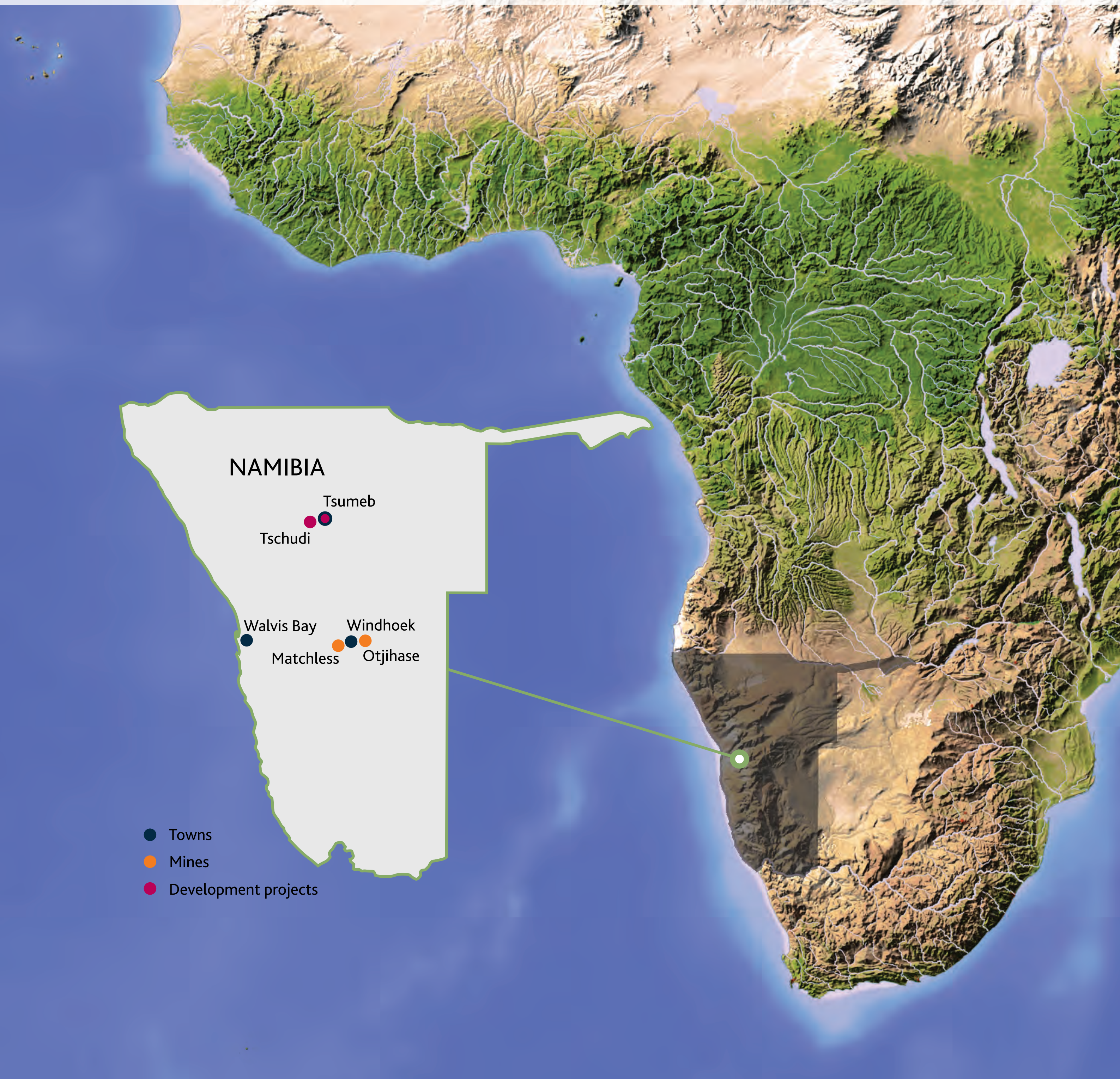
WEATHERLY
INTERNATIONAL PLC


# Annual report 2013

3 Summary highlights
4 Chairman's and Chief Executive's statement
6 Review of operations
13 Directors' report
18 Board of directors
19 Corporate governance report
22 Directors' remuneration report
26 Independent auditor's report to the members of Weatherly International plc
27 Consolidated income statement
28 Consolidated statement of comprehensive income
29 Consolidated statement of financial position
30 Consolidated statement of changes in equity
31 Consolidated cash flow statement
32 Notes to the consolidated financial statements
71 Independent auditor's report to the members of Weatherly International plc
72 Company balance sheet
73 Notes to the parent company financial statements
79 Company information



# Summary highlights

For the year ended 30 June 2013

## Financial

Profit after tax of US$1.6 million

Cash generated from operating activities US$1.9 million (excluding US$4.7 million at port, see page 4)

Cash or cash equivalent at 30 June 2013 of US$7.5 million

## Operational and corporate

Copper production at Central Operations maintained at 2012 levels

Appointment of Charilaos Stavrakis as Non-executive Director in January 2013 strengthening the board

Completion of Tschudi Feasibility Study in December 2012

## Post year end

Execution of loan and project documentation for the development of Tschudi

*Tschudi Ground Breaking Keynote Speaker – Honourable Minister Isak Katali, MP Ministry of Mines and Energy*

# Chairman's and Chief Executive's statement

**We are pleased to report Weatherly's results for the year ended 30 June 2013 in what has been a very encouraging year for the company as we have achieved the major objective of funding the development of our Tschudi project.**

During the year, the group generated a profit after tax of US$1.6 million. US$2.0 million of this profit came about as a result of settling an outstanding insurance claim relating to the flooding of the Kombat mine, a business segment that was disposed of two years ago. The company also benefitted from a US$2.0 million settlement of its claim for a licence to develop the Tambao mine in Burkina Faso.

The group made an operating loss in the year of US$2.1 million, which comprises a profit of US$1.1 million on Central Operations (after charging depreciation of US$5.0 million), US$0.6 million of other local costs and US$2.6 million relating to the head office in London.

Sales are dependent on our offtaker shipping concentrate out of Walvis Bay. At year end, inventory with a sales value of US$5.4 million (based on contracted prices) was still at Walvis Bay (June 2012: US$0.8 million). Our offtaker made loans against this stock to the value of US$4.6 million (June 2012: US$0.7 million), which has resulted in the increased loans at June 2013 despite US$2.0 million being paid off our working capital loan from Louis Dreyfus in the year.

The group generated US$1.9 million of cash from operating activities. This figure would have been US$4.7 million higher if all inventory at Walvis Bay had been shipped. The company invested US$1.0 million in property, plant and equipment, US$2.1 million in developing the Central Operations and US$2.7 million in completing the Tschudi feasibility study. The company repaid US$2.4 million off its long-term loans.

Throughout the year, Weatherly continued to pursue its two main strategic objectives, namely the development of the Tschudi project and the consolidation of production from its Central Operations.

During the year, the newly appointed project team reported on their optimisation of the Tschudi project and completed the feasibility study which showed a highly profitable, robust project. We signed a term sheet for the full funding of the project with Red Kite and having completed due diligence at year end, we were in the process of completing the project contracts, the loan documentation and satisfying all conditions prior to drawdown. We are pleased to be able to report that the loan documentation with Orion Mine Finance ("Orion") (formerly RK Mine Finance) was completed on 20 September 2013 and we are on track to initiate development of the project. Note 34 sets out further details of the term sheet.

# Chairman's and Chief Executive's statement

The company produced 5,182 tonnes of copper in concentrate from Central Operations. The loss of an area at Otjihase due to subsidence caused us to reduce our production estimate for the remainder of the year. However we have continued to improve operational flexibility and reduce production costs. We anticipate more sustainable increased production and lower operating costs will be achieved when we start to mine previously unworked ore bodies.

Although we have significantly improved our safety systems this year, our contractors had another fatality at the Matchless mine. We have concentrated on training and the safety culture of both staff and contractors and are continuing to focus on this very important area of our operations as we strive to achieve industry best standards.

Having completed the financing of Tschudi, the focus of the company will change and we will continue to seek to improve the performance at Otjihase and Matchless. We will be looking to phase out pillar recovery and mine new unworked ore bodies which should provide a more reliable increase in production. We are also seeking opportunities that will utilise the spare capacity in our concentrator at Otjihase and so further reduce production costs. The development of the new mine at Tschudi is of the highest priority as it gives us the opportunity to produce an additional 17,000 tonnes of copper per annum in the open pit mine. This is significant in moving the company closer to its stated objective of being a 25,000 tonnes per annum (tpa) copper producer.

In January 2013 we were pleased to welcome Mr Charilaos Stavrakis on to the board as a Non-executive Director, strengthening the board with his considerable financial expertise and banking experience. In view of the state of negotiations with the Tschudi funding, this proved a timely appointment.

We are grateful for the hard work and dedication of our staff and contractors who have enabled the company to achieve so much this year. In the year ahead we have the resources to meet the challenges of the development of Tschudi and improve the performance of Central Operations and we are looking forward to achieving these objectives.

**John Bryant**
Chairman

**Rod Webster**
Chief Executive

*14 October 2013*

# Review of operations

## Central Operations

Copper production for the year was 5,182 tonnes, as summarised in the quarterly production table below (5,204 tonnes of copper in 2011/12).

| | Quarter to 30 Sep 2012 | Quarter to 31 Dec 2012 | Quarter to 31 Mar 2013 | Quarter to 30 Jun 2013 | Total |
|---|---|---|---|---|---|
| Ore treated (t) | 87,645 | 79,330 | 67,833 | 64,872 | 299,680 |
| Grade (%) | 1.80 | 1.81 | 1.81 | 2.05 | 1.86 |
| Recovery (%) | 93.31 | 92.58 | 92.92 | 93.49 | 93.10 |
| Copper concentrate (t) | 6,499 | 5,780 | 4,948 | 5,250 | 22,477 |
| Copper contained (t) | 1,470 | 1,328 | 1,142 | 1,242 | 5,182 |

During the third quarter, a significant ground subsidence occurred in the upper levels of the Otjihase compartment, unfortunately resulting in a decision to abandon the area. Inspections and monitoring permitted the controlled withdrawal of personnel several days before the event occurred, thus avoiding any risk of injury. With the loss of future production from this area, the company revised the Otjihase mine plan, bypassing the conveyor system to improve efficiencies and restructured the contractual arrangements. Under the new arrangements, Weatherly agreed to the appointment by the contractor of a new Otjihase management team with extensive international experience in successfully turning around safety and production performance to achieve best practice. Realising that it would take time for these changes to bed down we announced that we would expect Central Operations to produce at around the recent rate of 5,000 tonnes of copper per annum. Further production uplift is expected when a new compartment (Hoffnung West) becomes available to replace the ore blocks lost through subsidence, and, in the longer term, from Old Matchless. During the final quarter (Q4) of the year production increased by about 15% month on month with June's production being 503 tonnes of copper. During the last part of the year we took strong action to reduce our costs with encouraging results. While the [C1] cash costs per tonne for the year were US$6,532 and US$6,041 for June, costs have remained at or around these levels.

# Review of operations

We anticipate additional improvements to be realised over the next few quarters as we continue to focus on reducing unit costs and increasing volumes through a number of initiatives. We have revised the long-term mining plan for Matchless in order to accelerate production from existing areas (Matchless Western Extension) allowing for a sequential development of Old Matchless. The plan effectively reduces the amount of additional capital required and will now be self-funding while still achieving the overall production plan.

In our future development we are gradually phasing out pillar recovery and will be mining new unworked ore bodies which should help us increase production. We are also seeking ways to increase the utilisation of the concentrator which will put further downward pressure on production costs.

# Review of operations

## Tschudi

The development of Tschudi, with an annual production of 17,000 tonnes of copper and a life of 11 years, is of the highest priority to the company. In May 2012 we announced that we had engaged a new project team to work on the optimisation of this project. In late 2012 we were able to report the progress of that optimisation and the completion of the Bankable Feasibility Study (BFS). The BFS had established the main parameters of the project including capital and operating costs.

The original feasibility study completed in December 2012 showed the project to be robust against a wide range of economic assumptions and concluded that "despite a relatively conservative outlook on the consensus copper price, the Project [under the Consensus Case] still showed an Internal Rate of Return (IRR) of 32.1%...", and "under the current currency and copper prices [the Alternative Case] the Project is very robust with an IRR of 50.8%..."

In December 2012 we announced that we had signed a term sheet with Red Kite Mine Finance ("RK") to provide the total funding for the development of the project. RK agreed to provide US$88 million comprising a secured loan of US$80 million with a cost overrun facility of a further US$8.0 million. Following the completion of the due diligence in May 2013 and an internal reorganisation of RK, the negotiation of all the detailed project documents and loan facility documentation was completed; on 20 September 2013 it was announced that we had signed loan documentation with Orion (the successor to RK) (the "Orion Loan"). There was one advantageous change in terms whereby the period for repayment was extended and the interest rate increased slightly.

# Review of operations

The key elements of the Orion Loan are as follows:

| | |
|---|---|
| Project loan amount | US$80 million |
| Interest rate | Libor +7% (with a minimum Libor of 2%) |
| Project overrun facility | US$8.0 million |
| Interest rate | Libor +9% (with a minimum Libor of 2%) |
| Duration of loan | 6½ years (repayment period 4½ years) |
| Assumption of LD loan | US$3.0 million |
| Interest rate | Libor +3% |

The former LD loan has been rescheduled to expire at the end of December 2014.

In addition, Orion will purchase, on an exclusive basis, 100% of the project's copper cathode production based on LME/Comex market prices.

A change to the company's Articles of Association approved at the General meeting in February 2013 allowed the company to undertake this level of borrowing.

It is not surprising that the financing has taken longer than we thought in these difficult times but after extensive due diligence and scrutiny it is a testament to the quality of the project that funding has been achieved. We have been able to use this delay to continue to progress the development of the project and this means that once drawdown occurs we can mobilise immediately. We expect to have the first copper production approximately 16 months after drawdown.

## Berg Aukas and China Africa Resources plc

Weatherly has a 25% shareholding in China Africa Resources plc, and administers the business under the provisions of a management services agreement. The primary focus of China Africa Resources has been the progression of the Berg Aukas feasibility study. The drilling results that confirmed the JORC resource were very encouraging and the feasibility study will be completed before the end of 2013.

## Safety

The vast majority of mine labour is employed by three major contracting groups although they have changed during the year in question. Weatherly as the principal sets the standards and procedures applying to all contracting groups active at the mine sites. This year taking all the contractors into account there were 36 lost-time injuries.

Very regrettably, we experienced a fatality at the mine in March 2013 when an employee of our mining contractors at Matchless was electrocuted while attending a pump. The fatality caused a temporary shutdown of Matchless, while an independent audit of all electrical installations was undertaken, and the incident is currently under investigation by the Chief Inspector of Mines in Namibia. The mine continues to operate normally.

During the last two years we have undertaken a radical review of our safety procedures and safety culture and while the company has always operated under the appropriate Namibian Safety Standards, the board has taken the decision to upgrade the company's entire safety management system to meet the international standard (OSHAS18001) and progress is being made to achieve industry best standards.

# Review of operations

## Environment

Weatherly is committed to maintaining the highest environmental standards and during the coming year, the company has been reviewing its environmental management and reporting systems to ensure it continues to do so. Weatherly is in full compliance with all appropriate Namibian legislation at all its sites, and there were no environmental incidents on any of our sites during the year.

As a result of changes in environmental legislation in Namibia (in February 2012), Weatherly, along with all other existing mining companies, was asked to submit a revised environmental impact statement and management plan for both Central Operations and Tschudi and this was done by February 2013. Weatherly has engaged environmental consultants, Synergistics, to assist with these clearances. Tschudi has received its full environmental clearance.

**John Bryant**
Chairman

*14 October 2013*

**Rod Webster**
Chief Executive

*Board of directors Namibia*

# Review of operations

## Reserves and Resources Statement

All reserves and resources in tables A and B below have been updated by a competent person, A Thomson BSc (Hons) Geology, Country Manager & Technical Director, Weatherly Mining Namibia, member of South African Council for Natural Scientific Professions (registered number 400052/86), in accordance with the Australian Code of Reporting Mineral Resources and Reserves (JORC).

Table A: Weatherly Mining Namibia: mineral reserves as at 30 June 2013

| Deposits | Reserve category | Tonnes | Reserve tonnes and grade Cu (%) | Ag (g/t) | Au (g/t) | Contained metal Cu (t) | Ag (kg) | Au (kg) |
|---|---|---|---|---|---|---|---|---|
| **Underground (at 1% cut off)** | | | | | | | | |
| Otjihase | Proven | 1,207,415 | 1.68 | 7.16 | 0.29 | 20,339 | 8,641 | 3485 |
| | Probable | 287,600 | 1.01 | 7.57 | 0.15 | 2,895 | 2,177 | 42 |
| | **Total** | **1,495,015** | **1.55** | **7.24** | **0.26** | **23,234** | **10,818** | **390** |
| Matchless (West Extension) | Proven | – | – | – | – | – | – | – |
| | Probable | 351,032 | 1.85 | – | – | 6,503 | – | – |
| | **Total** | **351,032** | **1.85** | **–** | **–** | **6,503** | **–** | **–** |
| **Grand total – underground** | | **1,846,047** | **1.61** | **5.86** | **0.21** | **29,737** | **10,818** | **390** |
| **Open Pit (at 0.3% cut off)** | | | | | | | | |
| Tschudi | Proven | – | – | – | – | – | – | – |
| | Probable | 22,500,000 | 0.87 | – | – | 195,750 | – | – |
| | **Total** | **22,500,000** | **0.87** | **–** | **–** | **195,750** | **–** | **–** |

# Review of operations

Table B: Weatherly Mining Namibia: mineral resources as at 30 June 2013

| Deposits | Reserve category | Tonnes | In situ tonnes and grade Cu (%) | Ag (g/t) | Au (g/t) | In situ metal Cu (t) | Ag (kg) | Au (kg) |
|---|---|---|---|---|---|---|---|---|
| **At 1% cut off** | | | | | | | | |
| Otjihase | Measured | 1,350,842 | 2.36 | 9.58 | 0.53 | 31,896 | 12,949 | 729 |
| | Indicated | 3,828,064 | 1.94 | 7.76 | 0.32 | 74,217 | 29,639 | 1,204 |
| | Inferred | 3,325,446 | 1.38 | 5.12 | 0.22 | 45,805 | 17,010 | 744 |
| | **Total** | **8,504,352** | **1.79** | **7.01** | **0.31** | **151,918** | **59,598** | **2,677** |
| Matchless (West Extension)* | Measured | – | – | – | – | – | – | – |
| | Indicated | 292,521 | 1.91 | – | – | 5,599 | – | – |
| | Inferred | 230,460 | 2.32 | – | – | 5,346 | – | – |
| | **Total** | **522,981** | **2.09** | **–** | **–** | **10,945** | **–** | **–** |
| Tsumeb West | Measured | 35,255 | 2.45 | 13 | – | 864 | 458 | – |
| | Indicated | 520,400 | 2.24 | 20.02 | – | 11,680 | 10,417 | – |
| | Inferred | 413,200 | 1.88 | 16.35 | – | 7,757 | 6,757 | – |
| | **Total** | **968,855** | **2.09** | **18.20** | **–** | **20,301** | **17,632** | **–** |
| **Grand total** | | **12,516,855** | **1.92** | **7.69** | **0.28** | **240,618** | **96,237** | **3,455** |
| **At 0% cut off** | | | | | | | | |
| Tschudi | Measured | 4,449,000 | 1.09 | 11.12 | – | 48,550 | – | – |
| | Indicated | 28,882,000 | 0.85 | 10.30 | – | 247,979 | – | – |
| | Inferred | 19,699,000 | 0.72 | 9.75 | – | 142,205 | – | – |
| | **Total** | **53,030,000** | **0.83** | **10.16** | **–** | **438,734** | **–** | **–** |
| **Tsumeb Tailings** | **Measured** | **12,000,000** | **0.48** | **12.74** | **–** | **57,600** | **152,880** | **–** |

*In addition to the reserves and resources contained in the table above, Old Matchless has a historical (non-compliant) reserve (Chaplin, TCL, 1984) of 812,639t at 2.4% equating to 19,506t of copper.

# Directors' report

The directors present their report, together with the group and parent company financial statements and auditor's reports, for the year ended 30 June 2013.

## Principal activity and review of the business

The principal activity of Weatherly International plc during the year was to act as a holding company for the group's activities in mining and production of base metals, primarily copper.

The subsidiary and associated undertakings principally affecting the profits or net assets of the group in the year are listed in note 19.

A review of business can be found in the Chairman's and Chief Executive's statement on page 4 and the review of operations on pages 6 to 12.

## The directors

The directors during the year ended 30 June 2013 were:

J Bryant (Non-executive Chairman)

R J Webster (Chief Executive Officer)

W G Martinick (Non-executive)

A J Stephens (Senior Independent Non-executive)

C G Stavrakis (Non-executive, joined the board on 17 January 2013)

## Going concern

The company expects to generate sufficient funds to operate as a going concern for the next 12 months, based on its projected production levels and prevailing exchange rates and copper prices. Exchange rates and the price of copper will continue to have a significant impact on the group's cash flow.

The business has taken steps to manage its exposure to the commodity markets; at 30 June 2013 it had sold forward 2,575 tonnes of copper at an average price of US$7,959/tonne of copper, which it is currently delivering. The group policy is to maintain forward contracts extending out to between 15 and 18 months when target prices can be achieved. As a result of the fall in copper prices, the group had forward sales for 13 months in place at 30 June 2013. These forward sales were negotiated to preserve the profitability of the mines in the face of an economic crisis similar in scale to that of 2008-2009. In addition, the group has fixed the US$:N$ exchange rate for US$1.5 million of revenue per month for ten months at an average exchange rate of 8.71.

The business has a debt financing facility of US$3.9 million with Louis Dreyfus. The loan is linked to an offtake agreement and is structured with repayment terms linked to the production of concentrate at the Central Operations. The board considers this financing model reduces risk by better matching its debt service obligations with projected cash flows.

## Results and dividends

The consolidated profit for the year after taxation was US$1,589,000 (2012 US$ 21,350,000). No dividends were declared or paid during the year (2012: US$nil).

# Directors' report

## Key performance indicators

**Production:** the board monitors monthly production against budgeted figures, which management monitors on a daily basis. Production concentrate grades are monitored by management on a shipment basis and the board monitors ore grades on a monthly basis. For the year ended 30 June 2013, 300,000 tonnes of ore was extracted producing 5,200 tonnes of copper contained in concentrate.

**Costs:** the board and management monitor actual against budgeted costs on a monthly basis.

**Finance:** The company monitors, on a weekly basis by management, monthly and quarterly by the board its cash position. Cash needs have been continually met.

## Key risk factors and mitigations

**Commodity price risk and foreign exchange risks:** the company's revenues and expenses are affected by changes in the price of copper and exchange rate movements between the US dollar and the Namibian dollar.

Management and directors review trends in the copper price and exchange rates on a regular basis when considering the company's risk management strategy.

The board determines that it is in the group's interest to ensure that we achieve at least a minimum price in Namibian dollars for a proportion of its production such that all future cash flows are forecast to cover costs even if copper prices fall.

The business has taken steps to manage its exposure to the commodity markets; at 30 June 2013 it had sold forward 2,575 tonnes of copper at an average price of US$7,959/tonne of copper, which it is currently delivering. The group policy is to maintain forward contracts extending out to between 15 and 18 months when target prices can be achieved. As a result of the fall in copper prices the group had forward sales for 13 months in place at 30 June 2013. These forward sales were negotiated to preserve the profitability of the mines in the face of an economic crisis similar in scale to that of 2008–2009. In addition, the group has fixed the US$:N$ exchange rate for US$1.5 million of revenue per month for ten months at an average exchange rate of 8.71.

More information on the potential effect of the risk is contained in note 33.

**Liquidity risk:** The group aims to ensure it has adequate funds to meet its cash flow needs at all times. To this end management monitors cash flow on a daily basis and the board monitors it on a monthly basis at board meetings in the context of their expectations for the business in order to ensure sufficient liquidity is available to meet foreseeable needs.

**Project development risk:** All potential projects are subject to an investment appraisal procedure that involves the board at the key stages of initiation, mandate and sanction. Projects are constantly monitored as new data is obtained and reassessed to ensure further expenditure is worthwhile.

**Operational risks:** Currently the group's mining operations are concentrated on two mines, Otjihase and Matchless. These are both old deep mines and Otjihase is also a pillar recovery operation. There are inherent risks in mining this type of ore body with risk of interruptions to production from shifting ground conditions and rock falls as well as mechanical failures. The risks are managed by employing a highly experienced management team skilled in these types of operations. We have also invested in training including safety. We are looking to open other faces at these locations with primary mining that has lower inherent risk. The group is also planning a major shift in its production by opening an open pit copper mine at Tschudi of 17,000 tonnes of copper per annum which will in the future provide much more reliable and predictable production at lower operating costs.

# Directors’ report

**Customer risk:** Because of the nature of the current contract with our concentrate purchaser, whereby proceeds are received prior to shipment, the directors do not consider this to be any material risk.

## Risks relating to investing in Namibia

**Political:** Namibia is considered one of the lowest-risk economies on the African continent. The Government pursues a consistent strategy of encouraging investment in the country, and is keen to keep the climate attractive for foreign investors. Weatherly maintains strong links with the Prime Minister, Minister for Mines and other Government members and officials. The board reviews the strategic impact of political changes within the country on an ongoing basis.

**Black Economic Empowerment and local participation:** There is currently no Black Economic Empowerment legislation embodied in Namibian law; however, the government encourages local participation through a number of avenues. Weatherly has adopted a proactive stance in making equity in its projects available to appropriate empowerment groups. Accordingly, Labour Investment Holdings Inc (LIH), the investment arm of the National Union of Namibian Workers, hold a 2.5% stake in Ongopolo Mining Ltd, Weatherly’s wholly owned subsidiary which owns and operates our Namibian mines. LIH also have an option to purchase a further 2.5%. There is also local participation of 1% within Weatherly Mining Namibia Ltd. Additionally we continue to discuss with the government of Namibia its 5.10% shareholding in Weatherly and its transfer to Epangelo, the state-owned mining company. These arrangements will be for the long-term benefit of the community and the company.

## Substantial holdings

Shareholdings of 3% and more of the issued share capital of the company were extracted from the shareholders’ register at close of business on 31 August 2013 as follows:

**Major shareholders’ information**

| Shareholder name | Number of shares | % holding |
|---|---|---|
| Legal & General (Unit Trust Managers) Limited | 51,000,000 | 9.50 |
| Blackrock | 32,266,503 | 6.00 |
| Government of the Republic of Namibia | 27,364,986 | 5.10 |
| Rod J Webster* | 27,343,800 | 5.10 |
| Legal & General Group – Direct | 25,945,455 | 4.84 |
| Golden Target Pacific Limited | 21,500,000 | 4.00 |
| Wolf G Martinick* | 19,263,200 | 3.59 |

*Director

# Directors' report

## Events subsequent to balance sheet date

On 19 September 2013, Ongopolo Mining executed the loan documentation with Orion Mine Finance Fund I to fund the Tschudi project. For full details see note 34.

## Future developments

Discussion of future developments can be found in the Chairman's and Chief Executive's statement on page 4 and the review of operations on pages 6 to 12.

## Company's policy on payment of creditors

It is the group's policy to settle terms of payment with suppliers when agreeing the terms of each transaction, to ensure that suppliers are made aware of these terms of payment, and to endeavour to adhere to them. Trade creditors of the group at 30 June 2013 were equivalent to 32 days' purchases (2012: 42 days) based on the average daily amount invoiced by suppliers during the year. The company does not have significant trade creditor balances.

## Exchange rates

The following rates have been used in the compilation of the financial statements and notes supporting the accounts:

| | Translation | 2013 | 2012 |
|---|---|---|---|
| Year end | 1 GBP – USD | 1.52 | 1.57 |
| Average | 1 GBP – USD | 1.57 | 1.58 |
| Year end | 1 USD – NAD/ ZAR | 9.87 | 8.11 |
| Average | 1 USD – NAD/ ZAR | 8.66 | 7.75 |

The use of average rates to translate foreign trading is considered appropriate as the revenue and expenditure is relatively stable.

# Directors' report

## Statement of directors' responsibilities

The directors are responsible for preparing the annual report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law, the directors have prepared financial statements in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union. Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs and profit or loss of the group for that period. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable IFRSs have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The directors confirm that:

- so far as each director is aware, there is no relevant audit information of which the company's auditor is unaware; and
- the directors have taken all the steps that they ought to have taken as directors in order to make themselves aware of any relevant audit information and to establish that the auditors are aware of that information.

The directors are responsible for the maintenance and integrity of the corporate and financial information included on the company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

## Auditor

Grant Thornton UK LLP have expressed their willingness to continue in office as auditor, and a resolution to reappoint them will be proposed at the forthcoming Annual General Meeting.

On behalf of the board:

**John Bryant**
Chairman

*14 October 2013*

# Board of directors

## John Bryant

Non-executive Chairman

Mr Bryant is the Senior Independent Director of AIM listed IGas plc. He was previously Chairman of Gas Turbine Efficiency plc, KP Renewables plc and a board member of Attiki (Athens) Gas Company. He also served as President of Cinergy Global Resources Corp, responsible for all international business and global renewable power operations of this US-based electricity and gas utility provider. His earlier professional experience was gained with Midlands Electricity plc as Executive Director, Generation, and with British Sugar plc, Drexel Limited, BOC Limited and Unilever plc. Mr Bryant holds an MSc from Reading University and a BA from Nottingham University, and is a member of the Institute of Directors and a Fellow of the Royal Society of Arts. He is Chairman of the Audit Committee and a member of the Remuneration Committee.

## Rod Webster

Chief Executive Officer

Mr Webster is a graduate mining engineer from the University of Sydney. He has 40 years of experience in the resources industry, including 20 years in MD/CEO roles. From 2001 to 2005, he worked for First Quantum Minerals Ltd, developing copper mines in Zambia and Mauritania. During this time he held the positions of CEO of Kansanshi Mining Ltd and non-executive director of Mopani Copper Mines Ltd. Prior to this, Mr Webster was a founding director and the CEO of Western Metals Ltd an Australian base metals producer. Earlier in his career he held senior management positions with Homestake Gold of Australia and BHP Minerals. Mr Webster is a Fellow of both the Australian Institute of Mining and Metallurgy and the Australian Institute of Company Directors. He has been a member of the Executive Committees of both the Australian Minerals Council and the International Zinc Association, and a non-executive director of numerous companies.

## Alan Stephens

Senior Independent Non-executive Director

Alan Stephens joined Weatherly in July 2008. Alan is President, CEO and Director of Coro Mining Corp, a TSX quoted, Latin American focused, copper development company with an advanced copper-gold project in Argentina and several earlier stage projects in Chile. He is also Chairman of Valley High Ventures, a Vancouver based junior exploration company with base and precious metals projects in Mexico and Canada.With 37 years of experience in the mining business, Alan has previously worked as Vice President, Exploration with copper producer First Quantum Minerals and as International Exploration Manager for Cyprus Amax Minerals. He has taken part in operations in a wide variety of geographical zones including Africa, Europe, Asia and Latin America. He is chairman of the Remuneration Committee and a member of the Audit Committee.

## Dr Wolf Martinick

Non-executive Director

Dr Martinick is an environmental scientist with extensive experience in the mineral resource industry. He has been involved with mineral exploration and mining projects around the world, especially in Australasia. Dr Martinick is an environmental scientist with extensive experience in the mineral resource industry. He has been involved with mineral exploration and mining projects around the world, especially in Australasia. He is a non-executive director of a number of ASX companies including Azure Minerals Ltd; Carbine Resources Limited; Sun Resources Limited; Uran Limited; and is Executive Chairman of ASX listed Ezenet Limited. Dr Martinick has been associated with the exploration and mining industry for over 40 years, and has particular experience in environmental, water, land access and indigenous people issues. He has conducted due diligence on mining projects globally on behalf of international financial institutions and resource industry companies for a variety of transactions, including listings on international stock exchanges, mergers and debt financing. He has in recent years been active in identifying and assessing mineral projects and prospects in various parts of the world. He is a Fellow of the Australian Institute of Mining and Metallurgy.

## Charilaos Stavrakis

Independent Non-executive Director

Mr Stavrakis, aged 57, recently served the Republic of Cyprus as Finance Minister from 2008 to 2011 as was the Governor for the Republic of Cyprus at the European Investment Bank (EIB). He has over 25 years experience in the banking sector, the majority of which spent at the Bank of Cyprus, where he ultimately held the role of Deputy Group CEO from 2005 to 2008. Mr Stavrakis, aged 57, recently served the Republic of Cyprus as Finance Minister from 2008 to 2011 as was the Governor for the Republic of Cyprus at the European Investment Bank (EIB). He has over 25 years experience in the banking sector, the majority of which spent at the Bank of Cyprus, where he ultimately held the role of Deputy Group CEO from 2005 to 2008. Mr Stavrakis has also held the Chairmanship of both the Electricity Authority of Cyprus (2005-2008) and the Cyrus Bank Employers Association. He retains his position as Non-Executive Director of GPB Financial Services (subsidiary of GazpromBank). Mr Stavrakis has extensive international banking experience in Cyprus, Australia, Russia and the UK. He is a graduate of Economics from the University of Cambridge and holds an MBA from Harvard University.

# Corporate governance report

## Introduction

The board of directors is committed to high standards of corporate governance.

The board is accountable to its shareholders for good governance, and the statement below is based on the review of corporate governance that was carried out by the Audit Committee and describes how the principles of good governance have been applied.

## Constitution of the board

During the year ended 30 June 2013, the board was comprised of the following:

| | |
|---|---|
| John Bryant | Chairman |
| Rod Webster | Chief Executive Officer |
| Alan Stephens | Senior Independent Non-executive Director |
| Wolf Martinick | Non-executive Director |
| Charilaos Stavrakis | Non-executive Director (joined the board on 17 January 2013) |

## Non-executive directors

During the year, the board had four non-executive directors: John Bryant (Non-executive Chairman), Alan Stephens, (Senior Independent Non-executive Director), Wolf Martinick and Charilaos Stavrakis. Alan Stephens, John Bryant and Charilaos Stavrakis were considered to be independent. Due to the size of Wolf Martinick's shareholding of 3.59%, he is not considered to be an independent director. The relatively small number of share options that have been granted to the other three non-executive directors does not, in the opinion of Weatherly's advisers or its directors, impair their independence.

## Committees of the board

The board has three Standing Committees, each of which has terms of reference setting out its authority and duties, as follows:

**The Audit Committee** was made up of John Bryant as Chairman and Alan Stephens for the year ended 30 June 2013. When Charilaos Stavrakis joined the board he was appointed to this sub-committee.

The Audit Committee meets as required. It reviews the financial reports and accounts and the preliminary and interim statements, including the board's statement on internal financial control in the annual report prior to their submission to the board for approval. The Audit Committee also reviews corporate governance within the group and reports on this to the board. In addition, it assesses the overall performance of the external auditor including scope, cost-effectiveness and objectivity of the audit.

The Audit Committee is also charged with reviewing the independence of the external auditor and monitors the level of non-audit fees. These fees are disclosed in note 10 to the accounts. In the opinion of the Audit Committee, which has reviewed these fees and the procedures that Grant Thornton UK LLP have in place to ensure they retain their independence, the auditor's independence is not compromised. The Audit Committee met three times during the period, and John Bryant and Alan Stephens were present on all occasions.

The Audit Committee can meet for private discussion with the external auditor, who attends these meetings as required. The Company Secretary acts as secretary to the Committee.

# Corporate governance report

**The Remuneration Committee** was made up of Alan Stephens as Chairman and John Bryant during the year, with the Company Secretary serving as secretary. When he joined the board, Charilaos Stavrakis was appointed to this sub-committee.

The Remuneration Committee determines, on behalf of the board, the group's policy on executive remuneration and the remuneration packages for executive directors. It also approves and administers the executive share option scheme, the long-term incentive plan (LTIP) and the grant of options as part of the remuneration package. The Remuneration Committee met four times during the period, with Alan Stephens and John Bryant in attendance on each occasion.

**The Nominations Committee** is made up of John Bryant and Rod Webster with at least one of the non-executive directors also attending.

In addition to its role of considering the appointment of directors and senior managers, the Nominations Committee is also charged with reporting to the board on the effectiveness of the board, its sub-committees and its directors, and it does this at the end of the annual audit cycle. The Nominations Committee meet twice during the year.

## Attendance at meetings

During the year, there were eleven board meetings. directors' attendance at meetings of the board and its sub-committees during the period was as follows:

| | | | | | | |
|---|---|---|---|---|---|---|
| John Bryant | Board | 11/11 | Audit Committee | 2/2 | Remuneration Committee | 2/2 |
| Rod Webster | Board | 11/11 | | | | |
| Alan Stephens | Board | 10/11 | Audit Committee | 2/2 | Remuneration Committee | 2/2 |
| Wolf Martinick | Board | 10/11 | | | | |
| Charilaos Stavrakis | Board | 5/5 | Audit Committee | 0/0 | Remuneration Committee | 0/0 |

Of the eleven board meetings, three were of a procedural nature and eight were substantive meetings.

The Nominations Committee met on two occasions and John Bryant, Rod Webster and Alan Stephens were present for both meetings.

The board is responsible for reviewing and approving the adequacy and effectiveness of the group's internal controls, including financial and operational control, risk management and compliance.

In order to establish effective procedures for internal control and communicate these throughout the group, including its subsidiaries, the board has issued two important documents to all staff known as the board Protocol and the Manual of Internal Control.

The key elements of the group's internal control are set out in these documents, and contain:

- a clearly defined structure for the group, its subsidiaries and management teams;
- powers that the board has reserved for itself. These include the approval of all business plans and budgets for the group and all its subsidiaries, the establishment of subsidiary companies and appointment of directors to them, and the process for project approval and capital expenditure;
- terms of reference for the Audit, Remuneration and Nominations Committees, which define the roles of their members;

# Corporate governance report

- information about how often the board should meet (as a minimum) and an annual cycle of meetings. This covers the process for the preparation of board agendas and board papers, and their prior consideration by the management team at its weekly meetings;
- detailed business plans and budgets to be approved annually and performance monitored by the management team and the board at its monthly meetings; and
- procedures for the approval of expenditure, the levels of authority and the management controls.

The directors acknowledge their responsibility for the group's system of internal financial control and risk management, and place considerable importance on maintaining this. The Manual of Internal Control and the process for authorisation that it imposes, together with the Board Protocol setting out the process for authorising business plans, budgets and projects, form an important part of our decision-making process; however, this can only provide reasonable and not absolute assurance against material errors, losses or fraud.

There is currently no internal audit function within the group owing to the small size of the administrative function. There is however a high level of review by directors and a clear requirement for them to authorise transactions. Should the need for a separate internal audit function become apparent, the board will establish one.

The Board Protocol and the Manual of Internal Control have both been updated and refined as Weatherly's business evolves and grows.

## Bribery Act compliance

In response to the introduction of the Bribery Act 2010 and in order to ensure compliance, the board approved a suite of documentation that included a policy statement on anti-corruption and bribery, a code of conduct for employees, a set of management procedures, a note defining responsibilities within the company and an implementation plan that has been rolled out in the company. Progress on the implementation has been reported to the Audit Committee. The Audit Committee noted that documentation has been circulated and meetings to explain the procedures have been held with all staff and contractors on site including our operating mines in Namibia. Notices have been displayed at our locations with the "whistle-blowing" procedure. The implementation and effectiveness of these procedures is continually monitored and reported to the board. This year members of the senior management team in Namibia were interviewed and confirmed that all new members of staff and all new contractors had been instructed on the company's policies and procedures for compliance with the Bribery Act and there were no issues arising from this.

## Relations with shareholders

The company endeavours to maintain regular communications with shareholders through regulatory announcements via the Weatherly International website and by direct contact with its major shareholders. Rod Webster has taken the opportunity to meet the smaller shareholders at regular investor presentations. The board values the views of its shareholders and fosters continuing dialogue with investment and fund managers, other investors and equity analysts to ensure that the investing community receives an informed view of the group's prospects, plans and progress. This year we have appointed a new Investor Relations executive, Rolf Gerritsen, to strengthen this area.

# Directors' remuneration report

## Remuneration Committee

The company has established a Remuneration Committee which is constituted in accordance with the recommendations of the UK Corporate Governance Code (June 2010). The members of the committee for the year ended 30 June 2013 were Alan Stephens and John Bryant, who are both independent non-executive directors, and the committee was chaired by Alan Stephens.

None of the members of the committee has any personal financial interest (other than as a shareholder), conflicts of interests arising from cross-directorships, or day-to-day involvement in running the business. The committee makes recommendations to the board. No director plays a part in any discussion about his own remuneration.

In determining the directors' remuneration for the year, the committee consulted Rod Webster (Chief Executive) and Max Herbert (Company Secretary) about its proposals. The committee also appointed PricewaterhouseCoopers to provide options valuation advice.

## Remuneration policy for the executive directors

Executive remuneration packages are designed to attract, motivate and retain directors of the highest calibre to lead the company and to reward them for enhancing value to shareholders. The performance management of the executive directors and key members of senior management, and the determination of their annual remuneration package, are undertaken by the committee.

There are five main elements of the remuneration package for executive directors and senior management:

- basic annual salary;
- benefits in kind;
- annual bonus payments;
- share option incentives; and
- pension arrangements.

The company's policy is that a substantial proportion of the remuneration of the executive directors should be performance related. Executive directors may earn an annual bonus payment together with the benefits of participation in share option schemes.

## Basic salary

An executive director's basic salary is reviewed by the committee prior to the beginning of each year and when an individual changes position or responsibility. In deciding appropriate levels, the committee considers the group as a whole and relies on objective research which gives up-to-date information on a comparable group of companies. In considering the Chief Executive's basic salary, the Remuneration Committee took into account his extensive responsibilities.

## Benefits in kind

The executive director receives benefits in kind, principally private medical insurance.

# Directors' remuneration report

## Annual bonus payments

The committee establishes the objectives that must be met for each financial year if a cash bonus is to be paid. In setting appropriate bonus parameters, the committee refers to the objective research on a comparator group of companies, as noted above. The committee believes that any compensation awarded should be tied to the interests of the company's shareholders and that the principal measure of those interests is total shareholder return. Account is also taken of the relative success of the different parts of the business for which the executive directors are responsible and the extent to which the strategic objectives set by the board are being met. The maximum performance-related bonus that can be achieved is 100% of basic annual salary. The strategic objectives, control system and indicators are also aligned to total shareholder return.

## Share options

The company has issued share options to its staff under an unapproved share option scheme. The Remuneration Committee has responsibility for the administration of the scheme and the granting of options under its terms. This includes setting the performance criteria when appropriate and the strike price of the options. The details of these awards are set out below and their accounting treatment is dealt with in note 31 to the financial statements.

## Pension arrangements

Executive directors receive pension contributions to their own private pension schemes.

## Directors' contracts

All the directors have signed contracts with the company. Rod Webster's appointment does not have a fixed term but is subject to 12 months' notice by either party. The non-executive directors are appointed for a fixed term: John Bryant and Wolf Martinick for two years, Alan Stephens and Charilaos Stavrakis for three years. These may be terminated by giving two months' notice, without compensation for loss of office. All newly appointed directors are required to offer themselves for election at the next Annual General Meeting of the company and their appointments are subject to them being elected. Non-executive remuneration is determined by the board within the limits set by the Articles of Association and is based on independent salary surveys of fees paid to non-executive directors of similar companies. The basic salary paid to each non-executive director in the year was £30,000. The non-executive directors receive further fees for additional work performed for the company on the basis of the number of additional days worked.

# Directors’ remuneration report

## Aggregate directors’ remuneration

The total amounts for directors’ remuneration, paid by Weatherly International plc and its subsidiaries, were as follows:

| | Salary US$’000 | Other fees US$’000 | Bonus US$’000 | Benefits in kind US$’000 | Pension US$’000 | Total US$’000 |
|---|---|---|---|---|---|---|
| **2013** | | | | | | |
| **Executive** | | | | | | |
| R J Webster | 358 | – | – | 7 | 61 | 425 |
| **Non–executive** | | | | | | |
| W G Martinick | 47 | – | – | – | – | 47 |
| J Bryant | 47 | 82 | – | – | – | 129 |
| A Stephens | 47 | – | – | – | – | 47 |
| C Stavrakis | 21 | – | – | – | – | 21 |
| | 520 | 82 | – | 7 | 61 | 669 |
| **2012** | | | | | | |
| **Executive** | | | | | | |
| R J Webster | 361 | – | 258* | 6 | 61 | 686 |
| **Non-executive** | | | | | | |
| W G Martinick | 48 | – | – | – | – | 48 |
| J Bryant | 48 | 80 | – | – | – | 128 |
| A Stephens | 48 | – | – | – | – | 48 |
| | 505 | 80 | 258 | 6 | 61 | 910 |

*this relates to period ending 30 June 2011

# Directors' remuneration report

## Directors' share options

The aggregate directors' remuneration disclosed above does not include any amounts for the value of options to acquire ordinary shares in the company granted to or held by the directors. No options have been granted to directors since 2010. Details of the total number of options granted to date are set out below.

| Name of director | 30 June 2013 | Warrant/option price pence |
|---|---|---|
| R J Webster | 2,500,000 | 3.0 |
| W G Martinick | 750,000 | 3.0 |
| J Bryant | 750,000 | 3.0 |
| A Stephens | 750,000 | 3.0 |
| C Stavrakis | 750,000 | 4.1 |
| | 4,750,000 | |

Each director's options (except for Mr Stavrakis) were exercisable as one-third on 1/4/2011, one-third on 1/4/2012 and one-third on 1/4/2013, and remain exercisable over a ten-year period. Mr Stavrakis's options vested one-third on 11/3/2014, one-third on 11/3/2015 and one-third on 11/3/2016.

The share price movements during the year were as follows: high of 6.5 pence, low of 2.12 pence and a closing share price at 30 June 2013 of 2.62 pence.

There have been no variations to the terms and conditions or performance criteria for directors' share options during the financial year.

## Approval

This report was approved by the board of directors on 14 October 2013 and signed on its behalf by:

**John Bryant**
Chairman

# Independent auditor's report

to the members of Weatherly International plc

We have audited the group financial statements of Weatherly International plc for the year ended 30 June 2013, which comprise the Consolidated Income Statement, Consolidated Statement of Comprehensive Income, Consolidated Statement of Financial Position, Consolidated Statement of Changes in Equity, Consolidated Cash Flow Statement and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRS) as adopted by the European Union.

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

### Respective responsibilities of directors and auditor

As explained more fully in the Directors' Responsibilities Statement set out on page 17, the directors are responsible for the preparation of the group financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the group financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for Auditors.

### Scope of the audit of the financial statements

A description of the scope of an audit of financial statements is provided on the APB's website at www.frc.org.uk/apb/scope/private.cfm.

### Opinion on financial statements

In our opinion, the group financial statements:

- give a true and fair view of the state of the group's affairs as at 30 June 2013 and of its profit for the year then ended;
- have been properly prepared in accordance with IFRS as adopted by the European Union; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

### Opinion on other matter prescribed by the Companies Act 2006

In our opinion the information given in the Directors' report for the financial year for which the group financial statements are prepared is consistent with the group financial statements.

### Matters on which we are required to report by exception

We have nothing to report in respect of the following matters.

Under the Companies Act 2006 we are required to report to you if, in our opinion:

- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

### Other matter

We have reported separately on the parent company financial statements of Weatherly International plc for the year ended 30 June 2013.

**Nicholas Page**
Senior Statutory Auditor
for and on behalf of Grant Thornton UK LLP
Statutory Auditor, Chartered Accountants, Gatwick

*14 October 2013*

# Consolidated income statement

For the year ended 30 June 2013

| Year ended | Note | 30 June 2013<br>US$'000 | 30 June 2012<br>Restated<br>US$'000 |
|---|---|---|---|
| Revenue | 5 | 35,663 | 47,577 |
| Cost of sales | | (31,252) | (33,694) |
| **Gross profit** | | 4,411 | 13,883 |
| Distribution costs | | (2,422) | (3,240) |
| Other operating income | 6 | 154 | 162 |
| Administrative expenses | | (4,269) | (3,831) |
| **Operating (loss)/profit** | | (2,126) | 6,974 |
| Profit on disposal of subsidiary | 19(b) | – | 4,146 |
| Release of compromise creditor provision | | – | 5,187 |
| Compensation settlement | 12 | 2,000 | – |
| Foreign exchange gain/(loss) | | 234 | (1,443) |
| Finance costs | 14 | (477) | (489) |
| Finance income | 13 | 111 | 126 |
| (Loss)/profit before associated company | | (258) | 14,501 |
| Share of losses of associated company | 19(b) | (167) | (318) |
| (Loss)/profit before tax | | (425) | 14,183 |
| Tax credit | 15 | – | 7,167 |
| (Loss)/profit on continuing operations | | (425) | 21,350 |
| Profit from discontinued operations | 8 | 2,014 | – |
| **Profit for the year** | | 1,589 | 21,350 |
| **Profit/(loss) attributable to:** | | | |
| Owners of the parent | | 1,915 | 21,033 |
| Non-controlling interests | | (326) | 317 |
| | | 1,589 | 21,350 |
| **Total and continuing earnings per share** | | | |
| Earnings per share (US cents) | | | |
| Earnings from continuing activities | 16 | – | 3.91c |
| Earnings from discontinued activities | 16 | 0.36c | – |
| Total | | 0.36c | 3.91c |
| Diluted earnings per share (US cents) | | | |
| Earnings from continuing activities | 16 | – | 3.90c |
| Earnings from discontinued activities | 16 | 0.36c | – |
| Total | | 0.36c | 3.90c |

The notes on pages 32 to 70 form part of these financial statements.

# Consolidated statement of comprehensive income

At 30 June 2013

| Year ended | 30 June 2013 US$'000 | 30 June 2012 US$'000 |
|---|---|---|
| Profit for the year | 1,589 | 21,350 |
| **Items that will not be reclassified subsequently to profit and loss** | | |
| Exchange differences on translation of non-controlling interests | (79) | (13) |
| | (79) | (13) |
| **Items that may be reclassified subsequently to profit and loss** | | |
| Exchange differences on translation of foreign operations | (7,468) | (4,313) |
| | (7,468) | (4,326) |
| **Total comprehensive (loss)/income for the year** | **(5,958)** | **17,024** |
| **Total comprehensive (loss)/income attributable to:** | | |
| Owners of the parent | (5,553) | 16,720 |
| Non-controlling interests | (405) | 304 |
| | **(5,958)** | **17,024** |

# Consolidated statement of financial position

At 30 June 2013

| As at | Note | 30 June 2013 US$'000 | 30 June 2012 US$'000 |
|---|---|---|---|
| **Assets** | | | |
| **Non-current assets** | | | |
| Property, plant and equipment | 18 | 19,898 | 26,759 |
| Deferred tax | 15 | 5,629 | 7,167 |
| Intangible assets | 17 | 5,325 | 3,646 |
| Investment in associates | 19(b) | 2,396 | 2,684 |
| Trade and other receivables | 22 | 731 | 887 |
| Total non-current assets | | 33,979 | 41,143 |
| **Current assets** | | | |
| Inventories | 21 | 7,287 | 3,088 |
| Trade and other receivables | 22 | 3,735 | 4,928 |
| Cash and cash equivalents | 24 | 7,499 | 8,525 |
| | | 18,521 | 16,541 |
| Non-current assets held for sale | 20 | 772 | 938 |
| | | 19,293 | 17,479 |
| **Total assets** | | **53,272** | **58,622** |
| **Current liabilities** | | | |
| Trade and other payables | 26 | 4,377 | 5,364 |
| Loans | 25 | 5,430 | 2,096 |
| Total current liabilities | | 9,807 | 7,460 |
| **Non-current liabilities** | | | |
| Loans | 25 | 3,724 | 5,567 |
| Provisions | 27 | 203 | 247 |
| Total non-current liabilities | | 3,927 | 5,814 |
| **Total liabilities** | | **13,734** | **13,274** |
| **Net assets** | | **39,538** | **45,348** |
| **Equity** | | | |
| Issued capital | 28 | 4,581 | 4,581 |
| Share premium | | 6,092 | 6,092 |
| Merger reserve | | 18,471 | 18,471 |
| Share-based payments reserve | | 464 | 486 |
| Foreign exchange reserve | | (18,770) | (11,302) |
| Retained earnings | | 28,611 | 26,526 |
| **Equity attributable to shareholders of the parent company** | | 39,449 | 44,854 |
| Non-controlling interests | 29 | 89 | 494 |
| | | **39,538** | **45,348** |

On behalf of the board:

**John Bryant**
Chairman
Approved by the board on 14 October 2013

The notes on pages 32 to 70 form part of these financial statements.

# Consolidated statement of changes in equity

For the year ended 30 June 2013

| | Issued capital | Share premium | Merger reserve | Share-based payment reserve | Foreign exchange reserve | Retained earnings | Total | Non-controlling interests | Total equity |
|---|---|---|---|---|---|---|---|---|---|
| | US$'000 | US$'000 | US$'000 | US$'000 | US$'000 | US$'000 | US$'000 | US$'000 | US$'000 |
| **Balance at 30 June 2011** | **4,581** | **6,092** | **18,471** | **303** | **(6,989)** | **6,138** | **28,596** | **(241)** | **28,355** |
| Issue of share capital | – | – | – | – | – | – | – | – | – |
| Share-based payments | – | – | – | 283 | – | – | 283 | – | 283 |
| Lapsed options and warrants | – | – | – | (100) | – | 100 | – | – | – |
| Sale of non-controlling interest share of subsidiary (see note 23) | – | – | – | – | - | 456 | 456 | 431 | 887 |
| Dividend | – | – | – | – | – | (1,201) | (1,201) | - | (1,201) |
| Transactions with owners | – | – | – | 183 | – | (645) | (462) | 431 | (31) |
| Profit for the period | – | – | – | – | – | 21,033 | 21,033 | 317 | 21,350 |
| **Other comprehensive income** | | | | | | | | | |
| Exchange differences on translation of foreign operations | – | – | – | – | (4,313) | – | (4,313) | (13) | (4,326) |
| **Total comprehensive income for the year** | – | – | – | – | (4,313) | 21,033 | 16,720 | 304 | 17,024 |
| **Balance at 30 June 2012** | **4,581** | **6,092** | **18,471** | **486** | **(11,302)** | **26,526** | **44,854** | **494** | **45,348** |
| Issue of share capital | – | – | – | – | – | – | – | – | – |
| Share-based payments | – | – | – | 148 | – | – | 148 | – | 148 |
| Lapsed options and warrants | – | – | – | (170) | – | 170 | – | – | – |
| Dividend | – | – | – | – | – | – | – | – | – |
| Transactions with owners | – | – | – | (22) | – | 170 | 148 | – | 148 |
| Profit/(loss) for the period | – | – | – | – | – | 1,915 | 1,915 | (326) | 1,589 |
| **Other comprehensive income** | | | | | | | | | |
| Exchange differences on translation of foreign operations | – | – | – | – | (7,468) | – | (7,468) | (79) | (7,547) |
| **Total comprehensive income for the year** | – | – | – | – | (7,468) | 1,915 | (5,553) | (405) | (5,958) |
| **Balance at 30 June 2013** | **4,581** | **6,092** | **18,471** | **464** | **(18,770)** | **28,611** | **39,449** | **89** | **39,538** |

The notes on pages 32 to 70 form part of these financial statements.

# Consolidated cash flow statement

For the year ended 30 June 2013

| Year ended | Note | 30 June 2013 US$'000 | 30 June 2012 US$'000 |
|---|---|---|---|
| **Cash flows from operating activities** | | | |
| (Loss)/profit for the year on continuing activities | | (425) | 21,350 |
| Adjusted by: | | | |
| Depreciation | | 5,537 | 5,087 |
| Deferred tax asset | 15 | – | (7,167) |
| Share-based payment expenses | | 148 | 282 |
| Loss/(profit) on disposal of assets | | 42 | (200) |
| Profit on disposal of subsidiary | 19(b) | – | (4,146) |
| Loss of associated company | 19(b) | 167 | 318 |
| Compensation for Tambao claim | | (2,000) | – |
| Settlement of legal dispute with pledged cash | | – | 344 |
| Release of compromise creditor provision | | – | (5,187) |
| Exchange movements in pledged cash | | – | 100 |
| Finance costs | | 477 | 489 |
| Interest received | | (111) | (126) |
| | | **3,835** | **11,144** |
| Movements in working capital | | | |
| (Increase)/decrease in inventories | | (4,720) | 279 |
| Decrease/(increase) in trade and other receivables | | 1,724 | (2,006) |
| (Decrease)/increase in trade and other payables | | (987) | 1,002 |
| Net cash (used in)/generated by continuing activities | | **(148)** | **10,419** |
| Net cash generated by discontinued activities | 8 | **2,014** | **–** |
| **Net cash generated by/(used in) operating activities** | | **1,866** | **10,419** |
| **Cash flows generated from investing activities** | | | |
| Interest received | | 111 | 126 |
| Payments for property, plant and equipment | | (3,138) | (4,091) |
| Payments for evaluation of feasibility studies | | (2,652) | (3,419) |
| Receipts for Tambao compensation claim | 12 | 2,000 | – |
| Receipts from sales of property, plant and equipment | | – | 534 |
| **Net cash used in investing activities** | | **(3,679)** | **(6,850)** |
| **Cash flows from financing activities** | | | |
| Repayment of loans | | (2,381) | (3,081) |
| Receipt of loans | | 3,871 | – |
| Pledged notice deposit recovery | | – | 344 |
| Interest paid and finance charges | | (477) | (489) |
| **Net cash generated by/(used in) financing activities** | | **1,013** | **(3,226)** |
| **(Decrease)/increase in cash** | | **(800)** | **343** |
| **Reconciliation to net cash** | | | |
| Net cash at 1 July | | 7,973 | 7,751 |
| (Decrease)/increase in cash | | (800) | 343 |
| Foreign exchange gains | | (132) | (121) |
| **Net cash at 30 June** | 24 | **7,041** | **7,973** |

The notes on pages 32 to 70 form part of these financial statements.

# Notes to the consolidated financial statements

For the year ended 30 June 2013

## 1. Nature of operations and general information

Weatherly International plc and subsidiaries' ("the group's") principal activities include the mining and sale of copper.

Weatherly International plc is the group's ultimate parent company. It is incorporated and domiciled in England. The address of Weatherly International plc's registered office, which is also its principal place of business, is 180 Piccadilly, London W1J 9HF. Weatherly International plc's shares are listed on the Alternative Investment Market (AIM) of the London Stock Exchange.

Weatherly International's financial statements are presented in United States dollars (US$), which is also the functional currency of the parent company.

These consolidated financial statements were approved for issue by the board of directors on 14 October 2013.

## 2. New accounting standards and amendments

### Adoption of new and revised IFRS

In the current year, the group has adopted all of the new and revised standards and interpretations issued by the International Accounting Standards Board (IASB) and the International Financial Reporting Interpretations Committee (IFRIC) of the IASB that are relevant to its operations and effective for accounting periods beginning on 1 July 2012.

### Changes in accounting policy

At the date of authorisation of these financial statements the following standards and interpretations were in issue but not yet effective and therefore have not been applied in these financial statements:

- IFRS 9 Financial Instruments (effective 1 January 2015) (not yet EU adopted)
- IFRS 10 Consolidated Financial Statements (effective 1 January 2014)
- IFRS 11 Joint Arrangements (effective 1 January 2014)
- IFRS 12 Disclosure of Interests in Other Entities (effective 1 January 2014)
- IFRS 13 Fair Value Measurement (effective 1 January 2013)
- IAS 19 Employee Benefits (Revised June 2011) (effective 1 January 2013)
- IAS 27 (Revised) Separate Financial Statements (effective 1 January 2013)
- IAS 28 (Revised) Investments in Associates and Joint Ventures (effective 1 January 2013)
- Disclosures – Transfers of Financial Assets – Amendments to IFRS 7 (effective 1 January 2013)
- Disclosures – Offsetting Financial Assets and Financial Liabilities – Amendments to IFRS 7 (effective 1 January 2013)
- Offsetting Financial Assets and Financial Liabilities – Amendments to IAS 32 (effective 1 January 2014)
- Mandatory Effective Date and Transition Disclosures – Amendments to IFRS 9 and IFRS 7 (effective 1 January 2015)
- Government Loans – Amendments to IFRS 1 (effective 1 January 2013)
- IFRIC 20 Stripping Costs in the Production Phase of a Surface Mine (effective 1 January 2013)
- Annual Improvements 2009–2011 Cycle (effective 1 January 2013)
- Transition Guidance – Amendments to IFRS 10, IFRS 11 and IFRS 12 (effective 1 January 2013)
- Investment Entities – Amendments to IFRS 10, IFRS 12 and IAS 27 (effective 1 January 2014)
- Recoverable Amount Disclosures for Non-Financial Assets (Amendments to IAS 36) (effective 1 January 2014)
- Novation of Derivatives and Continuation of Hedge Accounting (Amendments to IAS 39) (effective 1 January 2014)

The directors anticipate that the adoption of these standards and interpretations in future periods will have no material impact on the financial statements of the group, with the exception of IFRS 9 which has not yet been finalised and so the directors are not able to fully assess the potential impact.

# Notes to the consolidated financial statements

For the year ended 30 June 2013

## 3. Significant accounting policies

### Basis of preparation

The financial statements have been prepared in accordance with IFRS as adopted by the European Union.

The financial statements have been prepared on the historical cost basis other than certain financial instruments which are carried at fair value through the profit and loss. The principal accounting policies are summarised below and are consistent in all material respects with those applied in the previous year, except as otherwise noted.

### Basis of consolidation

The consolidated financial statements incorporate the financial statements of the company and entities controlled by the company (its subsidiaries) made up to 30 June each year. Control is achieved where the company has the power to govern the financial and operating policies of an investee entity so as to obtain benefits from its activities.

Non-controlling interests in the net assets of consolidated subsidiaries are identified separately from the group's equity therein. Non-controlling interests consist of the amount of those interests at the date of the original business combination (see below) and the amount in excess of the non-controlling interests' share of changes in equity since the date of the combination. Losses applicable to the non-controlling interests in excess of the non-controlling interests in the subsidiary's equity are allocated to the non-controlling interest.

The results of subsidiaries acquired or disposed of during the year are included in the Consolidated Income Statement from the effective date of acquisition or up to the effective date of disposal, as appropriate.

Where necessary, adjustments are made to the financial statements of subsidiaries to bring the accounting policies used into line with those used by the group.

All intra-group transactions, balances, income and expenses and intra-group unrealised profits and losses are eliminated on consolidation.

### Investments in associates

The group classifies companies over which it has significant influence, but not control, as associates when they do not meet the criteria to be classified as subsidiaries. When the group holds, directly or indirectly, 20% or more of the voting power of the company, it is presumed that the group has significant influence unless it can be clearly demonstrated that this is not the case.

Associates are accounted for under the equity method. The investment is initially recognised at cost and the carrying amount is increased or decreased to recognise the group's share of the profit or loss of the investee after the date of the acquisition. The group's share of the profit or loss of the investee is recognised in the group's profit or loss. Distributions received from the associated company reduce the carrying amount of the investment.

### Exploration and evaluation costs

Expenditure on advances to companies solely for exploration activities and the group's own regional exploration activities prior to evaluation are capitalised, unless no further future benefit is considered likely whereupon it is written off to profit and loss. Exploration expenditure to define mineralisation at existing ore bodies or within the vicinity of existing ore bodies is considered a mine development cost and transferred to property, plant and equipment upon achieving a BFS and are then amortised over the life of the mine. Costs are annually reviewed for impairment.

## 3. Significant accounting policies continued

### Revenue recognition

Revenue represents the amounts derived from the sale of copper and other metals in the production of copper which fall within the company's ordinary activities, stated net of value added tax. Sales of goods are recognised when goods are delivered and title has passed.

Copper concentrate sales are provisionally priced based on spot prices at the time of sale, and provisional assays indicating the amount of metal within the concentrate. The final revenue varies according to the price at the end of the quotation period and the final agreed assay results. This final agreement can take between 30 and 150 days after delivery to the customer. Ninety-five per cent (95%) of the initial valuation is paid on delivery with the balance paid on final agreement of prices. The provisional pricing arrangements give rise to separate embedded derivatives. This is accounted for by marking to market the provisional selling price as the basis at which the final invoice will be priced. The gain or loss is recorded in turnover and trade debtors.

The company mitigates commodity price risk by maintaining forward sales for a period of 15 to 18 months of 200 tonnes of copper per month. In addition, the company elects to fix all remaining contained copper in each lot in multiples of 25 tonnes, resulting in less than 25 tonnes of copper per lot being open to price variations.

The forward contracts and price fixing arrangements are deemed to be "own-use" contracts outside the scope of IAS 39 and do not meet the criteria for hedge accounting.

Interest income is reported using the effective interest method. Dividends received are recognised when the right to receive payment is established.

### Leases

*Operating leases*
Where the group is a lessee in a lease that does not transfer substantially all the risks and rewards of ownership from the lessor to the group, the total lease payments are charged to profit or loss on a straight-line basis over the period of the lease.

*Group as a lessor*
Assets leased out under operating leases are included in assets held for sale in the balance sheet while the sale is being finalised. Rental income is recognised on a straight-line basis over the lease term, which will end at the point the sale completes.

## 3. Significant accounting policies continued

### Foreign currency translation

The individual financial statements of each group company are presented in the currency of the primary economic environment in which it operates (its functional currency). For the purpose of the consolidated financial statements, the results and financial position of each group company are expressed in US dollars, which is the functional currency of the parent company and the presentation currency for the consolidated financial statements.

In preparing the financial statements of the individual companies, transactions in currencies other than the entity's functional currency (foreign currencies) are recorded at the rates of exchange prevailing on the dates of the transactions. At each balance sheet date, monetary assets and liabilities that are denominated in foreign currencies are retranslated at the rates prevailing on the balance sheet date. Non-monetary items carried at fair value that are denominated in foreign currencies are translated at the rates prevailing at the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated. Exchange differences arising, if any, are recognised in profit or loss.

Exchange differences are recognised in profit or loss in the period in which they arise except for:

- exchange differences which relate to assets under construction for future productive use, which are included in the cost of those assets when they are regarded as an adjustment to interest costs on foreign currency borrowings; and
- exchange differences on monetary items receivable from or payable to a foreign operation for which settlement is neither planned nor likely to occur, which form part of the net investment in a foreign operation, and which are recognised in other comprehensive income and reclassified from equity to profit or loss on disposal of the net investment.

On consolidation the balance sheet of foreign operations is translated into the functional currency at year-end rates. Exchange differences arising from the translation of the net investment in foreign entities are recognised in other comprehensive income and accumulated in the group's foreign currency translation reserve. On disposal of a foreign operation, the cumulative amount of exchange differences relating to that operation is reclassified from equity to profit or loss.

### Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets until such time as the assets are substantially ready for their intended use or sale.

All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

# Notes to the consolidated financial statements

For the year ended 30 June 2013

## 3. Significant accounting policies continued

### Income taxes

The tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from net profit as reported in the income statement because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the balance sheet date.

Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, and is accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences, and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from the initial recognition of goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries and associates, and interest in joint ventures, except where the group is able to control the reversal of the temporary difference and it is expected that the temporary difference will not reverse in the foreseeable future. In addition, tax losses available to be carried forward as well as other income tax credits to the group are assessed for recognition as deferred tax assets.

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

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised. Deferred tax is charged or credited in profit or loss, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity. Tax relating to items recognised in other comprehensive income is recognised in other comprehensive income.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the group intends to settle its current tax assets and liabilities on a net basis.

## 3. Significant accounting policies continued

### Property, plant and equipment

*Non-mining assets*

Property, plant and equipment are recorded at cost net of accumulated depreciation and any provision for impairment. Depreciation is provided using the straight-line method to write off the cost of the asset less any residual value over its useful economic life as follows:

| | |
|---|---|
| Freehold buildings | Fifteen years |
| Plant and machinery | Three to fifteen years |
| Development costs | Life of mine |
| Freehold land | Not depreciated |

*Development and production expenditure*

When exploration and evaluation work shows a mine to be commercially viable, the accumulated costs are transferred to property, plant and equipment. Mining plant and equipment consist of buildings, plant and machinery, which are depreciated over the shorter of the estimated useful life of the asset or the life of the mine.

Mining property for mines in production, including pre-stripping costs, is written off on a unit of production basis over the life of the mine.

Asset residual values and useful lives are reviewed annually and amended as necessary. Assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of the asset may not be recoverable. An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount exceeds the higher of the asset's fair value less costs to sell or value-in-use.

Development costs relating to major programmes at the existing mines are capitalised. These costs consist primarily of expenditure to expand the capacity of the operating mine. Day-to-day mine development costs to maintain production are expensed as incurred. Initial development and production costs on a new mine, which include site establishment costs, are capitalised until production reaches commercial production, which is defined as 60% of budgeted steady-state production, at which time the accumulated costs are transferred to property, plant and equipment. Mining plant and equipment consists of buildings, plant and machinery, which are depreciated over the shorter of the estimated useful life of the asset or the life of the mine.

## 3. Significant accounting policies continued

### Impairment

At each balance sheet date, the group reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where the asset does not generate cash flows that are independent from other assets, the group estimates the recoverable amount of the cash-generating unit to which the asset belongs. An intangible asset with an indefinite useful life is tested for impairment annually and whenever there is an indication that the asset may be impaired.

The recoverable amount is the higher of fair value less costs to sell and value-in-use. In assessing value-in-use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time, value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised as an expense immediately.

Where an impairment loss subsequently reverses, the carrying amount of the asset (cash-generating unit) is increased to the revised estimate of its recoverable amount so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (cash-generating unit) in prior years. A reversal of an impairment loss is recognised as income immediately, unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

### Assets held for sale

The group classifies a non-current asset as held for sale if its carrying amount will be recovered principally through a sale transaction rather than continuing use. The asset must be available for immediate sale in its present condition subject only to terms that are usual and customary for sales of such assets and its sale must be highly probable. The sale should be expected to be completed within one year from the date of classification unless the delay is caused by events or circumstances beyond the group's control.

Assets classified as held for sale are measured at the lower of their carrying amount and fair value less costs to sell.

### Inventories

Inventories are stated at the lower of cost and net realisable value, using the weighted average cost measurement basis. Cost includes all direct expenditure and related overheads incurred to the balance sheet date. Cost is determined on the following bases:

- copper concentrate is valued at the average total production cost at the relevant stage of production; and
- consumable stores are valued on a moving average cost basis.

Net realisable value is the estimated selling price in the ordinary course of business, less the cost of completion and selling expenses.

# Notes to the consolidated financial statements

For the year ended 30 June 2013

## 3. Significant accounting policies continued

### Financial instruments, assets and liabilities

The group uses financial instruments comprising cash, trade receivables, trade payables, convertible debt, derivatives and other equity investments that arise from its operations.

*Financial assets*

Financial assets are divided into the following categories: loans and receivables; financial assets at fair value through profit or loss; available-for-sale financial assets; and held to maturity assets. Currently the group only has loans and receivables. Financial assets are assigned to the different categories by management on initial recognition, depending on the purpose for which they were acquired.

Loans and receivables are recognised when the group becomes a party to the contractual provisions of the instrument and are recognised at fair value plus transaction costs.

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Trade receivables are classified as loans and receivables. Loans and receivables are measured subsequent to initial recognition at amortised cost using the effective interest method, less provision for impairment. Any change in their value through impairment or reversal of impairment is recognised in profit or loss.

Provision against trade receivables is made when there is objective evidence that the group will not be able to collect all amounts due to it in accordance with the original terms of those receivables. The amount of the write-down is determined as the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted using the original effective interest rate.

An assessment for impairment is undertaken at least at each balance sheet date.

A financial asset is derecognised only where the contractual rights to the cash flows from the asset expire or the financial asset is transferred and that transfer qualifies for derecognition. A financial asset is transferred if the contractual rights to receive the cash flows of the asset have been transferred or the group retains the contractual rights to receive the cash flows of the asset but assumes a contractual obligation to pay the cash flows to one or more recipients. A financial asset that is transferred qualifies for derecognition if the group transfers substantially all the risks and rewards of ownership of the asset, or if the group neither retains nor transfers substantially all the risks and rewards of ownership but does transfer control of that asset.

Cash and cash equivalents comprise cash on hand and demand deposits, together with other short-term, highly liquid investments that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value less bank overdrafts repayable on demand.

*Financial liabilities*

The group's financial liabilities include bank overdrafts, loans, unsecured creditors and trade and other payables.

Financial liabilities are obligations to pay cash or other financial assets and are recognised when the group becomes a party to the contractual provisions of the instrument. Financial liabilities categorised at fair value through profit or loss are recorded initially at fair value, and all transaction costs are recognised immediately in profit or loss. All other financial liabilities are recorded initially at fair value, net of direct issue costs.

Finance charges, including premiums payable on settlement or redemption and direct issue costs, are charged to profit or loss on an accruals basis using the effective interest method and are added to the carrying amount of the instrument to the extent that they are not settled in the period in which they arise.

## 3. Significant accounting policies continued

Financial liabilities are categorised at fair value through profit or loss where they are classified as held for trading or designated at fair value through profit or loss on initial recognition. Such liabilities are measured at fair value. A financial liability is derecognised only when the obligation is extinguished, that is, when the obligation is discharged, cancelled or expires.

All loans and borrowings are initially recognised at the fair value net of issue costs associated with the borrowing.

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is that rate which exactly discounts estimated future cash payments through the expected life of the financial liability or, where appropriate, a shorter period.

Trade payables are recognised initially at their fair value and subsequently measured at amortised costs less settlement payments.

*Equity*

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all its liabilities. Equity instruments are recorded at the proceeds received net of direct issue costs. The group has in issue only ordinary shares and the conditions of the shares are such that they are accounted for as equity.

### Forward contracts

The group uses forward contracts to mitigate its own risks associated with commodity price fluctuations. As such these are own-use contracts outside the scope of IAS 39. The gain or loss on the forward contracts is recognised in profit or loss in the period in which it matures. If the contract becomes onerous by the group not being able to meet its obligations, the difference between the forward price and spot price is debited to profit or loss.

### Provisions

Provisions are recognised when the present obligations arising from legal or constructive commitment resulting from past events are expected to lead to an outflow of economic resources from the group which can be estimated reliably.

Provisions are measured at the present value of the estimated expenditure required to settle the present obligation, based on the most reliable evidence available at the balance sheet date.

All provisions are reviewed at each balance sheet date and adjusted to reflect the current best estimates.

### Equity

Equity comprises the following:

- "issued capital" represents the nominal value of equity shares;
- "share premium" represents the excess over nominal value of the fair value of consideration received for equity shares, net of expenses of the share issue;
- "merger reserve" represents the excess over nominal value of the fair value of shares issued in a share for share exchange satisfying the conditions of section 612 of the Companies Act 2006;
- "share-based payment reserve" represents equity-settled share-based employee remuneration until such share options are exercised;
- "foreign exchange reserve" represents the differences arising from translation of investments in overseas subsidiaries;
- "retained earnings" represents retained profits less retained losses; and
- "non-controlling interests" represents the amounts not attributable to the parent company.

## 3. Significant accounting policies continued

### Share-based payments

*Equity-settled transactions*
The group operates equity-settled share-based compensation plans for remuneration of its employees.

All employee services received in exchange for the grant of any share-based compensation are measured at their fair values. These are indirectly determined by reference to the share option awarded. Their value is appraised at the grant date and excludes the impact of any non-market vesting conditions (e.g. profitability or sales growth targets).

The cost of equity-settled transactions with employees is measured by reference to the fair value at the date at which they are granted and is recognised as an expense over the vesting period, which ends on the date on which the relevant employees become fully entitled to the award. Fair value is determined by an external valuer using an appropriate pricing model. In valuing equity-settled transactions, no account is taken of any vesting conditions, other than market conditions linked to the price of the shares of the company.

At each balance sheet date before vesting, the cumulative expense is calculated, representing the extent to which the vesting period has expired and management's best estimate of the achievement or otherwise of non-market conditions and the number of equity instruments that will ultimately vest, or in the case of an instrument subject to a market condition, be treated as vesting as described above. The movement in cumulative expense since the previous balance sheet date is recognised in profit or loss, with a corresponding entry in equity.

Where the terms of an equity-settled award are modified or a new award is designated as replacing a cancelled or settled award, the cost based on the original award terms continues to be recognised over the original vesting period. In addition, an expense is recognised over the remainder of the new vesting period for the incremental fair value of any modification, based on the difference between the fair value of the original award and the fair value of the modified award, both as measured on the date of the modification. No reduction is recognised if this difference is negative.

Where an equity-settled award is cancelled, it is treated as if it had vested on the date of cancellation, and any cost not yet recognised in profit or loss for the award is expensed immediately. Any compensation paid up to the fair value of the award at the cancellation or settlement date is deducted from equity, with any excess over fair value being treated as an expense in profit or loss.

All equity-settled share-based payments are ultimately recognised as an expense in the statement of comprehensive income with a corresponding credit to "share-based payment reserve".

Upon exercise of share options, the proceeds received net of any directly attributable transaction costs, up to the nominal value of the shares issued, are reallocated to share capital with any excess being recorded as additional share premium.

### Employee Benefits

*Defined contribution pension scheme*
The pension costs charged against profits are the contributions payable to the scheme in respect of the accounting period.

The group pays contributions to personal pension schemes of employees, which are administered independently of the group.

# Notes to the consolidated financial statements

For the year ended 30 June 2013

## 4. Critical accounting judgements and key sources of estimation uncertainty

In the application of the group's accounting policies, described in note 3, the directors are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

### Critical judgements in applying the group's accounting policies

The following are the critical judgements, apart from those involving estimations (which are dealt with separately below), that the directors have made in the process of applying the group's accounting policies and that have the most significant effect on the amounts recognised in financial statements.

*Going concern*

The company expects to generate sufficient funds to operate as a going concern for the next 12 months, based on its projected production levels and prevailing exchange rates and copper prices. Exchange rates and the price of copper will continue to have a significant impact on the group's cash flow.

The business has taken steps to manage its exposure to the commodity markets; at 30 June 2013 it had sold forward 2,575 tonnes of copper at an average price of US$7,959/tonne of copper, which it is currently delivering. The group policy is to maintain forward contracts extending out to between 15 and 18 months when target prices can be achieved. As a result of the fall in copper prices the group had forward sales for 13 months in place at 30 June 2013. These forward sales were negotiated to preserve the profitability of the mines in the face of an economic crisis similar in scale to that of 2008–2009. In addition, the group has fixed the US$:N$ exchange rate for US$1.5 million of revenue per month for ten months at an average exchange rate of 8.71.

The business has a debt financing facility of US$3.9 million with Louis Dreyfus. The loan is linked to an offtake agreement and is structured with repayment terms linked to the production of concentrate at the Central Operations. The board believes that this financing model reduces risk by better matching its debt service obligations with projected cash flows.

*Forward contracts*

In applying the group's revenue recognition accounting policy, commodity forward sale contracts and associated price fixing agreements are deemed to be "own-use" contracts that fall outside the scope of IAS 39 and are not considered to be derivatives.

## 4. Critical accounting judgements and key sources of estimation uncertainty continued

### Sources of estimation uncertainty

*Revenue*

The group initially receives payment and takes revenue based on the copper, gold and silver content in the concentrate when the concentrate reaches the ship's rail. There are a number of variables in this initial valuation of revenue valuation that may change by the time the final price is agreed.

Metal price: The group fixes the price of the copper in multiples of 25 tonnes either through forward contracts or through fixing the price at the time of sale. The remaining quantity of copper is initially priced on the spot price of the day. The final price will be based on the average price in either one month's time (M+1) or four months' time (M+4) based on the offtaker's biannual election.

Gold and silver are priced initially at the spot price but the final price will be M+1.

Assay results: The quantity of copper, gold and silver is based on assays taken at the mine in the initial invoice. The final price is based on assays taken by seller and buyer at the port, Walvis Bay. The final price is based on the average assays of the parties. In the event the difference between the assay results exceeds contractual limits an umpire sample is used.

Moisture: The initial invoice is based on the estimated dry metric tonnes (DMT) in the lot. The DMT is based on the wet metric tonnes (WMT) weight of the concentrate at the port and the moisture content measured at the mine. The moisture content on the final invoice is based on the moisture content measured at the port.

The group recognises revenue based on the initial invoice and amends it when the final invoice is agreed. The offtaker pays 95% of the initial invoice immediately and the balance when the final price is agreed.

*Capitalisation and expensing of development expenses*

For a new start-up, all pre-production expenditure and any associated income are capitalised until reaching commercial production. The group defines commercial production as 60% of budgeted steady-state production whereupon it believes the mines have reached a stable level of production. After reaching commercial production, income and expenditure are charged to profit and loss. The capitalised development is amortised over the life of the mine.

The directors use their judgement to determine the level of production at which the mine will achieve a steady state and the life of a mine.

Where a mine recommences production after being in care and maintenance, all production costs and associated income are charged to profit and loss immediately. Specific development projects, for example, to open up new areas of the mine, are capitalised within property, plant and equipment. These development projects are amortised over the period in which the mine will benefit from the development, as discussed below.

*Carrying value of property, plant and equipment*

All mining assets are amortised where the mine operating plan calls for production from well-defined mineral reserves over proven and probable reserves.

For mobile and fixed plant, the straight-line method is applied over the estimated useful life of the asset which does not exceed the estimated mine life based on proven and probable mineral reserves, as the useful lives of these assets are considered to be limited to the life of the relevant mine.

The calculation of amortisation could be impacted by the estimate of actual production in the future being different from current forecast production based on proven and probable mineral reserves.

## 4. Critical accounting judgements and key sources of estimation uncertainty continued

The factors affecting estimated mineral reserves include:

- changes in proven and probable mineral reserves;
- possible significant variations in the grade of mineral reserves from time to time;
- differences between actual commodity prices and commodity price assumptions;
- unforeseen operational issues at mine sites;
- changes in capital, operating, mining, processing and reclamation costs, discount rates and foreign exchange rates; and
- changes in mineral reserves could similarly impact the useful lives of assets depreciated on a straight-line basis, where those lives are limited to the life of the mine.

The recoverable amounts of cash-generating units and individual assets have been determined based on the higher of value-in-use calculations and fair values less costs to sell. These calculations require the use of estimates and assumptions. It is possible that the copper price estimation may change, which may then impact the estimated life of mine determinant and may then require a material adjustment to the carrying value of property, plant and equipment.

The group reviews and tests the carrying value of assets when events or changes in circumstances suggest that the carrying amount may not be recoverable. Assets are grouped at the lowest level for which identifiable cash flows are largely independent of cash flows of other assets. If there are indications that impairment may have occurred, estimates are prepared for expected future cash flows for each group of assets. They are significantly affected by a number of factors including published reserves, resources, exploration potential and production estimates, together with economic factors such as spot and future copper prices, discount rates, foreign currency exchange rates, estimates of costs to produce reserves and future capital expenditure.

*Fair value of share options*
The directors use their judgement in selecting an appropriate valuation technique for share options, and have selected the Black–Scholes model. Details of the assumptions used and of the results of sensitivity analyses regarding these assumptions are provided in note 31.

## 5. Revenue

An analysis of the group's revenue is as follows:

| Year ended | 30 June 2013 US$'000 | 30 June 2012 US$'000 |
|---|---|---|
| Sale of goods | 35,663 | 47,577 |
| **Total revenue** | 35,663 | 47,577 |

## 6. Other operating income

| Year ended | 30 June 2013 US$'000 | 30 June 2012 US$'000 |
|---|---|---|
| Property rental | 137 | 105 |
| Other | 17 | 57 |
| | 154 | 162 |

## 7. Operating segments

In identifying its operating segments, management generally follows the physical location of its mines which is consistent with management's internal reporting.

The activities undertaken by the Central Operations segment include the sale of extracted copper from Otjihase and Matchless mines. The activities undertaken by the Northern Operations segment included a valuation of resources relating to the feasibility study for the Tschudi Open Pit mine and Tsumeb Tailings project.

Each of these operating segments is managed separately as each of these service lines requires different technologies and other resources as well as marketing approaches.

The measurement policies the group uses for segment reporting under IFRS 8 are the same as those used in its financial statements.

The revenues of Otjihase and Matchless are indistinguishable as the ore coming from both mines passes through the same concentrator and the two mines are viewed as one operating unit. Evaluation costs relating to feasibility studies for the Tschudi Open Pit mine and Tsumeb Tailings projects have been capitalised as disclosed in note 17.

The group's operations are located in Namibia and the UK. The Central Operations and Northern Operations segments are located in Namibia, while the corporate function is carried out in London.

# Notes to the consolidated financial statements

For the year ended 30 June 2013

## 7. Operating segments continued

### Year ended 30 June 2013

| | Central Operations US$'000 | Northern Operations US$'000 | Consolidated US$'000 |
|---|---|---|---|
| **Sales and other operating revenues** | | | |
| External sales | 35,663 | – | 35,663 |
| Segment revenues | 35,663 | – | 35,663 |

| | Central Operations US$'000 | Northern Operations US$'000 | Consolidated US$'000 |
|---|---|---|---|
| **Segmental loss** | | | |
| Segmental operating profit/(loss) | 1,068 | (641) | 427 |
| Profit on Tambao settlement | | | 2,000 |
| Unallocated corporate expenses | | | (2,553) |
| Unrealised foreign exchange loss | | | 234 |
| Interest expense | | | (477) |
| Interest income | | | 111 |
| Loss before associated company | | | (258) |

| | Central Operations US$'000 | Northern Operations US$'000 |
|---|---|---|
| **Segmental costs** | | |
| Depreciation | 5,241 | 296 |

| | US$'000 |
|---|---|
| **Revenue by geographic area** | |
| Switzerland | 35,646 |
| South Africa | 17 |
| | 35,663 |

The group's revenues were to one customer in each country.

| | Central Operations US$'000 | Northern Operations US$'000 | Total US$'000 |
|---|---|---|---|
| **Segment assets** | 38,092 | 8,152 | 46,244 |
| Unallocated corporate assets | | | 7,028 |
| Total assets | | | 53,272 |

| | Central Operations US$'000 | Northern Operations US$'000 |
|---|---|---|
| **Non-current assets by geographic area** | | |
| Namibia | 24,203 | 7,380 |

## 7. Operating segments continued

### Year ended 30 June 2012

| | Central Operations US$'000 | Northern Operations US$'000 | Consolidated US$'000 |
|---|---|---|---|
| **Sales and other operating revenues** | | | |
| External sales | 47,577 | – | 47,577 |
| Segment revenues | 47,577 | – | 47,577 |

| | Central Operations US$'000 | Northern Operations US$'000 | Consolidated US$'000 |
|---|---|---|---|
| **Segmental loss** | | | |
| Segmental operating profit/(loss) | 10,705 | (375) | 10,330 |
| Profit on release of compromise creditors | | | 5,187 |
| Profit on disposal of Berg Aukas mine | | | 4,146 |
| Unallocated corporate expenses | | | (3,356) |
| Unrealised foreign exchange loss | | | (1,443) |
| Interest expense | | | (489) |
| Interest income | | | 126 |
| Profit before associated company | | | 14,501 |

| | Central Operations US$'000 | Northern Operations US$'000 |
|---|---|---|
| **Segmental costs** | | |
| Depreciation | 4,860 | 227 |

| | US$'000 |
|---|---|
| **Revenue by geographic area** | |
| Switzerland | 47,550 |
| South Africa | 27 |
| | 47,577 |

The group's revenues were to one customer in each country.

| | Central Operations US$'000 | Northern Operations US$'000 | Total US$'000 |
|---|---|---|---|
| **Segment assets** | 46,908 | 5,486 | 52,394 |
| Unallocated corporate assets | | | 6,228 |
| Total assets | | | 58,622 |

| | Central Operations US$'000 | Northern Operations US$'000 |
|---|---|---|
| **Non-current assets by geographic area** | | |
| Namibia | 31,049 | 2,241 |

# Notes to the consolidated financial statements

For the year ended 30 June 2013

## 8. Discontinued operations

| Year ended | 30 June 2013 US$'000 | 30 June 2012 US$'000 |
|---|---|---|
| Insurance proceeds from flooding of Kombat mine | 2,014 | – |

On 17 May 2010, the group disposed of the Kombat mine. During the year it received final settlement for an insurance claim for the flooding of the mine which occurred in 2006.

## 9. Operating (loss)/profit

| Year ended | 30 June 2013 US$'000 | 30 June 2012 US$'000 |
|---|---|---|
| **This is stated after charging/(crediting):** | | |
| Depreciation of owned assets | 5,537 | 5,087 |
| Staff costs (see note 11) | 3,399 | 6,027 |
| Loss/(profit) on disposal of property, plant and equipment | 42 | (200) |
| Operating lease payments – equipment | 8 | 5 |
| Auditor's remuneration (note 10) | 123 | 144 |

## 10. Auditor's remuneration

| Year ended | 30 June 2013 US$'000 | 30 June 2012 US$'000 |
|---|---|---|
| Fees payable to the company's auditor for the audit of the company's annual accounts | 58 | 66 |
| Fees payable to the company's auditor and its associates for other services: | | |
| The audit of the company's subsidiaries, pursuant to legislation | 42 | 47 |
| Tax services | – | 7 |
| Other services | 23 | 24 |
| Total remuneration | 123 | 144 |

## 11. Employees and key management

The total directors' emoluments for the year were US$669,000 (2012: US$909,000) and those of the highest paid director were US$425,000 (2012: US$689,000). Detailed disclosure of directors' remuneration is disclosed in the audited sections of the directors' remuneration report on pages 22 to 25.

| Year ended | 30 June 2013 Number | 30 June 2012 Number |
|---|---|---|
| **a) Staff numbers** | | |
| The average number of employees, including directors | | |
| Group: | | |
| Corporate UK | 8 | 9 |
| Namibia | | |
| Mining | 33 | 33 |
| **Average number of persons employed** | 41 | 42 |

| Year ended | 30 June 2013 US$'000 | 30 June 2012 US$'000 |
|---|---|---|
| **b) Staff costs** | | |
| Aggregated remuneration comprised: | | |
| Wages and salaries | 2,926 | 5,401 |
| Social security costs | 78 | 180 |
| Pension contributions | 139 | 163 |
| Termination costs | 108 | – |
| Share-based payments | 148 | 283 |
| Employment costs | 3,399 | 6,027 |

| Year ended | 30 June 2013 US$'000 | 30 June 2012 US$'000 |
|---|---|---|
| **c) Key management remuneration** | | |
| Short-term employment benefits | 1,500 | 1,600 |
| Post-employment benefits | 96 | 97 |
| Share-based payments | 40 | 78 |
| | 1,636 | 1,775 |

Key management personnel as defined under IAS 24 have been identified as the board of directors and further management personnel who have the authority and responsibility for planning, directing and controlling the activities of the group.

# Notes to the consolidated financial statements

For the year ended 30 June 2013

## 12. Compensation settlement

The group received US$2m in the year as full and final settlement for its claim to the Tambao mine in Burkina Faso.

## 13. Finance income

| Year ended | 30 June 2013 US$'000 | 30 June 2012 US$'000 |
|---|---|---|
| Interest revenue: | | |
| Bank deposits | 111 | 126 |
| Total interest revenue | 111 | 126 |

## 14. Finance costs

| Year ended | 30 June 2013 US$'000 | 30 June 2012 US$'000 |
|---|---|---|
| Bank | 83 | 124 |
| Louis Dreyfus Commodities Metals Suisse SA loans (note 24) | 394 | 365 |
| Total interest expense | 477 | 489 |

## 15. Income tax

| Year ended | 30 June 2013 US$'000 | 30 June 2012 US$'000 |
|---|---|---|
| (Loss)/profit before tax | (425) | 14,183 |
| UK corporation tax @ 23.75% (2012: 25.57%) | (101) | 3,627 |
| Tax effects of: | | |
| Expenses not allowable for tax purposes | 83 | 118 |
| Non-taxable income | – | (2,095) |
| Movement on unrecognised deferred tax | 18 | (1,650) |
| Deferred tax asset recognised | – | 7,167 |
| **Total income tax expense** | – | 7,167 |
| **Unrecognised deferred tax provision** | | |
| Accelerated capital allowances | 6,144 | 7,957 |
| Other temporary differences | (3,363) | (3,060) |
| Share-based payments | – | (27) |
| Tax losses – UK | (2,374) | (2,133) |
| Tax losses – Namibia | (30,525) | (38,155) |
| **Unrecognised deferred tax asset** | (30,118) | (35,418) |
| **Gross tax losses** | | |
| UK | (9,994) | (9,997) |
| Namibia | (86,798) | (114,879) |
| | (96,792) | (124,876) |

Deferred tax losses are recognised to the extent that future taxable profits are reasonably foreseeable and meet the definition of "probable".

The gross tax losses have no expiry period.

| Year ended | 30 June 2013 US$'000 | 30 June 2012 US$'000 |
|---|---|---|
| Movement on deferred tax assets | | |
| At beginning of year | 7,167 | – |
| Asset recognised during the year | – | 7,167 |
| Exchange movement | (1,538) | – |
| At end of year | 5,629 | 7,167 |

# Notes to the consolidated financial statements

For the year ended 30 June 2013

## 16. Earnings per share

The calculation of basic and diluted earnings per ordinary share is based on the following data:

| Year ended | 30 June 2013 US$'000 | 30 June 2012 US$'000 |
|---|---|---|
| Basic earnings per share (US cents) | | |
| Earnings from continuing activities | 0.00c | 3.91c |
| Earnings from discontinuing activities | 0.36c | – |
| Total | 0.36c | 3.91c |
| Dilutive earnings per share (US cents) | | |
| Earnings from continuing activities | 0.00c | 3.90c |
| Earnings from discontinuing activities | 0.36c | – |
| Total | 0.36c | 3.90c |
| Weighted average number of shares for basic earnings per share | 536,571,808 | 536,571,808 |
| Number of dilutive options | – | 2,752,427 |
| Weighted average number of shares for diluted earnings per share | 536,571,808 | 539,324,235 |

Both the basic and diluted earnings per share have been calculated using the earnings attributable to shareholders of the parent company, Weatherly International plc, of US$1,915,000 (2012 profit of US$21,033,000) as the numerator, i.e. no adjustment to profit was necessary in either year.

For the year ended 30 June 2013, 33.0 million (2012: 16.9 million) potential ordinary shares have been excluded from the calculations of earnings per share as they are anti-dilutive.

## 17. Intangible assets

| | Evaluation US$'000 |
|---|---|
| **Cost and net book value** | |
| At 1 July 2011 | 414 |
| Additions | 3,419 |
| Exchange difference | (187) |
| Disposals | – |
| At 30 June 2012 | 3,646 |
| At 1 July 2012 | 3,646 |
| Additions | 2,652 |
| Exchange difference | (973) |
| Disposals | – |
| At 30 June 2013 | 5,325 |

# Notes to the consolidated financial statements

For the year ended 30 June 2013

## 18. Property, plant and equipment

| | Freehold property US$'000 | Plant and machinery US$'000 | Development costs US$'000 | Totals US$'000 |
|---|---|---|---|---|
| Cost: | | | | |
| At 1 July 2011 | 22,133 | 27,878 | 6,941 | 56,952 |
| Additions | 87 | 2,578 | 1,426 | 4,091 |
| Disposals | – | (766) | – | (766) |
| Exchange adjustment | (3,502) | (7,256) | (1,097) | (11,855) |
| At 30 June 2012 | 18,718 | 22,434 | 7,270 | 48,422 |
| Depreciation: | | | | |
| At 1 July 2011 | (6,935) | (17,198) | – | (24,133) |
| Provided during the year | (1,057) | (2,754) | (1,276) | (5,087) |
| Disposals | – | 503 | – | 503 |
| Exchange adjustment | 1,519 | 5,478 | 57 | 7,054 |
| At 30 June 2012 | (6,473) | (13,971) | (1,219) | (21,663) |
| **Net book value at 30 June 2012** | **12,245** | **8,463** | **6,051** | **26,759** |
| Cost: | | | | |
| At 1 July 2012 | 18,718 | 22,434 | 7,270 | 48,422 |
| Additions | 17 | 997 | 2,124 | 3,138 |
| Disposals | – | (723) | – | (723) |
| Exchange adjustment | (3,328) | (7,139) | (1,292) | (11,759) |
| **At 30 June 2013** | **15,407** | **15,569** | **8,102** | **39,078** |
| Depreciation: | | | | |
| At 1 July 2012 | (6,473) | (13,971) | (1,219) | (21,663) |
| Provided during the year | (951) | (2,246) | (2,340) | (5,537) |
| Disposals | – | 150 | – | 150 |
| Exchange adjustment | 1,689 | 5,678 | 503 | 7,870 |
| **At 30 June 2013** | **(5,735)** | **(10,389)** | **(3,056)** | **(19,180)** |
| **Net book value at 30 June 2013** | **9,672** | **5,180** | **5,046** | **19,898** |

The following serve as security for borrowings:

| | Carrying amount 2013 US$'000 | Carrying amount 2012 US$'000 | Bond amount 2013 US$'000 | Bond amount 2012 US$'000 |
|---|---|---|---|---|
| **Nature of property, plant and equipment** | | | | |
| Moveable mining assets of Ongopolo Mining Limited | 3,794 | 5,853 | 12,000 | 12,000 |

## 19. Investments

### a) Subsidiaries

The company's investments at the balance sheet date in the share capital of companies include the following:

| Name | Holding % | Nature of business | Country of incorporation | Class of shares |
|---|---|---|---|---|
| Weatherly (SL) Limited | 100 | Holding company | St Lucia | 1,000 ordinary US$1 |
| Puku Minerals Limited (owned by Weatherly (SL) Limited) | 100 | Mineral exploration | Zambia | 100 ordinary US$1 |
| Weatherly (Namibia SL) Limited | 100 | Holding company | St Lucia | 125,381,946 ordinary 20p |
| Weatherly (Namibian Custom Smelters) Limited | 100 | Holding company | St Lucia | 1,000 ordinary £1 |
| Weatherly Mining Namibia Limited owned by Weatherly (Namibia SL) Limited | 99 | Mineral exploration, development and production | Namibia | 20,000,000 ordinary N$1<br>1,000 redeemable preference shares N$1 |
| Weatherly International Trustee Company Limited | 100 | Trustee company | England and Wales | 1 ordinary £1 |
| The following entities are owned by Weatherly Mining Namibia Limited: | | | | |
| Ongopolo Mining Limited | 97.5 | Mineral exploration and development | Namibia | 95,590,000 ordinary N$0.387 |
| Tsumeb Specimen Mining (Pty) Limited | 100 | Dormant | Namibia | 4,000 ordinary US$1 |

### b) Investment in associates

On 1 August 2011, Weatherly's associated company, China Africa Resources plc (CAR), listed on AIM. This completed the conditions precedent where East China Exploration and Development Bureau for Non-Ferrous Metals (ECE) paid £4.7 million (approximately US$7.7 million) to maintain their 65% share of CAR and Weatherly sold their subsidiary, China Africa Resources Namibia (Pty) Ltd (CARN), to CAR to maintain their 35% shareholding. CARN's only asset was the Berg Aukas mine in Namibia, which had a book value of US$1 at the time of the transfer. CARN was valued at £2.5 million (US$4.1 million) by CAR, calculated as £4.7 million (US$7.7 million) x 35/65.

Immediately after listing, Weatherly issued 10% of their shares as an in specie dividend to the shareholders of Weatherly International plc, leaving the company with 25% of the share capital of CAR. The dividend valuation was calculated at 10/35 of the Weatherly shareholding value of US$4.2 million.

# Notes to the consolidated financial statements

For the year ended 30 June 2013

## 19. Investments continued

Summary of the financial position of associates are as follows:

| | 30 June 2013 US$'000 | 30 June 2012 US$'000 |
|---|---|---|
| **Investment in associates** | | |
| As at beginning of year | 2,684 | 57 |
| Sale of CARN to CAR | – | 4,146 |
| | 2,684 | 4,203 |
| Dividend – disposal of shares | – | (1,201) |
| | 2,684 | 3,002 |
| Loss of CAR in year | (167) | (318) |
| Exchange movement on translation of foreign operations | (121) | – |
| As at end of year | 2,396 | 2,684 |
| Dividend per share (p) | – | 0.22 |

The summarised financial statements of CAR are:

| | 30 June 2013 US$'000 | 30 June 2012 US$'000 |
|---|---|---|
| Property, plant and equipment | 17 | 27 |
| Intangible assets | 6,153 | 5,537 |
| Total non-current assets | 6,170 | 5,564 |
| Receivables | 64 | 138 |
| Cash | 2,656 | 4,297 |
| Payables | (239) | (198) |
| | 2,481 | 4,237 |
| **Net assets** | **8,651** | **9,801** |
| Equity | 11,036 | 11,036 |
| Foreign exchange reserve | (512) | (28) |
| Retained deficit | (1,873) | (1,207) |
| **Equity and reserves** | **8,651** | **9,801** |
| Loss for the period | (666) | (1,273) |

# Notes to the consolidated financial statements

For the year ended 30 June 2013

## 20. Non-current assets held for sale

Assets classified as non-current assets held for sale at June 2011 comprise properties sold at auction on 8 June 2009 and are subject only to regulatory approval. The regulatory approval requires the subdivision of the plots being sold and has proved to be a complex process administratively. It is expected that the process will be completed in the next 12 months. All assets are included in the Northern Operations segment of the segmental analysis.

| | Freehold property US$'000 |
|---|---|
| Balance at 30 June 2011 | 1,197 |
| Disposals | (70) |
| Exchange differences | (189) |
| Balance at 30 June 2012 | 938 |
| Disposals | – |
| Exchange differences | (166) |
| Balance at 30 June 2013 | 772 |

The carrying value above approximates to the selling value, and costs to sell are expected to be minimal.

## 21. Inventories

| | 30 June 2013 US$'000 | 30 June 2012 US$'000 |
|---|---|---|
| Metal in concentrate on hand | 6,570 | 1,905 |
| Consumables | 717 | 1,183 |
| Total | 7,287 | 3,088 |

The difference between purchase price or production cost of inventories and their replacement cost is not material.

# Notes to the consolidated financial statements

For the year ended 30 June 2013

## 22. Trade and other receivables

| | 30 June 2013 US$'000 | 30 June 2012 US$'000 |
|---|---|---|
| Current trade and other receivables | | |
| Trade receivables | 2,965 | 3,473 |
| Pre-payments and other receivables | 752 | 1,440 |
| VAT | 18 | 15 |
| | 3,735 | 4,928 |
| Non-current trade and other receivables | | |
| Receivable for sale of non-controlling share of subsidiary (Note 23) | 731 | 887 |
| | 731 | 887 |
| Total receivables | 4,466 | 5,815 |

As at 30 June 2013 there were no trade receivables past due (2012: nil).

## 23. Sale of non-controlling interest in subsidiary

During the previous year, the group sold a 2.5% minority share of Ongopolo Mining Ltd (OML) to LIH in Namibia. The shareholding was sold for N$7.2 million (US$887,000). The terms of the agreement were that the amount due from LIH will be deducted from any dividends paid by OML. LIH has pledged its shareholding as security for the debt.

The sale has been accounted for as follows:

| | US$'000 |
|---|---|
| Receivable from LIH | 887 |
| Share of net assets in OML disposed of | (431) |
| Profit on sale of non-controlling interest recognised in equity | 456 |

The profit on sale of non-controlling interests has been accounted for through retained earnings.

LIH were also given an option to buy a further 2.5% of Ongopolo Mining Limited at a 20% discount on the market value at the time the option was exercised. The option will lapse in September 2016. The balance owed has reduced to US$731,000 at 30 June 2013 due to exchange differences.

# Notes to the consolidated financial statements

For the year ended 30 June 2013

## 24. Cash

| | 30 June 2013 US$'000 | 30 June 2012 US$'000 |
|---|---|---|
| Cash and short-term deposits | 7,041 | 7,973 |
| Pledged notice deposit | 458 | 552 |
| | 7,499 | 8,525 |
| For the purpose of the cash flow statement the closing cash and cash equivalents comprise the following: | 7,041 | 7,973 |

The notice deposits are pledged in favour of the Namibian electricity supplier, NamPower, as a guarantee of payment.

## 25. Borrowings

*Secured borrowings*

| | | 30 June 2013 US$'000 | 30 June 2012 US$'000 |
|---|---|---|---|
| **Secured borrowing at amortised cost** | | | |
| Louis Dreyfus Commodities Metal Suisse SA working capital loan | | 3,888 | 5,917 |
| Short-term portion of loan | | (388) | (917) |
| | | 3,500 | 5,000 |
| Louis Dreyfus Commodities Metal Suisse SA inventory loan | (a) | 4,529 | 657 |
| Short-term portion of loan | | (4,529) | (657) |
| | | – | – |
| First National Bank of Namibia Limited | | 737 | 1,089 |
| Short-term portion of loan | | (513) | (522) |
| | | 224 | 567 |
| Total borrowings | | 9,154 | 7,663 |
| Short-term portion | | (5,430) | (2,096) |
| | | 3,724 | 5,567 |

(a) If all inventory shipped to Walvis Bay before year end had also been loaded aboard a ship, this balance would have been recorded as a sale instead of a loan.

## 25. Borrowings continued

The weighted average interest rates paid during the year were as follows:

| | 30 June 2013 % | 30 June 2012 % |
|---|---|---|
| Louis Dreyfus Commodities Metal Suisse SA – working capital | 3.28% | 3.40% |
| Louis Dreyfus Commodities Metal Suisse SA – inventory loan | 3.75% | 3.75% |
| First National Bank of Namibia Limited | 9.25% | 9.75% |

**Louis Dreyfus Commodities Metals Suisse SA – Working Capital Loan**

The loan bears interest at US$ 3 month Libor +3% and is denominated in US$.

The loan is repayable at $50 per dry metric tonne sold to Louis Dreyfus by OML. In addition there is a cash sweep where Louis Dreyfus recover 80% of the excess cash of OML.

$0.4 million of the loan matures in July 2013 and the remaining $3.5 million matures in November 2014.

The loan is secured by a notarial general covering bond up to US$12 million over the moveable assets and receivables of OML and a pledge and cession of the shares of OML.

**Louis Dreyfus Commodities Metals Suisse SA – Inventory Loan**

The loan bears interest at Louis Dreyfus' cost of funds +2.5% for 60 days and is denominated in US$.

The loan is repayable on sale of copper concentrate stocks at Walvis Bay to Louis Dreyfus.

The loan is secured on the copper concentrate inventory at Walvis Bay.

**First National Bank of Namibia Limited**

The loan is an asset financing facility and bears interest at a variable rate equal to the First National Bank of Namibia Limited's prime overdraft rate and is denominated in Namibian dollars.

The loan is repayable in 24 equal instalments with the last instalment due in April 2015.

The loan is secured on the assets financed by the facility and a letter of surety by Weatherly International plc.

## 26. Current trade and other payables

| | 30 June 2013 US$'000 | 30 June 2012 US$'000 |
|---|---|---|
| Trade payables | 3,669 | 5,106 |
| Other payables and accruals | 708 | 258 |
| | 4,377 | 5,364 |

# Notes to the consolidated financial statements

For the year ended 30 June 2013

## 27. Provisions

| | 30 June 2013 US$'000 | 30 June 2012 US$'000 |
|---|---|---|
| Opening provisions | 247 | 293 |
| Exchange movement | (44) | (46) |
| Closing provisions | 203 | 247 |

One of the group's subsidiaries is engaged in a legal dispute with a former contractor. The company provided for the maximum amount it believed was payable under the contract. The claim was settled for the amount provided shortly after year end.

## 28. Share capital

| | 30 June 2013 | 30 June 2012 |
|---|---|---|
| **Number of shares issued** | | |
| Number of shares in issue at beginning of the year | 536,571,808 | 536,571,808 |
| Shares issued during year | – | – |
| Number of shares in issue at end of the year | 536,571,808 | 536,571,808 |

| | 30 June 2013 US$ | 30 June 2012 US$ | 30 June 2013 £ | 30 June 2012 £ |
|---|---|---|---|---|
| **Allotted, called up and fully paid** | | | | |
| Ordinary shares of 0.5p | 4,580,867 | 4,580,867 | 2,682,859 | 2,682,859 |
| | 4,580,867 | 4,580,867 | 2,682,859 | 2,682,8598 |

The outstanding warrants/options to subscribe for ordinary shares of the company as at 30 June 2013 are as follows:

| Date of grant | Number of warrants/options | Price per warrant/option pence | Expiry date |
|---|---|---|---|
| 10 May 2008 | 10,500,000 | 8.00 | 31 December 2013 |
| 01 April 2010 | 7,250,000 | 3.00 | 01 April 2020 |
| 05 August 2010 | 3,500,000 | 3.20 | 5 August 2020 |
| 16 March 2011 | 2,000,000 | 10.00 | 16 March 2021 |
| 26 May 2011 | 1,000,000 | 9.25 | 26 March 2021 |
| 16 August 2011 | 1,250,000 | 8.00 | 16 August 2021 |
| 18 October 2011 | 1,000,000 | 5.00 | 18 October 2021 |
| 03 December 2012 | 1,500,000 | 3.90 | 3 December 2022 |
| 28 December 2012 | 3,250,000 | 5.40 | 28 December 2022 |
| 08 March 2012 | 750,000 | 4.12 | 08 March 2023 |
| 19 March 2012 | 1,000,000 | 5.00 | 30 October 2014 |

# Notes to the consolidated financial statements

For the year ended 30 June 2013

## 29. Non-controlling interests

| | US$'000 |
|---|---|
| At 30 June 2011 | (241) |
| Sale of non-controlling in subsidiary (see note 22) | 431 |
| Share of profit of Weatherly Mining Namibia Ltd | 58 |
| Share of profit in Ongopolo Mining Limited | 259 |
| Exchange movements | (13) |
| At 30 June 2012 | 494 |
| Share of loss of Weatherly Mining Namibia Ltd | (91) |
| Share of loss in Ongopolo Mining Limited | (235) |
| Exchange movements | (79) |
| At 30 June 2013 | 89 |

Non-controlling interests represent 1% of Weatherly Mining Namibia Limited and 2.5% of Ongopolo Mining Limited.

## 30. Capital commitments

| | 30 June 2013 US$'000 | 30 June 2012 US$'000 |
|---|---|---|
| **Capital commitments** | | |
| Contracted for but not yet recognised in the financial statements | 219 | 185 |

## 31. Share-based payments

*Equity-settled share-based payments: options*

The company has an unapproved share option scheme for eligible employees, including directors. Options are exercisable at a price equal to the average market price of the company's shares on the date of grant, with a vesting period of three years. The options are settled in equity when exercised.

If the options remain unexercised after a period of ten years from the vesting date, the options expire. Options are forfeited if the employee leaves the company before the options vest.

Details of the number of share options and the weighted average exercise price (WAEP) outstanding during the year are as follows:

| | At 30 June 2013 Options | At 30 June 2013 Weighted average exercise price pence | At 30 June 2012 Options | At 30 June 2012 Weighted average exercise price pence |
|---|---|---|---|---|
| Outstanding at start of period | 17,191,667 | 5.77 | 16,300,000 | 5.81 |
| Granted during the year | 6,500,000 | 4.84 | 2,250,000 | 6.67 |
| Forfeited/lapsed during the year | (1,191,667) | 15.88 | (1,358,333) | 10.19 |
| Outstanding at end of the period | 22,500,000 | 3.43 | 17,191,667 | 5.59 |
| Exercisable at end of the period | 12,333,334 | 4.36 | 9,358,334 | 5.77 |

Share options outstanding at the end of the year are exercisable within a range of 3p to 10p.

The average life remaining of options over shares is 8.5 years at 30 June 2013 (2012: 8.1 years).

The fair value of the options was calculated using the Black–Scholes model as US$64,000. The inputs for the current year were as follows:

| Date of vesting | Estimated fair value pence | Share price pence | Exercise price pence | Expected volatility | Expected life | Risk-free rate |
|---|---|---|---|---|---|---|
| 03 December 2013 | 1.0p | 3.9p | 3.9p | 66% | 10 | 0.35% |
| 03 December 2014 | 1.4p | 3.9p | 3.9p | 66% | 10 | 0.34% |
| 03 December 2015 | 1.7p | 3.9p | 3.9p | 66% | 10 | 0.47% |
| 28 December 2013 | 1.4p | 5.4p | 5.4p | 66% | 10 | 0.34% |
| 28 December 2014 | 1.9p | 5.4p | 5.4p | 66% | 10 | 0.31% |
| 28 December 2015 | 2.3p | 5.4p | 5.4p | 66% | 10 | 0.45% |
| 08 March 2013 | 1.1p | 4.1p | 4.1p | 67% | 10 | 0.17% |
| 08 March 2014 | 1.5p | 4.1p | 4.1p | 67% | 10 | 0.21% |
| 08 March 2015 | 1.8p | 4.1p | 4.1p | 67% | 10 | 0.40% |
| 30 October 2014 | 1.1p | 4.1p | 5.0p | 67% | 10 | 0.12% |

The dividend yield rate input in each of the above calculations was zero.

## 31. Share-based payments continued

The share price movements during the year were as follows: high of 6.50p, low of 2.12p and a closing share price at 30 June 2013 of 2.62p.

The volatility of the company's share price on each date of grant was calculated as the average of volatilities of share prices of companies in the peer group on the corresponding dates. The share price volatility of each company in the peer group was calculated as the average of annualised standard deviations of daily continuously compounded returns on the company's stock, calculated over five years back from the date of grant.

The peer group consists of mining companies quoted on AIM with a market capitalisation of less than £100 million. The risk-free rate is the yield to maturity on the date of grant of a UK gilt strip, with term to maturity equal to the life of the option.

## 32. Pensions and other post-retirement benefits

The parent company has no pension scheme or post-retirement benefits scheme. Contributions are made to the private pension funds of directors, forming part of their total remuneration.

OML contributes 8% of pensionable salaries, while employees are obliged to contribute 1% of pensionable salaries and may contribute more if they wish. The fund is administered on an inclusive basis, meaning the difference between the total contribution of 8% and the total income of the fund accumulates for the retirement fund purposes.

# Notes to the consolidated financial statements

For the year ended 30 June 2013

## 33. Financial instruments

*Significant accounting policies*

Details of the significant accounting policies and methods adopted, including the criteria for recognition, the basis of measurement and the basis on which income and expenses are recognised, in respect of each class of financial asset, financial liability and equity instrument, are disclosed in note 3.

*Categories of financial instruments*

The carrying amounts presented in the statement of financial position relate to the following categories of assets and liabilities.

| | Carrying value | |
|---|---|---|
| | 30 June 2013 US$'000 | 30 June 2012 US$'000 |
| **Financial assets** | | |
| **Current** | | |
| Loans and receivables | | |
| Trade and other receivables | 2,965 | 3,473 |
| Cash and cash equivalents | 7,499 | 8,525 |
| | 10,464 | 11,998 |
| **Non-current** | | |
| Trade and other receivables | 731 | 887 |
| | 11,195 | 12,885 |
| **Financial liabilities** | | |
| **Current** | | |
| Amortised cost | 9,807 | 7,460 |
| **Non-current** | | |
| Amortised cost | 3,724 | 5,567 |
| | 13,531 | 13,027 |

As at 30 June 2013 there were no trade receivables that were past due and all are believed to be recoverable.

The fair value is equivalent to book value for current assets and liabilities. Non-current liabilities are discounted at prevailing interest rates for both the long and short term elements.

# Notes to the consolidated financial statements

For the year ended 30 June 2013

## 33. Financial instruments continued

The table below summarises the maturity profile of the group's financial liabilities at 30 June 2013, based on contractual undiscounted payments.

| | Within 1 year US$'000 | 1-5 years US$'000 | More than 5 years US$'000 |
|---|---|---|---|
| **Year ended 30 June 2012** | | | |
| Floating rate | | | |
| Loans | 2,141 | 5,812 | – |
| **Non-interest bearing** | | | |
| Trade and other payables | 5,364 | – | – |

| | Within 1 year US$'000 | 1-5 years US$'000 | More than 5 years US$'000 |
|---|---|---|---|
| **Year ended 30 June 2013** | | | |
| Floating rate | | | |
| Loans | 5,430 | 3,724 | – |
| **Non-interest bearing** | | | |
| Trade and other payables | 4,377 | – | – |

*Liquidity risk*

The directors monitor cash flow on a daily basis and at monthly board meetings in the context of their expectations for the business, in order to ensure sufficient liquidity is available to meet foreseeable needs. At present, equity funding from share issues and loans from Louis Dreyfus Commodities Metals Suisse SA are the main methods of funding.

*Interest rate risk*

The group's policy is to minimise interest rate cash flow risk exposures on long-term financing. At 30 June 2013, the company was exposed to changes in market interest rates through its parent company and bank borrowings, which are subject to variable interest rates.

The following table illustrates the sensitivity of the net results for the year and equity to a reasonably possible change in interest rates of +/- 1.0 basis points (2012: +/- 1.0 basis points) with effect from the beginning of the year. These changes are considered to be reasonably possible based on observations of current market conditions. The calculations are based on the company's financial instruments held at each balance sheet date. All other variables are held constant.

| | 2013 US$'000 | 2012 US$'000 |
|---|---|---|
| | +1.0 Base points | +1.0 Base points |
| Net effect on after-tax profits | 92 | 77 |
| Equity | 92 | 77 |

## 33. Financial instruments continued

An increase in interest rates will decrease profits.

Substantially all cash resources are invested in fixed-rate interest-bearing deposits – sterling at 0.4% on monthly call and US dollars at 0.14% on monthly call. The directors seek to get the best rates possible while maintaining flexibility and accessibility. The inter-company loans are set at a rate tied to the market from time to time.

*Credit risk*

The group sells copper concentrate to a recognised, creditworthy trading house. The income is paid for with terms of 95% on the concentrate leaving Namibia, with 5% being trade receivables. The maximum credit risk exposure related to financial assets is represented by the carrying value as at the balance sheet date.

*Foreign currency risk management*

The group undertakes certain transactions denominated in foreign currencies. Exchange rate exposures are managed within approved policy parameters utilising forward foreign exchange contracts. The group operates within the UK and southern Africa and most revenue transactions are denominated in US dollars while most costs are denominated in Namibian dollars, resulting in exposure to exchange rate fluctuations. Funds are periodically transferred overseas to meet capital commitments as required.

The carrying amounts of the group's foreign currency denominated monetary assets (cash, trade and other receivables) and monetary liabilities at the reporting date are as follows:

| | Liabilities | | Assets | |
|---|---|---|---|---|
| | 30 June 2013 US$'000 | 30 June 2012 US$'000 | 30 June 2013 US$'000 | 30 June 2012 US$'000 |
| United States dollar | 8,417 | 6,574 | 5,131 | 2,827 |
| British pound | – | – | 474 | 1,331 |
| Namibian dollar | 737 | 1,089 | 3,954 | 7,840 |
| Total | 9,154 | 7,663 | 9,559 | 11,998 |

*Foreign currency sensitivity analysis*

The group is mainly exposed to the currencies of the United Kingdom (British pound) and Namibia (Namibian dollar).

The following table details the group's sensitivity to a 20% increase and decrease in the US dollar against the relevant foreign currencies. Twenty per cent (20%) is the movement experienced during the current financial year and used when reporting foreign currency risk internally to key management personnel and represents management's assessment of the reasonably possible change in foreign exchange rates. The sensitivity analysis includes only outstanding foreign currency denominated monetary items and adjusts their translation at the period end for a 20% change in foreign currency rates. The sensitivity analysis includes external loans as well as loans to foreign operations within the group where the denomination of the loan is in a currency other than the currency of the lender or the borrower. A positive number below indicates an increase in profit and equity where the US dollar strengthens 20% against the relevant currency. For a 20% weakening of the US dollar against the relevant currency, there would be an equal and opposite impact on the profit and equity, and the balances below would be negative.

## 33. Financial instruments continued

| | | British pound currency impact 30 June 2013 US$'000 | British pound currency impact 30 June 2012 US$'000 | Namibian dollar currency impact 30 June 2013 US$'000 | Namibian dollar currency impact 30 June 2012 US$'000 |
|---|---|---|---|---|---|
| Effect on profit | +20% | (95) | (266) | (643) | (1,350) |
| | +20% | 95 | 266 | 643 | 1,350 |
| Effect on equity | +20% | (95) | (266) | (643) | (1,350) |
| | +20% | 95 | 266 | 643 | 1,350 |

*Commodity price risk*

The board determines that it is in the group's interest to ensure that we achieve at least a minimum price in Namibian dollars for a proportion of production such that future cash flows are forecast to cover costs even if copper prices fall.

Our policy is to have forward contracts in place for 15 to 18 months to cover the sale of 200 tonnes of contained copper. As the contract is priced in US dollars, we also fix the exchange rate at which this is converted into Namibian dollars for US$1.5 million per month. All forward contracts are subject to achieving target prices.

At 30 June the group had outstanding forward sales of 2,575 tonnes of copper at an average price of US$7,959 and had fixed the exchange rate at which cash is converted to Namibian dollars of US$12 million of revenue at an average price of US$1:N$8.71.

The group also fixes the price on all remaining contained copper in lots of 25 tonnes immediately on delivery.

Gold and silver prices are not fixed but are priced on the average monthly price following the month of delivery.

The approximate effects on the group's results of a 10% movement in the average price achieved for copper in the year, when not covered by forward contracts, would be as follows:

| | 2013 US$'000 | 2012 US$'000 |
|---|---|---|
| Net effect on after-tax profits | 1,504 | 2,249 |
| Equity | 1,504 | 2,249 |

# Notes to the consolidated financial statements

For the year ended 30 June 2013

## 34. Events subsequent to balance sheet date

On 19 September 2013 Ongopolo Mining executed the loan documentation with Orion Mine Finance Fund I to fund the Tschudi project. Orion will provide the company with a US$91 million loan facility which will fully fund production of the 17,000 tonnes per annum Tschudi SX-EW copper project. Drawdown on the loan is subject to pre-conditions usual in a transaction of this nature.

All major contracts with contractors involved with the development of Tschudi have been executed in conjunction with the loan agreement.

The full facility comprises a secured loan of US$80 million, a project cost overrun facility of a further US$8.0 million and US$3.0 million to assume the existing Louis Dreyfus Commodities Metal Suisse SA working capital loan.

The key elements of the Orion loan are as follows:

| | Project loan | Overrun facility | Assumed Louis Dreyfus loan |
|---|---|---|---|
| Facility | US$80 million | US$8.0 million | US$3.0 million |
| Interest rate | US$ Libor+7% (Libor at a minimum of 2%) | US$ Libor+9% (Libor at a minimum of 2%) | US$ Libor+3% |
| Repayment date | 31 December 2019 | 30 June 2017 | 31 December 2014 |
| Repayment holiday period | First two years | | |

In addition to the loan, Orion Mine Finance will purchase, on an exclusive basis, 100% of the project's copper cathode production based on LME/Comex market prices for the life of the mine.

## 35. Other related party transactions

Transactions between the company and its subsidiaries, which are related parties, have been eliminated on consolidation and are not disclosed in this note.

The following related party transactions occurred with CAR plc, an associate.

| | 30 June 2013 US$'000 | 30 June 2012 US$'000 |
|---|---|---|
| Related party balances | | |
| Debtors | 166 | 55 |
| Management fees receivable | 552 | 517 |

# Notes to the consolidated financial statements

For the year ended 30 June 2013

## 36. Capital management policies and procedures

The group's capital management objectives are:

- to ensure the group's ability to continue as a going concern; and
- to provide an adequate return to shareholders

by being able to identify and extract copper for sale at prices that are commensurate with the level of risk.

The group sets the amount of capital in proportion to its overall financing structure, i.e. equity and financial liabilities. The group manages the capital structure and makes adjustments to it in the light of changes in economic conditions and the risk characteristics of the underlying assets. In order to maintain or adjust the capital structure, the group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares, or sell assets to reduce debt.

Capital for the reporting periods under review is summarised as follows:

| | 30 June 2013 US$'000 | 30 June 2012 US$'000 |
|---|---|---|
| Total equity | 39,449 | 44,854 |
| Borrowings | 9,154 | 7,663 |
| Closing provisions | 48,603 | 52,517 |

The company's going concern status is covered in note 4, and the activities of the company to provide adequate return to shareholders are described in the Chairman's and Chief Executive's statement and the review of operations.

# Notes to the consolidated financial statements

For the year ended 30 June 2013

## Statement of directors' responsibilities – parent company

The directors are responsible for preparing the annual report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have prepared the parent company financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable laws). Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The directors confirm that:

- so far as each director is aware, there is no relevant audit information of which the company's auditor is unaware; and
- the directors have taken all the steps that they ought to have taken as directors in order to make themselves aware of any relevant audit information and to establish that the auditors are aware of that information.

The directors are responsible for the maintenance and integrity of the corporate and financial information included on the company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

# Independent auditor's report

## To the members of Weatherly International plc

We have audited the parent company financial statements of Weatherly International plc for the year ended 30 June 2013 which comprise the parent company balance sheet, and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

### Respective responsibilities of directors and auditors

As explained more fully in the Directors' Responsibilities Statement set out on page 70, the directors are responsible for the preparation of the parent company financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the parent company financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for Auditors.

### Scope of the audit of the financial statements

A description of the scope of an audit of financial statements is provided on the APB's website at www.frc.org.uk/apb/scope/private.cfm.

### Opinion on financial statements

In our opinion, the parent company financial statements:

- give a true and fair view of the state of the company's affairs as at 30 June 2013;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

### Opinion on other matter prescribed by the Companies Act 2006

In our opinion the information given in the Directors' report for the financial year for which the financial statements are prepared is consistent with the parent company financial statements.

### Matters on which we are required to report by exception

We have nothing to report in respect of the following.

Under the Companies Act 2006 we are required to report to you if, in our opinion:

- adequate accounting records have not been kept by the parent company, or returns adequate for our audit have not been received from branches not visited by us; or
- the parent company financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

### Other matter

We have reported separately on the group financial statements of Weatherly International plc for the year ended 30 June 2013.

**Nicholas Page**
Senior Statutory Auditor
for and on behalf of Grant Thornton UK LLP
Statutory Auditor, Chartered Accountants, Gatwick

*14 October 2013*

# Company balance sheet

At 30 June 2013

| As at | Notes | 30 June 2013 US$'000 | 30 June 2012 US$'000 |
|---|---|---|---|
| **Fixed assets** | | | |
| Investments | 38 | 39,097 | 39,097 |
| Total fixed assets | | 39,097 | 39,097 |
| **Current assets** | | | |
| Debtors – amounts due greater than 1 year | 42 | 52,928 | 53,538 |
| Debtors – amounts due less than 1 year | 42 | 402 | 215 |
| Cash at bank and in hand | | 4,163 | 3,123 |
| Total current assets | | 57,493 | 56,876 |
| **Creditors** | | | |
| Amounts falling due within one year | 43 | 337 | 371 |
| | | 337 | 371 |
| Net current assets | | 57,156 | 56,505 |
| **Net assets** | | **96,253** | **95,602** |
| **Capital and reserves** | | | |
| Called up share capital | 47 | 4,581 | 4,581 |
| Share premium | 47 | 6,092 | 6,092 |
| Merger reserve | 47 | 18,471 | 18,471 |
| Share-based payments reserve | 47 | 464 | 486 |
| Profit and loss account | 47 | 66,645 | 65,972 |
| | | **96,253** | **95,602** |

On behalf of the board:

**John Bryant**
Chairman

Approved by the board on 14 October 2013

Company registration no. 3954224

The notes on pages 73 to 78 form part of these financial statements.

## 37. Basis of accounting

The separate financial statements of the company are presented as required by the Companies Act 2006. They have been prepared under the historical cost convention and in accordance with applicable United Kingdom Accounting Standards and law.

The principal accounting policies are summarised below and are consistent in all material respects with those applied in the previous year, except as otherwise noted.

## 38. Accounting policies: parent entity

**a. Basis of preparation and change in accounting policy**

The parent entity financial statements of Weatherly International plc were approved for issue by the board of directors on 14 October 2013.

The financial statements are prepared under the historical cost convention.

The financial statements are prepared in accordance with United Kingdom Generally Accepted Accounting Practice.

**b. Deferred tax**

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions or events have occurred at that date that will result in an obligation to pay more, or a right to pay less or to receive more tax, with the following exceptions:

- provision is made for tax on gains arising from the revaluation (and similar fair value adjustments) of fixed assets, and gains on disposal of fixed assets that have been rolled over into replacement assets, only to the extent that, at the balance sheet date, there is a binding agreement to dispose of the assets concerned. However, no provision is made where, on the basis of all available evidence at the balance sheet date, it is more likely than not that the taxable gain will be rolled over into replacement assets and charged to tax only where the replacement assets are sold;
- provision is made for deferred tax that would arise on remittance of the retained earnings of overseas subsidiaries, associates and joint ventures only to the extent that, at the balance sheet date, dividends have been accrued as receivable; and
- deferred tax assets are recognised only to the extent that the directors consider that it is more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted.

Deferred tax is measured on an undiscounted basis at the tax rates that are expected to apply in the periods in which timing differences reverse, based on tax rates and laws enacted or substantively enacted at the balance sheet date.

## 38. Accounting policies: parent entity continued

### c. Share-based payments

*Equity-settled transactions*

The cost of equity-settled transactions with employees is measured by reference to the fair value at the date at which they are granted and is recognised as an expense over the vesting period, which ends on the date on which the relevant employees become fully entitled to the award. Fair value is determined by an external valuer using an appropriate pricing model. In valuing equity-settled transactions, no account is taken of any vesting conditions, other than market conditions linked to the price of the shares of the company.

No expense is recognised for awards that do not ultimately vest, except for awards where vesting is conditional upon a market condition, which are treated as vesting irrespective of whether or not the market condition is satisfied, provided that all other performance conditions are satisfied.

At each balance sheet date before vesting, the cumulative expense is calculated, representing the extent to which the vesting period has expired and management's best estimate of the achievement or otherwise of non-market conditions and the number of equity instruments that will ultimately vest, or in the case of an instrument subject to a market condition, be treated as vesting as described above. The movement in cumulative expense since the previous balance sheet date is recognised in the profit and loss amount with a corresponding entry in equity.

Where the terms of an equity-settled award are modified or a new award is designated as replacing a cancelled or settled award, the cost based on the original award terms continues to be recognised over the original vesting period. In addition, an expense is recognised over the remainder of the new vesting period for the incremental fair value of any modification, based on the difference between the fair value of the original award and the fair value of the modified award, both as measured on the date of the modification. No reduction is recognised if this difference is negative.

Where an equity-settled award is cancelled, it is treated as if it had vested on the date of cancellation, and any cost not yet recognised in the profit and loss for the award is expensed immediately. Any compensation paid up to the fair value of the award at the cancellation or settlement date is deducted from equity, with any excess over fair value being treated as an expense in the profit and loss account.

All equity-settled share-based payments are ultimately recognised as an expense in the profit and loss account with a corresponding credit to "other reserve".

Upon exercise of share options, the proceeds received net of attributable transaction costs are credited to share capital and, where appropriate, share premium.

### d. Interest-bearing loans and borrowings

All interest-bearing loans and borrowings are initially recognised at net proceeds. After initial recognition, debt is increased by the finance cost in respect of the reporting period and reduced by payments made in respect of the debts of the period. Finance costs of debt are allocated over the term of the debt at a constant rate on the carrying amount.

## 38. Accounting policies: parent entity continued

**e. Classification of shares as debt or equity**

An equity instrument is a contract that evidences a residual interest in the assets of an entity after deducting all its liabilities. Accordingly, a financial instrument is treated as equity if:

(i) there is no contractual obligation to deliver cash or other financial assets or to exchange financial assets or liabilities on terms that may be unfavourable; and

(ii) the instrument is a non-derivative that contains no contractual obligations to deliver a variable number of shares or is a derivative that will be settled only by the group exchanging a fixed amount of cash or other assets for a fixed number of the group's own equity instruments.

When shares are issued, any component that creates a financial liability of the company or group is presented as a liability in the balance sheet, measured initially at fair value net of transaction costs and thereafter at amortised cost until extinguished on conversion or redemption. The corresponding dividends relating to the liability component are charged as an interest expense in the income statement. The initial fair value of the liability component is determined using a market rate for an equivalent liability without a conversion feature.

The remainder of the proceeds on issue is allocated to the equity component and included in shareholders' equity, net of transaction costs. The carrying amount of the equity component is not re-measured in subsequent years.

Transaction costs are apportioned between the liability and equity components of the shares, based on the allocation of proceeds to the liability and equity components when the instruments are first recognised.

**f. Investments**

Investments are measured at historic cost, less any provision for impairment.

## 39. Investments

| | 30 June 2013 US$'000 | 30 June 2012 US$'000 |
|---|---|---|
| **Fixed asset investments** | | |
| Opening balance | 39,097 | 36,152 |
| CAR plc (see note 19(b)) | – | 4,146 |
| Dividend – disposal of shares (see note 19(b)) | – | (1,201) |
| Closing balance | 39,097 | 39,097 |

For a listing of the subsidiaries, see note 19(a).

## 40. Operating profit

Auditor's remuneration relating to the parent entity amounted to US$58,000 (2012: US$66,000).

# Notes to the consolidated financial statements

For the year ended 30 June 2013

## 41. Directors' remuneration

| | 2013<br>US$'000 | 2012<br>US$'000 |
|---|---|---|
| Emoluments | 457 | 603 |
| Contributions to money-purchase schemes | 61 | 61 |
| | 518 | 664 |
| Fees of highest paid director | 273 | 441 |

During the year, no directors (2012: nil) participated in defined benefit pension schemes and one director (2012: one) participated in money-purchase pension schemes.

## 42. Debtors

| | 30 June 2013<br>US$'000 | 30 June 2012<br>US$'000 |
|---|---|---|
| **Debtors due within one year** | | |
| Trade debtors | 181 | 55 |
| Pre-payments and other debtors | 203 | 145 |
| VAT | 18 | 15 |
| Total current | 402 | 215 |
| **Debtors due after more than one year** | | |
| Amount due from subsidiary undertakings (see note 50) | 52,928 | 53,538 |
| Total non-current | 52,928 | 53,538 |
| Total debtors | 53,330 | 53,753 |

## 43. Creditors: amounts falling due within one year

| | 30 June 2013<br>US$'000 | 30 June 2012<br>US$'000 |
|---|---|---|
| Trade creditors | 243 | 110 |
| Other creditors and accruals | 94 | 261 |
| | 337 | 371 |

## 44. Subsidiaries

Details of the company's subsidiaries at 30 June 2013 are as included in the consolidated group accounts under note 19(a).

# Notes to the consolidated financial statements

For the year ended 30 June 2013

## 45. Financial assets

*Loans to other group entities*

At the balance sheet date amounts receivable from the fellow group companies were US$53.5 million (2012: US$54.2 million). The carrying amount of these assets approximates to their fair value. These amounts owing from group companies are shown net of an impairment amount of US$10.5 million (2012: US$10.5 million). Following a review by the directors these are considered due after more than one year as there is no agreed repayment date.

*Cash and cash equivalents*

These comprise cash held by the company and short-term bank deposits with an original maturity of three months or less. The carrying amount of these assets approximates their fair value.

## 46. Financial liabilities

*Trade and other payables*

Trade payables principally comprise amounts outstanding for trade purchases and ongoing costs.

The carrying amount of trade payables approximates their fair value.

*Borrowings*

The company had no borrowings during the financial year (2012: US$nil)

## 47. Movement in shareholders' funds

| | Issued capital | Share premium | Merger reserve | Share-based payment reserve | Retained earnings | Total equity |
|---|---|---|---|---|---|---|
| | US$'000 | US$'000 | US$'000 | US$'000 | US$'000 | US$'000 |
| **At 30 June 2011** | **4,581** | **6,092** | **18,471** | **302** | **64,567** | **94,013** |
| Profit for the year | – | – | – | – | 2,507 | 2,507 |
| Dividend | – | – | – | – | (1,202) | (1,202) |
| Lapsed options and warrants | – | – | – | (100) | 100 | – |
| Share-based payments | – | – | – | 284 | – | 284 |
| **At 30 June 2012** | **4,581** | **6,092** | **18,471** | **486** | **65,972** | **95,602** |
| Profit for the year | – | – | – | – | 504 | 504 |
| Lapsed options and warrants | – | – | – | (169) | 169 | – |
| Share-based payments | – | – | – | 147 | – | 147 |
| **At 30 June 2013** | **4,581** | **6,092** | **18,471** | **464** | **66,645** | **96,253** |

# Notes to the consolidated financial statements

For the year ended 30 June 2013

## 48. Profit attributable to members of the parent company

The profit for the year dealt with in the accounts of the parent company, Weatherly International plc, was US$503,000 (2012: profit of US$2,507,000). As permitted by section 408 of the Companies Act 2006, no separate profit or loss account is presented in respect of the parent company.

## 49. Post-balance sheet events

See note 34.

## 50. Related party transactions

The following related party transactions occurred with Weatherly Mining Namibia Ltd, a non-wholly owned subsidiary.

| | 30 June 2013 US$'000 | 30 June 2012 US$'000 |
|---|---|---|
| Debtors | 52,928 | 53,538 |
| Management fees received | 2,400 | 2,400 |
| Interest received | 329 | 1,097 |

The following related party transactions occurred with CAR plc, an associated company.

| | 30 June 2013 US$'000 | 30 June 2012 US$'000 |
|---|---|---|
| Debtors | 166 | 55 |
| Management fees received | 552 | 552 |

The exemption available from disclosing related party transactions with wholly owned subsidiaries has been taken.

# Company information

## Directors
J Bryant (Non-executive Chairman)
R J Webster (Chief Executive Officer)
W G Martinick (Non-executive)
A J Stephens (Senior Independent Non-executive)
C G Stavrakis (Non-executive)

## Secretary
M G Herbert

## Registered office
180 Piccadilly
London W1J 9HF

## Registered number
3954224 (England and Wales)

## Auditor
Grant Thornton UK LLP
The Explorer Building
Fleming Way
Manor Royal
Crawley RH10 9GT

## Bankers
Bank of Scotland
St James's Gate
14–16 Cockspur Street
London SW1Y 5BL

## Solicitors
Morrison & Foerster (UK) LLP
CityPoint
One Ropemaker Street
London EC2Y 9AW

## Nominated adviser and broker
Canaccord Genuity Limited
88 Wood Street
London EC2V 7QR

## Registrars
Capita Registrars
The Registry
34 Beckenham Road
Beckenham
Kent BR3 4TU

## Website
www.weatherlyplc.com

## TIDN
WTI.L

WEATHERLY
INTERNATIONAL PLC

**WEATHERLY INTERNATIONAL PLC**
180 Piccadilly, London W1J 9HF

**WEATHERLY INTERNATIONAL NAMIBIA**
Box 40791, Ausspannplatz, Windhoek

**www.weatherlyplc.com**