ZETA RESOURCES

ARBN 162 902 481

Audited Financial Report

For the year ended 30 June 2016

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Corporate Directory

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

DIRECTORS (NON-EXECUTIVE)
Peter Sullivan (Chairman)
Marthinus (Martin) Botha
Xi Xi

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

AUSTRALIAN REGISTERED OFFICE
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Telephone: +61 2 9248 0304

INVESTMENT MANAGER
ICM Limited
34 Bermudiana Road
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Bermuda
Telephone: +1 441 299 2894
Email: contact@icmnz.co.nz

SECRETARY
Chamiel McDonald
34 Bermudiana Road
Hamilton HM 11
Bermuda

ASSISTANT SECRETARY
BCB Charter Corporate Services Limited
34 Bermudiana Road
Hamilton HM 11
Bermuda

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

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

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

REGISTRAR
Security Transfer Registrars Pty Limited
770 Canning Highway
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STOCK EXCHANGE LISTING
The company's shares are quoted on the Official List of the Australian Securities Exchange, Ticker code: ZER

Report of the Directors

Your directors present their report for Zeta Resources Limited, including its subsidiaries, Kumarina Resources Pty Limited, Zeta Energy Pte. Ltd and Zeta Investments Limited, for the year ended 30 June 2016.

Directors

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

Peter Ross Sullivan
Marthinus (Martin) Botha
Xi Xi

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

Principal activities

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

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

Operating and financial review

Operating results

The net loss attributable to the company for the year to 30 June 2016 amounted to $6,974,491.

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 $16,750,536. A decrease in the fair value of the portfolio resulted in an unrealised loss recognised in profit or loss at year end of $4,079,785.

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$148,746 was invested during the twelve months to 30 June 2016 in further drilling and analysis work.

Financial position

At the end of the year, the company had $238,893 in cash and cash equivalents. Investments at fair value totalled $49,813,042, and the investment in subsidiaries was valued at $3,086,091.

The company has a loan owing to UIL of $36,165,296 at year end. Amounts outstanding to brokers (for settlement of trades) totalled $78,140 at 30 June 2016.

Following shareholder approval in November 2015, 6,769,280 ordinary shares and 86,461,440 options were issued under ASX listing rule 10.11 on 7 December 2015, to UIL Limited, raising US$18,617,065 in funds. These funds were utilised to repay A$8.8 million and US$12.4 million of loans from Zeta's parent.

Dividends

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

After balance date events

At the date of this report there were no other matters of a significant nature.

Likely developments

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

Information on directors

Peter Ross Sullivan
Non-Executive Chairman, appointed 7 June 2013. Mr Sullivan is an engineer and has been involved in the management and strategic development of resource companies and projects for more than 20 years, including project engineering, corporate finance, investment banking, corporate and operational management and public company directorships. Mr Sullivan has considerable experience in the management and strategic development of resource companies. Mr Sullivan holds a Bachelor of Engineering and a MBA.

Directorships of other listed companies in the last 3 years
Mr Sullivan is currently Chairman of Pan Pacific Petroleum NL (ASX: PPP) and non-executive director of Resolute Mining Limited (ASX: RSG), GME Resources Limited (ASX: GME) and Panoramic Resources Limited (ASX: PAN).

Martin Botha
Non-Executive Director, appointed 7 June 2013. Mr Botha has over 30 years' experience in banking, with the last 26 years spent in leadership roles building Standard Bank Plc's (part of The Standard Bank of South Africa Limited group of companies) international operations. Mr Botha's specific primary responsibilities have included establishing and leading the development of the core global natural resources trading and financing franchises, as well as various geographic strategies. Mr Botha holds a Bachelor of Engineering degree in Survey.

Directorships of other listed companies in the last 3 years
Mr Botha is currently non-executive director of Resolute Mining Limited (ASX: RSG).

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

Directorships of other listed companies in the last 3 years
None.

Information on Company Secretary

On 28 July 2016 Chamiel McDonald was appointed Company Secretary and BCB Charter Corporate Services Limited as assistant secretary.

BCB Charter Corporate Services Limited delivers corporate administration services for their clients.

Remuneration report

The remuneration report is set out in the following manner:

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

Remuneration policy

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

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

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

Details of remuneration for Directors

The company paid a total of $150,000 to directors for the year ended 30 June 2016.

The company had no employees as at 30 June 2016.

Share based compensation

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

Directors and Executives' interests

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

Director	Ordinary shares opening balance	Net change	Ordinary shares closing balance
Peter R Sullivan	5,670,632	–	5,670,632
Martin Botha	–	279,565	279,565
Xi Xi	–	–	–

Meetings of Directors

The board held four meetings during the year which were attended by all directors. The meetings were held on 6 July, 3 September, 15 November 2015 and 8 February 2016.

In addition, throughout the course of the year there were a number of resolutions of directors which were made by unanimous written resolution. This included the approval of the half year report and financial statements on 18 February 2016.

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

Loans to Directors and Executives

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

Unlisted options

At the date of this report the number of unlisted options on issue was as follows:

86,461,440 Options exercisable at A$0.001 each, expiring 7 December 2019.

There were no options exercised during the year, or since the end of the year, that resulted in additional shares being issued.

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 objectives of the best practice recommendations and discharge its duties in this area.

Indemnifying officers or auditors

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

Environmental regulation

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

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

Non-audit services

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

On-market buy back scheme

The company currently has no on-market share buy-back scheme in operation.

Investments disclosed by the Company at the reporting date

Listed	Number of shares	% of issued shares held
Panoramic Resources Limited	102,282,973	23.866%
Resolute Mining Limited	31,234,000	4.764%
GME Resources Limited	19,717,742	4.272%

Unlisted	Number of shares	% of issued shares held
Seacrest LP	10,500,000	24.450%
Kumarina Resources Pty Limited	26,245,610	100%
Zeta Energy Pte. Ltd	1	100%
Zeta Investments Limited	1,000	100%

During the year the company completed a total of 86 transactions in securities and paid a total of US$5,955 in brokerage on those transactions.

Investment management agreement

The company entered into an Investment Management Agreement with ICM Limited on 10 April 2013. 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 also paid US$344,465 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
12 September 2016

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Independent Auditor's Report

To the Shareholders of Zeta Resources Limited

Report on the Financial Statements

We have audited the financial statements of Zeta Resources Limited, which comprise the statements of financial position at 30 June 2016, and the statements of comprehensive income, cash flows and changes in equity for the year then ended, and the notes to the financial statements which include a summary of significant accounting policies and other explanatory notes, as set out on pages 8 to 31.

Directors' Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, these financial statements present fairly, in all material respects, the position of Zeta Resources Limited at 30 June 2016, and its financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards.

Other Reports

As part of our audit of the financial statements for the year ended 30 June 2016, we have read the Report of the Directors for the purpose of identifying whether there are material inconsistencies between this report and the audited financial statements. This report is the responsibility of the respective preparers.

Based on reading this report we have not identified material inconsistencies between this report and the audited financial statements. However, we have not audited this report and accordingly do not express an opinion on this report.

KPMG Inc.

Per P Farrand
Chartered Accountant (SA)
Registered Auditor
Director
12 September 2016

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

In relation to our audit of the financial report of Zeta Resources Limited for the financial year ended 30 June 2016, to the best of my knowledge and belief, there have been no contraventions of the auditor independence requirements of the International Standards on Auditing or any applicable code of professional conduct.

KPMG Inc.

Per P Farrand
Chartered Accountant (SA)
Registered Auditor
Director
12 September 2016

Statement of Financial Position

at 30 June 2016	Notes	June 2016 $	June 2015 $
Non-current assets			
Investment in subsidiaries	4	3,086,091	3,193,721
Investments	5	49,813,042	43,686,192
Loans to subsidiaries	6	29,803,322	23,894,270
Current assets			
Cash and cash equivalents	7	238,893	193,267
Trade and other receivables	8	12,109	13,171
Balance due from brokers		–	119,912
Total assets		82,953,457	71,100,533
Non-current liabilities			
Loan from subsidiary	9	(3,754,667)	(4,395,787)
Loan from parent	10	(36,165,296)	(35,408,212)
Current Liabilities			
Trade and other payables	11	(192,220)	(175,974)
Balance due to brokers		(78,140)	–
Total liabilities		(40,190,323)	(39,979,973)
NET ASSETS		**42,763,134**	**31,120,560**
Equity			
Share capital	12	900	832
Share premium	12	66,233,041	64,881,364
Options	12	17,265,320	–
Accumulated losses		(40,736,127)	(33,761,636)
TOTAL EQUITY		**42,763,134**	**31,120,560**

Statement of Profit or Loss and Other Comprehensive Income

for the year ended 30 June 2016	Notes	June 2016 $	June 2015 $
Revenue			
Investment income	13	(4,036,767)	(42,418,422)
Other income/(losses)	14	1,437,732	(6,090,197)
Expenses			
Directors fees		(150,000)	(150,000)
Interest expense		(3,371,114)	(3,164,318)
Management and consulting fees	15	(560,884)	(432,656)
Operating and administration expenses	16	(293,458)	(986,420)
Loss before income tax		(6,974,491)	(53,242,013)
Income tax	17	–	–
Loss for the year		(6,974,491)	(53,242,013)
Other comprehensive income		–	–
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		**(6,974,491)**	**(53,242,013)**
Loss per share			
Basic and diluted loss per share (cents per share)	18	(0.05)	(0.57)

Statement of Cash Flows

for the year ended 30 June 2016	Notes	June 2016 $	June 2015 $
Cash flows from operating activities			
Cash utilised by operations	19.1	(90,994)	(3,748,481)
Interest received		25,262	1,343
Interest expense		(3,371,114)	(3,164,318)
Net cash flows from operating activities		(3,436,846)	(6,911,456)
Cash flows from investing activities			
Investments purchased		(4,334,188)	(22,713,820)
Investments sold		760,235	57,499,531
Increase in loan to subsidiaries		(12,416,348)	(35,321,826)
Net cash flows from investing activities		(15,990,301)	(536,115)
Cash flows from financing activities			
Proceeds from issue of shares	19.2	1,351,745	–
Proceeds from issue of options	19.3	17,265,320	–
Decrease in loan from parent via issue of shares and options		(18,617,065)	–
Increase in loan from parent from additional funding		19,374,149	20,958,619
Decrease in loan from subsidiaries		(641,120)	(7,551,796)
Net cash flows from financing activities		18,733,029	13,406,823
Net movement in cash and cash equivalents		(694,118)	5,959,252
Cash and cash equivalents at the beginning of the year		193,267	188,012
Effect of exchange rate fluctuations on cash held		739,744	(5,953,997)
Cash and cash equivalents at end of the year	7	**238,893**	**193,267**

Statement of Changes in Equity

for the year ended 30 June 2016	Notes	Share capital $	Share premium $	Options $	Accumulated profits/(losses) $	Total $
Balance at 1 July 2014		832	64,881,364	–	19,480,377	84,362,573
Other comprehensive income for the year		–	–	–	(53,242,013)	(53,242,013)
BALANCE AT 30 JUNE 2015		**832**	**64,881,364**	**–**	**(33,761,636)**	**31,120,560**
Issue of shares	12	68	1,351,677	–	–	1,351,745
Issue of options	12	–	–	17,265,320	–	17,265,320
Other comprehensive income for the year		–	–	–	(6,974,491)	(6,974,491)
BALANCE AT 30 JUNE 2016		**900**	**66,233,041**	**17,265,320**	**(40,736,127)**	**42,763,134**

Notes to the Financial Statements

1. Basis of preparation

1.1 Corporate information

Zeta Resources Limited ("the company") is an investment company incorporated on 13 August 2012, listed on the Australian Stock Exchange and domiciled in Bermuda. The financial statements of the company as at and for the year ended 30 June 2016 comprise the company only.

1.2 Basis of preparation

The financial statements for the period ended 30 June 2016 have been prepared in accordance with International Financial Reporting Standards (IFRSs). The following accounting policies have, in all material respects, been applied consistently.

The financial statements were authorised for issue by the board of directors on 12 September 2016.

1.3 Basis of measurement

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

1.4 Functional and presentation currency

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

1.5 Use of Estimates and Judgements

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

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

Information about assumptions and estimation uncertainties that have a significant risk of resulting in a material adjustment within the next financial year, as well as critical judgements in applying accounting policies that have the most significant effect on the amounts recognised in the financial statements are included in note 21.

2. Adoption of new and revised standards

Future amendments not early adopted in the 2016 year ended financial statements

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

IFRS 9 Financial Instruments (effective for years commencing on or after 1 January 2018) - this standard addresses the initial measurement and classification of financial assets as either measured at amortised cost or at fair value. Financial assets are measured at amortised cost when the business model is to hold assets in order to collect contractual cash flows. All other financial assets are measured at fair value with changes recognised in profit or loss. For an investment in an equity instrument that is not held for trading, an entity may on initial recognition elect to present all fair value changes from the investment in other comprehensive income.

IFRS 9 retains the classification and measurement requirements in IAS 39 for financial liabilities. The standard however requires for financial liabilities designated under the fair value option (other than loan commitments and financial guarantee contracts), that the amount of change in fair value attributable to changes in the credit risk of the liability be presented in other comprehensive income (OCI). The remaining amount of the total gain or loss is included in profit or loss. However, if this requirement creates or enlarges an accounting mismatch in profit or loss, then the whole fair value change is presented in profit or loss.

IFRS 9 will be adopted for the first time for the year ending 30 June 2019, subject to certain transitional provisions. The impact on the financial statements has not yet been estimated.

3. Significant accounting policies

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

3.1 Revenue

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

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

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

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

3.2 Borrowing costs

Borrowing costs are recognised as an expense when incurred except those that relate to the acquisition, construction or production of qualifying assets where the borrowing cost is added to the cost of those assets until such time as the assets are substantially ready for their intended use or sale.

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 date.

Deferred income tax is provided on all temporary differences at the balance date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred income tax liabilities are recognised for all taxable temporary differences except:

- when the deferred income tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and that, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; or
- when the taxable temporary difference is associated with investments in subsidiaries, associates or interests in joint ventures, and the timing of the reversal of the temporary difference can be controlled and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred income tax assets are recognised for all deductible temporary differences, carry-forward of unused tax assets and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences and the carry-forward of unused tax credits and unused tax losses can be utilised, except:

- when the deferred income tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; or
- when the deductible temporary difference is associated with investments in subsidiaries, associates or interests in joint ventures, in which case a deferred tax asset is only recognised to the extent that it is probable that the temporary difference will reverse in the foreseeable future and taxable profit will be available against which the temporary difference can be utilised.

The carrying amount of deferred income tax assets is reviewed at each balance date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilised.

Unrecognised deferred income tax assets are reassessed at each balance date and are recognised to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered. Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the balance date.

Income taxes relating to items recognised directly in equity are recognised in equity and not in profit or loss.

3. Significant accounting policies (continued)

3.3 Income tax (continued)

Deferred tax assets and deferred tax liabilities are offset only if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred tax assets and liabilities relate to the same taxable entity and the same taxation authority.

3.4 Foreign currency

Foreign currency transactions and balances

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

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

3.5 Earnings per share ("EPS")

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

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

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

3.6 Financial instruments

Non-derivative financial instruments

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

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

Recognition and derecognition of financial instruments

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

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

3. Significant accounting policies (continued)

3.6 Financial instruments (continued)

Non-derivative financial instruments (continued)

Financial assets at fair value through profit or loss

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

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

Cash and Cash Equivalents

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

Non-derivative financial liabilities

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

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

Trade and other payables

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

3.7 Impairment of assets

Financial assets

A financial asset not carried at fair value through profit or loss is assessed at each reporting date to determine whether there is any objective evidence that it is impaired. A financial asset is considered to be impaired if objective evidence indicates that one or more events have had a negative effect on the estimated future cash flows of that asset.

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

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

3. Significant accounting policies (continued)

3.7 Impairment of assets (continued)

Non-financial assets

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

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

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

3.8 Goodwill

Goodwill is any excess of the cost of an acquisition over the company's interest in the cost of the identifiable assets and liabilities acquired.

Goodwill is carried at cost less any accumulated impairment losses. Goodwill is allocated to the cash-generating unit and is tested annually for impairment.

3.9 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.

3.10 Provisions and accruals

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

4. Investment in subsidiaries

	June 2016 $	June 2015 $
At fair value		
Investment in Kumarina Resources Pty Limited ('Kumarina')	3,086,089	3,193,719
Investment in Zeta Energy Pte. Ltd. ('Zeta Energy')	1	1
Investment in Zeta Investments Limited ('Zeta Investments')	1	1
	3,086,091	3,193,721

Investments in subsidiaries are held as part of the investment portfolio and consequently, in accordance with IFRS 10 are not consolidated but rather shown at fair value through profit and loss. The company had the following subsidiaries as at 30 June 2016:

30 June 2016	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%

4. Investment in subsidiaries (continued)

30 June 2015	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 2016 $	June 2015 $
Financial assets at fair value through profit or loss	49,813,042	43,686,192
Equity securities at fair value		
Ordinary shares – listed	40,776,406	30,261,217
Subscription and other rights – unlisted	9,036,636	13,424,975
	49,813,042	43,686,192
Equity securities at cost		
Ordinary shares – listed	40,650,179	37,058,471
Subscription and other rights – unlisted	11,573,120	11,573,120
	52,223,299	48,631,591

Investments held by the company at the reporting date	Number of Shares
Listed	
Panoramic Resources	102,282,973
Resolute Mining Limited	31,234,000
GME Resources Limited	19,717,742
Other Investments	19,461,320
Unlisted	
Seacrest LP	10,500,000
Other rights	
Other	938,331

Other listed investments held by subsidiaries of the company include 54,207,553 shares in New Zealand Oil & Gas Limited, 121,323,567 shares in Oilex Limited and 292,948,402 shares in Pan Pacific Petroleum NL.

During the reporting period the company completed a total of 86 transactions (2015: 210 transactions) in securities and paid a total of US$5,955 (2015: US$50,701) in brokerage on those transactions.

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

The shares pledged include: Resolute Mining Limited (27,300,000) and Panoramic Resources Limited (6,666,666).

6. Loan to subsidiaries

	June 2016 $	June 2015 $
Loan to Zeta Energy	29,672,978	23,863,438
Loan to Kumarina	130,344	30,832
	29,803,322	23,894,270

The loan to Zeta Energy is denominated in Australian dollars to the value of A$20.427 million (2015: A$7.405 million), British pounds to the value of UK£1.0 million (2015: Nil) and New Zealand dollars to the value of NZ$43.584 million (2015: NZ$43.671 million). There are no fixed repayment terms and no interest is charged. During the period ended 30 June 2016, the loan to Zeta Energy, which was utilised for the purchase of listed investments, was impaired, through profit and loss, to the fair value of the company as determined by the directors. In determining the fair value of Zeta Energy the directors have valued the listed investments held by the company at market value of the exchange they are listed on, other than the investment in Pan Pacific Petroleum ('PPP') which was valued by the directors at cost. The directors deem an alternate valuation for PPP to be more appropriate due to the thinly traded nature of the shares in the market, that Zeta Energy has control of PPP by holding more than 50% of its issued share capital and that PPP's net asset value per share supports the directors' valuation. As at 30 June 2016 the impairment to the loan totalled US$17.935 million. The loan to Kumarina is denominated in Australian dollars and is interest free. There are no fixed repayment terms except that no repayment is due before 30 June 2017.

7. Cash and cash equivalents

	June 2016 $	June 2015 $
Cash balance comprises:		
Cash at bank	238,893	193,267

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

8. Trade and other receivables

	June 2016 $	June 2015 $
Prepayments	12,109	13,171

9. Loan from subsidiary

	June 2016 $	June 2015 $
Loan from Zeta Energy	3,754,667	4,395,787

The loan from Zeta Energy is denominated in Australian dollars to the value of A$3.84 million (30 June 2015: A$3.53 million) and New Zealand dollars to the value of NZ$1.26 million (30 June 2015: NZ$2.47 million) and currently attracts interest at a rate of 7.11% per annum (30 June 2015: 7.36%) on the Australian dollar loan and at 6.49% per annum (30 June 2015: 7.74%) on the New Zealand dollar loan. There are no fixed repayment terms except that no repayment is due before 30 June 2017.

10. Loan from parent

	June 2016 $	June 2015 $
Loan from UIL Limited ('UIL')	36,165,296	35,408,212

The loan is denominated in Australian dollars to the value of A$45.4 million (30 June 2015: A$11.55 million), carries interest at 10% per annum (30 June 2015: 10%) and no repayment is due before 31 December 2017. Subsequent to year end, the interest rate on the loan has been changed to 7.5%. During the year the company converted A$8.8 million and US$12.4 million of loans into equity following the shareholder approved issue of shares and options to UIL. See note 12. The company also converted US$14.27 million of loans into Australian dollars during the year. During the year the company received A$21.4 million of funding for the purchase of investments.

11. Trade and other payables

	June 2016 $	June 2015 $
Accruals	192,220	175,974

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

12. Share capital and share premium

Authorised

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

Issued

Ordinary shares	**Number of Shares**	**Share Capital**	**Share Premium**
Balance as at incorporation		–	–
Issued at incorporation as $1 par shares	100	–	–
Shares split into 10,000,000 shares of $0.00001 each	9,999,900	–	–
Issued in consideration for purchase of investments from Utilico	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
Balance as at 30 June 2015	93,230,720	832	64,881,364
Following shareholder approval, issued under ASX listing rule 10.11 dated 7 December 2015	6,769,280	68	1,351,677
Balance as at 30 June 2016	100,000,000	900	66,233,041

For further details related to the share issue transactions please see note 19.2.

Options	**Options**	**June 2016 $**	**June 2015 $**
Balance at the beginning of the year (Note (a))	10,122,903	–	–
Following shareholder approval, issued under ASX listing rule 10.11 dated 7 December 2015 (Note (b))	86,461,440	17,265,320	–
Expiry of 7 June 2016 options	(10,122,903)	–	–
Balance at the end of the year	86,461,440	17,265,320	–

Note (a) – The options were exercisable at an exercise price of A$1.00 into one ordinary share until 7 June 2016.

Note (b) – During the year ended 30 June 2016, following shareholder approval, the company issued 86,461,440 options at a cost of A$0.2817 per option, to UIL Limited, raising the equivalent of US$17.27 million. These options are exercisable at a price of A$0.001 into one ordinary share until 7 December 2019.

13. Investment income

	June 2016 $	June 2015 $
Interest income	25,262	1,343
Dividend income	–	1,686,534
Realised gains/(losses)	17,756	(1,357,557)
Unrealised fair value losses:		
Financial assets at fair value through profit or loss	(4,079,785)	(42,748,742)
	(4,036,767)	(42,418,422)

14. Other income/(losses)

	June 2016 $	June 2015 $
Foreign exchange gains/(losses)	739,744	(5,953,997)
Other income/(losses)	697,988	(136,200)
	1,437,732	(6,090,197)

15. Management and consulting fees

	June 2016 $	June 2015 $
Management and consulting fees	560,884	432,656

The company entered into an investment management agreement with ICM Limited (Bermuda registered) on 10 April 2013. Management fees are payable at a rate of 0.5% per annum, of funds managed on calculation date, payable quarterly in arrears and pro-rated for any period less than three months.

Performance fees are payable annually at year end on the difference between adjusted equity funds (adjusted for any dividends paid or accrued) on calculation date less adjusted base equity funds (high-water mark) previously used in the performance fee calculation multiplied by 15%. The adjusted base equity funds is the base equity fund used in the last performance fee calculation adjusted by the average percentage income yield on the S&P/ASX 300 Metals and Mining Index. No performance fee was payable in the current period (2015: US$ Nil).

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

16. Operating and administration expenses

	June 2016 $	June 2015 $
Operating and administration expenses consist of:		
Accounting fees	82,833	103,628
Audit fees	14,463	13,982
Australian Stock Exchange listing fees	47,694	49,954
Insurance costs	14,042	–
Legal fees	–	159,608
Other expenses	134,426	659,248
	293,458	986,420

17. Income tax

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

18. Loss per share

	June 2016 $	June 2015 $
Basic and diluted loss per share	(0.05)	(0.57)
Loss used in calculation of basic and diluted earnings per share	(6,974,491)	(53,242,013)
Weighted average number of ordinary shares outstanding during the year used in calculation of basic and diluted earnings per share	145,959,570	93,230,720

The weighted average number of ordinary shares calculation is based on the year beginning 1 July 2015. For details of shares issued during the year refer to note 19.2.

An adjustment has been made for the 86,461,440 options issued during the year as they are considered to be in substance issued shares.

19. Notes to the cash flow statement

19.1 Cash utilised by operations

	June 2016 $	June 2015 $
Loss before income tax benefit	(6,974,491)	(53,242,013)
Adjustments for:		
Realised (gains)/losses on investments	(17,756)	1,357,557
Fair value loss on revaluation of investments	4,079,785	42,748,742
Foreign exchange (gains)/losses	(739,744)	5,953,997
Interest income	(25,262)	(1,343)
Interest expense	3,371,114	3,164,318
Operating loss before working capital change	(306,354)	(18,742)
Decrease/(increase) in trade and other receivables	1,062	(13,171)
Increase/(decrease) in trade and other payables	16,246	(3,553,320)
Decrease/(increase) in balance due from brokers	119,912	(119,912)
Increase/(decrease) in balance due to brokers	78,140	(43,336)
	(90,994)	(3,748,481)

19.2 Issue of shares

Shares issued for consideration	June 2016 $	June 2015 $
During the year ended 30 June 2016, following shareholder approval, in accordance with ASX listing rule 10.11, the company issued 6,769,280 ordinary shares on the 7 December 2015, at a cost of A$0.2817 per share, to UIL Limited, raising the equivalent of US$1.352 million.	1,351,745	–

19.3 Issue of options

Options issued for consideration	June 2016 $	June 2015 $
During the year ended 30 June 2016, following shareholder approval, the company issued 86,461,440 options at a cost of A$0.2817 per option, to UIL Limited, raising the equivalent of US$17.27 million. These options are exercisable at a price of A$0.001 into one ordinary share until 7 December 2019.	17,265,320	–

20. Auditor remuneration

	June 2016 $	June 2015 $
Amounts received or due and receivable by the auditors for audit of financial statements	14,463	13,982

21. 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 4 to the financial statements. The policies are in compliance with IFRS and best practice, and include the valuation of certain financial assets and liabilities at fair value through profit and loss.

Categories of financial instruments

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

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

30 June 2016	Designated at fair value through profit and loss $	Loans and receivables $	Total carrying value $
Assets			
Investments in subsidiaries	3,086,091	–	3,086,091
Investments	49,813,042	–	49,813,042
Loans to subsidiaries	29,803,322	–	29,803,322
Cash and cash equivalents	–	238,893	238,893
Trade and other receivables	–	12,109	12,109
	82,702,455	251,002	82,953,457
Liabilities			
Loans from subsidiaries	–	3,754,667	3,754,667
Trade and other payables	–	192,220	192,220
Loan from parent	–	36,165,296	36,165,296
Balance due to brokers	–	78,140	78,140
	–	40,190,323	40,190,323
30 June 2015			
Assets			
Investments in subsidiaries	3,193,721	–	3,193,721
Investments	43,686,192	–	43,686,192
Loans to subsidiaries	23,894,270	–	23,894,270
Cash and cash equivalents	–	193,267	193,267
Trade and other receivables	–	13,171	13,171
Balance due from brokers	–	119,912	119,912
	70,774,183	326,350	71,100,533
Liabilities			
Loans from subsidiaries	–	4,395,787	4,395,787
Trade and other payables	–	175,974	175,974
Loan from parent	–	35,408,212	35,408,212
	–	39,979,973	39,979,973

21. Financial Risk Management (continued)

21.1 Market risks

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

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

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

Currency exposure

The principal currencies to which the company was exposed were the Australian Dollar, Sterling and New Zealand Dollar. The exchange rates applying against the United States Dollar at 30 June 2016 and the average rates for the year were as follows:

	30 June 2016	Average
AUD – Australian Dollar	0.7448	0.7279
GBP – Sterling	1.3271	1.4838
NZD – New Zealand Dollar	0.7123	0.6681

The company's monetary assets and liabilities at 30 June 2016 (shown at fair value), by currency based on the country of primary operations, are shown below:

30 June 2016	USD	AUD	GBP	NZD
Cash and cash equivalents	1,423	220,022	899	16,549
Trade and other receivables	–	–	–	12,109
Loans to subsidiaries	–	9,613,170	836,352	19,353,800
Loans from subsidiaries	–	(2,857,128)	–	(897,539)
Loan from parent	–	(36,165,296)	–	–
Trade and other payables	(170,258)	(21,962)	–	–
Balance due to brokers	–	(78,140)	–	–
Net monetary (liabilities)/assets	(168,835)	(29,289,334)	837,251	18,484,919

30 June 2015	USD	AUD	GBP	NZD
Cash and cash equivalents	5,516	184,734	1,423	1,594
Trade and other receivables	–	13,171	–	–
Balance due to brokers	–	119,912	–	–
Loans to subsidiaries	–	3,890,613	–	20,003,657
Loans from subsidiaries	–	(2,721,459)	–	(1,674,328)
Loan from parent	(25,734,714)	(9,673,498)	–	–
Trade and other payables	(169,003)	(497)	–	(6,474)
Net monetary (liabilities)/assets	(25,898,201)	(8,187,024)	1,423	18,324,449

21. Financial Risk Management (continued)

21.1 Market risks (continued)

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

	AUD	GBP	NZD	Total
Strengthening of the United States Dollar				
30 June 2016				
Increase in total comprehensive loss for the year ended	(1,970,597)	(185,814)	(3,017,865)	(5,174,276)
30 June 2015				
Increase in total comprehensive loss for the year ended	(2,603,181)	(115,348)	(2,791,518)	(5,510,047)
Weakening of the United States Dollar				
30 June 2016				
Decrease in total comprehensive loss for the year ended	1,970,597	185,814	3,017,865	5,174,276
30 June 2015				
Decrease in total comprehensive loss for the year ended	2,603,181	115,348	2,791,518	5,510,047

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 2016 is shown below:

	Within one year	Greater than one year	Total
30 June 2016			
Exposure to floating rates:			
Cash	238,893	–	238,893
Exposure to fixed rates:			
Loan from subsidiaries	–	(3,754,667)	(3,754,667)
Loan from parent	–	(36,165,296)	(36,165,296)
30 June 2015			
Exposure to floating rates:			
Cash	193,267	–	193,267
Exposure to fixed rates:			
Loan from subsidiaries	–	(4,395,787)	(4,395,787)
Loan from parent	–	(35,408,212)	(35,408,212)

21. Financial Risk Management (continued)

21.1 Market risks (continued)

Interest rate exposure (continued)

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

Other market risk exposures

The portfolio of investments, valued at US$49,813,042 at 30 June 2016 (30 June 2015: US$43,686,192) 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 23.

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 $4,981,304. A 10% appreciation in the market price would have the opposite effect.

21.2 Liquidity risk exposure

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

	Three months or less $	More than three months but less than a year $	More than a year $	Total $
30 June 2016				
Loan from subsidiaries	–	–	3,754,667	3,754,667
Trade and other payables	192,220	–	–	192,220
Balance due to brokers	78,140	–	–	78,140
Loans from parent	–	–	36,165,296	36,165,296
	270,360	–	39,919,963	40,190,323
30 June 2015				
Loan from subsidiaries	–	–	4,395,787	4,395,787
Trade and other payables	175,974	–	–	175,974
Loans from parent	–	–	35,408,212	35,408,212
	175,974	–	39,803,999	39,979,973

21.3 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.

21. Financial Risk Management (continued)

21.3 Credit risk and counterparty exposure (continued)

Maximum exposure to credit risk

The company has loan assets totalling $29,803,322 (2015: $23,894,270) that is exposed to credit risk.

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

21.4 Fair values of financial assets and liabilities

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

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

Valuation of financial instruments

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

Level 1 The fair values are measured using quoted prices in active markets.

Level 2 The fair values are measured using inputs, other than quoted prices, that are included within level 1, that are observable for the asset.

Level 3 The fair values are measured using inputs for the asset or liability that are not based on observable market data. The directors make use of recognised valuation techniques and may take account of recent arms' length transactions in the same or similar investments.

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

Level 3 financial instruments

Valuation methodology

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

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

(a) Unlisted companies

Seacrest Limited ("Seacrest") Bermuda incorporated

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

The valuation of Azimuth is based on fair value US GAAP accounting. Using the General Partner's valuation of the Seacrest portfolio a discount is applied to each Azimuth subsidiary. The extent of the discount depends on whether the assets are in a mature or frontier basin. In addition, following the fall in the oil price a further discount was applied thereby calculating a fair value for Azimuth. On this basis Azimuth was valued as at 30 June 2016 at US$68.9m.

Valuation methodology: Zeta has used a fair value valuation of Seacrest of US$0.86 per share based on the value of Azimuth, described above.

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

21. Financial Risk Management (continued)

21.4 Fair values of financial assets and liabilities (continued)

(b) Investments and loans in subsidiaries

Zeta Energy Singapore incorporated

Valuation inputs: The key asset is the investment loan to Zeta Energy which was utilised for the purchase of listed investments, and which was impaired, through profit and loss, to the fair value of the company as determined by the directors based on the valuation of the investments held by Zeta Energy as at 30 June 2016.

Valuation methodology: Zeta has used a fair value valuation of losses incurred by Zeta Energy on its investments by which to impair the loan value in the accounts as at 30 June 2016.

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

Other investments and loans to subsidiaries
Zeta has further investments and loans to subsidiaries valued at book and realisable value, with a total value of US$3.1m (2015: US$3.2m).

30 June 2016	**Level 1 $**	**Level 2 $**	**Level 3 $**
Financial assets			
Investments	40,776,406	–	9,036,636
Investment in subsidiaries	–	–	3,086,091
Loan to subsidiary	–	–	29,803,322

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	**Level 3 investments in subsidiary**	**Level 3 loan to subsidiary**
Balance at 1 July 2015	13,424,975	3,193,721	23,894,270
Acquisitions at cost	–	–	12,416,347
Disposals during the year	–	–	–
Total gains or losses recognised in:			
fair value through profit or loss	(4,388,339)	(107,630)	(6,507,295)
Balance at 30 June 2016	9,036,636	3,086,091	29,803,322

30 June 2015	**Level 1 $**	**Level 2 $**	**Level 3 $**
Financial assets			
Investments	88,101,079	–	15,968,054
Investment in subsidiaries	–	–	10,275,234
Loan to subsidiary	–	–	29,803,322
Balance at 1 July 2014	15,968,054	10,275,234	–
Acquisitions at cost	1,000,000	1	35,321,826
Disposals during the year	–	(5,293,501)	–
Total gains or losses recognised in:			
fair value through profit or loss	(3,543,079)	(1,788,013)	(11,427,556)
Balance at 30 June 2015	13,424,975	3,193,721	23,894,270

21.5 Capital risk management

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

22. Related parties

22.1 Material related parties

Holding company

The company's holding company is UIL which held 85.49% of the company's issued share capital on 30 June 2016. UIL is in turn held 61.78% by General Provincial Life Pension Fund (L) Limited.

Subsidiary companies

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

Key management personnel

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

Investment manager

ICM Limited is the investment manager of both the company, its subsidiaries and UIL.

22.2 Material related party transactions

	June 2016 $	June 2015 $
Nature of transactions		
Investments in related parties:		
Kumarina	3,086,089	3,193,719
Zeta Investments	1	1
Zeta Energy	1	1
Loans to related parties:		
Kumarina	130,344	30,832
Zeta Energy	29,672,978	23,863,438
Loans from related parties:		
Utilico	36,165,296	35,408,212
Zeta Energy	3,754,667	4,395,787
Interest charged by the subsidiaries	318,776	552,203
Interest charged by the parent company	3,051,091	2,412,137
Interest charged by the investment manager	1,225	109,120
Fees paid to the investment manager	344,464	559,409
Fees paid to the directors	150,000	150,000

During the year ended 30 June 2016 the company held a loan from its subsidiary Zeta Energy. To secure the loan Zeta Resources has pledged certain quantities of its shares held in listed entities.

The shares pledged include: Resolute Mining Limited (27,300,000) and Panoramic Investments Limited (6,666,666).

23. 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 mine gold

Oil & Gas: investments in companies which extract or prospect for oil or gas

Mineral Exploration: investments in companies which explore or mine for nickel, copper and other minerals

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

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

Information about reportable segments

30 June 2016	Gold $	Oil & gas $	Mineral exploration $	Other segments $	Total $
External revenues	22,471,287	(11,016,091)	(15,375,751)	(116,212)	(4,036,767)
Reportable segment revenue	22,471,287	(11,016,091)	(15,375,751)	(116,212)	(4,036,767)
Interest revenue	–	–	–	25,262	25,262
Interest expense	–	–	–	(3,371,114)	(3,371,114)
Reportable segment income/loss before tax	22,471,287	(10,543,292)	(15,150,562)	(3,751,924)	(6,974,491)
Reportable segment assets	32,747,455	39,573,255	10,375,105	257,642	82,953,457
Reportable segment liabilities	–	–	(78,140)	(40,112,183)	(40,190,323)

30 June 2015	Gold $	Oil & gas $	Mineral exploration $	Other segments $	Total $
External revenues	(9,186,191)	(14,599,002)	(18,499,858)	(269,571)	(42,554,622)
Reportable segment revenue	(9,186,191)	(14,599,002)	(18,499,858)	(269,571)	(42,554,622)
Interest revenue	–	–	–	1,343	1,343
Interest expense	–	–	–	(3,164,168)	(3,164,168)
Reportable segment loss before tax	(9,186,191)	(14,599,002)	(18,499,858)	(10,956,962)	(53,242,013)
Reportable segment assets	9,861,293	38,971,352	21,936,822	331,066	71,100,533
Reportable segment liabilities	–	–	–	(39,979,973)	(39,979,973)

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

23. Segmental reporting

Reconciliations of reportable segment revenues, profit or loss, assets and liabilities, and other material items	June 2016 $	June 2015 $
Revenues		
Total revenue for reportable segments	(3,920,555)	(42,156,336)
Revenue for other segments	(116,212)	(262,086)
Revenue	(4,036,767)	(42,418,422)
Profit or loss		
Total loss for reportable segments	(3,222,567)	(42,285,051)
Loss for other segments	(3,751,924)	(10,956,962)
Loss before tax	(6,974,491)	(53,242,013)
Assets		
Total assets for reportable segments	82,695,815	70,769,467
Assets for other segments	257,642	331,066
Total assets	82,953,457	71,100,533
Liabilities		
Total liabilities for reportable segments	(78,140)	–
Liabilities for other segments	(40,112,183)	(39,979,973)
Total liabilities	(40,190,323)	(39,979,973)

Geographic information

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

	June 2016 $	June 2015 $
Revenue		
Australia	(8,497,796)	(22,361,895)
Singapore	(6,507,295)	(11,427,556)
Mali	15,579,453	(5,104,743)
Namibia	(1,664,577)	(1,278,383)
New Zealand	(1,665)	(94,932)
Norway	(1,801,948)	(1,390,572)
United Kingdom	(595,749)	(455,871)
Other Countries	(430,978)	(42,384)
Revenue	(3,920,555)	(42,156,336)

23. Segmental reporting (continued)

	June 2016 $	June 2015 $
Assets		
Australia	22,755,967	27,556,243
Singapore	29,803,322	23,894,270
Mali	20,424,525	4,582,564
Namibia	3,520,472	5,176,237
New Zealand	-	7,800
Norway	3,835,958	5,639,348
United Kingdom	1,257,543	1,848,749
Other Countries	1,098,028	2,064,256
Assets	82,695,815	70,769,467

24. Events after the reporting date

There have been no facts nor circumstances of a material nature that have occurred between the reporting date and the date of this report that have a material impact on the financial position of the company at 30 June 2016 other than those listed in the notes above.