-Cobalt Project.

### **Kumarina**

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

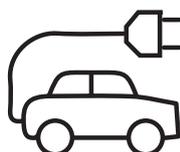
Project area	Tenement ID	Ownership	Comments
Ilgarari	E52/2274	100%	
Eulaminna	M39/0371	0%	Gold and Base Metals Rights
	M39/0372	0%	Gold and Base Metals Rights
Murrin Murrin	M39/0397	100%	
	M39/0398	100%	
	M39/0399	100%	
	M39/0400	100%	
	M39/1068	100%	

### **JDF Morrison**

ICM Limited  
Investment Manager

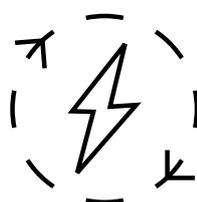
25 September 2020

## MACRO TRENDS AFFECTING RESOURCES



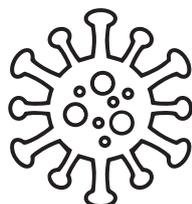
### E-VEHICLES

- Nearing tipping point where all factors for growth are in place
- EVs use more commodities such as nickel and copper than traditional vehicles
- Potential spike in demand for several metals, including lithium, cobalt, and manganese
- Increased demand for flake and vein graphite
- New battery technologies may limit demand for certain battery metals



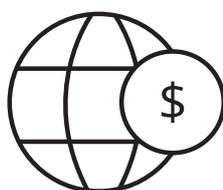
### RENEWABLES

- Consumer pull and government push for renewables
- Price of solar and wind continue to reduce
- Renewables increasing, but still a relatively small component of total energy mix
- Low price of natural gas reducing carbon footprint and industrial demand for renewables



### COVID-19 DISRUPTION

- Disruptions to both production and demand causing increased volatility for many commodities
- Near-term oil demand drastically reduced due to sudden reduction in flights, cruise ship operations, and all forms of international travel
- Several leading indicators suggested heightened risk of recession prior to pandemic; an extended recession would challenge demand for energy and industrial commodities over the medium term
- US-China tensions continue to rise, in part due to Covid-19
- Significant risk to US and other countries of additional or extended shutdowns from increasing cases or a “second wave”



### GLOBAL DEBT

- Unprecedented increase in global government debt on a relative basis, exacerbated further by the pandemic
- Record government spending to counteract economic impact from extended shutdowns
- Increasing demand for gold as protection from risk of fiat money inflation
- Many central governments have reduced interest rates, with negative rates in some cases; low rates contributing to increasing corporate and consumer debt
- Risk to global economy, and thus demand for industrial commodities



### CHINA URBANISATION

- Central government spending on new cities helps manage GDP growth
- Smooths cycles and sustains demand for industrial commodities
- China is significantly now the largest consumer of several major commodities
- Government committed to renewables and EVs
- Pollution reduction targets reducing obsolescent refineries and reducing production of certain commodities, e.g. aluminium
- Long term growth in question as Chinese population ages and effects of trade disputes impact Chinese economy

# SECTOR SUMMARIES AS AT 30 JUNE 2020

## BAUXITE

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### Overview

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

### Macro trends

- Alumina production has been in increasing trend since early 1980s
- Australia a big producer of bauxite and alumina, but relatively little smelting done there
- Aluminium prices trending down since peaking in April 2018

### Exposure

- 36% of Alliance Mining Commodities (unlisted) – owner and developer of a world-class bauxite resource in Guinea

## NICKEL

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### Overview

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

### Macro trends

- Demand for nickel for lithium-ion batteries increasing quickly, but still relatively small component of global nickel demand
- Prices spiked in Q3 2019 following announcement of Indonesia's intention to ban exports of unrefined nickel ore, followed by a precipitous decline through 1H 2020 due to slowing demand, further exacerbated by Covid-19
- Industrial demand still influenced by strength of Chinese economy

### Exposure

- 40% of GME Resources (ASX:GME) – owns development project in Western Australia
- 17% of Panoramic Resources (ASX: PAN) – nickel producer in Western Australia

# SECTOR SUMMARIES

## AS AT 30 JUNE 2020 (continued)

### GOLD

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#### Overview

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

#### Macro trends

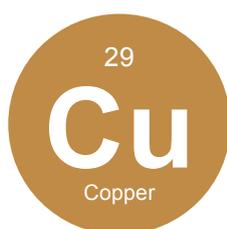
- Hedge to US dollar which has declined long term against gold
- Price of gold has been climbing since 2H 2018, now approaching and attaining record highs amidst global economic uncertainty and unprecedented increase in government debt worldwide
- Gold production has been in a long-term downtrend since record-keeping commenced
- Demand for jewellery dominated by China and India; US a distant third

#### Exposure

- 100% of Kumarina (unlisted) – exploration and development in Western Australia
- 69% of Horizon Gold (ASX:HRN) – exploration and development in Western Australia
- 1% of Resolute Mining (ASX:RSG) – operating mines in Mali and Senegal

### COPPER

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#### Overview

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

#### Macro trends

- Annual production has been increasing for over fifty years, but with a sharp uptick in late 1990s
- Prices relatively volatile, generally tied to world economy. Prices collapsed in March 2020 but recovered quickly on supply concerns in Chile
- Increasing demand from wiring for electric vehicles, but price still dominated by industrial demand or lack thereof

#### Exposure

- 100% of Kumarina (unlisted) – junior copper-gold exploration firm in Western Australia
- 20% of Copper Mountain Mining (TSX:CMMC, ASX:C6C) – producing copper in Canada, and developing a copper asset in Australia

## OIL & GAS

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### Overview

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

### Macro trends

- “Peak oil” has been discussed for decades, but long-term trend of annual growth in production still intact
- Annual growth in demand has followed a linear trend in line with world population growth, but is expected to fall by a record 8 mb/d due to drastic decline in demand amidst Covid-19 pandemic
- Lower prices since 2014 have led to reduced global expenditures on oil & gas exploration, but technological improvements led to increased supply, especially in the US
- Fracking has moved the US into the number one position in both oil and gas production; fracking has had less success outside of North America. Stockpiling of natural gas has materially slowed demand for LNG, meaning the fracking industry has not yet recovered to the same extent as oil producers

### Exposure

- 39% of Seacrest (unlisted) – globally diversified oil & gas exploration using seismic where advantageous

# SECTOR SUMMARIES

## AS AT 30 JUNE 2020 (continued)

### COBALT

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#### Overview

- Industrial metal used primarily in rechargeable batteries such as lithium-ion
- Other uses include superalloys, integrated circuits and other industrial processes
- Vast majority is produced as a by-product of copper or nickel mining
- Roughly 60% of cobalt ore is produced in the Democratic Republic of the Congo, and more than 60% of smelting capacity is in China

#### Macro trends

- Cobalt demand has climbed alongside increased adoption of EVs and other electronics
- Cobalt prices soared in 2017 amidst fears of a supply shortage, but crashed in 2018 and have remained low as the near-term supply-demand imbalance was resolved, and long-term demand growth is uncertain
- Some manufacturers, including Tesla, have developed lithium-ion batteries that require relatively less cobalt (also developing cobalt-free batteries), but industry consensus is that the metal will continue to be required in future EV batteries, albeit likely at lower volumes per unit

#### Exposure

- 40% of GME Resources (ASX:GME) – Australian nickel developer with cobalt resources of 55,000 tonnes
- 17% of Panoramic Resources (ASX:PAN) – Australian nickel producer with cobalt reserves of 7,600 tonnes

### GRAPHITE

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#### Overview

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

#### Macro trends

- Main uses of graphite are brake linings, foundry operations, lubricants, refractory applications, and steelmaking
- Growth of production of lithium-ion batteries is causing a rapid increase in demand for graphite
- Weak prices in 2019/20 due to increased supply and slower demand growth, but long-term forecast still strong

#### Exposure

- 34% of Margosa Graphite Limited (unlisted) – Sri Lankan brownfield explorer of vein graphite, the purest naturally occurring graphite

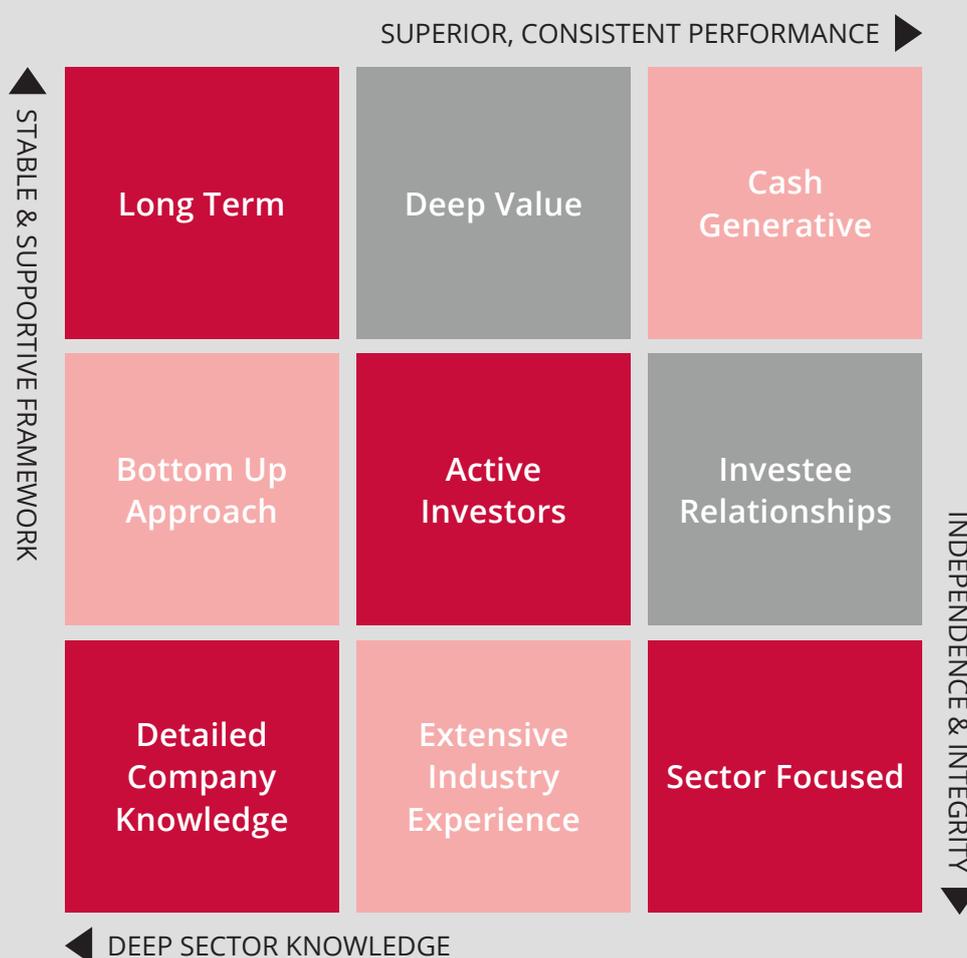
## OUR INVESTMENT APPROACH

ICM is a value investor and generally operates focused portfolios with narrow investment remits. ICM has several dedicated research teams who have deep knowledge and understanding in their specific sectors, which improves the ability to source and make solid investments. ICM has approximately US\$2.2bn of assets directly under management and is responsible indirectly for a further US\$19.6bn of assets in subsidiary investments.

ICM looks to exploit market and pricing opportunities and concentrates on absolute performance. The investments are not market index driven and ICM is unlikely to participate in either an IPO or an auction unless there is compelling value.

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

### We seek out and make compelling investments



## FIVE LARGEST HOLDINGS



THE VALUE OF THE FIVE LARGEST HOLDINGS REPRESENTS

**87.4%**

(2019: 82.3%) OF TOTAL INVESTMENTS

THE VALUE OF THE TEN LARGEST HOLDINGS REPRESENTS

**93.6%**

(2019: 90.6%) OF TOTAL INVESTMENTS

GUINEA IS ZETA'S LARGEST COUNTRY EXPOSURE AT

**43.4%**

(2019: 25.1%) OF TOTAL INVESTMENTS

THE TOTAL NUMBER OF COMPANIES INCLUDED IN THE PORTFOLIO IS

**28**

(2019: 24)

1



<b>Country</b>	Guinea
<b>Sector</b>	Bauxite developer
<b>Fair Value US\$000</b>	57,000
<b>% of total investments</b>	43.4%
<b>% owned</b>	35.6%

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

2



<b>Country</b>	Australia
<b>Sector</b>	Nickel exploration and mining
<b>Fair Value US\$000</b>	19,237
<b>% of total investments</b>	14.7%
<b>% owned</b>	16.8%

Panoramic Resources Limited is a Western Australian mining company that owns 100% of the Savannah underground nickel sulphide mine, located in the East Kimberley in Western Australia. Having encountered various operational difficulties ramping up production at Savannah following a period of the mine being on care & maintenance, Panoramic elected to place Savannah back onto care & maintenance when the Covid-19 crisis hit. The company has used the time while production has ceased to raise significant new capital and work towards de-risking the mine. Going forward, Panoramic's value will be leveraged to both the price of nickel, and the Australian dollar – the higher the price of nickel and the lower the Australian dollar, the higher the company's worth.

3



<b>Countries</b>	Canada and Australia
<b>Sector</b>	Copper exploration and mining
<b>Fair Value US\$000</b>	17,183
<b>% of total investments</b>	13.1%
<b>% owned</b>	19.9%

Copper Mountain Mining Corporation is a Canadian copper mining company headquartered in Vancouver, British Columbia. Its chief asset is 75% of the Copper Mountain mine located about 20 km south of Princeton, British Columbia and 300 km east of the port of Vancouver. Mitsubishi Materials Corporation owns the remaining 25%. The mine has a reserve life of over 30 years and produces 90-100 million pounds of copper equivalent per year, including significant gold and silver credits, all of which are shipped to Japan for smelting in one of Mitsubishi's copper smelters. Copper Mountain also owns the Eva Copper Project, which is located 75 kilometres from the town of Cloncurry and 95 kilometres north-east of Mt Isa in north-west Queensland, Australia. The project comprises one of Australia's largest undeveloped copper resources, containing 1.9 million tonnes of copper and 590,000 ounces of gold.

## FIVE LARGEST HOLDINGS (continued)

4



<b>Country</b>	Australia
<b>Sector</b>	Gold
<b>Fair Value US\$000</b>	15,108
<b>% of total investments</b>	11.5%
<b>% owned</b>	69.0%

Horizon Gold Limited is focused on exploration and development activities at its 100%-owned Gum Creek Project in Western Australia. Gum Creek covers approximately 620 square kilometres and has historically produced over one million ounces of gold. Gum Creek hosts JORC 2012 Resources of 15.9 million tonnes averaging 2.7g/t gold for 1.39 million ounces of gold. The company was spun off from nickel company Panoramic Resources in 2016 and Zeta participated in the IPO. In 2020 Zeta acquired Panoramic's majority holding in Horizon Gold, and has subsequently supported the company through providing working capital and participating in an entitlement issue to raise new equity.

5



<b>Countries</b>	Sri Lanka
<b>Sector</b>	Graphite
<b>Fair Value US\$000</b>	6,205
<b>% of total investments</b>	4.7%
<b>% owned</b>	34.3%

Margosa Graphite Limited is an unlisted Australian company targeting development of JORC-compliant high grade crystalline vein graphite deposit in Sri Lanka. Sri Lanka has a long history of graphite production since the mid 1800s, and is home to some of the purest grade graphite in the world. Sri Lankan high quality graphite has varied applications, including in anodes for lithium-ion batteries used in electric vehicles. In May 2020, Margosa announced revised Mineral Resources totalling approximately 1,724,610 tonnes, at 76.32% total graphitic content and approximately 1,316,190 tonnes of contained graphite, including Indicated Resources of approximately 582,610 tonnes grading 75.83% TGC for 441,790 tonnes of contained graphite.

## INVESTMENT MANAGER AND TEAM

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

ICM is an international Fund Manager and Corporate Finance Adviser headquartered in Bermuda, with 10 offices globally. ICM has expertise in listed equity, private equity, and fixed income bonds, and

specialises in the following investment sectors: utility & infrastructure, financial services, mining and resources, technology, and fixed income.

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

ICM MANAGES OVER

# US\$2.2bn

IN FUNDS DIRECTLY AND IS RESPONSIBLE INDIRECTLY FOR A FURTHER US\$19.6BN OF ASSETS IN SUBSIDIARY INVESTMENTS. ICM HAS OVER 65 STAFF BASED IN OFFICES IN BERMUDA, CAPE TOWN, DUBLIN, LONDON, SINGAPORE, SYDNEY, VANCOUVER AND WELLINGTON.



### DUNCAN SAVILLE

Duncan Saville, a director of ICM, is a chartered accountant with experience in corporate finance and asset management. He is an experienced non-executive director having previously been a director in multiple companies in the utility, investment, mining, and technology sectors. Duncan is currently a non-executive director of Resimac Group Limited and West Hamilton Holdings Limited.



### ALASDAIR YOUNIE

Alasdair Younie, a director of ICM, is based in Bermuda. He has extensive experience in financial markets and corporate finance, and is responsible for the day to day running of the Somers Group. Mr Younie qualified as a chartered accountant with PricewaterhouseCoopers and subsequently worked for six years in the corporate finance division of Arbuthnot Securities Limited in London. Alasdair is a director of Ascendant Group Limited, Bermuda Commercial Bank Limited, Somers Limited, Bermuda First Investment Company Limited, One Communications Limited and West Hamilton Holdings Limited.

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## INVESTMENT MANAGER AND TEAM (continued)



Dugald Morrison has been involved with ICM and its predecessor companies since 1994 and is responsible for ICM NZ Limited, based in Wellington. He is an experienced investment analyst, having worked in stockbroking, investment banking and investment management firms in New Zealand, the United Kingdom, and the United States since 1987. Mr Morrison is a director of Horizon Gold Limited (ASX:HRN), Brightwater Group Limited and Snapper Services Limited.



### **EDUARDO GRECA**

Eduardo Greca joined ICM London in 2010 as the Latam Investment Strategist before moving to Brazil in 2012 where he is now based. Mr Greca has over twelve years of investment research experience, and prior to joining ICM he worked for the commodities risk management team at Kraft Foods. He covers the Latin American equity and fixed income investments, and is responsible for the Stock Exchange sector worldwide with an emphasis on Emerging Markets. Mr Greca is a CFA Charterholder and a Member of the CFA Society in Brazil.



### **TRISTAN KINGCOTT**

Tristan Kingcott joined ICM in 2018 and is responsible for the Canadian office, based in Vancouver, British Columbia. He is focused on the resources, technology, and financial services sectors, with an emphasis on North America. Mr Kingcott has over ten years' experience in financial and commercial analysis, and prior to joining ICM, has performed various roles, including Manager of Corporate Development at Ferus Inc., an energy services company based in Western Canada. Mr Kingcott is a CFA Charterholder.

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## DIRECTORS



### **PETER SULLIVAN (CHAIRMAN)**

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

#### *Directorships of other listed companies in the last 3 years*

Mr Sullivan is chairman of GME Resources Limited (ASX:GME) and Horizon Gold Limited (ASX: HRN), and non-executive director of Resolute Mining Limited (ASX:RSG) and Panoramic Resources Limited (ASX:PAN). Mr Sullivan was chairman of Pan Pacific Petroleum NL (ASX:PPP) which was delisted on 13 November 2017 and Bligh Resources Limited (ASX:BGH) until 13 August 2019 following the sale of the company to Saracen Mineral Holdings Limited.



### **MARTHINUS (MARTIN) BOTHA**

Mr Botha has over 30 years' experience in banking, with the last 27 years spent in leadership roles building Standard Bank Group's international operations. Mr Botha's primary responsibilities at Standard Bank Plc included establishing and leading the development of the core global natural resources trading and financing franchises, as well as various geographic strategies. Mr Botha is currently non-executive chairman of Sberbank CIB (UK) Ltd, a securities broker regulated by the UK Financial Services Authority. Mr Botha holds a Bachelor of Engineering degree in Survey.

#### *Directorships of other listed companies in the last 3 years*

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



### **ANDRÉ LIEBENBERG**

Mr Liebenberg is an experienced mining industry professional and has extensive investor marketing, finance, business development and leadership experience. He was appointed CEO and Executive Director of Yellow Cake plc on 1 June 2018, just prior to the company's IPO on the AIM market of the London Stock Exchange. Mr Liebenberg has spent over 25 years in private equity, investment banking, senior roles within BHP, and prior to joining Yellow Cake he was Chief Financial Officer at QKR Corporation. Mr Liebenberg holds a Bachelor of Science in Electrical Engineering from the University of Cape Town and a Master in Business Administration from the University of Cape Town.

#### *Directorships of other listed companies in the last 3 years*

Mr Liebenberg is an executive director of Yellow Cake plc (LSE:YCA) and was a non-executive director of Danakali Limited (ASX:DNK) until 3 August 2020



### **XI XI**

Xi is a financial analyst with more than 20 years' experience in the mining, energy and natural resource industry, ranging from managing companies focused on international exploration and development of mining projects to restructuring and overseeing a portfolio of private and public companies. Ms Xi holds dual Bachelor of Science degrees in Chemical Engineering and Economics from the Colorado School of Mines and a Master of Arts in International Relations and China Studies from Johns Hopkins School of Advanced International Studies.

#### *Directorships of other listed companies in the last 3 years*

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

All Directors are Non-Executive Directors and were appointed to the board of the Company on 7 June 2013, other than Mr Liebenberg, who was appointed on 30 December 2019.

# REPORT OF THE DIRECTORS



Your directors present their report for Zeta Resources Limited, including its subsidiaries, Kumarina Resources Pty Limited, Zeta Energy Pte. Ltd, Zeta Investments Limited and Horizon Gold Limited, for the year ended 30 June 2020.

## 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  
André Liebenberg  
Xi Xi

The directors, apart from Mr Liebenberg, have been in office since the start of the year to the date of this report. André Liebenberg was appointed to the board on 30 December 2019.

## 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 loss attributable to the Company for the year to 30 June 2020 amounted to US\$22,367,826.

### 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\$42,757,993. A decrease in the fair value of the portfolio resulted in an unrealised loss recognised in profit or loss at year end of US\$11,216,601.

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\$424,773 was invested during the twelve months to 30 June 2020 in further drilling and analysis work.

### Financial position

At the end of the year, the Company had US\$12,082 in cash and cash equivalents. Investments at fair value totalled US\$114,839,211, loans to subsidiaries were valued at US\$1,714,655 and the investment in subsidiaries was valued at US\$16,417,335.

The company has a loan owing to UIL of US\$68,312,746 at year end.

As at the year end, the Company had a US\$3.75 million loan facility with Bermuda Commercial Bank with US\$1,250,000 expiring on 30 September 2020.

## GOING CONCERN

The financial statements have been prepared on a going concern basis. We draw attention to the fact that at 30 June 2020, the Company incurred a net loss of US\$22,367,826 (2019: US\$48,687,361) during the year and had accumulated losses of US\$71,257,569 (2019: US\$48,889,743) and that the company's current liabilities exceed its current assets by US\$6,517,913 (2019: US\$1,110,365). The company has undrawn capacity under its debt facilities and the majority of the Company's assets consist of equity shares in listed companies which in most circumstances are realisable within a short timescale. Based on this, the directors believe the Company will be able to cover the commitments arising in the period 12 months from the date of approval of these financial statements. 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.

## DIVIDENDS

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

## AFTER BALANCE SHEET DATE EVENTS

Zeta Resources has taken up its entitlement in the Horizon Gold Limited renounceable entitlement issue for an amount of A\$1.6 million. The loan to Horizon Gold Limited will be repaid as part of the payment due.

On 10 September Zeta Resources offered a bonus issue of Options to its shareholders. Eligible Shareholders who hold Shares on the Record Date are offered one (1) Option (Bonus Option) for every one (1) Share held

on the Record Date. The Bonus Options have no issue price, will be exercisable at A\$0.25 each and expire on 15 June 2021.

## 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.

## 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' 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 which include performance-based components.

## Details of remuneration for directors

The Company paid a total of \$183,333 to directors for the year ended 30 June 2020.

The Company had no employees as at 30 June 2020.

# REPORT OF THE DIRECTORS (continued)

## 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 in shares and options is set out elsewhere in this report.

## Directors' interests

The relevant interests of directors either directly or through entities controlled by the directors 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	5,770,632	-	5,770,632
Martin Botha	479,565	-	479,565
André Liebenberg	-	-	-
Xi Xi	-	-	-

## MEETINGS OF DIRECTORS

The board held seven meetings during the year which were attended by all directors. The meetings were held on the following dates:

2019: 1 July, 30 August, 24 October

2020: 6 February, 8 April, 13 May, 17 June

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

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

## 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

Both Horizon Gold Limited and 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 and the Western Australian Mining Act during the year covered by this report.

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

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

## 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 implemented an on-market buy-back programme for up to 10 million ordinary shares during the period 15 September 2018 to 14 September 2020. On 8 September 2020 the Company announced that the buy-back programme was to be extended from 15 September 2020 to 14 September 2021. 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 purchases 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.

Since the commencement of the on-market buy-back scheme on 15 September 2018, Zeta Resources has repurchased and cancelled 877,947 fully paid ordinary shares.

### 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\$592,691 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

25 September 2020

# CORPORATE GOVERNANCE STATEMENT

## THE COMPANY'S CORPORATE GOVERNANCE FRAMEWORK

Corporate Governance is the process by which the board of directors of a company protects shareholders' interests and by which it seeks to enhance shareholder value. Shareholders hold the directors responsible for the stewardship of a company's affairs, delegating authority and responsibility to the directors to manage the company on their behalf and holding them accountable for its performance. Responsibility for good governance lies with the board. The board considers the practice of good governance to be an integral part of the way it manages the Company and is committed to maintaining high standards of financial reporting, transparency and business integrity.

The governance framework of the Company reflects the fact that as an investment company it has no full-time employees and outsources its activities to third party service providers.

## THE BOARD

**Four non-executive directors**

**CHAIRMAN:  
Peter Sullivan**

### KEY OBJECTIVES:

- to set strategy, values and standards;
- to provide leadership within a framework of prudent and effective controls which enable risk to be assessed and managed; and
- to constructively challenge and scrutinise performance of all outsourced activities.

### AUDIT & RISK

**The board as a whole performs this function**

#### KEY OBJECTIVE:

- to oversee the financial reporting and control environment.

### MANAGEMENT OVERSIGHT

**The board as a whole performs this function**

#### KEY OBJECTIVE:

- to review the performance of the Investment Manager.

### NOMINATION COMMITTEE

**The board as a whole performs this function**

#### KEY OBJECTIVES:

- to regularly review the board's structure and composition; and
- to consider any new appointments.

### REMUNERATION COMMITTEE

**The board as a whole performs this function**

#### KEY OBJECTIVE:

- to set the remuneration policy for the directors of the Company.

As an ASX-listed company, the board's principal governance reporting objective is in relation to the ASX Corporate Governance Principles and Recommendations ("Recommendations") developed by the ASX Corporate Governance Council.

The Company's directors and management are committed to conducting the group's business in an ethical manner and in accordance with the highest standards of corporate governance. The Company has adopted and substantially complies with the Recommendations to the extent appropriate to the size and nature of the group's operations.

The Company has prepared a Corporate Governance Statement based on the Third Edition of the Recommendations. It sets out the corporate governance practices that were in operation throughout the financial year for the Company, identifies any Recommendations that have not been followed, and provides reasons for not following such Recommendations.

In accordance with ASX Listing Rules 4.10.3 and 4.7.4, the Corporate Governance Statement, and accompanying Appendix 4G, will be available for review on the Company's website and will be lodged with ASX concurrently with the Annual Report.

The Appendix 4G details each Recommendation that needs to be reported against by the Company and will provide shareholders with information as to where relevant governance disclosures can be found.

The Company's corporate governance policies and charters are all available on the Company's website.

Details about the Company's corporate governance policies and charges are available in the corporate governance section of our website at:



[www.zetaresources/investor-relations/corporate-governance/](http://www.zetaresources/investor-relations/corporate-governance/)

# INDEPENDENT AUDITOR'S REPORT



## Independent Auditor's Report

*To the Shareholders of Zeta Resources Limited*

### Report on the Audit of the Annual Financial Statements

#### *Opinion*

We have audited the annual financial statements of Zeta Resources Limited set out on pages 41 to 66, which comprise the statement of financial position as at 30 June 2020, 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 annual financial statements present fairly, in all material respects, the financial position of the Company as at 30 June 2020, 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 corresponding sections of the International Ethics Standards Board for Accountants' International Code of Ethics for Professional Accountants (including International Independence Standards). 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 annual financial statements of the current period. These matters were addressed in the context of our audit of the annual financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

REGISTERED AUDITOR – A FIRM OF CHARTERED ACCOUNTANTS(SA) • IRBA REGISTRATION NUMBER 900222

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Matter	Audit response
<p><b>Valuation of Unlisted investments (notes 5 and 25.4 )</b></p> <p>The Company's accounting policy in note 3.6 of the Annual Financial Statements states that investments are initially measured at the transaction cost and subsequently measured at fair value with any change in the fair value recognised in profit or loss.</p> <p>The lack of readily available objective evidence such as quoted prices, increases the degree of estimation used in determining the fair value of unlisted investments.</p> <p>The valuation methods are subject to a high degree of judgement and are complex, especially for investments where there are limited to no equity transactions during the year. Areas of judgement include estimating the expected future income from operations that are still in the exploration phase and other external risk factors.</p> <p>Various valuation methods are used in determining the fair value of the investments.</p> <p>A relatively small percentage change in the valuations of individual investments, in aggregate, could result in a significant impact to the financial statements.</p>	<p>Our approach to address the valuation assertion for unlisted investment involved a substantive approach. Our key audit procedures included:</p> <ul style="list-style-type: none"> <li>• agreeing the valuation of the unlisted investments to the valuation reports prepared by independent external valuers appointed by management to determine the valuation of the unlisted investments;</li> <li>• assessing the competence, capabilities and objectivity of the appointed experts;</li> <li>• evaluating key assumptions used in the valuation and valuation method and inputs used to ensure the valuations are reasonable;</li> <li>• recalculating key valuation workings;</li> <li>• reviewing that the valuation techniques used are appropriate for the accounting standards and industry;</li> <li>• assessing and validated the completeness, accuracy and relevance of the information provided by management to its expert;</li> <li>• comparing the assumptions used in the Company's valuation methods to previous periods for consistency and to consider management bias; and</li> <li>• assessing 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.</li> </ul> <p>Having performed our audit procedures and evaluating the outcomes we concluded that our audit procedures appropriately address the key audit matter.</p>

# INDEPENDENT AUDITOR'S REPORT (continued)

<p><b>Going Concern and the implications of COVID-19 on Zeta Resources' Annual Financial Statements</b></p> <p>The Company's statement of profit or loss and other comprehensive income reflects an operating loss, consistent with the prior year. The financial performance has resulted in negative cash flows in the current year. The above has therefore indicated a risk over the appropriateness of the use of the going concern assumption in the preparation of the financial statements of the Company. Towards the end of the current financial year, the World Health Organisation has declared a global pandemic from the outbreak of COVID-19. Shortly after the potential impact of COVID-19 became significant and the enforced lockdown is causing widespread disruption to normal patterns of business activity across the world.</p> <p>As the Company is an investment company which is driven by the appreciation value of the investments held, the pandemic's negative impact could affect the fair value of the investments at year end and the performance of the Company in the current year.</p> <p>As listed investments are measured at fair value the COVID-19 impact is reflected in the fair value at year. Management has concluded that as unlisted investments are in the exploration phase the COVID-19 pandemic has a minimal impact on the fair value of the investment.</p> <p>The directors' consideration of the impact on the financial statements are disclosed in the Directors' Report and going concern assessment (note 24). Whilst the situation is still evolving, based on the information currently available, the directors have assessed the impact of COVID-19 on the business and have concluded that adopting the going concern basis of preparation is appropriate and that no material uncertainty exists.</p>	<p>As part of the audit work performed, we have evaluated the impact COVID-19 has had on the Company's business operations, as well as its ability to continue as a going concern in the foreseeable future. Our audit approach included:</p> <ul style="list-style-type: none"> <li>• assessing how the financial statements and business operations of the Company might be impacted by the disruption;</li> <li>• evaluating the directors' going concern assessment which includes the potential impact arising from COVID19;</li> <li>• reviewing the adequacy and appropriateness of the directors' disclosure in respect of COVID-19 implications, in particular disclosures within principal risks &amp; uncertainties, post balance sheet events and going concern;</li> <li>• evaluating the key assumptions in the forecast and assessing the reasonableness given the information existing at the date of the audit procedures and against supporting documentation; and</li> <li>• assessing the liquidity of the Company's current assets and facilities available, to gain comfort over the Company's ability to settle liabilities as they become due and payable.</li> </ul> <p>With regards to listed investments, it was noted that investments are appropriately valued at year end and no significant movements were noted subsequent to the year end.</p> <p>The independent external valuers report was inspected and the exploration status of the mines for unlisted investments was confirmed. We have concluded that due to the mines being in the exploration phase, the COVID-19 impact is considered to be insignificant.</p> <p>Based on the work performed, we are satisfied that the Directors appropriately applied the going concern assumption in the financial statements and the matter has been appropriately reflected in the financial statements.</p>
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#### *Other Matter*

The financial statement of the Company for the year ended 30 June 2019 were audited by another audit who expressed an unmodified opinion on those statements on the 4<sup>th</sup> of December 2019.

#### *Other Information*

The directors are responsible for the other information. The other information comprises the information included in the document titled Zeta Resources Limited for the year ended 30 June 2020, which includes the Directors' Report, the Corporate Governance Statement and the Integrated Annual Report, which we obtained prior to the date of this report. The other information does not include the annual financial statements and our auditor's reports thereon.

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

In connection with our audit of the annual financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the annual 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 Annual Financial Statements*

The directors are responsible for the preparation and fair presentation of the annual 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 annual financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the annual financial statements, the directors are responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

#### *Auditor's Responsibilities for the Audit of the Financial Statements*

Our objectives are to obtain reasonable assurance about whether the annual 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.

## INDEPENDENT AUDITOR'S REPORT (continued)

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

### **Report on Other Legal and Regulatory Requirements**

In terms of the IRBA Rule published in Government Gazette Number 39475 dated 4 December 2015, we report that Mazars has been the auditor of Zeta Resources Limited for 1 year.

The image shows the word "Mazars" written in a cursive, handwritten style in black ink.

**Mazars**  
**Partner: Nico Jansen**  
**Registered Auditor**  
**25 September 2020**  
**Cape Town**

# AUDITOR'S INDEPENDENCE DECLARATION



## Auditor's Independence Declaration

In relation to our audit of the financial statements of Zeta Resources Limited for the financial year ended 30 June 2020, 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 other applicable code of professional conduct.

A handwritten signature in black ink that reads 'Mazars'.

**Mazars**  
**Partner: Nico Jansen**  
**Registered Auditor**  
**25 September 2020**  
**Cape Town**

REGISTERED AUDITOR – A FIRM OF CHARTERED ACCOUNTANTS(SA) • IRBA REGISTRATION NUMBER 900222

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# STATEMENT OF FINANCIAL POSITION

Notes	at 30 June 2020	June 2020 US\$	June 2019 US\$
<b>Non-current assets</b>			
4	Investment in subsidiaries	16,417,335	1,000,002
5	Investments	114,839,211	129,928,110
6	Loans to subsidiaries	1,506,499	1,571,725
7	Other loan	-	625,822
<b>Current assets</b>			
6	Loans to subsidiaries	208,156	-
8	Cash and cash equivalents	12,082	104,715
9	Trade and other receivables	-	508,337
<b>Total assets</b>		<b>132,983,283</b>	<b>133,738,711</b>
<b>Non-current liabilities</b>			
10	Loan from subsidiary	-	(2,508,840)
11	Loan from parent	(68,312,746)	(45,793,293)
12	Other loans	(6,312,255)	(9,714,019)
<b>Current liabilities</b>			
13	Other loans	(1,250,000)	(1,250,000)
14	Trade and other payables	(2,656,381)	(473,417)
20	Tax payable	(2,831,770)	-
<b>Total liabilities</b>		<b>(81,363,152)</b>	<b>(59,739,569)</b>
<b>Net assets</b>		<b>51,620,131</b>	<b>73,999,142</b>
<b>Equity</b>			
15	Share capital	2,777	2,778
15	Share premium	122,874,923	122,897,203
	Treasury shares	-	(11,096)
	Accumulated losses	(71,257,569)	(48,889,743)
<b>Total equity</b>		<b>51,620,131</b>	<b>73,999,142</b>

# STATEMENT OF PROFIT AND LOSS AND OTHER COMPREHENSIVE INCOME

Notes	at 30 June 2020	June 2020 US\$	June 2019 US\$
	<b>Income and investment returns</b>		
16	Revenue	104,734	271,778
16	Investment losses	(11,216,601)	(46,123,888)
17	Other income	921,852	1,839,929
	<b>Expenses</b>		
	Directors fees	(183,333)	(150,000)
	Interest expense	(4,434,509)	(3,315,144)
18	Management and consulting fees	(778,505)	(694,181)
19	Operating and administration expenses	(540,019)	(515,855)
	<b>Loss before tax</b>	<b>(16,126,381)</b>	<b>(48,687,361)</b>
20	Taxation expense	(6,241,445)	-
	<b>Loss for the year</b>	<b>(22,367,826)</b>	<b>(48,687,361)</b>
	<b>Total comprehensive loss for the year</b>	<b>(22,367,826)</b>	<b>(48,687,361)</b>
	<b>Loss per share</b>		
21	Basic and diluted loss per share	(0.08)	(0.17)

## STATEMENT OF CHANGES IN EQUITY

Notes	for the year ended 30 June 2020	Share capital US\$	Share premium US\$	Treasury Shares US\$	Accumulated losses US\$	Total US\$
	<b>Balance at 31 July 2018</b>	2,785	123,096,492	-	(202,382)	122,896,895
	Purchase of treasury shares	-	-	(11,096)	-	(11,096)
	Cancellation of treasury shares	(7)	(199,289)	-	-	(199,296)
	Total comprehensive loss for the year	-	-	-	(48,687,361)	(48,687,361)
	<b>Balance at 30 June 2019</b>	2,778	122,897,203	(11,096)	(48,889,743)	73,999,142
	Purchase of treasury shares	-	-	(11,185)	-	(11,185)
15	Cancellation of treasury shares	(1)	(22,280)	22,281	-	-
	Total comprehensive loss for the year	-	-	-	(22,367,826)	(22,367,826)
	<b>Balance at 30 June 2020</b>	2,777	122,874,923	-	(71,257,569)	51,620,131

# STATEMENT OF CASH FLOWS

Notes	for the year ended 30 June 2020	June 2020 US\$	June 2019 US\$
	<b>Cash flows from operating activities</b>		
21	Cash generated/(utilised) by operations	1,208,291	(2,136,731)
	Interest received	83,251	43,036
	Interest paid	(348,403)	(549,726)
	Dividend income	21,483	228,742
	Taxation paid	(3,409,675)	-
	<b>Net cash flows from operating activities</b>	<b>(2,445,053)</b>	<b>(2,414,679)</b>
	<b>Cash flows from investing activities</b>		
	Investments purchased	(42,757,993)	(24,564,630)
	Investments sold	31,220,634	11,836,201
	Increase in loan to subsidiaries from additional funding	(12,580,928)	(2,222,629)
	Decrease in loan to subsidiaries from repayments	12,302,376	2,049,314
	Increase in other loans from additional funding	(4,960,000)	(624,947)
	Decrease in other loans from repayments	6,182,608	-
	<b>Net cash flows from investing activities</b>	<b>(10,593,303)</b>	<b>(13,526,691)</b>
	<b>Cash flows from financing activities</b>		
15	Purchase of treasury shares	(11,185)	(210,392)
	Increase in loan from parent from additional funding	46,043,589	13,845,953
	Decrease in loan from parent from repayments	(27,794,521)	-
	Increase in loan from subsidiary from additional funding	1,897,066	2,609,018
13	Decrease in loan from subsidiary from repayments	(2,788,630)	(5,402,381)
	Increase in other loans from additional funding	3,189,313	4,969,323
	Decrease in other loans from repayments	(8,196,272)	-
	<b>Net cash flows from financing activities</b>	<b>12,339,360</b>	<b>15,811,521</b>
	<b>Net movement in cash and cash equivalents</b>	<b>(698,996)</b>	<b>(129,849)</b>
	Cash and cash equivalents at the beginning of the year	104,715	287,172
	Effect of exchange rate fluctuations on cash held	606,363	(52,608)
8	<b>Cash and cash equivalents at end of the year</b>	<b>12,082</b>	<b>104,715</b>

# NOTES TO THE FINANCIAL STATEMENTS

## 1. BASIS OF PREPARATION

### 1.1 Corporate information

Zeta Resources Limited ("Zeta Resources" or "the Company") is an investment company incorporated on 13 August 2012, listed on the Australian Securities Exchange and domiciled in Bermuda. The financial statements of the Company as at and for the year ended 30 June 2020 comprise the Company only.

### 1.2 Basis of preparation

The financial statements for the year ended 30 June 2020 have been prepared in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standard Board (IASB). 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 obtains funds from more than one investor and provides investment management services. 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 25 September 2020.

### 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 those financial instruments at fair value through profit or loss, which are measured at fair value. The financial statements are prepared on a going concern basis.

### 1.4 Functional and presentation currency

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

The board has determined by having regard to the currency of the Company's share capital and that Zeta invests in mining entities whose resources are valued in United States Dollars, that United States Dollar is the functional and reporting currency.

### 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 expenses. 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.

The key assumptions concerning the future and other key sources of estimation uncertainty that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year relate to the valuation of unquoted investments, details of which are set out in note 25 and the classification of the subsidiaries as investment entities. Details of the subsidiaries are set out in note 4. Subsidiaries that carry on business as investment entities are designated as being at fair value through profit and loss on initial recognition.

Loans to subsidiaries are classified as financial assets carried at amortised cost. The loans are subject to impairment testing as debt instruments (refer note 3.7). The impairments on the loans are determined separately to the fair value of the investments in the subsidiaries as disclosed in note 4.

The judgement over the tax treatment of profits generated from the sale of Bligh Resources is disclosed in note 20.

The Covid-19 pandemic situation is uncertain and rapidly evolving, and management shall continue to monitor the anticipated impacts on the business as circumstances change. Covid-19 was treated as an adjusting event. Refer to note 24.

## 2. ADOPTION OF NEW AND REVISED STANDARDS

### 2.1 Standards and interpretations adopted during the year

#### IFRIC 23 Uncertainty over Income Tax treatments

The interpretation explains how to recognise and measure deferred and current income tax assets and liabilities where there is uncertainty over a tax treatment. In particular, it discusses:

- how to determine the appropriate unit of account, and that each uncertain tax treatment should be considered separately or together as a group, depending on which approach better predicts the resolution of the uncertainty;
- that the Company should assume a tax authority will examine the uncertain tax treatments and have full knowledge of all related information, i.e. that detection risk should be ignored;
- that the Company should reflect the effect of the uncertainty in its income tax accounting when it is not probable that the tax authorities will accept the treatment;
- that the impact of the uncertainty should be measured using either the most likely amount or the expected value method, depending on which method better predicts the resolution of the uncertainty; and
- that the judgements and estimates made must be reassessed whenever circumstances have changed or there is new information that affects the judgements.

The interpretation does not require new disclosure to be made it does clarify that information about judgements of the general requirements should be provided.

# NOTES TO THE FINANCIAL STATEMENTS (continued)

## 2. ADOPTION OF NEW AND REVISED STANDARDS (continued)

### 2.1 Standards and interpretations adopted during the year (continued)

The Company measures uncertainty by using the most likely amount and not the expected value method. The detail of the judgements relating to the uncertain tax position is disclosed in note 19.

#### IFRS 16 Leases

IFRS 16 had no significant impact on the financial statements. The Company does not have contracts which include leases.

### 2.2 New standards, amendments and interpretations effective for annual periods beginning after 1 July 2020 that have not been adopted

At the date of authorisation of these financial statements, the following standards affecting the company were in issue, but not yet effective:

Amendment to the conceptual framework –  
effective 1 January 2020

Definition of material (Amendments to IAS 1 and IAS 8) –  
effective 1 January 2020

Presentation of liabilities (Amendments to IAS 1) –  
effective 1 January 2022

The Company has chosen not to early adopt the new and revised standards affecting presentation and disclosure which have been published and are mandatory for the Company's accounting records beginning on the date mentioned above.

Based on initial assessment, these standards are not expected to have a material impact on the Company.

## 3. SIGNIFICANT ACCOUNTING POLICIES

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

### 3.1 Investment income

Dividend income is recognised when the Company's right to receive payment is established and is presented gross of withholding taxes.

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

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

Interest income is recognised using the effective interest rate method.

### 3.2 Borrowing costs

Borrowing costs are recognised as an expense when incurred.

### 3.3 Income tax

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

The Company has elected to be tax exempt in terms of local Bermudian legislation.

### 3.4 Foreign currency

#### Foreign currency transactions and balances

Transactions in foreign currencies are translated into the respective functional currency 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 translated to the functional currency at the prevalent exchange rate at that date. The foreign currency gain or loss on monetary items is the difference between the amortised cost in the functional currency at the beginning of the period, adjusted for effective interest and principal payments during the period, and the amortised cost in foreign currency translated at the prevalent exchange rate at the end of the period. The foreign currency gains or losses are recognised as part of other income/(losses) in the Statement of Profit and Loss and Other Comprehensive Income. Foreign currency changes are taken into account when fair valuing the equity instruments.

### 3.5 Earnings per share ("EPS")

Basic EPS is calculated as the net resulting earnings 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 the net resulting earnings 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

#### Recognition and initial measurement

Trade receivables and debt securities issued are initially recognised when they are originated. All other financial assets and financial liabilities are initially recognised when the entity becomes a party to the contractual provisions of the instrument.

A financial asset (unless it is a trade receivable without a significant financing component) or financial liability is initially measured at fair value plus, for an item not at fair value through profit and loss ("FVTPL"), transaction costs that are directly attributable to its acquisition or issue. A trade receivable without a significant financing component is initially measured at the transaction price.

#### Classification and subsequent measurement – *Policy effective from 1 July 2018*

##### *Financial assets*

A financial asset is measured at amortised cost if it meets both of the following conditions and is not designated as at FVTPL:

- it is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

All financial assets not classified as measured at amortised cost as described above are measured at FVTPL. On initial recognition, the Company may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortised cost as at FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

##### *Financial assets at FVTPL*

Investment in subsidiaries and investments in listed and unlisted shares are measured at FVTPL as they do not meet the criteria of cash flows that are solely payments of principal and interest.

These assets are subsequently measured at fair value. Net gains and losses, including any interest or dividend income, are recognised in profit or loss.

##### *Financial assets at amortised cost*

Cash and cash equivalents, loans to subsidiaries, other loans and trade and other receivables meet the criteria for measurement at amortised cost.

These assets are subsequently measured at amortised cost using the effective interest method. The amortised cost is reduced by impairment losses. Interest income, foreign exchange gains and losses and impairment are recognised in profit or loss. Any gain or loss on derecognition is recognised in profit or loss.

Financial assets are not reclassified subsequent to their initial recognition unless the entity changes its business model for managing financial assets, in which case all affected financial

assets are reclassified on the first day of the first reporting period following the change in the business model.

##### *Financial liabilities*

The Company has adopted the following classifications for financial liabilities:

Financial liabilities are measured at amortised cost and subsequent to initial recognition, financial liabilities are measured at amortised cost using the effective interest method.

##### *Derecognition*

The Company derecognises a financial asset when the contractual rights to the cash flows from the financial asset expire, or when they transfer the financial asset in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred or in which the Company neither transfers nor retains substantially all the risks and rewards of ownership and does not retain control of the financial asset.

The Company derecognises a financial liability when its contractual obligations are discharged or cancelled or expire.

##### *Offsetting*

Financial assets and liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Company currently has a legally enforceable right to set off the recognised amounts and it intends either to settle on a net basis or to realise the asset and settle the liability simultaneously.

### 3.7 Impairment of assets

The Company recognises loss allowances for Expected Credit Losses ("ECLs") on financial assets measured at amortised cost.

The Company measures loss allowances at an amount equal to lifetime ECLs, except for the following, which are measured at 12-month ECLs:

- debt securities that are determined to have low credit risk at the reporting date; and
- other debt securities and bank balances for which credit risk (i.e. the risk of default occurring over the expected life of the financial instrument) has not increased significantly since initial recognition.

Loss allowances for trade receivables are always measured at an amount equal to lifetime ECLs.

Lifetime ECLs are the ECLs that result from all possible default events over the expected life of a financial instrument.

12-month ECLs are the portion of ECLs that result from default events that are possible within the 12 months after the reporting date (or a shorter period if the expected life of the instrument is less than 12 months).

The maximum period considered when estimating ECLs is the maximum contractual period over which the company is exposed to credit risk.

# NOTES TO THE FINANCIAL STATEMENTS (continued)

## 3. SIGNIFICANT ACCOUNTING POLICIES (continued)

### 3.7 Impairment of assets (continued)

The Company considers a financial asset to be performing when there is a low risk of default and no amounts are past due.

The Company considers a financial asset to be under-performing when contractual payments are 30 days past due or there has been a significant increase in credit risk since initial recognition. A significant increase in credit risk is indicated by a significant decrease in the future prospects of the borrower's operations, changes in the scope of business or changes in the organisational structure that result in a significant change in the borrower's ability to meet its debt obligations.

The Company considers a financial asset in default when contractual payments are 90 days past due. However, in certain cases, the Company may also consider a financial asset to be in default when internal or external information indicates that the Company is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Company. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

#### Presentation

ECLs are a probability-weighted estimate of credit losses. Credit losses are measured as the present value of all cash

shortfalls (i.e. the difference between the cash flows due to the entity in accordance with the contract and the cash flows that the Company expects to receive).

#### Measurement of ECLs

Loss allowances for financial assets measured at amortised cost are deducted from the gross carrying amount of the assets.

### 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.

### 3.10 Comparatives

In the current year a number of comparative amounts have been adjusted to ensure consistent disclosure with the current year presentation. These adjustments have been minor in nature and have not resulted in any adjustment to the reported profit after tax, net assets or net cashflow of the Company and are as follows:

Cash flow Statement	As previously stated	Reclassification	As adjusted
<b>Cash flows from operating activities</b>			
Cash utilised by operations	(1,907,989)	(228,742)	(2,136,731)
Dividend income	–	228,742	228,742
Interest expense	(3,315,144)	2,765,418	(549,726)
<b>Cash flows from investing activities</b>			
Increase in loan to subsidiary	(150,332)	(22,983)	(173,315)
Increase in other loans	(625,822)	875	(624,947)
<b>Cash flows from financing activities</b>			
Increase in loan from parent	16,322,773	(2,476,820)	13,845,953
Decrease in loan from subsidiaries	(2,504,765)	(288,598)	(2,793,363)
Effect of exchange rate fluctuations on financing activities	(982,396)	982,396	–
<b>Effect of exchange rate fluctuations on cash held</b>	<b>907,680</b>	<b>(960,288)</b>	<b>(52,608)</b>

#### 4. INVESTMENT IN SUBSIDIARIES

	June 2020 US\$	June 2019 US\$
<b>At fair value</b>		
Investment in Kumarina Resources Pty Limited ("Kumarina")	1,309,352	1,000,000
Investment in Zeta Energy Pte. Ltd. ("Zeta Energy")	1	1
Investment in Zeta Investments Limited ("Zeta Investments")	1	1
Investment in Horizon Gold Limited ("Horizon Gold")	15,107,981	-
	<b>16,417,335</b>	<b>1,000,002</b>

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. Horizon Gold is measured using market price. Kumarina is valued using resource and area multiples to value Kumarina's two main projects, with further consideration to the remaining assets and liabilities held by Kumarina. Kumarina is currently deemed to have a value of US\$1,309,352. See note 25.4.

The remaining investments in subsidiaries are fair valued by the directors at a nominal value due to the fact that they hold no significant assets, nor do they have any significant value. The Company had the following subsidiaries as at 30 June 2020:

<b>30 June 2020</b>	<b>Number of ordinary shares</b>	<b>Percentage of ordinary shares held</b>
Kumarina incorporated in Australia	26,245,210	100%
Zeta Investments incorporated in Bermuda	1,000	100%
Zeta Energy incorporated in Singapore	1	100%
Horizon Gold incorporated in Australia	52,826,967	69%

<b>30 June 2019</b>	Number of ordinary shares	Percentage of ordinary shares held
Kumarina incorporated in Australia	26,245,210	100%
Zeta Investments incorporated in Bermuda	1,000	100%
Zeta Energy incorporated in Singapore	1	100%

#### 5. INVESTMENTS

	June 2020 US\$	June 2019 US\$
<b>Financial assets at fair value through profit or loss</b>	<b>114,839,211</b>	<b>129,928,110</b>
<b>Equity securities at fair value</b>		
Listed ordinary shares	50,124,116	89,521,947
Unlisted ordinary shares, subscription and other rights	64,715,095	40,406,163
	<b>114,839,211</b>	<b>129,928,110</b>
<b>Equity securities at cost</b>		
Listed ordinary shares	127,666,665	109,256,914
Unlisted ordinary shares, subscription and other rights	47,054,148	44,173,811
	<b>174,720,813</b>	<b>153,430,725</b>

During the reporting period the Company completed a total of 128 transactions (2019: 271 transactions) in securities. See note 25.4 for disclosure of fair value determination of level 3 investments.

## NOTES TO THE FINANCIAL STATEMENTS (continued)

### 6. LOANS TO SUBSIDIARIES

	June 2020 US\$	June 2019 US\$
Loan to Zeta Energy	728,469	1,076,072
Loan to Kumarina	778,030	495,653
	<b>1,506,499</b>	<b>1,571,725</b>

#### LOAN TO SUBSIDIARIES – CURRENT

Loan to Horizon Gold	208,156	–
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The loan to Zeta Energy is denominated in Australian dollars to the value of A\$2,594,249 (2019: A\$2,809,348), British pounds to the value of UK£11,100 (2019: UK£11,100), New Zealand dollars to the value of NZ\$6.16 million (2019: NZ\$6.16 million), South African rands to the value of R4,000 (2019: R4,000), Singapore dollars to the value of SG\$28,162 (2019: SG\$28,162) and United States dollars to the value of US\$(141,342) (2019: US\$(147,581)). There are no fixed repayment terms except that no repayment is due before 30 June 2021 and no interest is charged. During the year ended 30 June 2020, the loan to Zeta Energy, which was utilised for the purchase of listed investments, was classified as under-performing due to internal indications that the Company is unlikely to receive the full contractual amounts owed. The expected credit loss for this loan has been calculated based on the lifetime Expected Credit Losses (“ECLs”). The directors calculated the ECLs by reviewing relevant forward-looking information that is most relevant to the subsidiary including review of the company’s assets and liabilities to suggest a value for the loan, there was no change in the assessment of credit risk from the prior year. The impairment was based on the expected decrease in the value of the underlying investment for the loan. As at the 30 June 2020 the ECLs calculated amounted to US\$4,923,959.

The loan to Kumarina, used for working capital is denominated in Australian dollars and is interest free. There are no fixed repayment terms. The loan is still performing as no contractual breaches have occurred and the value of the assets in Kumarina is sufficient to cover all the liabilities. The impact of Covid-19 on Kumarina was not severe as the company is in the exploration phase.

The loan to Horizon Gold is denominated in Australian dollars to the value of A\$300,000 and interest of 7.5% per annum. There are no fixed repayment terms. During the year ended 30 June 2020 the loan was classified as performing as no contractual breaches have occurred and the value of the assets in Horizon Gold is sufficient to cover all the liabilities.

A reconciliation of the impairment movement on the Zeta Energy loan can be seen below:

	June 2020 US\$	June 2019 US\$
Opening balance of impairment	4,916,284	3,898,147
Additional impairments	7,675	1,018,137
Reversal of impairments	–	–
Amounts written off as bad debts	–	–
Closing impairment	<b>4,923,959</b>	<b>4,916,284</b>

### 7. OTHER LOAN

	June 2020 US\$	June 2019 US\$
Loan to Bligh Resources Limited	–	625,822

### 8. CASH AND CASH EQUIVALENTS

	June 2020 US\$	June 2019 US\$
Cash balance comprises:		
Cash at bank	12,082	104,715

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.

## 9. TRADE AND OTHER RECEIVABLES

	June 2020 US\$	June 2019 US\$
Owing from Zeta Investments Pty Limited	-	476,088
Other receivables	-	32,249
	-	508,337

The amount owing from Zeta Investments Pty Limited is denominated in Australian dollars and was a short-term balance in order to purchase shares.

## 10. LOAN FROM SUBSIDIARY

	June 2020 US\$	June 2019 US\$
Loan from Zeta Energy	-	2,508,840

As at 30 June 2019 the loan from Zeta Energy was denominated in Australian dollars to the value of A\$2.63 million and New Zealand dollars to the value of NZ\$983,000 and attracted interest at rates between 4.35% and 6.85% per annum on the Australian dollar loan and at 6.00% per annum on the New Zealand dollar loan. Zeta Energy in turn borrowed these funds from Leveraged Equities on the same terms. In the current year the loan was transferred to the name of Zeta Resources Limited. See Note 12.

## 11. LOAN FROM PARENT

	June 2020 US\$	June 2019 US\$
Loan from UIL Limited ("UIL")	<b>68,312,746</b>	45,793,293

The loan is denominated in Australian dollars to the value of A\$66.06 million (30 June 2019: A\$40.103 million) and in Canadian dollars to the value of CA\$31.02 million (30 June 2019: CA\$23.146 million), and currently attracts interest at 7.5% per annum (30 June 2019: 7.5%) on the Australian dollar loan and 7.25% (30 June 2019: 7.25%) on the Canadian dollar loan. There are no repayment terms and no repayment is due before 30 June 2021.

## 12. OTHER LOANS

	June 2020 US\$	June 2019 US\$
Loan from ICM Limited	<b>436,569</b>	3,983,509
Loan from PPP	<b>1,614,293</b>	1,980,510
Loan from Leveraged Equities	<b>1,761,393</b>	-
Loan from Bermuda Commercial Bank Limited	<b>2,500,000</b>	3,750,000
	<b>6,312,255</b>	9,714,019

The ICM Loan is denominated in Australian dollars to the value of A\$631,100 (30 June 2019: A\$5.69 million) and attracts interest at 7.5% per annum. The PPP Loan is denominated in Australian dollars to the value of A\$2.34 million (30 June 2019: A\$2.85 million) and is interest free. For both of the ICM Limited and PPP loans there are no fixed repayment terms except that no repayment is due before 30 June 2021.

The Bermuda Commercial Bank loan is denominated in United States dollars and currently attracts interest at Bermuda Commercial Bank's commercial base rate +1.25% per annum. Repayments of US\$1.25 million are scheduled on 30 September 2020 with the remaining balance payable on 30 September 2021.

The loan from Leveraged Equities is denominated in Australian dollars to the value of A\$1.588 million and New Zealand dollars to the value of NZ\$1.035 million and currently attracts interest at rates between 4.35% and 6.85% per annum on the Australian dollar loan and at 6.00% per annum on the New Zealand dollar loan. There are no fixed repayment terms except that no repayment is due before 30 June 2021. In order to secure these loans Zeta Resources has pledged certain of its investments. The shares pledged are Resolute Mining Limited (6,461,036 shares valued at US\$5 million) and Panoramic Resources Limited (6,363,635 shares valued at US\$350,814).

## NOTES TO THE FINANCIAL STATEMENTS (continued)

### 13. OTHER LOANS - CURRENT

	June 2020 US\$	June 2019 US\$
Loan from Bermuda Commercial Bank Limited	1,250,000	1,250,000

The above US\$1,250,000 represents the short-term portion of the loan owing to Bermuda Commercial Bank.

### 14. TRADE AND OTHER PAYABLES

	June 2020 US\$	June 2019 US\$
Other liabilities	26,979	-
Amount owed to brokers	2,368,352	178,761
Accruals	261,050	294,656
	<b>2,656,381</b>	<b>473,417</b>

The accruals are for audit, management, directors and administration fees payable.

### 15. SHARE CAPITAL AND SHARE PREMIUM

#### Authorised

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

Issued	Number of shares	Share capital	Share premium
<b>Ordinary shares</b>			
Balance as at incorporation	-	-	-
Issued at incorporation as \$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 Limited	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
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
Share cancellation as a result of share buy-back 7 November 2018	(322,446)	(3)	(93,785)
Share cancellation as a result of share buy-back 5 December 2018	(12,320)	-	(3,201)
Share cancellation as a result of share buy-back 5 March 2019	(202,202)	(2)	(50,817)
Share cancellation as a result of share buy-back 3 April 2019	(112,727)	(1)	(26,374)
Share cancellation as a result of share buy-back 6 May 2019	(58,253)	(1)	(13,732)
Share cancellation as a result of share buy-back 6 June 2019	(50,000)	-	(11,380)
<b>Balance as at 30 June 2019</b>	<b>287,763,076</b>	<b>2,778</b>	<b>122,897,203</b>
Share cancellation as a result of share buy-back 2 July 2019	(50,000)	-	(11,096)
Share cancellation as a result of share buy-back 2 April 2020	(70,000)	(1)	(11,184)
<b>Balance as at 30 June 2020</b>	<b>287,643,076</b>	<b>2,777</b>	<b>122,874,923</b>

## 16. INVESTMENT RETURNS

	June 2020 US\$	June 2019 US\$
<b>Revenue</b>		
Dividend income	21,483	228,742
Interest income	83,251	43,036
	<b>104,734</b>	<b>271,778</b>
<b>Investment loss</b>		
<i>Derived from financial instruments measured at fair value</i>		
Realised gains	20,503,342	4,885,621
Unrealised fair value losses on revaluation of investments	(64,176,357)	(67,369,091)
Unrealised fair value gains on revaluation of investments	32,464,090	17,377,719
<i>Derived from financial instruments measured at amortised cost</i>		
Impairment of loan to Zeta Energy	(7,676)	(1,018,137)
	<b>(11,216,601)</b>	<b>(46,123,888)</b>
	<b>(11,111,867)</b>	<b>(45,852,110)</b>

## 17. OTHER INCOME

	June 2020 US\$	June 2019 US\$
Foreign exchange gains	903,005	907,680
Other income	18,847	932,249
	<b>921,852</b>	<b>1,839,929</b>

## 18. MANAGEMENT AND CONSULTING FEES

	June 2020 US\$	June 2019 US\$
Management and consulting fees	778,505	694,181

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 the net tangible assets managed on calculation date (last day of quarter), payable quarterly in arrears.

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 paid in the current period (2019: US\$ Nil).

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

## NOTES TO THE FINANCIAL STATEMENTS (continued)

### 19. OPERATING AND ADMINISTRATION EXPENSES

	June 2020 US\$	June 2019 US\$
Operating and administration expenses consist of:		
Accounting fees	144,227	162,940
Audit fees	38,729	21,829
Australian Securities Exchange listing fees and regulatory costs	59,352	118,601
Insurance costs	40,819	13,781
Brokerage	146,570	56,830
Other expenses	110,322	141,874
	<b>540,019</b>	<b>515,855</b>

### 20. INCOME TAX

	June 2020 US\$	June 2019 US\$
Taxation regarding the sale of Bligh Resources Limited	<b>6,241,445</b>	-

Australian taxation has been accrued in full with regards to the sale of the investment in Bligh Resources Limited. At 30 June 2020 there is uncertainty over the tax treatment of gains arising from the sale of the investment by the Australian tax authority on whether the transaction is taxable Australian property ("TAP") or non-TAP. Although management has argued that the sale pertains to non-TAP, and alternatively not Australian source income (and therefore not taxable either) and external taxation advice confirms both these viewpoints, the Australian tax authority has not progressed far enough with their investigation for management to take a different view to the mid-year position taken. Of this taxation amount accrued, US\$3,358,213 has already been paid as a withholding tax.

The Company has not raised deferred tax assets of US\$15 million on potential unrealised Australian capital losses (at year-end amounting to US\$50 million) where there are insufficient capital gains of the same nature against which to utilise those losses.

The Company is domiciled in Bermuda and has elected to be tax exempt in terms of local legislation. As such no tax is payable.

### 21. EARNINGS PER SHARE

	June 2020 US\$	June 2019 US\$
Basic and diluted loss per share	<b>(0.08)</b>	(0.17)
<b>Loss used in calculation of basic and diluted earnings per share</b>	<b>(22,367,826)</b>	(48,687,361)
Weighted average number of ordinary shares outstanding during the year used in calculation of basic and diluted earnings per share	<b>287,696,473</b>	288,202,064

## 22. NOTES TO THE CASH FLOW STATEMENT

### 22.1 Cash generated/(utilised) by operations

	June 2020 US\$	June 2019 US\$
Loss for the year	(22,367,826)	(48,687,361)
Adjustments for:		
Realised gains on investments	(20,503,342)	(4,885,621)
Fair value loss on revaluation of investments	31,712,267	49,991,372
Impairment of loan to Zeta Energy	7,676	1,018,137
Foreign exchange gains	(903,005)	(907,680)
Taxation expense	6,241,445	-
Dividend income	(21,483)	(228,742)
Interest income	(83,251)	(43,036)
Interest expense	4,434,509	3,315,144
Operating loss before working capital changes	(1,483,010)	(427,787)
Decrease/(increase) in trade and other receivables	508,337	(508,337)
Increase/(decrease) in trade and other payables	2,182,964	(1,200,607)
	<b>1,208,291</b>	<b>(2,136,731)</b>

### 22.2 Liabilities from financing activities

	Loan from parent	Loan from subsidiary	Other loan	Total
Balance as at 30 June 2018	30,151,190	5,235,527	4,000,000	39,386,717
Cash flows				
- Repayment of loans	-	(5,402,381)	-	(5,402,381)
- Advances of loans received	13,845,953	2,609,018	4,969,323	21,424,294
Exchange rate fluctuations	(680,670)	(221,922)	(79,804)	(982,396)
Interest capitalised	2,476,820	288,598	-	2,765,418
Loan reallocation	-	-	2,074,500	2,074,500
Balance as at 30 June 2019	45,793,293	2,508,840	10,964,019	59,266,152
Cash flows				
- Repayment of loans	(27,794,521)	(2,788,630)	(8,196,272)	(38,779,423)
- Advances of loans received	46,043,589	1,897,066	3,189,313	51,129,968
Exchange rate fluctuations	336,032	(133,287)	(30,547)	172,198
Interest capitalised	3,934,353	140,356	11,397	4,086,106
Loan transfer	-	(1,624,345)	1,624,345	-
Balance as at 30 June 2020	68,312,746	-	7,562,255	75,875,001

## 23. AUDITOR REMUNERATION

	June 2020 US\$	June 2019 US\$
Amounts received or due and receivable by the auditors for audit of financial statements	<b>38,729</b>	21,829

## NOTES TO THE FINANCIAL STATEMENTS (continued)

### 24. GOING CONCERN

The financial statements have been prepared on a going concern basis. We draw attention to the fact that at 30 June 2020, the Company incurred a net loss of \$22,367,826 (2019: \$48,687,361) during the year and had accumulated losses of \$71,257,569 (2019: \$48,889,743) and that the Company's current liabilities exceed its current assets by \$6,517,913 (2019: \$1,110,365). The Company has undrawn capacity under its debt facilities and majority of the Company's assets consist of equity shares in listed companies which in most circumstances are realisable within a short timescale. Based on this, the directors believe the Company will be able to cover the commitments arising in the period 12 months from the date of approval of these financial statements. 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.

On 11 March 2020 the World Health Organisation declared Covid-19 as a pandemic with many countries implementing lock down procedures. The impact of Covid-19 was adjusted for in the 2020 figures. Covid-19 is a risk to producing mines, as the governments of some countries may choose to close mines temporarily to reduce transmission risk. On the other hand, closure of some mines reduced the global supply of the affected commodities, increasing prices for those mines able to stay in production. Also, quantitative easing operations by central banks in response to Covid-19's impact on economies has increased demand for gold. Overall, Zeta Resources' performance has not been affected to a large extent, but the directors acknowledge the uncertainty over the 12 months ahead.

The value of investments have remained fairly constant after year end. The value of the investments is sufficient to cover the liabilities which allows Zeta Resources to continue as a going concern.

Refer to note 28 for detail of the changes in investment value after year end.

### 25. 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

IFRS 9 contains three principal classification and measurement categories for financial assets: at amortised cost, fair value through other comprehensive income, and fair value through profit and loss. The analysis of assets into their categories as defined in IFRS 9 is set out in the following table.

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

30 June 2020	Financial assets mandatorily measured at fair value through profit or loss US\$	Financial assets/liabilities measured at amortised cost US\$	Total carrying value US\$
<b>Assets</b>			
Investments in subsidiaries	16,417,335	-	16,417,335
Investments	114,839,211	-	114,839,211
Loans to subsidiaries	-	1,506,499	1,506,499
Other loan	-	208,156	208,156
Cash and cash equivalents	-	12,082	12,082
	<b>131,256,546</b>	<b>1,726,737</b>	<b>132,983,283</b>
<b>Liabilities</b>			
Trade and other payables	-	2,656,381	2,656,381
Loan from parent	-	68,312,746	68,312,746
Other loans	-	7,562,255	7,562,255
Tax payable	-	2,831,770	2,831,770
	-	<b>81,363,152</b>	<b>81,363,152</b>

30 June 2019	Financial assets mandatorily measured at fair value through profit or loss US\$	Financial assets/liabilities measured at amortised cost US\$	Total carrying value US\$
<b>Assets</b>			
Investments in subsidiaries	1,000,002	–	1,000,002
Investments	129,928,110	–	129,928,110
Loans to subsidiaries	–	1,571,725	1,571,725
Other loan	–	625,822	625,822
Trade and other receivables	–	508,337	508,337
Cash and cash equivalents	–	104,715	104,715
	130,928,112	2,810,599	133,738,711
<b>Liabilities</b>			
Loans from subsidiary	–	2,508,840	2,508,840
Trade and other payables	–	473,417	473,417
Loan from parent	–	45,793,293	45,793,293
Other loans	–	10,964,019	10,964,019
	–	59,739,569	59,739,569

## 25.1 Market risks

The fair value of equity and other financial securities held in the Company's portfolio fluctuate with changes in market prices. Prices are themselves affected by movements in currencies, interest rates and by other financial issues, including the market perception of future risks. The board of directors 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 of directors 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 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 of directors 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, Canadian Dollar and New Zealand dollar. The exchange rates applying against the United States dollar at 30 June 2020 and the average rates for the year were as follows:

	June 2020	Average	June 2019	Average
AUD – Australian dollar	0.6891	0.6951	0.7011	0.7153
CAD – Canadian dollar	0.7345	0.7491	0.7637	0.7554
NZD – New Zealand dollar	0.6444	0.6577	0.6709	0.6707

# NOTES TO THE FINANCIAL STATEMENTS (continued)

## 25. FINANCIAL RISK MANAGEMENT (continued)

### 25.1 Market risks (continued)

The Company's monetary assets and liabilities at 30 June 2020 (shown at fair value), by currency based on the country of primary operations, are shown below:

30 June 2020	USD	AUD	CAD	NZD
Cash and cash equivalents	8,079	5,763	-	49
Loans to subsidiaries	(141,342)	2,594,249	-	6,163,507
Loan from parent	-	(66,063,323)	(31,021,016)	-
Other loan	-	300,000	-	-
Other loans	(3,750,000)	(4,563,969)	-	(1,035,176)
Trade and other payables	(227,471)	(3,518,991)	-	-
<b>Net monetary (liabilities)/assets</b>	<b>(4,110,734)</b>	<b>(71,246,271)</b>	<b>(31,021,016)</b>	<b>5,128,380</b>

30 June 2019	USD	AUD	CAD	NZD
Cash and cash equivalents	5,334	141,692	-	64
Loans to subsidiaries	(147,581)	3,516,348	-	6,163,507
Loan from subsidiary	-	(2,637,946)	-	(982,928)
Loan from parent	-	(40,103,855)	(23,146,409)	-
Other loan	-	892,673	-	-
Other loans	(5,000,000)	(8,494,432)	-	-
Trade and other payables	(242,528)	(56,158)	(234,060)	-
Trade and other receivables	-	725,092	-	-
<b>Net monetary (liabilities)/assets</b>	<b>(5,384,775)</b>	<b>(46,016,586)</b>	<b>(23,380,469)</b>	<b>5,180,643</b>

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 income after tax and on net asset value (NAV):

	AUD	CAD	NZD	Total
<b><i>Strengthening of the United States dollar</i></b>				
(Decrease)/increase in total comprehensive income for the year ended 30 June 2020	(4,995,076)	(2,369,075)	344,063	(7,020,088)
(Decrease)/increase in total comprehensive income for the year ended 30 June 2019	(4,362,044)	428,160	(349,609)	(4,283,493)
<b><i>Weakening of the United States dollar</i></b>				
Increase/(decrease) in total comprehensive income for the year ended 30 June 2020	4,995,076	2,369,075	(344,063)	7,020,088
Increase/(decrease) in total comprehensive income for the year ended 30 June 2019	4,362,044	(428,160)	349,609	4,283,493

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

## Interest rate exposure

The exposure of the financial assets and liabilities to interest rate risks at 30 June 2020 and at 30 June 2019 is shown below:

	Within one year US\$	Greater than one year US\$	Total US\$
<b>30 June 2020</b>			
Exposure to floating rates:			
Cash	12,082	-	12,082
Other loans	(1,250,000)	(2,500,000)	(3,750,000)
Loan from subsidiary	-	-	-
	<b>(1,237,918)</b>	<b>(2,500,000)</b>	<b>(3,737,918)</b>
Exposure to fixed rates:			
Loan from parent	-	(68,312,746)	(68,312,746)
Other loan liabilities	-	(2,197,962)	(2,197,962)
Loans to subsidiaries	-	208,156	208,156
	-	<b>(70,302,552)</b>	<b>(70,302,552)</b>
	Within one year US\$	Greater than one year US\$	Total US\$
<b>30 June 2019</b>			
Exposure to floating rates:			
Cash	104,715	-	104,715
Other loans	(1,250,000)	(3,750,000)	(5,000,000)
Loan from subsidiary	-	(2,508,840)	(2,508,840)
	<b>(1,145,285)</b>	<b>(6,258,840)</b>	<b>(7,404,125)</b>
Exposure to fixed rates:			
Loan from parent	-	(45,793,293)	(45,793,293)
Other loans	-	(3,983,509)	(3,983,509)
Other loan	-	625,822	625,822
	-	<b>(49,150,980)</b>	<b>(49,150,980)</b>

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. The majority of borrowings are at a fixed rate and not sensitive to interest rate risk.

## Other market risk exposures

The portfolio of listed investments valued at US\$65,232,097 at 30 June 2020 (30 June 2019: US\$89,521,947) 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 27.

## 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\$6,523,210. A 10% appreciation in the market price would have the opposite effect. See note 25.4 for unlisted investment sensitivity analyses.

# NOTES TO THE FINANCIAL STATEMENTS

## (continued)

### 25. FINANCIAL RISK MANAGEMENT (continued)

#### 25.2 Liquidity risk exposure

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 risk of the Company having insufficient liquidity is not considered by the board to be significant, given the amount of quoted investments held in the Company's portfolio and the existence of an on-going loan facility agreement.

The contractual maturities of the financial liabilities, based on the earliest date on which payment can be required, were as follows:

	Three months or less US\$	Three months to one year US\$	More than one year US\$	Total US\$
<b>30 June 2020</b>				
Trade and other payables	2,656,381	-	-	2,656,381
Loans from parent	-	-	73,378,972	73,378,972
Other loans	1,331,250	3,943,875	2,662,500	7,937,625
Tax payable	2,831,770	-	-	2,831,770
	<b>6,819,401</b>	<b>3,943,875</b>	<b>76,041,472</b>	<b>86,804,748</b>
	Three months or less US\$	Three months to one year US\$	More than one year US\$	Total US\$
<b>30 June 2019</b>				
Loan from subsidiary	-	2,652,780	-	2,652,780
Trade and other payables	473,417	-	-	473,417
Loans from parent	-	-	49,183,630	49,183,630
Other loans	1,331,250	6,244,100	3,993,750	11,569,100
	<b>1,804,667</b>	<b>8,896,881</b>	<b>53,177,380</b>	<b>63,878,928</b>

#### 25.3 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\$1,714,655 (2019: US\$2,197,547) and bank balances totalling US\$12,082 (2019: US\$104,715) that are 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-).

## 25.4 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:

- |                |   |
|----------------|---|
| <b>Level 1</b> | The fair values are measured using quoted prices in active markets.   |
| <b>Level 2</b> | The fair values are measured using inputs, other than quoted prices, that are included within level 1, that are observable for the asset.   |
| <b>Level 3</b> | 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 board of directors have satisfied themselves as to the methodology used, the discount rates and key assumptions applied in the valuation of level 3 assets. The level 3 assets have each been assessed based on its industry, location and business cycle. Where sensible, the directors have taken into account observable data and events to underpin the valuations.

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

#### (a) Unlisted companies

##### *Seacrest L.P. ("Seacrest") Bermuda incorporated*

Seacrest is a private equity fund that invests in the global offshore oil and gas industry. Seacrest's sole asset is its investment in the Azimuth Group ("Azimuth"), which in turn owns a number of operating subsidiaries in different regions across the world. Seacrest produces quarterly reports in accordance with IFRS 9. The valuation is based on the latest management report available at 30 June 2020 (quarter end 31 March 2020). Where required, the last quarter's results are adjusted for drawdowns, distributions, and significant events impacting the portfolio companies since the quarter end.

Valuation methodology: The Seacrest valuation is prepared by the General Partner and is audited annually at 31 December. General Partner makes use of the market approach which includes resource multiples or comparable arm's length transactions. The internal valuation is tested against external valuations by Stockdale and available market data. If the internal valuation falls within the lower half of the independent valuation range, then it is accepted as fair market value, otherwise it is reviewed for calibration. At year end the fair value of the investment was US\$1,166,810.

Sensitivities: The valuation performed by General Partner is sensitive to the resources multiples used and the defined resource in each asset. Possible changes to these inputs are deemed to be insignificant to the fair value of Seacrest.

##### *Margosa Graphite Limited ("Margosa") – Australia incorporated*

The unlisted investment comprises an equity interest in Margosa, a mineral exploration and development company focused on high grade vein graphite opportunities in Sri Lanka with granted licenses to a package of highly prospective tenements. The most advanced project area is the Pathakada Graphite Project ("Pathakada Project") for which Margosa completed a JORC-2012 resource estimate in April 2020 of 1.72 Mt at a grade of 76.32%, implying a total graphitic content of 1.32 Mt.

Valuation methodology: The market approach has been used for the valuation of Margosa in the form of precedent transactions involving Margosa shares at a price of A\$0.35 per share and supported by resource and area multiples from comparable transactions. Six comparable transactions were used in the resource multiple analysis and four in the area multiple analysis. At year end the fair value of the investment was US\$6.2 million.

Sensitivities: The fair value of Margosa is considered to be less sensitive to changes in inputs and assumptions.

# NOTES TO THE FINANCIAL STATEMENTS (continued)

## 25. FINANCIAL RISK MANAGEMENT (continued)

### 25.4 Fair values of financial assets and liabilities (continued)

#### *Alliance Mining Commodities Limited ("AMC") – Australia incorporated*

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. AMC aims to develop the Koumbia Project into an operation with steady-state production of approximately 11 million wet tonnes per annum from surface mining operations.

Valuation methodology: As a result of the nature of AMC's assets, the nature of financial information available and the relevant market participants, a comparable market valuation based on resources multiples from four broadly comparable bauxite projects was used and supported by a discounted cash flow analysis. At year end the fair value of the investment was US\$57 million.

Sensitivities: The fair value of Zeta's equity interest in AMC is sensitive to the available resource multiples for comparable bauxite transactions observed in the market. An increase in the multiple used could significantly increase the fair value determined. A possible alternative multiple represents an increase of 0.1 A\$/t to the multiple which can cause an increase of US\$28.5 million Zeta Resources' equity interest in AMC.

#### (b) Investments in subsidiaries

#### *Kumarina Resources Pty Limited ("Kumarina") - Australia incorporated*

Kumarina is a mineral exploration company with two prospective copper and gold projects located in Western Australia, the Ilgarari Copper Project and the Murrin Murrin Gold Project. Kumarina's primary focus has been the exploration and development of the Murrin Murrin Gold Project, which is located 50 km east of Leonora in the north-eastern Goldfields.

Valuation methodology: The market approach for the valuation of Kumarina has been used in the forms of resources multiples from comparable transactions and area multiples from comparable transactions. The most recent mineral resource estimate for the Murrin Murrin Gold project and the tenement area of the Ilgarari Copper Project were used. Eighteen copper and thirty gold comparable transactions were used in the analysis. The area of Ilgarari Copper project is 457km<sup>2</sup> and a value of A\$3,000 per km<sup>2</sup> was used. The Murrin Murrin project has a resource estimate of 52,100 oz and a value of A\$30 per oz was used. At year end the fair value of the investment was US\$1.3 million.

Sensitivities: The methodology used is sensitive to the chosen resource multiples for comparable gold transactions and area multiples for comparable copper transactions observed on the market. The magnitude of these multiples are primarily driven by commodity prices and market conditions. The fair value of Zeta Resources' equity interest in Kumarina is also sensitive to the level of JORC Code 2012 gold resource for the Murrin Murrin Gold Project. An increase in the resource and area multiples will result in an increase in the value of the investment. Possible alternative multiples represent an increase in the tenement size multiple of 3,000 A\$/km<sup>2</sup> and an increase in the resources multiple of 10 A\$/oz which can cause increase of US\$1.3 million Zeta Resources' equity interest in Kumarina.

#### *Other investments*

Zeta Resources has further investments at fair value totalling US\$343,698 (2019: US\$178,000).

30 June 2020	Level 1 US\$	Level 2 US\$	Level 3 US\$
<b>Financial assets</b>			
Investments	50,124,116	-	64,715,095
Investment in subsidiaries	15,107,981	-	1,309,354

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 subsidiaries US\$
Balance at 1 July 2019	40,406,163	1,000,002
Acquisitions at cost	3,213,491	-
Disposals during the year	-	-
Reclassification to amortised cost	-	-
Total gains recognised in fair value through profit or loss	21,095,441	309,352
<b>Balance at 30 June 2020</b>	<b>64,715,095</b>	<b>1,309,354</b>

	Level 1 US\$	Level 2 US\$	Level 3 US\$
30 June 2019			
Financial assets			
Investments	68,378,923	21,143,024	40,406,163
Investment in subsidiaries	-	-	1,000,002

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

Investment in Bligh Resources Limited was transferred from level 1 to level 2 as a result of the fair value being based on the takeover offer by Saracens.

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 subsidiaries US\$	Level 3 loans to subsidiaries US\$
Balance at 1 July 2018	25,711,750	2,103,504	379,690
Acquisitions at cost	10,343,504	-	-
Disposals during the year	-	(4)	-
Reclassification to amortised cost	-	-	(379,690)
Total gains/(losses) recognised in fair value through profit or loss	4,350,909	(1,103,499)	-
<b>Balance at 30 June 2019</b>	<b>40,406,163</b>	<b>1,000,002</b>	<b>-</b>

## 25.5 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 of directors 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.

# NOTES TO THE FINANCIAL STATEMENTS (continued)

## 26. RELATED PARTIES

### 26.1 Material related parties

#### Holding company

The Company's holding company is UIL which held 59.9% of the Company's issued share capital on 30 June 2019. UIL is 62.4% owned by General Provincial Life Pension Fund Limited.

#### Subsidiary companies

Wholly owned subsidiaries include Kumarina, Zeta Energy and Zeta Investments. Zeta Resources holds 69% of Horizon Gold's issued share capital. PPP is a subsidiary of Zeta Energy.

#### 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 and of UIL.

### 26.2 Material related parties transactions

Nature of transactions	June 2020 US\$	June 2019 US\$
Investments in related parties:		
Kumarina	1,309,352	1,000,000
Zeta Investments	1	1
Zeta Energy	1	1
Horizon Gold	15,107,981	1,566,125
Loans to related parties:		
Kumarina	778,030	495,653
Zeta Energy	728,469	1,076,072
Zeta Investments Proprietary Limited	-	476,088
Horizon Gold	208,156	-
Bligh Resources Limited	-	625,822
Loans from related parties:		
UIL Limited	68,312,746	45,793,293
Zeta Energy	-	2,508,840
PPP	1,614,293	1,980,510
ICM Limited	436,569	3,983,509
Trade and other payables:		
ICM Limited	139,708	162,949
Directors	50,000	37,500
Impairment of loan to subsidiary	7,676	1,018,137
<b>Interest relates to loans measured at amortised cost</b>		
Interest charged by the subsidiaries	135,680	288,598
Interest charged by the parent company	3,934,353	2,476,820
Interest charged by ICM	76,656	241,948
Interest charged to investee entity	65,926	30,187
Fees paid to the Investment Manager	592,691	677,467
Fees paid to the directors		
M Botha	50,000	50,000
P Sullivan	50,000	50,000
X Xi	50,000	50,000
A Liebenberg	33,333	-

## 27. 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

**Administration:** activities relating to financing received which does not specifically relate to any one segment as well as administrative activities

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.

In the current year an additional segment has been included, the comparative amounts have been updated accordingly. The administration segment has been added due to the high value of the funding received for reinvestment.

### Information about reportable segments

	Gold US\$	Nickel US\$	Mineral exploration US\$	Admin US\$	Total US\$
<b>30 June 2020</b>					
External investment returns	10,192,858	(37,701,884)	16,321,583	75,576	(11,111,867)
Reportable segment investment returns	10,192,858	(37,701,884)	16,321,583	75,576	(11,111,867)
Interest revenue	-	-	-	83,251	83,251
Interest expense	-	-	-	(4,434,509)	(4,434,509)
Reportable segment profit/(loss) before tax	3,840,668	(37,078,372)	16,275,288	(5,405,410)	(22,367,826)
Reportable segment assets	20,644,737	24,285,439	87,104,399	948,708	132,983,283
Reportable segment liabilities	(2,368,352)	-	-	(78,994,800)	(81,363,152)
<b>30 June 2019</b>					
External investment returns	10,955,989	(52,573,430)	(4,282,821)	48,152	(45,852,110)
Reportable segment investment returns	10,955,989	(52,573,430)	(4,282,821)	48,152	(45,852,110)
Interest revenue	-	-	-	43,036	43,036
Interest expense	-	-	-	(3,315,144)	(3,315,144)
Reportable segment profit/(loss) before tax	10,936,763	(52,541,181)	(3,355,218)	(3,727,725)	(48,687,361)
Reportable segment assets	30,072,681	42,539,536	59,391,966	1,734,528	133,738,711
Reportable segment liabilities	-	-	-	(59,739,569)	(59,739,569)

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

# NOTES TO THE FINANCIAL STATEMENTS (continued)

## 27. SEGMENTAL REPORTING (continued)

### Geographic information

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

	June 2020 US\$	June 2019 US\$
<b>Investment returns</b>		
Australia	(23,284,932)	(40,981,429)
Canada	(4,053,511)	(6,163,243)
Guinea	22,372,102	5,569,813
Mali	(1,211,389)	(614,658)
Namibia	(919,101)	(754,640)
Singapore	(7,676)	(1,018,136)
Sri Lanka	2,027,710	(130,813)
Other Countries	(6,035,070)	(1,759,004)
<b>Investment returns</b>	<b>(11,111,867)</b>	<b>(45,852,110)</b>

	June 2020 US\$	June 2019 US\$
<b>Assets</b>		
Australia	44,652,648	74,027,756
Canada	16,527,961	13,408,527
Guinea	57,000,000	32,784,651
Mali	3,184,602	4,385,458
Namibia	792,626	2,733,873
Singapore	728,469	1,076,072
Sri Lanka	6,196,163	2,804,262
Other Countries	3,900,813	2,518,112
<b>Assets</b>	<b>132,983,283</b>	<b>133,738,711</b>

## 28. EVENTS AFTER REPORTING DATE

### 28.1 Horizon Gold Limited

Zeta Resources has taken up its entitlement in the Horizon Gold renounceable entitlement issue for an amount of A\$1.6 million and the loan to Horizon Gold was repaid as part of the payment due. Zeta Resources now holds 69.35% of the issued share capital.

### 28.2 Bonus Option issue

On 10 September Zeta Resources offered a bonus issue of Options to its shareholders. Eligible Shareholders who hold Shares on the Record Date are offered one (1) Option ("Bonus Option") for every one (1) Share held on the Record Date. The Bonus Options have no issue price, will be exercisable at A\$0.25 each and expire on 15 June 2021.

### 28.3 Covid-19

It is uncertain what the long term impact of Covid-19 will be and as stated in note 24 the impact of lock-down procedures would not necessarily result in a downward adjustment of investments held by Zeta Resources.

The value of the investments have recovered since 30 June 2020. The value of level 1 investments disclosed in note 25.4, on 31 August was \$82 million and the value of level 3 investments at 31 August 2020 was \$66 million.

No additional impairment for the loan to subsidiary was identified up to 31 August 2020 as the value of the underlying assets in the subsidiaries have not decreased any further since year-end.

# SHAREHOLDER INFORMATION

## SUBSTANTIAL SHAREHOLDERS

As at 7 September 2020, the Company had received notification of the following substantial shareholdings:

NAME	SHARES	% OF ISSUED CAPITAL
UIL Limited	172,354,809	59.92
General Provincial Life Pension Fund Limited	90,144,895	31.34
<b>UIL Limited (and associates)</b>	<b>262,499,704</b>	<b>91.26</b>

## TOP 20 HOLDINGS OF FULLY PAID ORDINARY SHARES AS AT 7 SEPTEMBER 2020

NAME	SHARES	% OF ISSUED CAPITAL
J P MORGAN NOMINEES AUSTRALIA PTY LIMITED	172,354,809	59.92
GENERAL PROVINCIAL LIFE PENSION FUND LIMITED	90,144,895	31.34
HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED	9,410,830	3.27
MR JAMES NOEL SULLIVAN	1,308,595	0.45
HARDROCK CAPITAL PTY LTD – CGLW NO 2 SUPER FUND A/C	600,000	0.21
HARDROCK CAPITAL PTY LTD	600,000	0.21
MR SEAN DENNEHY	498,566	0.17
BURNAL PTY LTD	450,000	0.16
CHERRYBURN PTY LTD – BURROWS SUPER FUND A/C	376,160	0.13
CALIMO PTY LTD	356,017	0.12
CITICORP NOMINEES PTY LIMITED	341,145	0.12
BLESSED INVESTMENTS PTY LIMITED – GREEN FAMILY S/F A/C	335,000	0.12
ACS (NSW) PTY LIMITED – ACS FAMILY SUPER FUND A/C	295,000	0.10
UURO PTY LTD	250,000	0.09
MISS ALEXANDRA MAREE SAVILLE	241,778	0.08
MR BRIAN GREEN	215,000	0.07
MR JAMES NOEL SULLIVAN & MRS GAIL SULLIVAN – SULLIVANS GARAGE S/F A/C	200,000	0.07
SUPER SECRET PTY LIMITED – KOCZ SF A/C	162,855	0.06
NALMOR PTY LTD JOHN CHAPPELL SUPER FUND A/C	162,000	0.06
ROYAL SUNSET PTY LTD	145,000	0.05
ANNE CONEY	130,000	0.05
<b>Total for top 20</b>	<b>278,577,650</b>	<b>96.85</b>

## SHAREHOLDER INFORMATION (continued)

### DISTRIBUTION SCHEDULE OF ORDINARY SHARES HELD AT 7 SEPTEMBER 2020

HOLDING RANGES	NO. OF SHARES	NO. OF ORDINARY SHAREHOLDERS	% OF ISSUED CAPITAL
1 – 1,000	7,951	28	0.00
1,001 – 5,000	2,641,734	983	0.92
5,001 – 10,000	1,184,811	155	0.41
10,001 – 100,000	4,763,052	181	1.66
100,001 – and over	279,045,528	25	97.01
<b>Total</b>	<b>287,643,076</b>	<b>1,372</b>	<b>100.00</b>

The number of shareholders holding less than a marketable parcel of ordinary shares at 7 September 2020 is 541 and they hold 953,983 securities.

### VOTING RIGHTS

All ordinary shares carry one vote per share without restriction.

# COMPANY INFORMATION

Zeta Resources Limited  
Company ARBN: 162 902 481  
[www.zetaresources.limited](http://www.zetaresources.limited)

## DIRECTORS (NON-EXECUTIVE)

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

## REGISTERED OFFICE

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

## AUSTRALIAN REGISTERED OFFICE

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Sydney NSW 2000  
Australia  
Telephone: + 61 414 224 494

## CANADIAN OFFICE

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Vancouver BC V6B 0M3  
Canada  
Telephone: +1 778 222 7378  
Email: [contactca@icm.limited](mailto:contactca@icm.limited)

## NEW ZEALAND OFFICE

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PO Box 25437  
Wellington 6140  
New Zealand  
Telephone: +64 4 901 7600  
Email: [contact@icm.nz](mailto:contact@icm.nz)

## INVESTMENT MANAGER

ICM Limited  
34 Bermudiana Road  
Hamilton HM 11  
Bermuda  
Telephone: +1 441 299 2897  
Email: [contact@icm.limited](mailto:contact@icm.limited)

## SECRETARY

ICM Limited  
34 Bermudiana Road  
PO Box HM 1748  
Hamilton HM GX  
Bermuda

## GENERAL ADMINISTRATION

ICM Corporate Services (Pty) Ltd  
1 Knutsford Road  
Wynberg 7800  
Cape Town  
South Africa

## AUDITOR

Mazars  
Mazars House  
Grand Moorings Precinct  
Century City 7441  
Cape Town  
South Africa

## DEPOSITORY

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

## REGISTRAR

Automic Pty Ltd  
GPO Box 5193  
Sydney NSW 2001  
Australia  
Telephone: +61 2 9698 5414

## STOCK EXCHANGE LISTING

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

## SIGNIFICANT STAKES IN A SELECT RANGE OF KEY COMMODITY COMPANIES



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 **ZETA** RESOURCES

